

CITY OF CUDAHY

Cudahy, Wisconsin

FINANCIAL STATEMENTS

Including Independent Auditor's Report

As of and for the Year Ended December 31, 2015

This page intentionally left blank.

CITY OF CUDAHY

TABLE OF CONTENTS As of and for the year ended December 31, 2015

	Page
Independent Auditors' Report	1 – 2
Management's Discussion and Analysis (Required Supplementary Information)	3 – 12
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Position	13
Statement of Activities	14
Fund Financial Statements	
Balance Sheet – Governmental Funds	15 – 16
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	17
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	18
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	19
Statement of Net Position – Proprietary Funds	20 – 21
Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds	22
Statement of Cash Flows – Proprietary Funds	23 – 24
Statement of Assets and Liabilities – Agency Fund	25
Index to Notes to the Financial Statements	26
Notes to the Financial Statements	27 – 72
Required Supplementary Information	
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual (Non-GAAP) – General Fund	73
Schedule of Funding Progress	74
Schedule of Proportionate Share of the Net Pension Asset – Wisconsin Retirement System	75
Schedule of Employer Contributions – Wisconsin Retirement System	75
Notes to Required Supplementary Information	76

CITY OF CUDAHY

TABLE OF CONTENTS As of and for the year ended December 31, 2015

Supplementary Information

Combining Balance Sheet – Nonmajor Governmental Funds	77 – 78
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds	79 – 80

INDEPENDENT AUDITORS' REPORT

This page intentionally left blank.

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, 2015, 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, 2015 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.

Emphasis of Matter

As discussed in Note I, the City of Cudahy adopted the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*, effective January 1, 2015. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information 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

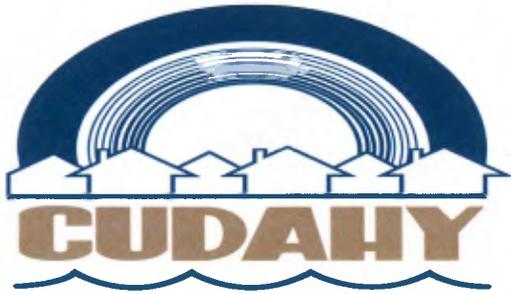
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Cudahy's basic financial statements. The supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part 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 supplementary information is fairly stated in all material respects, in relation to the basic financial statements as a whole.

Baker Tilly Virchow Krause LLP

Milwaukee, Wisconsin
June 20, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

This page intentionally left blank.



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, 2015. 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 \$58.8 million (net position), an increase of \$5.1 million over the prior year net position of \$53.7 million. This increase includes \$4.1 million from a restatement of net position, due to the implementation of GASB Statement No. 68 – *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27* and GASB Statement No. 71 – *Pension Transition for Contributions Made Subsequent to the Measurement Date*.

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 \$23.1 million, a decrease of \$7.1 million in comparison with the prior year. Approximately 11.2 percent of this total amount, \$2.5 million, is available for spending at the government's discretion (unassigned fund balance). At year-end, management had set aside all 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 \$3.2 million, or 25 percent of total general fund expenditures. In accordance with City of Cudahy policy, management has set aside \$3.2 million of this unassigned fund balance for working capital and future contingencies based on 25 percent of the 2016 general fund budget.

The City of Cudahy's total long-term obligations (governmental & business type) decreased by \$5.4 million 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 nineteen 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, the tax increment district #1 capital projects fund, and the capital improvements 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 72, 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 - 72 of this report.

Other information. The required supplementary information can be found on pages 73 - 76 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 77 - 80 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 \$58.8 million and \$57.8 million at December 31, 2015 and 2014 (as restated), respectively, as presented in the following table.

CITY OF CUDAHY'S NET POSITION						
December 31, (In Thousands)						
	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Current and other assets	\$ 46,800	\$ 51,385	\$ 11,128	\$ 11,040	\$ 57,928	\$ 62,425
Capital assets	51,480	49,312	32,821	32,613	84,301	81,925
Total assets	98,280	100,697	43,949	43,653	142,229	144,350
Deferred Outflows of Resources	2,804	827	210	57	3,014	884
Current and other liabilities	1,331	1,369	909	892	2,240	2,261
Long-term liabilities	55,289	60,047	14,231	14,914	69,520	74,961
Total liabilities	56,620	61,416	15,140	15,806	71,760	77,222
Deferred Inflows of Resources	14,634	14,272	-	-	14,634	14,272
Net Position						
Net investment capital assets	29,804	25,577	24,414	24,249	50,487	45,899
Restricted	13,561	15,234	1,630	447	15,191	15,681
Unrestricted (Deficit)	(13,535)	(14,976)	2,975	3,208	(6,829)	(7,841)
Total net position	\$ 29,830	\$ 25,835	\$ 29,019	\$ 27,904	\$ 58,849	\$ 53,739

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 \$29.8 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, \$13.56 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 \$13.5 million.

The City of Cudahy's net position increased by \$1,009,996 during the current fiscal year. The amount related to the governmental activities was \$214,661, while the business-type activities had an increase in net position of \$795,335.

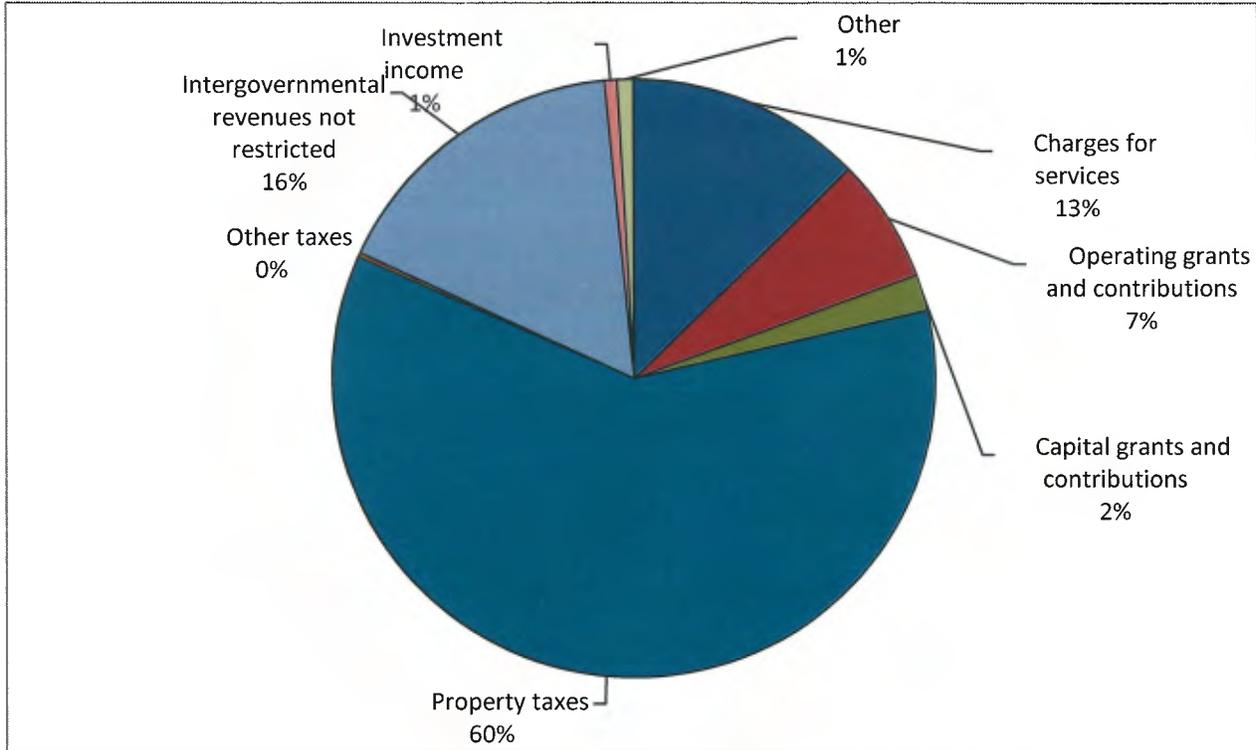
The Governmental Activities deficit of \$13.5 million principally represents utility capital assets contributed by the Governmental Activities (Tax Increment Financing (TIF) Program) to the Business-Type Activities and other noncapital development costs financed with TIF debt.

Statement of activities. The following is a more detailed review of the City's 2015 and 2014 operations.

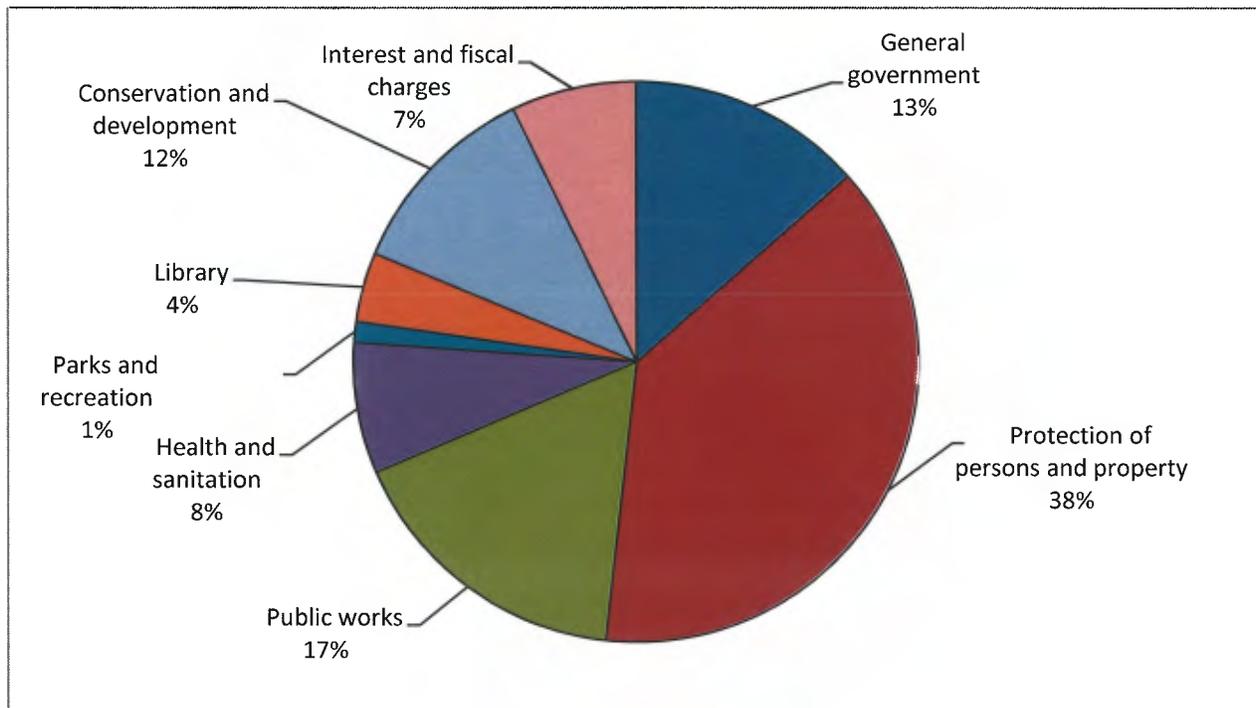
CITY OF CUDAHY'S CHANGES IN NET POSITION						
For the year ending December 31,						
(In Thousands)						
	Governmental		Business-type		Total	
	Activities	Activities	Activities	Activities	2015	2014
	2015	2014	2015	2014	2015	2014
Revenues						
Program revenues						
Charges for services	\$ 2,845	\$ 2,710	\$ 6,805	\$ 6,560	\$ 9,650	\$ 9,270
Operating grants and contributions	1,515	1,628	-	-	1,515	1,628
Capital grants and contributions	442	913	-	-	442	913
General revenues						
Property taxes	13,604	14,000	-	-	13,604	14,000
Other taxes	47	41	-	-	47	41
Intergovernmental revenues not restricted	3,733	3,737	-	-	3,733	3,737
Investment income	153	135	15	7	168	142
Other	193	140	36	11	229	151
Total revenues	<u>22,532</u>	<u>23,304</u>	<u>6,856</u>	<u>6,578</u>	<u>29,388</u>	<u>29,882</u>
Expenses						
General government	3,068	2,965	-	-	3,068	2,965
Protection of persons and property	8,719	9,028	-	-	8,719	9,028
Public works	3,819	3,469	-	-	3,819	3,469
Health and sanitation	1,718	1,986	-	-	1,718	1,986
Parks and recreation	274	182	-	-	274	182
Library	912	940	-	-	912	940
Conservation and development	2,638	1,132	-	-	2,638	1,132
Interest and fiscal charges	1,617	1,809	-	-	1,617	1,809
Water	-	-	2,136	3,108	2,136	3,108
Sewer	-	-	2,542	2,467	2,542	2,467
Storm Water	-	-	935	988	935	988
Total expenses	<u>22,765</u>	<u>21,511</u>	<u>5,613</u>	<u>6,563</u>	<u>28,378</u>	<u>28,074</u>
Increase (decrease) in net position before transfers	(233)	1,793	1,243	15	1,010	1,808
Transfers	448	395	(448)	(395)	-	-
Increase (decrease) in net position	215	2,188	795	(380)	1,010	1,808
Net position - January 1 (as restated)	<u>29,615</u>	<u>23,647</u>	<u>28,224</u>	<u>28,284</u>	<u>57,839</u>	<u>51,931</u>
Net position - December 31,	<u>\$ 29,830</u>	<u>\$ 25,835</u>	<u>\$ 29,019</u>	<u>\$ 27,904</u>	<u>\$ 58,849</u>	<u>\$ 53,739</u>

