

# PRELIMINARY OFFICIAL STATEMENT DATED FEBRUARY 13, 2018

In the opinion of Husch Blackwell LLP, Bond Counsel, assuming continued compliance with the requirements of the Internal Revenue Code of 1986, under existing law interest on the Notes is excluded from gross income and is not an item of tax preference for federal income tax purposes. See "TAX EXEMPTION" herein for a more detailed discussion of some of the federal income tax consequences of owning the Notes. The interest on the Notes is not exempt from present Wisconsin income or franchise taxes.

The City will designate the Notes as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended, relating to the ability of financial institutions to deduct from income for federal income tax purposes, interest expense that is allocable to carrying and acquiring tax-exempt obligations.

**New Issue**

**Rating Applications Made: Moody's Investors Service  
S&P Global Ratings**

## CITY OF CUDAHY, WISCONSIN (Milwaukee County)

### \$1,380,000\* GENERAL OBLIGATION PROMISSORY NOTES, SERIES 2018A

**BID OPENING:** February 21, 2018, 10:00 A.M., C.T.

**CONSIDERATION:** February 21, 2018, 7:00 P.M., C.T.

**PURPOSE/AUTHORITY/SECURITY:** The \$1,380,000\* General Obligation Promissory Notes, Series 2018A (the "Notes") of the City of Cudahy, Wisconsin (the "City") are being issued pursuant to Section 67.12(12), Wisconsin Statutes, for the public purposes of financing public works and public safety equipment purchases, facility needs assessments, road improvements and sidewalk improvements. The Notes are general obligations of the City, and all the taxable property in the City is subject to the levy of a tax to pay the principal of and interest on the Notes as they become due which tax may, under current law, be levied without limitation as to rate or amount. Delivery is subject to receipt of an approving legal opinion of Husch Blackwell LLP, Milwaukee, Wisconsin.

**DATE OF NOTES:** March 7, 2018

**MATURITY:** March 1 as follows:

<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>
2019	\$125,000	2023	\$135,000	2027	\$150,000
2020	130,000	2024	140,000	2028	150,000
2021	130,000	2025	140,000		
2022	135,000	2026	145,000		

**MATURITY ADJUSTMENTS:** \* The City reserves the right to increase or decrease the principal amount of the Notes on the day of sale, in increments of \$5,000 each. Increases or decreases may be made in any maturity. If any principal amounts are adjusted, the purchase price proposed will be adjusted to maintain the same gross spread per \$1,000.

**TERM BONDS:** See "Term Bond Option" herein.

**INTEREST:** September 1, 2018 and semiannually thereafter.

**OPTIONAL REDEMPTION:** Notes maturing March 1, 2026 and thereafter are subject to call for prior redemption on March 1, 2025 and any date thereafter, at a price of par plus accrued interest.

**MINIMUM BID:** \$1,366,200.

**MAXIMUM BID:** \$1,435,200.

**GOOD FAITH DEPOSIT:** A good faith deposit in the amount of \$27,600 shall be made by the winning bidder by wire transfer of funds.

**PAYING AGENT:** To be determined.

**BOND COUNSEL:** Husch Blackwell LLP

**MUNICIPAL ADVISOR:** Ehlers and Associates, Inc.

**BOOK-ENTRY-ONLY:** See "Book-Entry-Only System" herein (unless otherwise specified by the purchaser).

This Preliminary Official Statement and the information contained herein are subject to completion and amendment. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy these securities nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction. This Preliminary Official Statement is in a form deemed final as of its date for purposes of SEC Rule 15c2-12(b) (1), but is subject to revision, amendment and completion in a Final Official Statement.



## REPRESENTATIONS

No dealer, broker, salesperson or other person has been authorized by the City to give any information or to make any representation other than those contained in this Preliminary Official Statement and, if given or made, such other information or representations must not be relied upon as having been authorized by the City. ***This Preliminary Official Statement does not constitute an offer to sell or a solicitation of an offer to buy any of the Notes in any jurisdiction to any person to whom it is unlawful to make such an offer or solicitation in such jurisdiction.***

This Preliminary Official Statement is not to be construed as a contract with the Syndicate Manager or Syndicate Members. Statements contained herein which involve estimates or matters of opinion are intended solely as such and are not to be construed as representations of fact. Ehlers & Associates, Inc. prepared this Preliminary Official Statement and any addenda thereto relying on information of the City and other sources for which there is reasonable basis for believing the information is accurate and complete. Bond Counsel has not participated in the preparation of this Preliminary Official Statement and is not expressing any opinion as to the completeness or accuracy of the information contained therein. Compensation of Ehlers & Associates, Inc., payable entirely by the City, is contingent upon the sale of the issue.

## COMPLIANCE WITH S.E.C. RULE 15c2-12

Certain municipal obligations (issued in an aggregate amount over \$1,000,000) are subject to Rule 15c2-12 promulgated by the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended (the "Rule").

**Preliminary Official Statement:** This Preliminary Official Statement was prepared for the City for dissemination to potential investors. Its primary purpose is to disclose information regarding the Notes to prospective underwriters in the interest of receiving competitive proposals in accordance with the sale notice contained herein. Unless an addendum is posted prior to the sale, this Preliminary Official Statement shall be deemed nearly final for purposes of the Rule subject to completion, revision and amendment in a Final Official Statement as defined below.

**Review Period:** This Preliminary Official Statement has been distributed to prospective bidders for review. Comments or requests for the correction of omissions or inaccuracies must be submitted to Ehlers & Associates, Inc. at least two business days prior to the sale. Requests for additional information or corrections in the Preliminary Official Statement received on or before this date will not be considered a qualification of a proposal received from an underwriter. If there are any changes, corrections or additions to the Preliminary Official Statement, interested bidders will be informed by an addendum prior to the sale.

**Final Official Statement:** Copies of the Final Official Statement will be delivered to the underwriter (Syndicate Manager) within seven business days following the proposal acceptance.

**Continuing Disclosure:** Subject to certain exemptions, issues in an aggregate amount over \$1,000,000 may be required to comply with provisions of the Rule which require that underwriters obtain from the issuers of municipal securities (or other obligated party) an agreement for the benefit of the owners of the securities to provide continuing disclosure with respect to those securities. This Preliminary Official Statement describes the conditions under which the Notes are exempt or required to comply with the Rule.

## CLOSING CERTIFICATES

Upon delivery of the Notes, the underwriter (Syndicate Manager) will be furnished with the following items: (1) a certificate of the appropriate officials to the effect that at the time of the sale of the Notes and all times subsequent thereto up to and including the time of the delivery of the Notes, this Preliminary Official Statement did not and does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; (2) a receipt signed by the appropriate officer evidencing payment for the Notes; (3) a certificate evidencing the due execution of the Notes, including statements that (a) no litigation of any nature is pending, or to the knowledge of signers, threatened, restraining or enjoining the issuance and delivery of the Notes, (b) neither the corporate existence or boundaries of the City nor the title of the signers to their respective offices is being contested, and (c) no authority or proceedings for the issuance of the Notes have been repealed, revoked or rescinded; and (4) a certificate setting forth facts and expectations of the City which indicates that the City does not expect to use the proceeds of the Notes in a manner that would cause them to be arbitrage bonds within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended, or within the meaning of applicable Treasury Regulations.