The significant changes between the 2015 governmental activities data compared to the 2014 data include an decrease in capital grants and contributions of \$471,000, a decrease of protection of persons and property expenses of \$309,000, an increase of public works expenses of \$350,000, an increase of conservation and development expenses of \$1,506,000 and an decrease interest and fiscal charges of \$192,000.

Program and General Revenues by Source – Governmental Activities

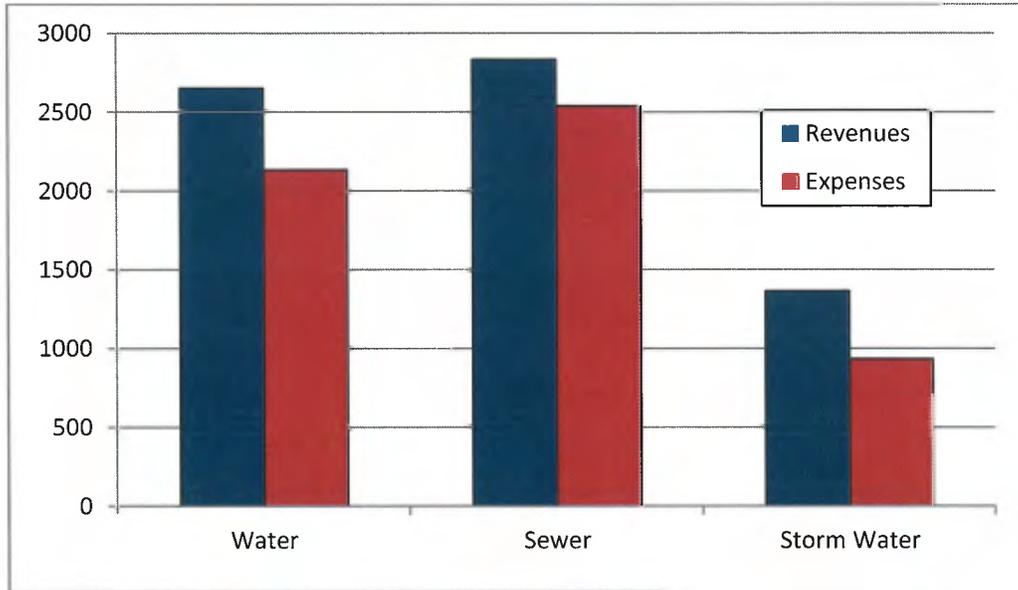


Expenses by Function – Governmental Activities

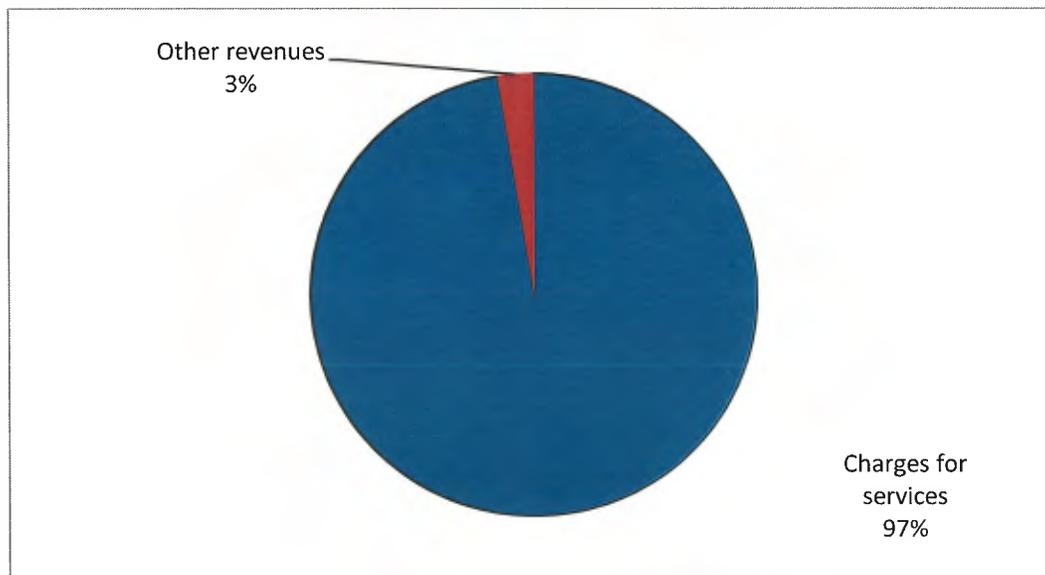


Business-type activities. The significant changes between the 2015 business-type activities compared to the 2014 data include an increase in charges for services of \$245,000 and a decrease in expenditures before transfers of \$950,000.

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 \$23.1 million, a decrease of \$7.1 million in comparison with the prior year. Approximately 11.2 percent of this total amount (\$2.7 million) constitutes *unassigned fund balance*, which is available for spending at the government's discretion. Management has set aside \$3.2 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 (\$38,000) and restricted amounts in excess of available fund balance (\$494,000) reduces the unassigned fund balance amount. The City has nonspendable fund balance (\$1,108,000) for prepaid items (\$305,000), the Cudahy Family Library's children endowment fund (\$100,000), and the advance to other funds (\$703,000). Restricted fund balance (\$12.5 million) includes amounts that will be used to pay tax increment district project costs (\$3.97 million), debt service (\$5.98 million), tax increment district bond funds (\$364,000), noncurrent receivables (\$797,000), the Cudahy Family Library's endowment fund (\$299,000), CDA Project costs of (\$744,000) and other library activities (\$363,000). The City has also committed fund balance (\$2.2 million) for specific purposes. Lastly, the assigned fund balance (\$4.5 million) includes amounts for capital project funding (\$4.3 million) and for a variety of general fund activities (\$232,000).

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 \$3.2 million, while total fund balance amounted to \$4.4 million. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance (\$3.2 million), which includes the fund balance set aside for working capital (\$3.2 million), to total general fund expenditures. Unassigned fund balance represents 25 percent of total general fund expenditures, while total fund balance represents 34.8 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 \$15,000, for the Sewer Utility amounted to \$787,000 and for the Storm Water Utility amounted to \$2.2 million. The change in net position for these funds included an increase of \$89,000 in the Water Utility, an increase of \$274,000 in the Sewer Utility and an increase \$432,000 in the Storm Water Utility.

General Fund Budgetary Highlights

Actual revenues and other financing sources were greater than budget by \$264,000. Budgetary expenditures were less than budget by \$9,000 on a total budget of \$12.91 million. In total, the General Fund results were an increase to fund balance of \$276,000. Accordingly, on a budgetary basis the General Fund experienced a total favorable budget variance of \$273,000.

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, 2015 and 2014 amounts to \$84.3 million and \$81.9 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	
	Activities		Activities			
	2015	2014	2015	2014	2015	2014
Land & improvements	\$ 14,903	\$ 14,914	\$ 220	\$ 168	\$ 15,123	\$ 15,082
Construction in progress	114	815	28	26	142	841
Buildings	9,148	9,306	322	385	9,470	9,691
Machinery and equipment	3,329	3,221	1,331	1,492	4,660	4,713
Intangible assets	30	60	-	-	30	60
Infrastructure	23,501	20,523	30,920	30,542	54,421	51,065
Library books	455	473	-	-	455	473
Total	\$ 51,480	\$ 49,312	\$ 32,821	\$ 32,613	\$ 84,301	\$ 81,925

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 \$69.5 million and \$74.9 million, respectively. Of these amounts, debt backed by the full faith and credit of the government comprised \$35.4 million in 2015 and \$38.7 million in 2014. 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 \$5.44 million during the current fiscal year.

CITY OF CUDAHY'S OUTSTANDING DEBT						
December 31,						
(In Thousands)						
	Governmental		Business-type		Total	
	Activities		Activities			
	2015	2014	2015	2014	2015	2014
General obligation bonds and notes	\$ 32,333	\$ 35,413	\$ 3,077	\$ 3,297	\$ 35,410	\$ 38,710
Revenue bonds	15,839	18,278	10,855	11,330	26,694	29,608
Compensated absences	881	895	-	-	881	895
Other post-employment benefits	5,561	4,843	124	101	5,685	4,944
Other	675	618	175	186	850	804
Total	\$ 55,289	\$ 60,047	\$ 14,231	\$ 14,914	\$ 69,520	\$ 74,961

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 2015.

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 \$54.79 million which is significantly in excess of the City of Cudahy's outstanding general obligation debt of \$35.4 million.

Additional information on the City of Cudahy's long-term debt can be found in Note III F. on pages 50 - 56 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, 2015 was 5.1 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 2015 collected in 2016 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 2016 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, 2015

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and investments	\$ 19,276,235	\$ 2,185,391	\$ 21,461,626
Taxes receivable	15,209,921	-	15,209,921
Accounts receivable, net of allowance of \$39,044	172,000	1,994,648	2,166,648
Accrued investment income	49,449	-	49,449
Special assessments receivable	232,444	-	232,444
Loans receivable	797,424	-	797,424
Other receivables	408,778	383	409,161
Internal balances	(325,186)	325,186	-
Prepaid items	305,452	-	305,452
Deposit with Cities and Villages			
Mutual Insurance Company	722,170	-	722,170
Advances	786,617	(786,617)	-
Materials and supply inventory	-	63,908	63,908
Restricted assets			
Cash and investments	2,587,762	7,188,059	9,775,821
Net pension asset	1,848,814	156,721	2,005,535
Land held for resale	4,728,340	-	4,728,340
Capital assets			
Land	14,599,528	220,342	14,819,870
Other capital assets, net of depreciation	36,766,405	32,572,656	69,339,061
Construction in progress	114,473	27,873	142,346
Total Assets	<u>98,280,626</u>	<u>43,948,550</u>	<u>142,229,176</u>
DEFERRED OUTFLOWS OF RESOURCES			
Unamortized loss on refunding	879,612	47,655	927,267
Deferred outflows related to pensions	1,924,015	162,740	2,086,755
Total Deferred Outflows of Resources	<u>2,803,627</u>	<u>210,395</u>	<u>3,014,022</u>
LIABILITIES			
Accounts payable and other current liabilities	1,018,584	813,928	1,832,512
Accrued interest payable	312,634	94,857	407,491
Noncurrent liabilities			
Due within one year	6,156,820	781,509	6,938,329
Due in more than one year	49,132,050	13,449,526	62,581,576
Total Liabilities	<u>56,620,088</u>	<u>15,139,820</u>	<u>71,759,908</u>
DEFERRED INFLOWS OF RESOURCES			
Unearned revenue	14,634,503	-	14,634,503
Total Deferred Inflows of Resources	<u>14,634,503</u>	<u>-</u>	<u>14,634,503</u>
NET POSITION			
Net investment in capital assets	29,803,783	24,413,984	50,486,694
Restricted for			
Debt service	3,845,375	389,558	4,234,933
TID activities	7,104,517	-	7,104,517
Library endowment	100,000	-	100,000
Library capital improvements	298,930	-	298,930
Library operations	362,838	-	362,838
Equipment replacement	-	1,083,381	1,083,381
Pensions	1,848,814	156,721	2,005,535
Unrestricted (Deficit)	<u>(13,534,595)</u>	<u>2,975,481</u>	<u>(6,828,041)</u>
TOTAL NET POSITION	<u>\$ 29,829,662</u>	<u>\$ 29,019,125</u>	<u>\$ 58,848,787</u>

See accompanying notes to financial statements.