# TABLE OF CONTENTS

<p>INTRODUCTORY STATEMENT ..... 1</p> <p>THE NOTES ..... 1</p> <p style="padding-left: 20px;">GENERAL ..... 1</p> <p style="padding-left: 20px;">OPTIONAL REDEMPTION ..... 1</p> <p style="padding-left: 20px;">AUTHORITY; PURPOSE ..... 2</p> <p style="padding-left: 20px;">ESTIMATED SOURCES AND USES ..... 2</p> <p style="padding-left: 20px;">SECURITY ..... 2</p> <p style="padding-left: 20px;">CONCURRENT FINANCING ..... 2</p> <p style="padding-left: 20px;">RATING ..... 2</p> <p style="padding-left: 20px;">CONTINUING DISCLOSURE ..... 3</p> <p style="padding-left: 20px;">LEGAL OPINION ..... 3</p> <p style="padding-left: 20px;">TAX EXEMPTION ..... 4</p> <p style="padding-left: 20px;">QUALIFIED TAX-EXEMPT OBLIGATIONS ..... 5</p> <p style="padding-left: 20px;">MUNICIPAL ADVISOR ..... 5</p> <p style="padding-left: 20px;">MUNICIPAL ADVISOR AFFILIATED COMPANIES . 5</p> <p style="padding-left: 20px;">INDEPENDENT AUDITORS ..... 5</p> <p style="padding-left: 20px;">RISK FACTORS ..... 5</p> <p>VALUATIONS ..... 8</p> <p style="padding-left: 20px;">WISCONSIN PROPERTY VALUATIONS; PROPERTY TAXES ..... 8</p> <p style="padding-left: 20px;">CURRENT PROPERTY VALUATIONS ..... 9</p> <p style="padding-left: 20px;">2017 EQUALIZED VALUE BY CLASSIFICATION . . . 9</p> <p style="padding-left: 20px;">TREND OF VALUATIONS ..... 9</p> <p style="padding-left: 20px;">LARGER TAXPAYERS ..... 10</p> <p>DEBT ..... 11</p> <p style="padding-left: 20px;">DIRECT DEBT ..... 11</p> <p style="padding-left: 20px;">SCHEDULE OF GENERAL OBLIGATION DEBT ... 12</p> <p style="padding-left: 20px;">SCHEDULE OF WATER &amp; SEWER REVENUE DEBT ..... 14</p> <p style="padding-left: 20px;">SCHEDULE OF STORM WATER REVENUE DEBT . 15</p> <p style="padding-left: 20px;">SCHEDULE OF AUTHORITY DEBT ..... 16</p> <p style="padding-left: 20px;">DEBT LIMIT ..... 17</p> <p style="padding-left: 20px;">OVERLAPPING DEBT ..... 17</p> <p style="padding-left: 20px;">DEBT RATIOS ..... 18</p> <p style="padding-left: 20px;">DEBT PAYMENT HISTORY ..... 18</p> <p style="padding-left: 20px;">FUTURE FINANCING ..... 18</p>	<p>TAX LEVIES AND COLLECTIONS ..... 19</p> <p style="padding-left: 20px;">TAX LEVIES AND COLLECTIONS ..... 19</p> <p style="padding-left: 20px;">PROPERTY TAX RATES ..... 20</p> <p style="padding-left: 20px;">LEVY LIMITS ..... 20</p> <p>THE ISSUER ..... 22</p> <p style="padding-left: 20px;">CITY GOVERNMENT ..... 22</p> <p style="padding-left: 20px;">EMPLOYEES; PENSIONS ..... 22</p> <p style="padding-left: 20px;">OTHER POST EMPLOYMENT BENEFITS ..... 23</p> <p style="padding-left: 20px;">LITIGATION ..... 24</p> <p style="padding-left: 20px;">MUNICIPAL BANKRUPTCY ..... 24</p> <p style="padding-left: 20px;">FUNDS ON HAND ..... 25</p> <p style="padding-left: 20px;">ENTERPRISE FUNDS ..... 26</p> <p style="padding-left: 20px;">SUMMARY GENERAL FUND INFORMATION .... 27</p> <p>GENERAL INFORMATION ..... 28</p> <p style="padding-left: 20px;">LOCATION ..... 28</p> <p style="padding-left: 20px;">LARGER EMPLOYERS ..... 28</p> <p style="padding-left: 20px;">BUILDING PERMITS ..... 29</p> <p style="padding-left: 20px;">U.S. CENSUS DATA ..... 30</p> <p style="padding-left: 20px;">EMPLOYMENT/UNEMPLOYMENT DATA ..... 30</p> <p>FINANCIAL STATEMENTS ..... A-1</p> <p>FORM OF LEGAL OPINION ..... B-1</p> <p>BOOK-ENTRY-ONLY SYSTEM ..... C-1</p> <p>FORM OF CONTINUING DISCLOSURE AGREEMENT D-1</p> <p>NOTICE OF SALE ..... E-1</p> <p>BID FORM</p>
--	--

## COMMON COUNCIL

		<u>Term Expires</u>
John Hohenfeldt	Mayor	April 2019
Justin Moralez	Aldersperson	April 2019
Mike Johnson	Aldersperson	April 2019
Randy Hollenbeck	Aldersperson	April 2019
Jason Litkowiec	Aldersperson	April 2019
Michele St. Marie-Boelkow	Aldersperson	April 2019

## ADMINISTRATION

Dennis Broderick, City Clerk-Treasurer  
Carolyn Toms-Neary, Director of Office Services

## PROFESSIONAL SERVICES

Paul Eberhardy, City Attorney, Cudahy, Wisconsin

Husch Blackwell LLP, Bond Counsel, Milwaukee, Wisconsin

Ehlers & Associates, Inc., Municipal Advisors, Waukesha, Wisconsin  
*(Other offices located in Roseville, Minnesota, Chicago, Illinois and Denver, Colorado)*

## INTRODUCTORY STATEMENT

This Preliminary Official Statement contains certain information regarding the City of Cudahy, Wisconsin (the "City") and the issuance of its \$1,380,000\* General Obligation Promissory Notes, Series 2018A (the "Notes") or the "Obligations". Any descriptions or summaries of the Notes, statutes, or documents included herein are not intended to be complete and are qualified in their entirety by reference to such statutes and documents and the form of the Notes to be included in the resolution awarding the sale of the Notes (the "Award Resolution") to be adopted by the Common Council on February 21, 2018.

Inquiries may be directed to Ehlers & Associates, Inc. ("Ehlers" or the "Municipal Advisor"), Waukesha, Wisconsin, (262) 785-1520, the City's Municipal Advisor. A copy of this Preliminary Official Statement may be downloaded from Ehlers' web site at [www.ehlers-inc.com](http://www.ehlers-inc.com) by connecting to the Bond Sales link and following the directions at the top of the site.