CITY OF CUDAHY

STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2015

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Totals
Governmental Activities							
General government	\$ 3,068,157	\$ 420,522	\$ -	\$ -	\$ (2,647,635)	\$ -	\$ (2,647,635)
Protection of persons and property	8,718,614	1,389,889	143,027	312,379	(6,873,319)	-	(6,873,319)
Public works	3,818,699	465,160	1,006,355	-	(2,347,184)	-	(2,347,184)
Health and sanitation	1,718,505	514,077	140,731	-	(1,063,697)	-	(1,063,697)
Parks and recreation	274,135	472	-	-	(273,663)	-	(273,663)
Library	912,102	55,187	224,801	-	(632,114)	-	(632,114)
Conservation and development	2,638,072	-	-	129,443	(2,508,629)	-	(2,508,629)
Interest and fiscal charges	1,616,878	-	-	-	(1,616,878)	-	(1,616,878)
Total Governmental Activities	22,765,162	2,845,307	1,514,914	441,822	(17,963,119)	-	(17,963,119)
Business-type Activities							
Water	2,136,190	2,632,139	-	-	-	495,949	495,949
Sewer	2,541,940	2,821,820	-	-	-	279,880	279,880
Storm Water	935,226	1,351,688	-	-	-	416,462	416,462
Total Business-type Activities	5,613,356	6,805,647	-	-	-	1,192,291	1,192,291
Totals	\$ 28,378,518	\$ 9,650,954	\$ 1,514,914	\$ 441,822	(17,963,119)	1,192,291	(16,770,828)
General Revenues:							
Taxes:							
Property taxes, levied for general purposes					7,063,391	-	7,063,391
Property taxes, levied for debt service					1,229,684	-	1,229,684
Property taxes, levied for tax increment districts					5,310,447	-	5,310,447
Other taxes					46,641	-	46,641
Intergovernmental revenues not restricted to specific programs					3,733,030	-	3,733,030
Investment income					153,106	14,836	167,942
Miscellaneous					193,016	36,673	229,689
Transfers					448,465	(448,465)	-
Total General Revenues and Transfers					18,177,780	(396,956)	17,780,824
Change in Net Position					214,661	795,335	1,009,996
NET POSITION - Beginning of Year (As Restated)					29,615,001	28,223,790	57,838,791
NET POSITION - END OF YEAR					\$ 29,829,662	\$ 29,019,125	\$ 58,848,787

CITY OF CUDAHY

BALANCE SHEET
GOVERNMENTAL FUNDS
As of December 31, 2015

	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	\$ 3,086,261	\$ 3,057,097	\$ 4,158,009	\$ -	\$ 4,050,626	\$ 4,400,181	\$ 18,752,174
Accounts receivable (net of allowance uncollectibles of \$39,044)	-	-	-	-	427	135,189	135,616
Taxes receivable	6,567,983	5,138,714	1,380,213	5,493	-	2,117,518	15,209,921
Special assessments receivable	-	-	-	9,079	-	223,365	232,444
Loans receivable	-	-	-	797,424	-	-	797,424
Other receivables	178,176	281,461	-	-	-	-	459,637
Due from other funds	566,721	-	-	-	-	-	566,721
Advance to other funds	786,617	-	-	-	-	-	786,617
Restricted cash and investments	-	-	1,825,178	-	-	762,584	2,587,762
Prepaid items	285,162	-	-	-	17,918	2,372	305,452
Total Assets	\$ 11,470,920	\$ 8,477,272	\$ 7,363,400	\$ 811,996	\$ 4,068,971	\$ 7,641,209	\$ 39,833,768

CITY OF CUDAHY
BALANCE SHEET
GOVERNMENTAL FUNDS
As of December 31, 2015

	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	\$ 366,767	\$ 42,894	\$ -	\$ 4,466	\$ 83,318	\$ 94,966	\$ 592,411
Accrued liabilities	249,991	207	-	847	-	25,669	276,714
Due to other funds	325,186	-	-	124,596	-	442,125	891,907
Total Liabilities	<u>941,944</u>	<u>43,101</u>	<u>-</u>	<u>129,909</u>	<u>83,318</u>	<u>562,760</u>	<u>1,761,032</u>
DEFERRED INFLOWS OF RESOURCES							
Unearned revenues	6,106,377	5,138,714	1,380,213	-	-	2,009,199	14,634,503
Unavailable revenues	-	-	-	14,572	-	347,306	361,878
Total Deferred Inflows of Resources	<u>6,106,377</u>	<u>5,138,714</u>	<u>1,380,213</u>	<u>14,572</u>	<u>-</u>	<u>2,356,505</u>	<u>14,996,381</u>
FUND BALANCES							
Nonspendable	987,815	-	-	-	17,918	102,372	1,108,105
Restricted	-	3,295,457	5,983,187	797,424	-	2,445,403	12,521,471
Committed	-	-	-	-	-	2,247,258	2,247,258
Assigned	232,545	-	-	-	3,967,735	328,826	4,529,106
Unassigned (Deficit)	3,202,239	-	-	(129,909)	-	(401,915)	2,670,415
Total Fund Balances	<u>4,422,599</u>	<u>3,295,457</u>	<u>5,983,187</u>	<u>667,515</u>	<u>3,985,653</u>	<u>4,721,944</u>	<u>23,076,355</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 11,470,920</u>	<u>\$ 8,477,272</u>	<u>\$ 7,363,400</u>	<u>\$ 811,996</u>	<u>\$ 4,068,971</u>	<u>\$ 7,641,209</u>	<u>\$ 39,833,768</u>

CITY OF CUDAHY

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION For the Year Ended December 31, 2015

Fund balance - total governmental funds	\$ 23,076,355
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	4,728,340
Land	14,599,528
Construction in progress	114,473
Other capital assets	66,409,527
Less: Accumulated depreciation	(29,643,122)
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	361,873
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.	
	1,131,751
The net pension asset does not relate to current financial resources and is not reported in the governmental funds.	
	1,848,814
Deferred outflows of resources related to pensions do not relate to current financial resources and are not reported in the governmental funds	
	1,924,015
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	(48,171,819)
Unamortized loss on refunding	879,612
Unamortized debt premium	(675,143)
Compensated absences	(881,333)
Accrued interest	(312,634)
Unfunded OPEB liability	<u>(5,560,575)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 29,829,662</u>

CITY OF CUDAHY

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2015

	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	\$ 5,794,269	\$ 5,036,132	\$ 1,229,684	\$ -	\$ -	\$ 1,582,292	\$ 13,642,377
Other taxes	-	-	-	-	-	7,787	7,787
Intergovernmental	4,797,374	54,082	-	-	-	765,551	5,617,007
Licenses and permits	500,763	-	-	-	-	-	500,763
Fines, forfeitures and penalties	857,361	-	-	-	-	25,136	882,497
Public charges for services	388,221	-	-	-	-	909,187	1,297,408
Interdepartmental charges for services	31,823	-	-	-	-	-	31,823
Public improvement revenues	-	-	-	11,231	-	223,584	234,815
Investment income	27,291	10,256	9,002	3,499	7,983	25,855	83,886
Commercial revenues	121,329	65,409	-	-	427	78,644	265,809
Total Revenues	12,518,431	5,165,879	1,238,686	14,730	8,410	3,618,036	22,564,172
EXPENDITURES							
Current							
General government	2,720,868	-	-	-	-	-	2,720,868
Protection of persons and property	7,312,358	-	-	-	-	379,950	7,692,308
Public works	1,513,446	-	-	133	-	-	1,513,579
Health and sanitation	865,703	-	-	-	-	851,264	1,716,967
Park and recreation	257,208	-	-	-	-	-	257,208
Library	-	-	-	-	-	718,199	718,199
Conservation and development	-	2,524,891	-	51,956	-	78,017	2,654,864
Capital Outlay	21,122	2,241,856	-	277,333	2,278,736	912,450	5,731,497
Debt Service							
Principal retirement	-	-	5,540,661	-	-	-	5,540,661
Interest and other charges	-	-	1,607,322	-	-	-	1,607,322
Total Expenditures	12,690,705	4,766,747	7,147,983	329,422	2,278,736	2,939,880	30,153,473
Excess (deficiency) of revenues over expenditures	(172,274)	399,132	(5,909,297)	(314,692)	(2,270,326)	678,156	(7,589,301)
OTHER FINANCING SOURCES (USES)							
Long-term debt issued	-	-	5,195,000	-	-	-	5,195,000
Premium on long term debt issued	-	-	127,380	-	-	-	127,380
Payment to refunding bond escrow agent	-	-	(5,290,711)	-	-	-	(5,290,711)
Transfers in	448,465	1,000,000	6,418,166	-	-	195,414	8,062,045
Transfers out	-	(5,557,418)	-	(1,674,680)	-	(381,482)	(7,613,580)
Total Other Financing Sources (Uses)	448,465	(4,557,418)	6,449,835	(1,674,680)	-	(186,068)	480,134
Net change in fund balances	276,191	(4,158,286)	540,538	(1,989,372)	(2,270,326)	492,088	(7,109,167)
FUND BALANCES - Beginning of Year	4,146,408	7,453,743	5,442,649	2,656,887	6,255,979	4,229,856	30,185,522
FUND BALANCES - END OF YEAR	\$ 4,422,599	\$ 3,295,457	\$ 5,983,187	\$ 667,515	\$ 3,985,653	\$ 4,721,944	\$ 23,076,355

This page intentionally left blank.

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, 2015

Net change in fund balances - total governmental funds \$ (7,109,167)

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	5,731,497
Some items reported as capital outlay were not capitalized	(1,153,771)
Land purchased and held for resale	360,030
Depreciation is reported in the government-wide statements	(2,029,312)
Net book value of assets retired	(379,474)

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. (31,968)

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	(5,195,000)
Principal repaid	10,655,660
Payments on tax increment revenue bonds	59,026

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	13,302
Unfunded OPEB liability	(717,133)
Accrued interest on debt	43,685
Net pension asset	(1,196,744)
Deferred outflows related to pensions	1,190,063

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.

Loss on refunding	175,711
Amortization of loss on refunding	(123,190)
Premium on debt issued	(127,380)
Amortization of debt premium	69,947

Internal service funds are used by management to charge self insurance costs to individual funds. (21,121)

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 214,661

CITY OF CUDAHY

STATEMENT OF NET POSITION
 PROPRIETARY FUNDS
 As of December 31, 2015

	Business-type Activities - Enterprise Funds			Totals	Governmental Activities - Internal Service Fund
	Water Utility	Sewer Utility	Storm Water Utility		
ASSETS					
Current Assets					
Cash and investments	\$ 128,554	\$ 386,473	\$ 1,670,364	\$ 2,185,391	\$ 524,061
Accounts receivable	685,120	874,413	435,115	1,994,648	34,974
Other receivables	-	98	285	383	-
Due from other funds	123,267	121,270	80,649	325,186	-
Materials, supply inventory and prepaid items	61,508	-	2,400	63,908	-
Restricted assets - cash and investments	184,402	84,084	183,780	452,266	-
Total Current Assets	1,182,851	1,466,338	2,372,593	5,021,782	559,035
Non-Current Assets					
Restricted assets					
Cash and investments	273,476	4,535,538	1,926,779	6,735,793	-
Net pension asset	103,374	25,235	28,112	156,721	-
Total Restricted Assets	376,850	4,560,773	1,954,891	6,892,514	-
Capital Assets					
Property and equipment	20,799,499	9,390,168	18,328,386	48,518,053	-
Less: Accumulated depreciation	(10,585,215)	(2,075,337)	(3,064,503)	(15,725,055)	-
Construction in progress	-	17,108	10,765	27,873	-
Total Capital Assets, Net of Depreciation	10,214,284	7,331,939	15,274,648	32,820,871	-
Investment in Cities and Villages Mutual Insurance Company	-	-	-	-	722,170
Total Non-Current Assets	10,591,134	11,892,712	17,229,539	39,713,385	722,170
Total Assets	11,773,985	13,359,050	19,602,132	44,735,167	1,281,205
DEFERRED OUTFLOWS OF RESOURCES					
Unamortized loss on refunding	37,566	10,089	-	47,655	-
Deferred outflows related to pensions	104,254	26,476	32,010	162,740	-
Total Deferred Outflows of Resources	141,820	36,565	32,010	210,395	-

See accompanying notes to financial statements.

CITY OF CUDAHY

STATEMENT OF NET POSITION
 PROPRIETARY FUNDS
 As of December 31, 2015

	Business-type Activities - Enterprise Funds			Totals	Governmental Activities -
	Water Utility	Sewer Utility	Storm Water Utility		Internal Service Fund
LIABILITIES					
Current Liabilities					
Accounts payable	\$ 32,529	\$ 608,926	\$ 24,087	\$ 665,542	\$ 149,454
Accrued payroll	28,963	3,594	6,560	39,117	-
Accrued compensated absences	109,269	-	-	109,269	-
Accrued interest on general obligation debt	2,057	9,579	16,057	27,693	-
Accrued interest on advance from municipality	4,456	-	-	4,456	-
Current portion of advance from municipality	83,964	-	-	83,964	-
Current portion of general obligation debt	15,633	80,120	130,756	226,509	-
Current Liabilities Payable from Restricted Assets					
Accrued interest on revenue bonds	8,689	20,602	33,417	62,708	-
Current portion of revenue bonds	263,600	56,400	235,000	555,000	-
Total Current Liabilities	<u>549,160</u>	<u>779,221</u>	<u>445,877</u>	<u>1,774,258</u>	<u>149,454</u>
Noncurrent Liabilities					
Net OPEB obligation	124,079	-	-	124,079	-
Advance from municipality	702,653	-	-	702,653	-
Long-term debt, net of current maturities					
General obligation debt	162,447	1,163,672	1,696,522	3,022,641	-
Revenue bonds payable	<u>1,105,506</u>	<u>4,417,300</u>	<u>4,780,000</u>	<u>10,302,806</u>	-
Total Noncurrent Liabilities	<u>2,094,685</u>	<u>5,580,972</u>	<u>6,476,522</u>	<u>14,152,179</u>	-
Total Liabilities	<u>2,643,845</u>	<u>6,360,193</u>	<u>6,922,399</u>	<u>15,926,437</u>	<u>149,454</u>
NET POSITION					
Net investment in capital assets	8,978,141	5,570,612	9,865,231	24,413,984	-
Restricted for debt service	175,713	63,482	150,363	389,558	-
Restricted for equipment replacement	-	589,463	493,918	1,083,381	-
Restricted for pension	103,374	25,235	28,112	156,721	-
Unrestricted	<u>14,732</u>	<u>786,630</u>	<u>2,174,119</u>	<u>2,975,481</u>	<u>1,131,751</u>
TOTAL NET POSITION	<u>\$ 9,271,960</u>	<u>\$ 7,035,422</u>	<u>\$ 12,711,743</u>	<u>\$ 29,019,125</u>	<u>\$ 1,131,751</u>

See accompanying notes to financial statements.

This page intentionally left blank.

CITY OF CUDAHY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION PROPRIETARY FUNDS For the Year Ended December 31, 2015

	Business-type Activities - Enterprise Funds			Totals	Governmental Activities -
	Water Utility	Sewer Utility	Storm Water Utility		Internal Service Fund
OPERATING REVENUES					
Charges for services and sales	\$ 2,504,360	\$ 2,821,820	\$ 1,351,688	\$ 6,677,868	\$ -
Other operating revenues	127,779	-	-	127,779	-
Total Operating Revenues	<u>2,632,139</u>	<u>2,821,820</u>	<u>1,351,688</u>	<u>6,805,647</u>	<u>-</u>
OPERATING EXPENSES					
Operation and maintenance	1,552,781	2,248,926	445,584	4,247,291	55,574
Depreciation	506,916	114,835	239,072	860,823	-
Total Operating Expenses	<u>2,059,697</u>	<u>2,363,761</u>	<u>684,656</u>	<u>5,108,114</u>	<u>55,574</u>
Operating Income (Loss)	<u>572,442</u>	<u>458,059</u>	<u>667,032</u>	<u>1,697,533</u>	<u>(55,574)</u>
NONOPERATING REVENUES (EXPENSES)					
Investment income	799	7,913	6,124	14,836	34,453
Miscellaneous revenue	20,000	370	5,022	25,392	-
Amortization of debt premium	312	6,346	4,623	11,281	-
Interest expense	(69,450)	(176,288)	(250,570)	(496,308)	-
Amortization of loss on refunding	(7,043)	(1,891)	-	(8,934)	-
Total Nonoperating Revenues (Expenses)	<u>(55,382)</u>	<u>(163,550)</u>	<u>(234,801)</u>	<u>(453,733)</u>	<u>34,453</u>
Income (Loss) Before Transfers	517,060	294,509	432,231	1,243,800	(21,121)
TRANSFERS					
Transfers out	(428,317)	(20,148)	-	(448,465)	-
Total Transfers	<u>(428,317)</u>	<u>(20,148)</u>	<u>-</u>	<u>(448,465)</u>	<u>-</u>
Change in Net Position	88,743	274,361	432,231	795,335	(21,121)
NET POSITION – Beginning of Year (As Restated)	<u>9,183,217</u>	<u>6,761,061</u>	<u>12,279,512</u>	<u>28,223,790</u>	<u>1,152,872</u>
NET POSITION – END OF YEAR	<u>\$ 9,271,960</u>	<u>\$ 7,035,422</u>	<u>\$ 12,711,743</u>	<u>\$ 29,019,125</u>	<u>\$ 1,131,751</u>

See accompanying notes to financial statements.

CITY OF CUDAHY

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 For the Year Ended December 31, 2015

	Business-type Activities - Enterprise Funds			Total	Governmental Activities -
	Water Utility	Sewer Utility	Storm Water Utility		Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from customers	\$ 2,837,047	\$ 2,741,711	\$ 1,287,499	\$ 6,866,257	\$ -
Cash received from (paid to) city	50,690	-	-	50,690	(123)
Cash paid to suppliers for goods and services	(1,041,069)	(2,064,452)	(241,811)	(3,347,332)	(55,574)
Cash payments to employees for services	(519,835)	(145,410)	(209,745)	(874,990)	-
Net Cash Flows From Operating Activities	<u>1,326,833</u>	<u>531,849</u>	<u>835,943</u>	<u>2,694,625</u>	<u>(55,697)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Cash payments from (to) city	(428,317)	(20,148)	-	(448,465)	-
Advances (to) from other funds	(83,132)	-	-	(83,132)	-
Net Cash Flows From Non-capital Financing Activities	<u>(511,449)</u>	<u>(20,148)</u>	<u>-</u>	<u>(531,597)</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition and construction of capital assets	(414,572)	(164,660)	(539,873)	(1,119,105)	-
Principal paid on debt	(241,842)	(123,152)	(329,345)	(694,339)	-
Interest paid on debt	(66,434)	(180,498)	(250,570)	(497,502)	-
Net Cash Flows From Capital and Related Financing Activities	<u>(722,848)</u>	<u>(468,310)</u>	<u>(1,119,788)</u>	<u>(2,310,946)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Investment income	799	7,876	5,963	14,638	34,453
Net Cash Flows From Investing Activities	<u>799</u>	<u>7,876</u>	<u>5,963</u>	<u>14,638</u>	<u>34,453</u>
Net Change in Cash and Cash Equivalents	93,335	51,267	(277,882)	(133,280)	(21,244)
CASH AND CASH EQUIVALENTS - Beginning of Year	<u>493,097</u>	<u>4,954,828</u>	<u>4,058,805</u>	<u>9,506,730</u>	<u>545,305</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 586,432</u>	<u>\$ 5,006,095</u>	<u>\$ 3,780,923</u>	<u>\$ 9,373,450</u>	<u>\$ 524,061</u>

See accompanying notes to financial statements.

CITY OF CUDAHY

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 For the Year Ended December 31, 2015

	Business-type Activities - Enterprise Funds			Total	Governmental
	Water Utility	Sewer Utility	Storm Water Utility		Internal Service Fund
CASH AND CASH EQUIVALENTS - STATEMENT OF NET POSITION					
Unrestricted	\$ 128,554	\$ 386,473	\$ 1,670,364	\$ 2,185,391	\$ 524,061
Restricted - current	184,402	84,084	183,780	452,266	-
Restricted - non-current	<u>273,476</u>	<u>4,535,538</u>	<u>1,926,779</u>	<u>6,735,793</u>	-
	<u>\$ 586,432</u>	<u>\$ 5,006,095</u>	<u>\$ 3,780,923</u>	<u>\$ 9,373,450</u>	<u>\$ 524,061</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS FROM OPERATING ACTIVITIES					
Operating income (loss)	\$ 572,442	\$ 458,059	\$ 667,032	\$ 1,697,533	\$ (55,574)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Flows From Operating Activities					
Depreciation	506,916	114,835	239,072	860,823	-
Depreciation charged to other accounts	50,690	-	-	50,690	-
Non-operating income	20,000	371	5,021	25,392	-
Change in Assets and Liabilities					
Accounts receivable	202,236	(80,480)	(69,210)	52,546	(123)
Materials, supplies inventory and prepaid items	(32,927)	1,281	(2,108)	(33,754)	-
Accounts payable	(4,780)	38,208	(2,734)	30,694	-
Accrued expenses	(14,220)	(302)	1,523	(12,999)	-
Net OPEB obligation	22,778	-	-	22,778	-
Pension related deferrals and liabilities	<u>3,698</u>	<u>(123)</u>	<u>(2,653)</u>	<u>922</u>	-
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>\$ 1,326,833</u>	<u>\$ 531,849</u>	<u>\$ 835,943</u>	<u>\$ 2,694,625</u>	<u>\$ (55,697)</u>

See accompanying notes to financial statements.