## THE NOTES

### GENERAL

The Notes will be issued in fully registered form as to both principal and interest in denominations of \$5,000 each or any integral multiple thereof, and will be dated, as originally issued, as of March 7, 2018. The Notes will mature on March 1 in the years and amounts set forth on the cover of this Preliminary Official Statement. Interest will be payable on March 1 and September 1 of each year, commencing September 1, 2018, to the registered owners of the Notes appearing of record in the bond register as of the close of business on the 15th day (whether or not a business day) of the immediately preceding month. Interest will be computed upon the basis of a 360-day year of twelve 30-day months and will be rounded pursuant to rules of the Municipal Securities Rulemaking Board ("MSRB"). **The rate for any maturity may not be more than 2.00% less than the rate for any preceding maturity. (For example, if a rate of 4.50% is proposed for the 2019 maturity, then the lowest rate that may be proposed for any later maturity is 2.50%.)** All Notes of the same maturity must bear interest from the date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

Unless otherwise specified by the purchaser, the Notes will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"). (See "Book-Entry-Only System" herein.) As long as the Notes are held under the book-entry system, beneficial ownership interests in the Notes may be acquired in book-entry form only, and all payments of principal of, premium, if any, and interest on the Notes shall be made through the facilities of DTC and its participants. If the book-entry system is terminated, principal of, premium, if any, and interest on the Notes shall be payable as provided in the Award Resolution.

### OPTIONAL REDEMPTION

At the option of the City, the Notes maturing on or after March 1, 2026 shall be subject to optional redemption prior to maturity on March 1, 2025 and on any date thereafter, at a price of par plus accrued interest.

Redemption may be in whole or in part of the Notes subject to prepayment. If redemption is in part, the selection of the amounts and maturities of the Notes to be redeemed shall be at the discretion of the City. If only part of the Notes having a common maturity date are called for redemption, then the City or Paying Agent, if any, will notify DTC of the particular amount of such maturity to be redeemed. DTC will determine by lot the amount of each participant's interest in such maturity to be redeemed and each participant will then select by lot the beneficial ownership interest in such maturity to be redeemed.

\*Preliminary, subject to change.

Notice of redemption shall be sent by mail not more than 60 days and not less than 30 days prior to the date fixed for redemption to the registered owner of each Note to be redeemed at the address shown on the registration books.

## **AUTHORITY; PURPOSE**

The Notes are being issued pursuant to Section 67.12(12), Wisconsin Statutes, for the public purposes of financing public works and public safety equipment purchases, facility needs assessments, road improvements and sidewalk improvements.

## **ESTIMATED SOURCES AND USES\***

<b>Sources</b>		
Par Amount of Notes	\$1,380,000	
Interest Earnings	<u>1,500</u>	
<b>Total Sources</b>		<b>\$1,381,500</b>
<b>Uses</b>		
Project Costs	\$1,302,000	
Contingency	4,104	
Estimated Discount	13,800	
Finance Related Expenses	46,975	
Capitalized Interest	<u>14,621</u>	
<b>Total Uses</b>		<b>\$1,381,500</b>

\*Preliminary, subject to change.

## **SECURITY**

For the prompt payment of the Notes with interest thereon and for the levy of taxes sufficient for this purpose, the full faith, credit and resources of the City will be irrevocably pledged. The City will levy a direct, annual, irrevocable tax on all taxable property in the City sufficient to pay the interest on the Notes when it becomes due and also to pay and discharge the principal on the Notes at maturity, in compliance with Article XI, Section 3 of the Wisconsin Constitution. Such tax may, under current law, be levied without limitation as to rate or amount.

## **CONCURRENT FINANCING**

By means of a separate Preliminary Official Statement, the City will be issuing approximately \$7,215,000 General Obligation Corporate Purpose Bonds, Series 2018B (the "Concurrent Obligations" or the "Series 2018B") on February 21, 2018.

## **RATING**

General obligation debt of the City, with the exception of any outstanding credit enhanced issues, is currently rated ("Aa3") by Moody's Investor's Service and "AA-" by Standard & Poor's.

The City has requested a rating on this issue from Moody's Investors Service and Standard & Poor's, and bidders will be notified as to the assigned ratings prior to the sale. Such ratings reflect only the views of such organizations and explanations of the significance of such ratings may be obtained from the respective organizations furnishing the same.

Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by such rating agency, if in the judgement of such rating agency circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Notes.

Such rating is not to be construed as a recommendation of the rating agency to buy, sell or hold the Notes, and the rating assigned by the rating agency should be evaluated independently. Except as may be required by the Disclosure Undertaking described under the heading "CONTINUING DISCLOSURE" neither the City nor the underwriter undertake responsibility to bring to the attention of the owner of the Notes any proposed changes in or withdrawal of such rating or to oppose any such revision or withdrawal.

## **CONTINUING DISCLOSURE**

In order to assist the Underwriters in complying with SEC Rule 15c2-12 promulgated by the Securities and Exchange Commission, pursuant to the Securities Exchange Act of 1934 (hereinafter the "Rule"), the City shall covenant to take certain actions pursuant to a Resolution adopted by the Common Council by entering into a Continuing Disclosure Undertaking (the "Disclosure Undertaking") for the benefit of holders, including beneficial holders. The Disclosure Undertaking requires the City to provide electronically or in the manner otherwise prescribed certain financial information annually and to provide notices of the occurrence of certain events enumerated in the Rule. The details and terms of the Disclosure Undertaking for this issue are set forth in Appendix D to be executed and delivered by the City at the time of delivery of the Notes. Such Disclosure Undertaking will be in substantially the form attached hereto.

In the previous five years, the City believes it has not failed to comply in all material respects with its prior undertakings under the Rule.

A failure by the City to comply with any Disclosure Undertaking will not constitute an event of default on this issue or any issue outstanding. However, such a failure may adversely affect the transferability and liquidity of the Notes and their market price.

The City will file its continuing disclosure information using the Electronic Municipal Market Access ("EMMA") system or any system that may be prescribed in the future. Investors will be able to access continuing disclosure information filed with the MSRB at [www.emma.msrb.org](http://www.emma.msrb.org). Ehlers is currently engaged as disclosure dissemination agent for the City.

## **LEGAL OPINION**

An opinion as to the validity of the Notes and the exemption from federal taxation of the interest thereon will be furnished by Husch Blackwell LLP, Bond Counsel to the City, and will be available at the time of delivery of the Notes. The legal opinion will be issued on the basis of existing law and will state that the Notes are valid and binding general obligations of the City; provided that the rights of the owners of the Notes and the enforceability of the Notes may be limited by bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting creditors' rights and by equitable principles (which may be applied in either a legal or equitable proceeding).

## **STATEMENT REGARDING COUNSEL PARTICIPATION**

Bond Counsel has not assumed responsibility for this Preliminary Official Statement or participated in its preparation (except with respect to the section entitled "TAX EXEMPTION" in the Preliminary Official Statement and the "FORM OF LEGAL OPINION" found in Appendix B).

## **TAX EXEMPTION**

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

“The interest on the Notes is excluded from gross income for federal income tax purposes and is not an item of tax preference under Section 57 of the Internal Revenue Code of 1986, as amended (the “Code”), for purposes of the federal alternative minimum tax; such interest is, however, included in adjusted current earnings of certain corporations for purposes of computing federal alternative minimum tax in effect prior to January 1, 2018 for tax years beginning before such date. The Code contains requirements that must be satisfied subsequent to the issuance of the Notes in order for interest on the Notes to be or continue to be excluded from gross income for federal income tax purposes. Failure to comply with certain of those requirements could cause the interest on the Notes to be included in gross income retroactively to the date of issuance of the Notes. The City has agreed to comply with all of those requirements. The opinion set forth in the first sentence of this paragraph is subject to the condition that the City comply with those requirements. We express no opinion regarding other federal tax consequences arising with respect to the Notes.”