CITY OF CUDAHY

STATEMENT OF ASSETS AND LIABILITES
AGENCY FUND
As of December 31, 2015

	<u>Tax Roll Agency Fund</u>
ASSETS	
Cash and investments	\$ 18,350,308
Taxes receivable	<u>922,673</u>
 Total Assets	 <u>\$ 19,272,981</u>
 LIABILITIES	
Due to other taxing units	<u>\$ 19,272,981</u>

CITY OF CUDAHY

INDEX TO NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2015

NOTE	<u>Page</u>
I. Summary of Significant Accounting Policies	27
A. Reporting Entity	27
B. Government-Wide and Fund Financial Statements	28
C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation	31
D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity	33
1. Deposits and Investments	33
2. Receivables	34
3. Inventories and Prepaid Items	35
4. Restricted Assets	35
5. Capital Assets	35
6. Land Held for Resale	36
7. Other Assets	36
8. Deferred Outflows of Resources	37
9. Compensated Absences	37
10. Long-Term Obligations	37
11. Deferred Inflows of Resources	38
12. Equity Classifications	38
13. Basis for Existing Rates	40
II. Stewardship, Compliance, and Accountability	40
A. Budgetary Information	40
B. Excess Expenditures Over Appropriations	40
C. Deficit Balances	41
D. Limitation on the City's Tax Levy	41
III. Detailed Notes on All Funds	42
A. Deposits and Investments	42
B. Receivables	44
C. Restricted Assets	44
D. Capital Assets	46
E. Interfund Receivables/Payables and Transfers	48
F. Long-Term Obligations	50
G. Net Position/Fund Balances	57
H. Restatement of Net Position	61
IV. Other Information	62
A. Employees' Retirement System	62
B. Risk Management	67
C. Commitments and Contingencies	68
D. Other Postemployment Benefits	68
E. Major Customers	71
F. Effect of New Accounting Standards on Current-Period Financial Statements	71
G. Subsequent Event	71

CITY OF CUDAHY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2015

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, 2015

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

In June 2012, the GASB issued statement No. 68 - *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*. This statement establishes standards for measuring and recognizing assets, liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures related to pensions. In November 2013, the GASB issued statement No. 71 - *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*. This statement addresses an issue regarding application of the transition provisions of Statement No. 68. These standards were implemented January 1, 2015.

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, 2015

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, 2015

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.

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, 2015

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, 2015

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, deferred outflows of resources, liabilities, and deferred inflows of resources 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, 2015

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, 2015, 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, 2015

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 – 2015 tax roll:

Lien date and levy date	December 2015
Tax bills mailed	December 2015
Payment in full, or	January 31, 2016
First installment due	January 31, 2016
Second installment due	March 31, 2016
Third installment due	May 31, 2016
Personal property taxes in full	January 31, 2016
Final settlement with County	On or before August 15, 2016
Tax deed by county – 2015 delinquent real estate taxes	October 2018

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, 2015

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, 2015

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 \$1,204,683 and \$2,062,251, respectively. The City purchased additional land in 2013, 2014, and 2015 for \$520,380, \$2,303,477, and \$360,030, 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, 2015

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 2015 was \$123,190 and \$8,934 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 \$294,677 of vacation earned but not paid and estimated future accumulated sick pay benefits of \$586,656 at December 31, 2015 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, 2015

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	\$ 29,803,783	\$ 24,413,984	\$ (3,731,073)	\$ 50,486,694
Unrestricted (deficit)	(13,534,595)	2,975,481	3,731,073	(6,828,041)

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, 2015

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 do not meet the criteria to be classified as 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 \$3,253,340 and is included in the general fund fund balance.

CITY OF CUDAHY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2015

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 December 2, 2014, effective January 1, 2015

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
 - Rental Property Inspection 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	\$ 5,286,369
Library	766
Ambulance	5,667

CITY OF CUDAHY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2015

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, 2015, the following individual funds held a deficit balance:

<u>Fund</u>	<u>Amount</u>
Grant Fund	\$ 12,236
Environmental TIF #2 Fund	26,025

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 2015 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, 2015

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	\$ 43,292,260	\$ 39,489,046	Custodial credit
Mutual funds	2,188,832	2,188,832	Credit, interest rate
LGIP	4,102,783	4,102,783	Credit
Petty cash	3,880	n/a	
Total Cash and Investments	\$ 49,587,755	\$ 45,780,661	
Reconciliation to financial statements			
Per statement of net position			
Unrestricted cash and investments	\$ 21,461,626		
Restricted cash and investments	9,775,821		
Per statement of net position - fiduciary funds	18,350,308		
Total Cash and Investments	\$ 49,587,755		

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, 2015, the bank had pledged various government securities in the amount of \$35.6 million to secure the City's deposits.

CITY OF CUDAHY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2015

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, 2015, none of the City's total bank balances of \$39.5 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, 2015 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, 2015 the City's investments were rated as follows:

Investment Type	Standard & Poor's	Moody's	Bank Balance
Mutual funds	AAAm	Aaa-mf	\$ 2,188,832
LGIP	Not Rated	Not Rated	4,102,783

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, 2015 the City's investments were as follows:

Investment Type	Fair Value	Weighted Average Maturity (Days)
Mutual funds	<u>\$ 2,188,832</u>	<u>41</u>

CITY OF CUDAHY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2015

NOTE III – DETAILED NOTES ON ALL FUNDS (continued)

B. RECEIVABLES

Special assessments of \$232,444 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	\$ 14,618,880	\$ -	
Special assessments receivable	-	361,878	
Subsequent period prepayments	15,623	-	
 Total Unavailable/Unearned Revenue for Governmental Funds	 \$ 14,634,503	 \$ 361,878	

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	\$ 251,271	\$ 264,482	\$ 453,487	\$ 969,240
Construction Fund	-	3,681,593	979,374	4,660,967
Special Redemption Fund	184,402	84,084	183,780	452,266
 BALANCES - December 31, 2015	 \$ 435,673	 \$ 4,030,159	 \$ 1,616,641	 \$ 6,082,473

CITY OF CUDAHY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2015

NOTE III – DETAILED NOTES ON ALL FUNDS (continued)

C. RESTRICTED ASSETS (continued)

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 \$2,188,832 at December 31, 2015.

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 \$398,930 at December 31, 2015.

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, 2015 is \$589,463. In addition, the City set aside funds in the Storm Water Utility for equipment replacement funds. The balance in this reserve as of December 31, 2015 is \$493,918.

Depreciation Account

The City's Water Utility created a depreciation account to report resources set aside to fund plant renewals and replacement or make up potential future deficiencies in the redemption account. The balance in this reserve as of December 31, 2015 is \$22,205.

Net Pension Asset

Restricted assets have been reported in connection with the net pension asset balance since this balance must be used to fund employee benefits.

CITY OF CUDAHY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2015

NOTE III – DETAILED NOTES ON ALL FUNDS (continued)

D. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2015 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	814,976	80,000	780,503	114,473
Total Capital Assets				
Not Being Depreciated	15,414,504	80,000	780,503	14,714,001
Capital assets being depreciated				
Land improvements	385,764	-	-	385,764
Buildings	13,192,611	23,400	-	13,216,011
Machinery and equipment	8,229,590	782,317	534,502	8,477,405
Intangible assets	89,665	-	-	89,665
Library books	1,073,819	92,007	131,844	1,033,982
Infrastructure	39,993,731	4,380,506	1,167,537	43,206,700
Total Capital Assets				
Being Depreciated	62,965,180	5,278,230	1,833,883	66,409,527
Less: Accumulated depreciation for				
Land improvements	(71,642)	(11,022)	-	(82,664)
Buildings	(3,886,469)	(181,698)	-	(4,068,167)
Machinery and equipment	(5,008,816)	(532,183)	392,835	(5,148,164)
Intangible assets	(29,888)	(29,888)	-	(59,776)
Library books	(600,549)	(109,994)	131,844	(578,699)
Infrastructure	(19,470,855)	(1,164,527)	929,730	(19,705,652)
Total Accumulated Depreciation	(29,068,219)	(2,029,312)	1,454,409	(29,643,122)
Net Capital Assets Being Depreciated	33,896,961	3,248,918	379,474	36,766,405
Total Governmental Activities Capital				
Assets, Net of Depreciation	\$ 49,311,465	\$ 3,328,918	\$ 1,159,977	\$ 51,480,406

CITY OF CUDAHY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2015

NOTE III – DETAILED NOTES ON ALL FUNDS (continued)

D. CAPITAL ASSETS (continued)

Depreciation expense was charged to functions as follows:

Governmental Activities	
General government	\$ 75,648
Protection of persons and property	269,640
Public works, which includes the depreciation of infrastructure	1,489,914
Health and sanitation	7,193
Library	177,384
Park and recreation	<u>9,533</u>
Total Governmental Activities Depreciation Expense	<u>\$ 2,029,312</u>

	Beginning Balance	Additions	Deletions	Ending Balance
Business-type Activities				
Capital assets not being depreciated				
Land	\$ 168,316	\$ 52,026	\$ -	\$ 220,342
Construction in progress	<u>25,501</u>	<u>27,757</u>	<u>25,385</u>	<u>27,873</u>
Total Capital Assets Not Being Depreciated	<u>193,817</u>	<u>79,783</u>	<u>25,385</u>	<u>248,215</u>
Capital assets being depreciated				
Water Utility buildings and structures	2,641,671	21,016	8,609	2,654,078
Water Utility machinery and equipment	5,490,416	112,361	57,517	5,545,260
Water Utility infrastructure	12,154,408	281,197	3,760	12,431,845
Storm Water Utility infrastructure	17,789,390	494,506	7,535	18,276,361
Sewer Utility infrastructure	<u>9,233,265</u>	<u>156,902</u>	<u>-</u>	<u>9,390,167</u>
Total Capital Assets Being Depreciated	<u>47,309,150</u>	<u>1,065,982</u>	<u>77,421</u>	<u>48,297,711</u>
Less: Accumulated depreciation for				
Water Utility buildings and structures	(2,256,087)	(84,732)	8,609	(2,332,210)
Water Utility machinery and equipment	(3,998,306)	(273,528)	57,517	(4,214,317)
Water Utility infrastructure	(3,843,100)	(199,348)	3,760	(4,038,688)
Storm Water Utility infrastructure	(2,831,693)	(239,401)	6,591	(3,064,503)
Sewer Utility infrastructure	<u>(1,960,501)</u>	<u>(114,836)</u>	<u>-</u>	<u>(2,075,337)</u>
Total Accumulated Depreciation	<u>(14,889,687)</u>	<u>(911,845)</u>	<u>76,477</u>	<u>(15,725,055)</u>
Net Capital Assets Being Depreciated	<u>32,419,463</u>	<u>154,137</u>	<u>944</u>	<u>32,572,656</u>
Total Business-type Activities Capital Assets, Net of Depreciation	<u>\$ 32,613,280</u>	<u>\$ 233,920</u>	<u>\$ 26,329</u>	<u>\$ 32,820,871</u>

CITY OF CUDAHY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2015

NOTE III – DETAILED NOTES ON ALL FUNDS (continued)

D. CAPITAL ASSETS (continued)

Depreciation expense was charged to functions as follows:

Business-Type Activities

Water	\$	557,938
Sewer		114,835
Storm Water		<u>239,072</u>
 Total Business-type Activities Depreciation Expense	 \$	 <u>911,845</u>

E. INTERFUND RECEIVABLES/PAYABLES, ADVANCES 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	\$ 123,267
Sewer Utility	General	121,270
Storm Water Utility	General	80,649
General	Grant	55,953
General	Tax Incremental District #1 Capital Projects	124,596
General	Environmental TIF #2	<u>386,172</u>
Sub-total		891,907
Eliminations		<u>(566,721)</u>
Total Internal Balances - Government-Wide Statement of Net Position		 \$ <u>325,186</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.

The general fund is advancing funds to the Water Utility. The amount advanced is determined by the cost associated with the water tower painting and the cash flow deficiency from inception of the project. The general fund is charging the Water Utility interest on the advance based on the average outstanding advance balance during the year at a rate of 1%.

CITY OF CUDAHY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2015

NOTE III – DETAILED NOTES ON ALL FUNDS (continued)

E. INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS (continued)

Repayment schedule for the advance follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 83,964	\$ 7,866	\$ 91,830
2017	84,803	7,027	91,830
2018	85,651	6,179	91,830
2019	86,508	5,322	91,830
2020	87,373	4,457	91,830
2021 - 2024	<u>358,318</u>	<u>9,002</u>	<u>367,320</u>
	<u>\$ 786,617</u>	<u>\$ 39,853</u>	<u>\$ 826,470</u>

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	\$ 428,317	Tax equivalent
General	Sewer Utility	20,148	Tax equivalent
Tax Incremental District #1 Tax Levy Fund	Tax Incremental District #1 Capital Projects Fund	1,000,000	TID projects
Debt Service	Special Assessment	10,000	Debt service
Debt Service	Tax Incremental District #1 Tax Levy	5,497,418	Debt service
Debt Service	Environmental Tax Incremental District Fund #1	138,163	Debt service
Debt Service	Environmental Tax Incremental District Fund #2	97,905	Debt service
Debt Service	Tax Incremental District #1 Capital Projects Fund	674,680	Debt service
Environmental Tax Incremental District Fund #2	Environmental Tax Incremental District Fund #1	135,414	TID revenue
Community Development Fund	Tax Incremental District #1 Tax Levy	<u>60,000</u>	Rehab costs
Subtotal - Fund financial statements		8,062,045	
Less: Fund eliminations		<u>(7,613,580)</u>	
Total Transfers - Government-wide Statement of Activities		<u>\$ 448,465</u>	
Governmental Activities	Business-type Activities	\$ 448,465	
Business-type Activities	Governmental Activities	-	
Total		<u>\$ 448,465</u>	

CITY OF CUDAHY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2015

NOTE III – DETAILED NOTES ON ALL FUNDS (continued)

E. INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS (continued)

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.

F. LONG-TERM OBLIGATIONS

Long-term obligations activity for the year ended December 31, 2015 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental Activities					
Bonds and Notes Payable					
General Obligation Debt					
Bonds	\$ 23,988,464	\$ -	\$ 6,665,660	\$ 17,322,804	\$ 1,873,490
Refunding bonds	<u>11,425,000</u>	<u>5,195,000</u>	<u>1,610,000</u>	<u>15,010,000</u>	<u>1,385,000</u>
Total General Obligation Debt	35,413,464	5,195,000	8,275,660	32,332,804	3,258,490
Redevelopment Lease Revenue Bonds	17,625,000	-	2,380,000	15,245,000	2,590,000
Tax Increment Revenue Bonds	<u>653,041</u>	<u>-</u>	<u>59,026</u>	<u>594,015</u>	<u>-</u>
Total Bonds and Notes Payable	53,691,505	5,195,000	10,714,686	48,171,819	5,848,490
Add: Unamortized debt premium	<u>617,710</u>	<u>127,380</u>	<u>69,947</u>	<u>675,143</u>	<u>-</u>
Total Governmental Activities					
Bonds and Notes Payable	<u>54,309,215</u>	<u>5,322,380</u>	<u>10,784,633</u>	<u>48,846,962</u>	<u>5,848,490</u>
Other Liabilities					
Vested compensated absences	894,635	299,752	313,054	881,333	308,330
Net OPEB liability	<u>4,843,442</u>	<u>1,437,597</u>	<u>720,464</u>	<u>5,560,575</u>	<u>-</u>
Total Other Liabilities	<u>5,738,077</u>	<u>1,737,349</u>	<u>1,033,518</u>	<u>6,441,908</u>	<u>308,330</u>
Total Governmental Activities					
Long-Term Liabilities	<u>\$ 60,047,292</u>	<u>\$ 7,059,729</u>	<u>\$ 11,818,151</u>	<u>\$ 55,288,870</u>	<u>\$ 6,156,820</u>

CITY OF CUDAHY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2015

NOTE III – DETAILED NOTES ON ALL FUNDS (continued)

F. LONG-TERM OBLIGATIONS (continued)

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Business-type Activities					
Revenue Bonds Payable	\$ 11,330,000	\$ -	\$ 475,000	\$ 10,855,000	\$ 555,000
General Obligation Bonds Payable	3,296,536	-	219,339	3,077,197	226,509
Add: Unamortized debt premium	186,040	-	11,281	174,759	-
 Total Business-type Activities Bonds Payable	 <u>14,812,577</u>	 <u>-</u>	 <u>705,620</u>	 <u>14,106,956</u>	 <u>781,509</u>
Other Liabilities					
Net OPEB liability	101,301	27,952	5,174	124,079	-
 Total Business-type Activities Long-Term Liabilities	 <u>\$ 14,913,877</u>	 <u>\$ 27,952</u>	 <u>\$ 710,794</u>	 <u>\$ 14,231,035</u>	 <u>\$ 781,509</u>

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.

CITY OF CUDAHY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2015

NOTE III – DETAILED NOTES ON ALL FUNDS (continued)

F. LONG-TERM OBLIGATIONS (continued)

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, 2015, was \$54,790,960. Total general obligation debt outstanding at year end was \$35,410,001.

	Date of Issue	Final Maturity	Interest Rates	Original Amount	Balance 12/31/2015
Governmental Activities					
General Obligation Debt					
Refunding Bonds	9/9/10	11/1/2019	2.0 - 2.25	\$ 4,140,000	\$ 1,965,000
	4/12/12	6/1/2022	2.0 - 2.5	5,255,000	3,680,000
	4/12/12	4/1/2022	.5 - 3.125	1,825,000	1,355,000
	5/23/13	10/1/2029	2.0 - 3.25	3,575,000	2,815,000
	6/2/15	3/1/27	2.0 - 2.75	5,195,000	<u>5,195,000</u>
					<u>15,010,000</u>
General Obligation Bonds	3/7/07	2/1/2027	3.875 - 4.0	7,070,000	515,000
	4/2/08	4/1/2028	3.0 - 4.0	2,210,000	1,590,000
	12/8/09	10/1/2021	2.0 - 5.2	3,950,000	2,775,000
	2/1/10	2/1/2030	1.0 - 5.95	1,555,000	1,355,000
	10/13/11	3/1/2031	2.0 - 4.0	10,053,669	7,842,804
	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>17,322,804</u>
Total Governmental Activities General Obligation Debt					<u>\$ 32,332,804</u>

CITY OF CUDAHY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2015

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 12/31/2015
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	\$ 862,962
Water Utility	10/13/11	3/1/2031	2.0 - 4.0	228,280	178,080
Sewer Utility	10/13/11	3/1/2031	2.0 - 4.0	366,821	286,155
Storm Water Utility	05/23/13	10/1/2029	2.0 - 3.25	1,045,000	895,000
Sewer Utility	05/23/13	10/1/2029	2.0 - 3.25	1,015,000	<u>855,000</u>
Total Business-type Activities General Obligation Debt					<u>\$ 3,077,197</u>

Debt service requirements to maturity are as follows:

	Governmental Activities General Obligation Debt		Business-type Activities General Obligation Debt	
	Principal	Interest	Principal	Interest
2016	\$ 3,258,490	\$ 1,024,622	\$ 226,509	\$ 93,373
2017	3,533,425	895,239	231,575	86,647
2018	3,899,017	785,455	250,983	79,559
2019	4,157,438	659,537	272,561	71,855
2020	4,157,307	528,175	292,693	63,527
2021-2025	9,105,605	1,204,129	1,069,394	201,895
2026-2030	3,139,150	494,173	695,850	67,134
2031-2034	1,082,372	75,848	37,632	751
Totals	<u>\$ 32,332,804</u>	<u>\$ 5,667,178</u>	<u>\$ 3,077,197</u>	<u>\$ 664,741</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, 2015

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, 2015 consists of the following:

	Date of Issue	Final Maturity	Interest Rates	Original Amount	Balance 12/31/2015
Governmental Activities					
Lease Development Revenue Bonds	06/28/06	6/1/2019	3.5 - 4.35	\$ 6,415,000	\$ 4,645,000
	10/13/11	6/1/2022	.75 - 3.25	3,200,000	2,355,000
	03/14/12	6/1/2022	.6 - 2.6	3,580,000	3,065,000
	11/01/12	6/1/2027	1.25 - 4.3	1,430,000	1,295,000
	03/07/13	6/1/2019	.7 - 1.75	5,265,000	3,885,000
Total Governmental Activities					\$ 15,245,000
Revenue Debt					\$ 15,245,000
Business-type Activities					
Water and Sewer System					
Revenue Bonds					
Water Utility	03/07/07	5/1/2021	4.0 - 4.1	\$ 1,253,150	\$ 731,300
Sewer Utility	03/07/07	5/1/2021	4.0 - 4.1	511,850	298,700
Water Utility	04/02/08	5/1/2018	3.75 - 4.0	1,120,000	375,000
Storm Water Utility	04/02/08	5/1/2028	3.25 - 4.5	4,150,000	3,170,000
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	1,845,000
Total Business-type					\$ 10,855,000
Activities Revenue Debt					\$ 10,855,000

CITY OF CUDAHY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2015

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
2016	\$ 2,590,000	\$ 348,928	\$ 555,000	\$ 379,352
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	1,025,000	111,146	615,000	291,694
2021-2025	2,710,000	313,936	3,015,000	1,130,855
2026-2030	390,000	37,196	2,900,000	584,210
2031-2034	-	-	2,000,000	155,475
Totals	<u>\$ 15,245,000</u>	<u>\$ 1,494,562</u>	<u>\$ 10,855,000</u>	<u>\$ 3,549,688</u>

The Water, Sewer and Storm Water Utilities have pledged future revenues, net of specified operating expenses, to repay \$10,855,000 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 31% of net revenues. Total principal and interest remaining to be paid on the bonds is \$14.4 million. Principal and interest paid for the current year and total customer net revenues were \$873,271 and \$2,573,192 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, 2015

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:

TID No.	Date of Issue	Final Maturity	Interest Rates	Original Amount	Balance 12/31/15
1	08/26/02	11/1/2022	None	\$ 702,576	\$ 591,824
1	11/27/02	11/1/2022	None	400,000	2,191
Total					<u>\$ 594,015</u>

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

Advance Refunding

On May 29, 2015, the City issued \$5,195,000 of general obligation bonds with an average coupon rate of 6.515% to refund \$5,115,000 of outstanding bonds with an average coupon rate of 6.616%. The net proceeds along with existing funds of the City were used to prepay the outstanding debt. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded bonds. As a result, the refunded bonds are considered defeased and the liability for those bonds has been removed from the statement of net position.

The cash flow requirements on the refunded debt prior to the advance refunding was \$6,652,824 from 2015 through 2027. The cash flow requirements on the general obligation refunding bonds are \$6,298,279 from 2015 through 2027. The advance refunding resulted in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$338,433.

Defeasance of Debt

The City defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. At December 31, 2015, \$5,115,000 of bonds outstanding are considered defeased. The bonds are callable on March 1, 2016.