Public Law No 115-97, enacted on December 22, 2017, repeals the alternative minimum tax imposed on corporations for taxable years beginning on or after January 1, 2018.

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

Prospective purchasers of the Notes should be aware that ownership of the Notes may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits, certain S corporations with "excess net passive income", foreign corporations subject to the branch profits tax and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry the Notes. Bond Counsel will not express any opinion as to such collateral tax consequences. Prospective purchasers of the Notes should consult their tax advisors as to collateral federal income tax consequences.

**THE ABOVE DISCUSSION IS ONLY A BRIEF SUMMARY OF THE EFFECTS OF THE CODE, AND EACH PROSPECTIVE PURCHASER OF THE NOTES SHOULD CONSULT WITH HIS OR HER OWN TAX ADVISOR REGARDING THE TAX EFFECT ON THE ECONOMIC VALUE OF THE NOTES.**

From time to time, legislation is proposed which, if enacted, could alter one or more of the federal tax matters referred to above or would adversely affect the market value of the Notes. It cannot be predicted whether or in what form any of such proposals may be enacted and whether, if enacted, such proposals will apply to obligations (such as the Notes) issued prior to enactment.

## **QUALIFIED TAX-EXEMPT OBLIGATIONS**

The City will designate the Notes as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code relating to the ability of financial institutions to deduct from income for federal income tax purposes, interest expense that is allocable to carrying and acquiring tax-exempt obligations.



## **MUNICIPAL ADVISOR**

Ehlers has served as municipal advisor to the City in connection with the issuance of the Notes. The Municipal Advisor cannot participate in the underwriting of the Notes. The financial information included in this Preliminary Official Statement has been compiled by the Municipal Advisor. Such information does not purport to be a review, audit or certified forecast of future events and may not conform with accounting principles applicable to compilations of financial information. Ehlers is not a firm of certified public accountants. Ehlers is registered with the Securities and Exchange Commission and the MSRB as a Municipal Advisor.

## **MUNICIPAL ADVISOR AFFILIATED COMPANIES**

Bond Trust Services Corporation ("BTSC") and Ehlers Investment Partners, LLC ("EIP") are affiliate companies of Ehlers. BTSC is chartered by the State of Minnesota and authorized in Minnesota, Wisconsin, and Illinois to transact the business of a limited purpose trust company. BTSC provides paying agent services to debt issuers. EIP is a Registered Investment Advisor with the Securities and Exchange Commission. EIP assists issuers with the investment of bond proceeds or investing other issuer funds. This includes escrow bidding agent services. Issuers, such as the City, have retained or may retain BTSC and/or EIP to provide these services. If hired, BTSC and/or EIP would be retained by the City under an agreement separate from Ehlers.

## **INDEPENDENT AUDITORS**

The basic financial statements of the City for the fiscal year ended December 31, 2016 have been audited by Baker Tilly Virchow Krause, Milwaukee, Wisconsin, independent auditors (the "Auditor"). The report of the Auditor, together with the basic financial statements, component units financial statements, and notes to the financial statements are attached hereto as "APPENDIX A – FINANCIAL STATEMENTS". The Auditor has not been engaged to perform and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. The Auditor also has not performed any procedures relating to this Official Statement.

## **RISK FACTORS**

Following is a description of possible risks to holders of the Notes without weighting as to probability. This description of risks is not intended to be all-inclusive, and there may be other risks not now perceived or listed here.

**Taxes:** The Notes are general obligations of the City, the ultimate payment of which rests in the City's ability to levy and collect sufficient taxes to pay debt service. In the event of delayed billing, collection or distribution of property taxes, sufficient funds may not be available to the City in time to pay debt service when due.

**State Actions:** Many elements of local government finance, including the issuance of debt and the levy of property taxes, are controlled by state government. Future actions of the state may affect the overall financial condition of the City, the taxable value of property within the City, and the ability of the City to levy and collect property taxes.

**Future Changes in Law:** Various State and federal laws, regulations and constitutional provisions apply to the City and to the Notes. The City can give no assurance that there will not be a change in or interpretation of any such applicable laws, regulations and provisions which would have a material effect on the City or the taxing authority of the City.

**Ratings; Interest Rates:** In the future, the City's credit rating may be reduced or withdrawn, or interest rates for this type of obligation may rise generally, either possibility resulting in a reduction in the value of the Notes for resale prior to maturity.

**Tax Exemption:** If the federal government taxes all or a portion of the interest on municipal bonds or notes or if the State government increases its tax on interest on bonds and notes, directly or indirectly, or if there is a change in federal or state tax policy, then the value of these Notes may fall for purposes of resale. Noncompliance by the City with the covenants in the Award Resolution relating to certain continuing requirements of the Code may result in inclusion of interest to be paid on the Notes in gross income of the recipient for United States income tax purposes, retroactive to the date of issuance.

**Continuing Disclosure:** A failure by the City to comply with the Disclosure Undertaking for continuing disclosure (see "CONTINUING DISCLOSURE") will not constitute an event of default on the Notes. Any such failure must be reported in accordance with the Rule and must be considered by any broker, dealer, or municipal securities dealer before recommending the purchase or sale of the Notes in the secondary market. Such a failure may adversely affect the transferability and liquidity of the Notes and their market price.

**Book-Entry-Only System:** The timely credit of payments for principal and interest on the Notes to the accounts of the Beneficial Owners of the Notes may be delayed due to the customary practices, standing instructions or for other unknown reasons by DTC participants or indirect participants. Since the notice of redemption or other notices to holders of these obligations will be delivered by the City to DTC only, there may be a delay or failure by DTC, DTC participants or indirect participants to notify the Beneficial Owners of the Notes.

**Depository Risk:** Wisconsin Statutes direct the local treasurer to immediately deposit upon receipt thereof, the funds of the municipality in a public depository designated by the governing body. A public depository means a federal or state credit union, federal or state savings and loan association, state bank, savings and trust company, mutual savings bank or national bank in Wisconsin or the local government pooled investment fund operated by the State Investment Board. It is not uncommon for a municipality to have deposits exceeding limits of federal and state insurance programs. Failure of a depository could result in loss of public funds or a delay in obtaining them. Such a loss or delay could interrupt a timely payment of municipal debt.

**Economy:** A combination of economic, climatic, political or civil disruptions or terrorist actions outside of the control of the City, including loss of major taxpayers or major employers, could affect the local economy and result in reduced tax collections and/or increased demands upon local government. Real or perceived threats to the financial stability of the City may have an adverse effect on the value of the Notes in the secondary market.

**Secondary Market for the Notes:** No assurance can be given that a secondary market will develop for the purchase and sale of the Notes or, if a secondary market exists, that such Notes can be sold for any particular price. The underwriters are not obligated to engage in secondary market trading or to repurchase any of the Notes at the request of the owners thereof. Prices of the Notes as traded in the secondary market are subject to adjustment upward and downward in response to changes in the credit markets and other prevailing circumstances. No guarantee exists as to the future market value of the Notes. Such market value could be substantially different from the original purchase price.

**Bankruptcy:** The rights and remedies of the holders may be limited by and are subject to the provisions of federal bankruptcy laws, to other laws, or equitable principles that may affect the enforcement of creditors' rights, to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against local governments. The opinion of Bond Counsel to be delivered with respect to the Notes will be similarly qualified. See "MUNICIPAL BANKRUPTCY" herein.

# VALUATIONS

## WISCONSIN PROPERTY VALUATIONS; PROPERTY TAXES

### **Equalized Value**

Section 70.57, Wisconsin Statutes, requires the Department of Revenue to annually determine the equalized value (also referred to as full equalized value or aggregate full value) of all taxable property in each county and taxation district. The equalized value is an independent estimate of value used to equate individual local assessment policies so that property taxes are uniform throughout the various subdivisions in the State. Equalized value is calculated based on the history of comparable sales and information about value changes or taxing status provided by the local assessor. A comparison of the State-determined equalized value and the local assessed value, expressed as a percentage, is known as the assessment ratio or level of assessment. The Department of Revenue notifies each county and taxing jurisdiction of its equalized value on August 15; school districts are notified on October 1. The equalized value of each county is the sum of the valuations of all cities, villages, and towns within its boundaries. Taxing jurisdictions lying in more than one municipality, such as counties, school districts, or special taxing districts, use the equalized value of the underlying units in calculating and levying their respective levies. Equalized values are also used to apportion state aids and calculate municipal general obligation debt limits.

### **Assessed Value**

The "assessed value" of taxable property in a municipality is determined by the local assessor, except for manufacturing properties which are valued by the State. Each city, village or town retains its own local assessor, who must be certified by the State Department of Revenue. Assessed value is used by these municipalities to determine tax levy mill rates and to apportion levies among individual property owners. Each taxing district must assess property at full value at least once in every five-year period. The State requires that the assessed values must be within 10% of State equalized values at least once every four years. The local assessor values property as of January 1 each year and submits those values to each municipality by the second Monday in June. The assessor also reports any value changes taking place since the previous year, to the Department of Revenue, by the second Monday in June.

## CURRENT PROPERTY VALUATIONS

2017 Equalized Value	\$1,136,690,600
2017 Equalized Value Reduced by Tax Increment Valuation	\$944,345,800
2017 Assessed Value	\$1,122,486,300

## 2017 EQUALIZED VALUE BY CLASSIFICATION

	<b>2017 Equalized Value</b>	<b>Percent of Total Equalized Value</b>
Residential	\$ 770,921,500	67.822%
Commercial	268,233,100	23.598%
Manufacturing	66,202,300	5.824%
Agricultural	900	0.000%
Personal Property	31,332,800	2.756%
Total	<u>\$1,136,690,600</u>	<u>100.000%</u>

## TREND OF VALUATIONS

<b>Year</b>	<b>Assessed Value</b>	<b>Equalized Value<sup>1</sup></b>	<b>Percent Increase/Decrease in Equalized Value</b>
2013	\$1,285,413,200	\$1,177,403,800	-4.02%
2014	1,264,188,800	1,219,166,500	3.55%
2015	1,115,335,100	1,095,819,200	-10.12%
2016	1,123,193,900	1,089,420,200	-0.58%
2017	1,122,486,300	1,136,690,600	4.34%

**Source:** Wisconsin Department of Revenue, Bureau of Equalization and Local Government Services Bureau.

---

<sup>1</sup> Includes tax increment valuation.

**LARGER TAXPAYERS**

<b>Taxpayer</b>	<b>Type of Business/Property</b>	<b>2017 Equalized Value<sup>1</sup></b>	<b>Percent of City's Total Equalized Value</b>
OCP Milwaukee MT, LLC	Manufacturing	\$ 15,890,840	1.40%
Patrick Cudahy LLC	Manufacturing	13,931,650	1.23%
LST Limited Partnership	Commercial	12,030,690	1.06%
ATI Ladish	Manufacturing	10,241,780	0.90%
Phoenix JCR Cudahy	Manufacturing	9,856,880	0.87%
1900 College Avenue LLC	Commercial	7,191,460	0.63%
MRC I LLC	Commercial	6,798,220	0.60%
Hansen Storage Company	Commercial	6,697,840	0.59%
Centerpoint	Manufacturing	6,267,690	0.55%
Building Investors	Commercial	5,848,900	0.51%
<b>Total</b>		<b>\$ 94,755,950</b>	<b>8.34%</b>

City's Total 2017 Equalized Value<sup>2</sup> \$1,136,690,600

**Source:** The City.

---

<sup>1</sup> Calculated by dividing the 2017 Assessed Values by the 2017 Aggregate Ratio of assessment for the City.

<sup>2</sup> Includes tax increment valuation.

## DEBT

### DIRECT DEBT<sup>1\*</sup>

#### General Obligation Debt (see schedules following)

Total General Obligation Debt* (includes the Obligations and the Concurrent Obligations, as defined herein)	<u>\$ 30,570,000</u>
---	----------------------

#### Revenue Debt (see schedules following)

Total revenue debt secured by water and sewer revenues	<u>\$ 4,475,000</u>
--	---------------------

Total revenue debt secured by storm water revenues	<u>\$ 4,665,000</u>
--	---------------------

#### Lease Revenue Obligations (see schedule following)

Total Lease Revenue Obligations Paid by Annual Appropriations	<u>\$ 9,720,000</u>
---	---------------------

\*Preliminary, subject to change.

---

<sup>1</sup> Outstanding debt is as of the dated date of the Obligations.

**Schedule of Bonded Indebtedness  
General Obligation Debt  
(As of March 7, 2018)**

Dated Amount	Refunding Bonds Series 2010		Refunding Bonds Series 2012A		Taxable Refunding Bonds Series 2012B		Refunding Bonds Series 2013B		Notes Series 2014A		Bonds Series 2014B		Refunding Bonds Series 2015A	
	9/9/2010 \$4,140,000	11/1	4/12/2012 \$5,255,000	6/1	4/12/2012 \$1,825,000	4/1	5/23/2013 \$5,955,000	10/1	4/15/2014 \$865,000	4/1	4/15/2014 \$2,380,000	4/1	6/2/2015 \$5,195,000	3/1
Fiscal Year Ending	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2018	485,000	21,600	470,000	61,613	120,000	28,865	565,000	109,000	120,000	11,995	75,000	77,353	820,000	39,556
2019	475,000	10,688	515,000	51,119	120,000	26,165	615,000	92,050	100,000	9,795	55,000	76,053	915,000	70,913
2020			570,000	38,913	260,000	21,328	685,000	73,600	100,000	7,795	50,000	75,003	940,000	53,563
2021			655,000	24,313	305,000	13,645	715,000	53,050	100,000	5,795	35,000	74,126	940,000	35,013
2022			645,000	8,063	300,000	4,688	120,000	31,600	100,000	3,795	50,000	73,150	155,000	24,063
2023							120,000	28,000	130,000	1,398	110,000	71,175	155,000	20,963
2024							130,000	24,400	130,000		120,000	68,300	160,000	17,613
2025							130,000	20,500	150,000		150,000	64,550	195,000	13,619
2026							120,000	16,600	140,000		140,000	60,200	215,000	8,738
2027							130,000	13,000	150,000		150,000	55,850	220,000	3,025
2028							130,000	8,775	160,000		160,000	51,200		
2029							140,000	4,550	180,000		180,000	45,200		
2030									180,000		180,000	38,000		
2031									190,000		190,000	30,600		
2032									215,000		215,000	22,500		
2033									225,000		225,000	13,700		
2034									230,000		230,000	4,600		
	960,000	32,288	2,855,000	184,019	1,105,000	94,690	3,600,000	475,125	650,000	40,573	2,315,000	901,559	3,775,000	287,062

continued on next page

**CITY OF CUDAHY, WISCONSIN**  
**Schedule of Bonded Indebtedness**  
**General Obligation Debt**  
**(As of March 7, 2018)**