CITY OF CUDAHY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2015

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, 2015 include the following:

Net Investment in Capital Assets	
Land	\$ 14,599,528
Other capital assets, net of accumulated depreciation	36,880,878
Less: long-term debt outstanding	(48,171,819)
Plus: non-capital long-term debt	22,285,472
Plus: unspent capital related debt proceeds	4,103,837
Plus: unamortized debt premium of capital debt	634,349
Less: loss on refunding of capital debt	<u>(528,462)</u>
Total Net Investment in Capital Assets	29,803,783
Restricted for	
Debt service	3,845,375
TID activities	7,104,517
Library endowment	100,000
Library capital improvements	298,930
Library operations	362,838
Pensions	1,848,814
Unrestricted (deficit)	<u>(13,534,595)</u>
 Total Governmental Activities Net Position	 <u>\$ 29,829,662</u>

CITY OF CUDAHY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2015

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, 2015 include the following:

Nonspendable	
Major Funds	
General Fund	
Prepaid items	\$ 285,162
Advance to other funds (Due after 2016)	702,653
Capital Improvements Fund	
Prepaid items	<u>17,918</u>
Total Major Funds	<u>\$ 1,005,733</u>
Nonmajor Funds	
Special Revenue Funds	
Library Fund - Library Children's Endowment	\$ 100,000
Library Fund - Prepaid items	<u>2,334</u>
Sub-Total	<u>102,334</u>
Capital Projects Funds	
Road & Equipment Improvements Fund - Prepaid items	<u>38</u>
Sub-Total	<u>38</u>
Total Nonmajor Funds	<u>\$ 102,372</u>
Restricted	
Major Funds	
Special Revenue Fund - Tax Increment District #1 Tax Levy - Project costs	\$ <u>3,295,457</u>
Debt Service Fund - Debt service	<u>5,983,187</u>
Capital Projects Fund - Tax Increment District #1 - Noncurrent receivables	<u>797,424</u>
Sub-Total	<u>797,424</u>
Total Major Funds	<u>\$ 10,076,068</u>

CITY OF CUDAHY

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2015

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 \$ 298,930

Library Fund - Library activities 362,838

Environmental Tax Incremental District Fund #1 - Project costs 676,431

Environmental Tax Incremental District Fund #2 - Bond funds 363,654

Capital Projects Funds

Community Development Authority Fund - Project costs 743,550

Total Nonmajor Funds \$ 2,445,403

Committed

Nonmajor Funds

Special Revenue Funds

Library Fund \$ 91,172

Ambulance Fund 168,927

Health Grant Fund 15,023

Recycling Fund 334,850

Special Collections Fund 211,438

Special Assessment Fund 1,280,419

K-9 Fund 1,536

Hotel & Motel Tax Fund 18,626

Rental Property Inspection Fund 125,267

Total Nonmajor Funds \$ 2,247,258

CITY OF CUDAHY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2015

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		81,698
Voting machines		2,000
Federal asset forfeiture		15,986
State Asset forfeiture		1,974
Safety grant		280
Police department		18,930
Election training		3,100
Sub-Total		<u>232,545</u>

Capital Improvements Fund - subsequent years expenditures 3,967,735

Total Major Funds \$ 4,200,280

Nonmajor Funds

Capital Projects Funds

Road & Equipment Improvements Fund \$ 328,826

Unassigned

Major Funds

General Fund \$ 3,202,239

Nonmajor Funds

Special Revenue Funds

Grant Fund \$ (12,236)

Environmental TIF #2 (389,679)

Total Nonmajor Funds \$ (401,915)

CITY OF CUDAHY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2015

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, 2015 includes the following:

Net Investment in Capital Assets	
Land	\$ 220,342
Other capital assets, net of accumulated depreciation	32,600,530
Less: related long-term debt outstanding	(14,059,300)
Add: Unspent proceeds of long-term debt	5,652,412
Total Net Investment in Capital Assets	24,413,984
Restricted	
Equipment replacement	1,083,381
Debt service	389,558
Pensions	156,721
Total Restricted	1,629,660
Unrestricted	2,975,481
Total Business-Type Activities Net Position	\$ 29,019,125

The City has identified \$3.73 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.

H. RESTATEMENT OF NET POSITION

Net position has been restated as a result of the implementation of GASB Statement No. 68 – *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27* and implementation of GASB Statement No. 71 – *Pension Transition for Contributions Made Subsequent to the Measurement Date*. These statements require the net pension asset and related deferred outflows and deferred inflows, if any, to be reported in the financial statements. The details of the restatement are as follows:

	Governmental Activities	Business-type Activities	Water Utility	Sewer Utility	Storm Water Utility
Net Position – December 31, 2014 (as reported)	\$ 25,835,491	\$ 27,903,407	\$ 8,971,891	\$ 6,709,473	\$ 12,220,043
Add: Net pension asset	3,045,558	258,167	170,288	41,570	46,309
Add: Deferred outflows related to pensions	733,952	62,216	41,038	10,018	11,160
Net Position – December 31, 2014 (as restated)	\$ 29,615,001	\$ 28,223,790	\$ 9,183,217	\$ 6,761,061	\$ 12,279,512

CITY OF CUDAHY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2015

NOTE IV – OTHER INFORMATION

A. EMPLOYEES' RETIREMENT SYSTEM

Summary of Significant Accounting Policies

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

General Information About the Pension Plan

Plan description. The WRS is a cost-sharing multiple-employer defined benefit pension plan. WRS benefits and other plan provisions are established by Chapter 40 of the Wisconsin Statutes. Benefit terms may only be modified by the legislature. The retirement system is administered by the Wisconsin Department of Employee Trust Funds (ETF). The system provides coverage to all eligible State of Wisconsin, local government and other public employees. All employees, initially employed by a participating WRS employer on or after July 1, 2011, and expected to work at least 1,200 hours a year (880 hours for teachers and school district educational support employees) and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS.

Vesting. 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.

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

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

CITY OF CUDAHY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2015

NOTE IV – OTHER INFORMATION (continued)

A. EMPLOYEES' RETIREMENT SYSTEM (continued)

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

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

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

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

During the reporting period, the WRS recognized \$796,168 in contributions from the City.

Contribution rates as of December 31, 2015 are:

	<u>Employee</u>	<u>Employer</u>
General (including teachers	6.8%	6.8%
Executives & Elected Officials	7.7%	7.7%
Protective with Social Security	6.8%	9.5%
Protective without Social Security	6.8%	13.1%

CITY OF CUDAHY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2015

NOTE IV – OTHER INFORMATION (continued)

A. EMPLOYEES' RETIREMENT SYSTEM (continued)

Pension Assets, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2015, the City reported an asset of \$2,005,535 for its proportionate share of the net pension asset. The net pension asset was measured as of December 31, 2014, and the total pension asset used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2013 rolled forward to December 31, 2014. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The city's proportion of the net pension asset was based on the city's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2014, the City's proportion was 0.081649490%, which was a decrease of 0.002148260% from its proportion measured as of December 31, 2013.

For the year ended December 31, 2015, the City recognized pension expense of \$803,771.

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

	<u>Deferred Outflows of Resources</u>
Differences between expected and actual experience	\$ 290,740
Changes in assumption	-
Net differences between project and actual earnings on pension plan	971,177
Changes in proportion and differences between employer contributions and proportionate share of contributions	67,662
Employer contributions subsequent to the measurement date	<u>757,176</u>
Total	<u>\$ 2,086,755</u>

\$757,176 reported as deferred outflows related to pension resulting from the WRS Employer's contributions subsequent to the measurement date will be recognized as a reduction of the net pension asset in the year ended December 31, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

<u>Year Ended December 31:</u>	<u>Deferred Outflows of Resources</u>
2016	\$ 324,505
2017	324,505
2018	324,505
2019	324,505
2020	31,559
Thereafter	-

CITY OF CUDAHY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2015

NOTE IV – OTHER INFORMATION (continued)

A. EMPLOYEES' RETIREMENT SYSTEM (continued)

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

Actuarial valuation date	December 31, 2013
Measurement date of net pension asset	December 31, 2014
Actuarial cost method	Entry Age
Asset valuation method	Fair Market Value
Long-term expected rate of return	7.2%
Discount rate	7.2%
Salary increases	
Salary increases	3.2%
Salary increases	0.2% - 5.8%
Mortality	Wisconsin 2012 Mortality Table
Post-retirement adjustments	2.1%

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

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

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

<u>Asset Class</u>	<u>Long-term Real Rate of Return</u>	<u>Target Allocation</u>
US Equities	5.3%	21.0%
International Equities	5.7	23.0
Fixed Income	1.7	36.0
Inflation Sensitive Assets	2.3	20.0
Real Estate	4.2	7.0
Private Equity/Debt	6.9	7.0
Multi-Asset	3.9	6.0
Cash	0.9	(20.0)

CITY OF CUDAHY

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2015

NOTE IV – OTHER INFORMATION (continued)

A. EMPLOYEES’ RETIREMENT SYSTEM (continued)

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

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

	1% Decrease to Discount Rate (6.20%)	Current Discount Rate (7.20%)	1% Increase to Discount Rate (8.20%)
City proportionate share of the net pension (liability) asset	\$ (5,657,959)	\$ 2,005,535	\$ 8,057,853

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

CITY OF CUDAHY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2015

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, 2015.

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, 2015 was 1.67%. Upon withdrawal, expulsion or dissolution, the City would be entitled to a lump sum payment which at December 31, 2015 would approximate \$500,000.

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, 2015

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>
2014	\$	149,454	\$	49,567	\$	(49,567)	\$	149,454
2015	\$	149,454	\$	3,395	\$	(3,395)	\$	149,454

At December 31, 2015, the Liability Insurance Fund has net position of \$1.13 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, 2015. 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, 2015

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 2015, the City contributed \$725,638 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	1,556,598
Interest on net OPEB obligation	139,839
Adjustment to annual required contribution	<u>(230,888)</u>
Annual OPEB cost (expense)	1,465,549
Contributions made	(725,638)
Increase in net OPEB Liability	739,911
Net OPEB Liability - beginning of year	<u>4,944,743</u>
Net OPEB Liability - end of year	<u>\$ 5,684,654</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
12/31/2013	1,409,741	47%	4,175,596
12/31/2014	1,437,074	46%	4,944,743
12/31/2015	1,465,549	50%	5,684,654

CITY OF CUDAHY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2015

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, 2015

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 24% of its user charge revenue from two major customers. The Sewer Utility derived approximately 38% 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. 72, *Fair Value Measurement and Application*
- > Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*
- > Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*
- > Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*
- > Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Government*
- > Statement No. 77, *Tax Abatement Disclosures*
- > Statement No. 78, *Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans*

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

G. SUBSEQUENT EVENT

On April 19, 2016, the City issued \$2,150,000 of General Obligation Refunding Bonds. The proceeds of these bonds are intended to be used to advance refund the remaining balance on the 2007 Water and Sewer System Revenue Refunding Bonds and the 2008 General Corporate Purpose Bonds.

CITY OF CUDAHY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2015

NOTE IV – OTHER INFORMATION (continued)

G. SUBSEQUENT EVENT (continued)

On April 19, 2016, the City issued \$1,550,000 of General Obligation Promissory Notes. The proceeds of these bonds are intended to be used for various capital projects.

On April 19, 2016, the City issued \$3,395,000 of Redevelopment Lease Revenue Refunding Bonds. The proceeds of these bonds are intended to be used to current refund the remaining balance on the 2006 CDA Lease Revenue Bonds.

This page intentionally left blank.