Dated Amount	Refunding Bonds Series 2016A		Notes Series 2016B		Taxable Bonds Series 2016D		Notes Series 2018A		GO Ref Bonds 2) Series 2018B		Total Principal*	Total Interest*	Principal & Interest*	Principal Outstanding*	Principal %Paid	Year
	4/19/2016 \$2,150,000	4/1	4/19/2016 \$1,550,000	4/1	9/1/2016 \$3,720,000	10/1	3/7/2018 \$1,380,000*	3/1	3/7/2018 \$7,215,000*	4/1						
Fiscal Year Ending	Principal	Interest	Principal	Interest	Principal	Interest	Principal*	Interest*	Principal*	Interest*						
2018	345,000	23,613	145,000	23,820	485,000	70,610					2,810,000	575,531	3,385,531	27,760,000	9.19%	2018
2019	350,000	20,138	150,000	20,870	590,000	60,910	14,621	14,621	730,000	157,530	4,645,000	625,385	5,270,385	23,115,000	24.39%	2019
2020	355,000	16,391	150,000	17,870	635,000	49,110	125,000	29,156	730,000	144,573	4,580,000	525,036	5,105,036	18,535,000	39.37%	2020
2021	350,000	12,206	155,000	14,820	665,000	36,410	130,000	24,488	735,000	131,020	4,785,000	424,885	5,209,885	13,750,000	55.02%	2021
2022	80,000	9,489	155,000	11,720	100,000	23,110	135,000	21,903	730,000	116,738	2,570,000	328,296	2,898,296	11,180,000	63.43%	2022
2023	75,000	8,356	160,000	9,050	100,000	21,110	135,000	19,135	500,000	104,188	1,485,000	283,374	1,768,374	9,695,000	68.29%	2023
2024	80,000	7,144	160,000	6,730	105,000	19,110	140,000	16,143	505,000	93,256	1,400,000	252,695	1,652,695	8,295,000	72.87%	2024
2025	80,000	5,794	165,000	4,210	105,000	16,905	140,000	12,923	435,000	82,464	1,400,000	220,964	1,620,964	6,895,000	77.45%	2025
2026	85,000	4,297	170,000	1,445	105,000	14,543	145,000	9,501	435,000	72,024	1,415,000	187,347	1,602,347	5,480,000	82.07%	2026
2027	90,000	2,600			110,000	12,023	150,000	5,813	400,000	61,595	1,250,000	153,905	1,403,905	4,230,000	86.16%	2027
2028	80,000	850			110,000	9,218	150,000	1,950	405,000	51,230	1,035,000	123,223	1,158,223	3,195,000	89.55%	2028
2029					110,000	6,303			415,000	40,363	845,000	96,415	941,415	2,350,000	92.31%	2029
2030					115,000	3,278			420,000	28,880	715,000	70,158	785,158	1,635,000	94.65%	2030
2031									425,000	16,838	615,000	47,438	662,438	1,020,000	96.66%	2031
2032									175,000	8,050	390,000	30,550	420,550	630,000	97.94%	2032
2033									175,000	2,713	400,000	16,413	416,413	230,000	99.25%	2033
2034											230,000	4,600	234,600	0	100.00%	2034
	1,970,000	110,856	1,410,000	110,535	3,335,000	342,638	1,380,000	182,523	7,215,000	1,204,345	30,570,000	3,966,212	34,536,212			

2) Current Refunds 2011 Bonds  
 \*Preliminary, subject to change.



**CITY OF CUDAHY, WISCONSIN**  
**Schedule of Bonded Indebtedness**  
**Revenue Debt Secured by Water and Sewer Utility Revenues**  
**(As of March 7, 2018)**

**Water & Sewer Sys      Water & Sewer Sys**  
**Rev Bonds                      Rev Bonds**  
**Series 2008                      Series 2014C**

Fiscal Year Ending	4/2/2008		5/6/2014		Total Principal	Total Interest	Principal & Interest	Principal Outstanding	Principal %Paid	Year
	Amount	Maturity	Amount	Maturity						
	\$1,120,000	5/1	\$4,435,000	5/1						
2018	130,000		45,000		175,000	140,450	315,450	4,300,000	3.91%	2018
2019		2,600	175,000		175,000	134,550	309,550	4,125,000	7.82%	2019
2020			175,000		175,000	129,300	304,300	3,950,000	11.73%	2020
2021			205,000		205,000	123,600	328,600	3,745,000	16.31%	2021
2022			280,000		280,000	116,325	396,325	3,465,000	22.57%	2022
2023			290,000		290,000	107,775	397,775	3,175,000	29.05%	2023
2024			295,000		295,000	99,000	394,000	2,880,000	35.64%	2024
2025			230,000		230,000	91,125	321,125	2,650,000	40.78%	2025
2026			240,000		240,000	84,075	324,075	2,410,000	46.15%	2026
2027			245,000		245,000	76,800	321,800	2,165,000	51.62%	2027
2028			255,000		255,000	69,300	324,300	1,910,000	57.32%	2028
2029			255,000		255,000	61,491	316,491	1,655,000	63.02%	2029
2030			275,000		275,000	53,038	328,038	1,380,000	69.16%	2030
2031			285,000		285,000	43,759	328,759	1,095,000	75.53%	2031
2032			295,000		295,000	33,788	328,788	800,000	82.12%	2032
2033			300,000		300,000	23,375	323,375	500,000	88.83%	2033
2034			500,000		500,000	9,063	509,063	0	100.00%	2034
	130,000	2,600	4,345,000	1,394,213	4,475,000	1,396,813	5,871,813			

**CITY OF CUDAHY, WISCONSIN**  
**Schedule of Bonded Indebtedness**  
**Revenue Debt Secured by Storm Water Utility Revenues**  
**(As of March 7, 2018)**

Fiscal Year Ending	Storm Water Utility Revenue Bonds Series 2008		Storm Water Utility Revenue Bonds Series 2014D		Storm Water Utility Revenue Bonds Series 2016E		Total Principal	Total Interest	Principal & Interest	Principal Outstanding	Principal %Paid	Year
	Dated Amount	Maturity	Dated Amount	Maturity	Dated Amount	Maturity						
2018							275,000	112,606	387,606	4,390,000	5.89%	2018
2019	\$4,150,000	5/1	\$1,890,000	5/1	\$2,790,000	9/1/2016	285,000	104,556	389,556	4,105,000	12.00%	2019
2020							285,000	98,256	383,256	3,820,000	18.11%	2020
2021							290,000	91,931	381,931	3,530,000	24.33%	2021
2022							320,000	85,156	405,156	3,210,000	31.19%	2022
2023							330,000	77,856	407,856	2,880,000	38.26%	2023
2024							330,000	70,481	400,481	2,550,000	45.34%	2024
2025							335,000	63,081	398,081	2,215,000	52.52%	2025
2026							345,000	55,506	400,506	1,870,000	59.91%	2026
2027							350,000	47,781	397,781	1,520,000	67.42%	2027
2028							635,000	36,931	671,931	885,000	81.03%	2028
2029							130,000	27,844	157,844	755,000	83.82%	2029
2030							135,000	23,538	158,538	620,000	86.71%	2030
2031							140,000	18,981	158,981	480,000	89.71%	2031
2032							145,000	14,172	159,172	335,000	92.82%	2032
2033							150,000	9,100	159,100	185,000	96.03%	2033
2034							185,000	3,238	188,238	0	100.00%	2034
							4,665,000	941,016	5,606,016			

**CITY OF CUDAHY, WISCONSIN**  
**Schedule of Bonded Indebtedness**  
**Community Development Authority Debt Secured by Lease Agreements**  
**(As of March 7, 2018)**

Year Ending	Lease Rev Rfnd Bnds Series 2011		Lease Rev Rfnd Bnds Series 2012A		Taxable Lease Rev Bnds Series 2012B		Lease Rev Rfnd Bnds Series 2013A		Redevelopment Lease Rev Rfnd Bnds 1) Series 2016C		Total Principal	Total Interest	Principal & Interest	Principal Outstanding	Principal %Paid	Year
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest						
2018	315,000	48,530	315,000	55,996	50,000	44,625	955,000	23,088	1,145,000	16,965	2,780,000	189,204	2,969,204	6,940,000	28.60%	2018
2019	340,000	40,160	385,000	49,644	55,000	43,284	910,000	7,963	1,125,000	5,906	2,815,000	146,956	2,961,956	4,125,000	57.56%	2019
2020	375,000	29,945	625,000	39,015	25,000	42,186					1,025,000	111,146	1,136,146	3,100,000	68.11%	2020
2021	380,000	18,335	635,000	24,520	0	41,818					1,015,000	84,673	1,099,673	2,085,000	78.55%	2021
2022	380,000	6,175	650,000	8,450	100,000	40,093					1,130,000	54,718	1,184,718	955,000	90.17%	2022
2023					175,000	35,174					175,000	35,174	210,174	780,000	91.98%	2023
2024					195,000	28,226					195,000	28,226	223,226	585,000	93.98%	2024
2025					195,000	20,524					195,000	20,524	215,524	390,000	95.99%	2025
2026					195,000	12,480					195,000	12,480	207,480	195,000	97.99%	2026
2027					195,000	4,193					195,000	4,193	199,193	0	100.00%	2027
			1,790,000	143,145	1,185,000	312,601	1,865,000	31,050	2,270,000	22,871	9,720,000	687,293	10,407,293			

1) The 2016C Bonds refund the 2017-19 maturities of the 2006 Bonds

**DEBT LIMIT** (includes the Obligations and the Concurrent Obligations)\*

The constitutional and statutory general obligation debt limit for Wisconsin municipalities, including towns, cities, villages, and counties (Article XI, Section 3 of the Wisconsin Constitution and Section 67.03, Wisconsin Statutes) is 5% of the current equalized value.

Equalized Value	\$1,136,690,600
Multiply by 5%	<u>0.05</u>
Statutory Debt Limit	\$ 56,834,530
Less: General Obligation Debt (includes the Obligations and the Concurrent Obligations)*	<u>(30,570,000)</u>
Unused Debt Limit*	<u><u>\$ 26,264,530</u></u>

\*Preliminary, subject to change.

**OVERLAPPING DEBT<sup>1</sup>**

<b>Taxing District</b>	<b>2017 Equalized Value</b>	<b>% In City</b>	<b>Total G.O. Debt<sup>2</sup></b>	<b>City's Proportionate Share</b>
Milwaukee County	\$ 61,413,297,000	1.8509%	\$ 640,375,180	\$ 11,852,704
Milwaukee Area Technical College District	76,548,230,996	1.4849%	106,955,000	1,588,175
Cudahy School District	1,136,690,600	100.0000%	22,963,000	22,963,000
Milwaukee Metropolitan Sewerage District	60,253,027,200	1.5673%	275,840,000	<u>4,323,240</u>
City's Share of Total Overlapping Debt				<u><u>\$40,727,119</u></u>

<sup>1</sup> Overlapping debt is as of the dated date of the Obligations. Only those taxing jurisdictions with general obligation debt outstanding are included in this section.

<sup>2</sup> Outstanding debt based on information obtained on EMMA and the Municipal Advisor's records.

## DEBT RATIOS

	<b>G.O. Debt</b>	<b>Debt/Equalized Value \$1,136,690,600</b>	<b>Debt/ Per Capita 18,186<sup>1</sup></b>
Total General Obligation Debt (includes the Obligations \$ 30,570,000 and the Concurrent Obligations)*		2.69%	\$ 1,680.96
City's Share of Total Overlapping Debt	<u>40,727,119</u>	<u>3.58%</u>	<u>2,239.48</u>
Total*	\$ 71,297,119	6.27%	\$ 3,920.44

\*Preliminary, subject to change.

## DEBT PAYMENT HISTORY

The City has no record of default in the payment of principal and interest on its debt.

## FUTURE FINANCING

The City has no current plans for additional financing in the next 12 months.

---

<sup>1</sup> Estimated 2017 population.

## TAX LEVIES AND COLLECTIONS

### TAX LEVIES AND COLLECTIONS

Tax Year	Levy for City Purposes Only	% Collected	Levy/Equalized Value Reduced by Tax Increment Valuation in Dollars per \$1,000
2013/14	\$8,059,878	100%	\$8.30
2014/15	8,270,370	100%	8.08
2015/16	8,526,507	100%	9.31
2016/17	8,868,593	100%	9.80
2017/18	8,948,594	<div style="border: 1px dashed black; padding: 2px; display: inline-block;">                     In Process                 </div>	9.48

Property tax statements are distributed to taxpayers by the town, village, and city clerks in December of the levy year. Current state law requires counties to pay 100% of the real property taxes levied to cities, villages, towns, school districts and other taxing entities on or about August 20 of the collection year.

Personal property taxes, special assessments, special charges and special taxes must be paid to the town, city or village treasurer in full by January 31, unless the municipality, by ordinance, permits special assessments to be paid in installments. Real property taxes must be paid in full by January 31 or in two equal installments by January 31 and July 31. Alternatively, municipalities may adopt a payment plan which permits real property taxes to be paid in three or more equal installments, provided that the first installment is paid by January 31, one-half of the taxes are paid by April 30 and the remainder is paid by July 31. Amounts paid on or before January 31 are paid to the town, city or village treasurer. Amounts paid after January 31, are paid to the county treasurer unless the municipality has authorized payment in three or more installments in which case payment is made to the town, city or village treasurer. On or before January 15 and February 20 the town, city or village treasurer settles with other taxing jurisdictions for all collections through December and January, respectively. In municipalities which have authorized the payment of real property taxes in three or more installments, the town, city or village treasurer settles with the other taxing jurisdictions on January 15, February 20 and on the fifteenth day of each month following the month in which an installment payment is required. On or before August 20, the county treasurer must settle in full with the underlying taxing districts for all real property taxes and special taxes. Any county board may authorize its county treasurer to also settle in full with the underlying taxing districts for all special assessments and special charges. The county may then recover any tax delinquencies by enforcing the lien on the property and retain any penalties or interest on the delinquencies for which it has settled. Uncollected personal property taxes owed by an entity that has ceased operations or filed a petition for bankruptcy, or are due on personal property that has been removed from the next assessment roll are collected from each taxing entity in the year following the levy year.