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, 2015

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Taxes	\$ 5,761,915	\$ 5,761,915	\$ 5,794,269	\$ 32,354
Intergovernmental	4,800,448	4,800,448	4,792,144	(8,304)
Licenses and permits	507,434	507,434	500,763	(6,671)
Fines, forfeitures and penalties	803,520	803,520	855,648	52,128
Public charges for services	379,046	379,046	388,221	9,175
Interdepartmental revenues	146,896	146,896	251,786	104,890
Investment income	36,000	36,000	27,291	(8,709)
Commercial revenues	58,200	58,200	121,211	63,011
Total Revenues	<u>12,493,459</u>	<u>12,493,459</u>	<u>12,731,333</u>	<u>237,874</u>
EXPENDITURES				
Current				
General government	2,748,388	2,748,388	2,718,232	30,156
Protection of persons and property	7,052,335	7,052,335	7,312,358	(260,023)
Public works	1,869,191	1,869,191	1,733,409	135,782
Health and sanitation	945,207	945,207	863,976	81,231
Parks and recreation	276,338	276,338	257,208	19,130
Capital Outlay	23,500	23,500	21,122	2,378
Total Expenditures	<u>12,914,959</u>	<u>12,914,959</u>	<u>12,906,305</u>	<u>8,654</u>
Excess (Deficiency) of Revenues over Expenditures	(421,500)	(421,500)	(174,972)	246,528
OTHER FINANCING SOURCES (USES)				
Transfers in	421,500	421,500	448,465	26,965
Net change in fund balance - budgetary basis	<u>\$ -</u>	<u>\$ -</u>	273,493	<u>\$ 273,493</u>
Adjustments to generally accepted accounting principles basis				
Revenues credited to designated funds			7,061	
Interdepartmental revenues that represent interfund charges			(219,963)	
Interfund charges for engineering reported as expenditures			219,963	
Other			<u>(4,363)</u>	
Net change in fund balance - generally accepted accounting principles basis			276,191	
FUND BALANCE - Beginning of Year			<u>4,146,408</u>	
FUND BALANCE - END OF YEAR			<u>\$ 4,422,599</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, 2015

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)
--------------------------------	--	--	------------------------------------	--------------------------	---------------------------	--

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	14,846,612	14,836,692	0.1%	8,100,570	183%

CITY OF CUDAHY

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION ASSET -
WISCONSIN RETIREMENT SYSTEM
For the Year Ended December 31, 2015

<u>Fiscal Year Ending</u>	<u>Proportion of the Net Pension Asset</u>	<u>Proportionate Share of the Net Pension Asset</u>	<u>Covered Payroll</u>	<u>Proportionate Share of the Net Pension Asset as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Asset</u>
12/31/15	0.08164949%	\$ 2,005,535	\$ 8,367,637	23.97%	102.74%

SCHEDULE OF EMPLOYER CONTRIBUTIONS - WISCONSIN RETIREMENT SYSTEM
For the Year Ended December 31, 2015

<u>Fiscal Year Ending</u>	<u>Contractually Required Contributions</u>	<u>Contributions in Relation to the Contractually Required Contributions</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
12/31/15	\$ 757,176	\$ (757,176)	\$ -	\$ 8,349,793	9.07%

CITY OF CUDAHY

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION As of and for the Year Ended December 31, 2015

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.

NOTE 3 – WISCONSIN RETIREMENT SYSTEM

The amounts determined for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year.

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

Changes in benefit terms. There were no changes of benefit terms for any participating employer in the Wisconsin Retirement System.

Changes in Assumptions. There were no changes in assumptions.

This page intentionally left blank.

SUPPLEMENTARY INFORMATION

CITY OF CUDAHY
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
As of December 31, 2015

	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	\$ 477,504	\$ 124,279	\$ -	\$ 27,648	\$ 391,417	\$ 202,614	\$ 1,284,565	\$ 676,431
Accounts receivable (net of allowance for uncollectibles of \$39,044)	1,342	49,869	43,717	4,660	2,803	8,964	-	-
Taxes receivable	647,560	-	-	-	423,126	226,837	123,941	275,163
Special assessments receivable - due in more than one year	-	-	-	-	-	-	223,365	-
Restricted cash and investments	398,930	-	-	-	-	-	-	-
Prepaid items	2,334	-	-	-	-	-	-	-
Total Assets	<u>\$ 1,527,670</u>	<u>\$ 174,148</u>	<u>\$ 43,717</u>	<u>\$ 32,308</u>	<u>\$ 817,346</u>	<u>\$ 438,415</u>	<u>\$ 1,631,871</u>	<u>\$ 951,594</u>
LIABILITIES								
Accounts payable	19,252	305	-	1,933	48,952	-	-	-
Accrued liabilities	5,584	4,916	-	-	10,418	140	3,876	-
Due to other funds	-	-	55,953	-	-	-	-	-
Total Liabilities	<u>24,836</u>	<u>5,221</u>	<u>55,953</u>	<u>1,933</u>	<u>59,370</u>	<u>140</u>	<u>3,876</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES								
Unearned revenues	647,560	-	-	15,352	423,126	226,837	270	275,163
Unavailable revenues	-	-	-	-	-	-	347,306	-
Total Deferred Inflows of Resources	<u>647,560</u>	<u>-</u>	<u>-</u>	<u>15,352</u>	<u>423,126</u>	<u>226,837</u>	<u>347,576</u>	<u>275,163</u>
FUND BALANCES								
Nonspendable	102,334	-	-	-	-	-	-	-
Restricted	661,768	-	-	-	-	-	-	676,431
Committed	91,172	168,927	-	15,023	334,850	211,438	1,280,419	-
Assigned	-	-	-	-	-	-	-	-
Unassigned	-	-	(12,236)	-	-	-	-	-
Total Fund Balance (Deficit)	<u>855,274</u>	<u>168,927</u>	<u>(12,236)</u>	<u>15,023</u>	<u>334,850</u>	<u>211,438</u>	<u>1,280,419</u>	<u>676,431</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 1,527,670</u>	<u>\$ 174,148</u>	<u>\$ 43,717</u>	<u>\$ 32,308</u>	<u>\$ 817,346</u>	<u>\$ 438,415</u>	<u>\$ 1,631,871</u>	<u>\$ 951,594</u>

CITY OF CUDAHY

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
As of December 31, 2015

	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	Community Development Authority Fund	Road & Equipment Improvements Fund	
ASSETS							
Cash and investments	\$ -	\$ 1,536	\$ 20,008	\$ 110,491	\$ 736,595	\$ 347,093	\$ 4,400,181
Accounts receivable (net of allowance for uncollectibles of \$39,044)	-	-	1,368	15,511	6,955	-	135,189
Taxes receivable	20,891	-	-	-	-	400,000	2,117,518
Special assessments receivable - due in more than one year	-	-	-	-	-	-	223,365
Restricted cash and investments	363,654	-	-	-	-	-	762,584
Prepaid items	-	-	-	-	-	38	2,372
Total Assets	\$ 384,545	\$ 1,536	\$ 21,376	\$ 126,002	\$ 743,550	\$ 747,131	\$ 7,641,209
LIABILITIES							
Accounts payable	3,507	-	2,750	-	-	18,267	94,966
Accrued liabilities	-	-	-	735	-	-	25,669
Due to other funds	386,172	-	-	-	-	-	442,125
Total Liabilities	389,679	-	2,750	735	-	18,267	562,760
DEFERRED INFLOWS OF RESOURCES							
Unearned revenues	20,891	-	-	-	-	400,000	2,009,199
Unavailable revenues	-	-	-	-	-	-	347,306
Total Deferred Inflows of Resources	20,891	-	-	-	-	400,000	2,356,505
FUND BALANCES							
Nonspendable	-	-	-	-	-	38	102,372
Restricted	363,654	-	-	-	743,550	-	2,445,403
Committed	-	1,536	18,626	125,267	-	-	2,247,258
Assigned	-	-	-	-	-	328,826	328,826
Unassigned	(389,679)	-	-	-	-	-	(401,915)
Total Fund Balance (Deficit)	(26,025)	1,536	18,626	125,267	743,550	328,864	4,721,944
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 384,545	\$ 1,536	\$ 21,376	\$ 126,002	\$ 743,550	\$ 747,131	\$ 7,641,209

CITY OF CUDAHY

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2015

	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	\$ 657,421	\$ -	\$ -	\$ -	\$ -	\$ 227,850	\$ -	\$ 274,316
Other taxes	-	-	-	-	-	-	-	-
Intergovernmental	156,644	26,355	441,822	73,646	67,084	-	-	-
Fines, forfeitures and penalties	25,136	-	-	-	-	-	-	-
Public charges for services	30,051	281,337	-	-	468,578	22,387	-	-
Public improvement revenue	-	-	-	-	-	-	223,584	-
Investment income	1,704	170	-	-	1,777	631	18,135	1,279
Commercial revenues	68,158	37	-	-	2,803	3,015	-	-
Total Revenues	939,114	307,899	441,822	73,646	540,242	253,883	241,719	275,595
EXPENDITURES								
Current								
Protection of persons and property	-	302,876	-	-	-	-	-	-
Health and sanitation	-	-	-	73,646	527,179	250,439	-	-
Library	718,199	-	-	-	-	-	-	-
Conservation and development	-	-	-	-	-	-	-	1,150
Capital Outlay	152,367	4,696	447,356	-	-	-	36,061	-
Total Expenditures	870,566	307,572	447,356	73,646	527,179	250,439	36,061	1,150
Excess (deficiency) of revenues over expenditures	68,548	327	(5,534)	-	13,063	3,444	205,658	274,445
OTHER FINANCING SOURCES (USES)								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	(10,000)	(273,577)
Total Other Financing Sources (Uses)	-	-	-	-	-	-	(10,000)	(273,577)
Net change in fund balances	68,548	327	(5,534)	-	13,063	3,444	195,658	868
FUND BALANCES (DEFICIT) - Beginning of Year	786,726	168,600	(6,702)	15,023	321,787	207,994	1,084,761	675,563
FUND BALANCES (DEFICIT) - END OF YEAR	\$ 855,274	\$ 168,927	\$ (12,236)	\$ 15,023	\$ 334,850	\$ 211,438	\$ 1,280,419	\$ 676,431

CITY OF CUDAHY

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2015

	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	Community Development Authority Fund	Road & Equipment Improvements Fund	
REVENUES							
Taxes	\$ 22,705	\$ -	\$ -	\$ -	\$ -	\$ 400,000	\$ 1,582,292
Other taxes	-	-	7,787	-	-	-	7,787
Intergovernmental	-	-	-	-	-	-	765,551
Fines, forfeitures and penalties	-	-	-	-	-	-	25,136
Public charges for services	-	-	-	106,834	-	-	909,187
Public improvement revenue	-	-	-	-	-	-	223,584
Investment income	22	8	-	-	1,263	866	25,855
Commercial revenues	-	4,600	30	1	-	-	78,644
Total Revenues	<u>22,727</u>	<u>4,608</u>	<u>7,817</u>	<u>106,835</u>	<u>1,263</u>	<u>400,866</u>	<u>3,618,036</u>
EXPENDITURES							
Current							
Protection of persons and property	-	12,264	-	64,810	-	-	379,950
Health and sanitation	-	-	-	-	-	-	851,264
Library	-	-	-	-	-	-	718,199
Conservation and development	37,356	-	14,511	-	25,000	-	78,017
Capital Outlay	-	-	-	-	-	271,970	912,450
Total Expenditures	<u>37,356</u>	<u>12,264</u>	<u>14,511</u>	<u>64,810</u>	<u>25,000</u>	<u>271,970</u>	<u>2,939,880</u>
Excess (deficiency) of revenues over expenditures	<u>(14,629)</u>	<u>(7,656)</u>	<u>(6,694)</u>	<u>42,025</u>	<u>(23,737)</u>	<u>128,896</u>	<u>678,156</u>
OTHER FINANCING SOURCES (USES)							
Transfers in	135,414	-	-	-	60,000	-	195,414
Transfers out	<u>(97,905)</u>	-	-	-	-	-	<u>(381,482)</u>
Total Other Financing Sources (Uses)	<u>37,509</u>	-	-	-	<u>60,000</u>	-	<u>(186,068)</u>
Net change in fund balances	22,880	(7,656)	(6,694)	42,025	36,263	128,896	492,088
FUND BALANCES (DEFICIT) - Beginning of Year	<u>(48,905)</u>	<u>9,192</u>	<u>25,320</u>	<u>83,242</u>	<u>707,287</u>	<u>199,968</u>	<u>4,229,856</u>
FUND BALANCES (DEFICIT) - END OF YEAR	<u>\$ (26,025)</u>	<u>\$ 1,536</u>	<u>\$ 18,626</u>	<u>\$ 125,267</u>	<u>\$ 743,550</u>	<u>\$ 328,864</u>	<u>\$ 4,721,944</u>