## PROPERTY TAX RATES

Full value rates for property taxes expressed in dollars per \$1,000 of equalized value (excluding tax increment valuation) that have been collected in recent years have been as follows:

<b>Year Levied/ Year Collected</b>	<b>Schools<sup>1</sup></b>	<b>County</b>	<b>Local</b>	<b>Other<sup>2</sup></b>	<b>Total</b>
2013/14	\$13.69	\$5.13	\$8.30	\$0.21	\$27.33
2014/15	12.37	5.10	8.08	0.20	25.75
2015/16	13.97	5.13	9.31	0.20	28.61
2016/17	13.26	5.10	9.80	0.20	28.36
2017/18	12.75	5.05	9.48	0.00	27.28

**Source:** Property Tax Rates were extracted from Statement of Taxes prepared by the Wisconsin Department of Revenue, Division of State and Local Finance.

## LEVY LIMITS

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

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

---

<sup>1</sup> The Schools tax rate reflects the composite rate of all local school districts and technical college district.

<sup>2</sup> Includes the state reforestation tax which is apportioned to each county on the basis of its full value. Counties, in turn, apportion the tax to the tax districts within their borders on the basis of full value. It also includes taxes levied for special purpose districts such as metropolitan sewerage districts, sanitary districts, and public inland lake protection districts. Tax increment values are not included.

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

Special provisions are made with respect to property taxes levied to pay general obligation debt service. Those are described below. In addition, the statute provides for certain other exclusions from and adjustments to the tax levy limit. Among the items excluded from the limit are amounts levied for any revenue shortfall for debt service on a revenue bond issued under Section 66.0621. Among the adjustments permitted is an adjustment applicable when a tax increment district terminates, which allows an amount equal to the prior year's allowable levy multiplied by 50% of the political subdivision's percentage growth due to the district's termination.

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

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

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

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

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



# THE ISSUER

## CITY GOVERNMENT

The City was incorporated in 1906 and is governed by a Mayor and a five-member Common Council. The Mayor does not vote except in the case of a tie. All Council Members are elected to three-year terms. The elected Comptroller and City Clerk-Treasurer are responsible for administrative details and financial records.

## EMPLOYEES; PENSIONS

The City employs a staff of 120 full-time, 105 part-time, and 12 seasonal employees. All eligible employees in the City are covered under the Wisconsin Retirement System ("WRS") established under Chapter 40 of the Wisconsin Statutes ("Chapter 40"). The WRS is a cost-sharing multiple-employer defined benefit pension plan. The Department of Employee Trust Funds ("ETF") administers the WRS. Required contributions to the WRS are determined by the ETF Board pursuant to an annual actuarial valuation in accordance with Chapter 40 and the ETF's funding policies. The ETF Board has stated that its funding policy is to (i) ensure funds are adequate to pay benefits; (ii) maintain stable and predictable contribution rates for employers and employees; and (iii) maintain inter-generational equity to ensure the cost of the benefits is paid for by the generation that receives the benefits.

City employees are required to contribute half of the actuarially determined contributions, and the City may not pay the employees' required contribution. The total retirement plan contributions (including both the City's and the employees' contributions) for the fiscal year ended December 31, 2014 were \$1.4 million. During the fiscal year ended December 31, 2015 ("Fiscal Year 2015") and the fiscal year ended December 31, 2016 ("Fiscal Year 2016"), the City's portion of contributions to WRS (not including any employee contributions) totaled \$796,168 and \$757,175 respectively.

The City implemented Governmental Accounting Standards Board Statement No. 68 ("GASB 68") for Fiscal Year 2016.

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

As of December 31, 2015, the total pension liability of the WRS was calculated as \$90.1 billion and the fiduciary net position of the WRS was calculated as \$88.5 billion, resulting in a net pension liability of \$1.6 billion.

Under GASB 68, each participating employer in a cost-sharing pension plan must report the employer's proportionate share of the net pension liability or net pension asset of the pension plan. Accordingly, for Fiscal Year 2016, the City reported an asset of \$1,306,299 for its proportionate share of the net pension asset of the WRS. The net pension liability was measured as of December 31, 2015 based on the City's share of contributions to the pension plan relative to the contributions of all participating employers. The City's proportion was 0.08038862% of the aggregate WRS net pension asset as of December 31, 2015.

The calculation of the total pension liability and fiduciary net position are subject to a number of actuarial assumptions, which may change in future actuarial valuations. Such changes may have a significant impact on the calculation of net pension liability of the WRS, which may also cause the ETF Board to change the contribution requirements for employers and employees. For more detailed information regarding the WRS and such actuarial assumptions, see "APPENDIX A - FINANCIAL STATEMENTS" attached hereto.

**Recognized and Certified Bargaining Units**

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

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

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

The following bargaining units represent employees of the City:

<b>Bargaining Unit</b>	<b>Expiration Date of Current Contract</b>
International Association of Firefighters AFL-CIO, Local 1801	December 31, 2018
Cudahy Professional Police Association	December 31, 2018
Command Officers in Police Department	December 31, 2018

**OTHER POST EMPLOYMENT BENEFITS**

The City has obligations for some post-employment benefits for its employees. Accounting for these obligations is dictated by Governmental Accounting Standards Board Statement No. 45 (GASB 45). The City's most recent actuarial study of its OPEB obligations shows an actuarial accrued liability of \$6,276,343 as of December 31, 2016.

## **LITIGATION**

There is no litigation threatened or pending questioning the organization or boundaries of the City or the right of any of its officers to their respective offices or in any manner questioning their rights and power to execute and deliver the Obligations or otherwise questioning the validity of the Obligations.

## **MUNICIPAL BANKRUPTCY**

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

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

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

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

**FUNDS ON HAND** (as of November 30, 2017)

<b>Fund</b>	<b>Total Cash and Investments</b>
General	\$ 6,761,536
Special Revenue	3,437,259
Debt Service	5,857,418
Capital Projects	3,152,631
Enterprise Funds	9,760,374
Total Funds on Hand	<u><u>\$ 28,969,218</u></u>

## ENTERPRISE FUNDS

Revenues available for debt service on the City's enterprise funds have been as follows as of December 31 each year:

	2014	2015	2016
<b>Water</b>			
Total Operating Revenues	\$ 2,803,325	\$ 2,632,139	\$ 3,075,841
Less: Operating Expenses	<u>(3,034,118)</u>	<u>(2,059,697)</u>	<u>(2,111,816)</u>
Operating Income	\$ (230,793)	\$ 572,442	\$ 964,025
Plus: Depreciation	509,569	506,916	516,971
Miscellaneous Revenue	0	20,000	30,000
Interest Income	<u>298</u>	<u>799</u>	<u>2,426</u>
Revenues Available for Debt Service	<u><u>\$ 279,074</u></u>	<u><u>\$ 1,100,157</u></u>	<u><u>\$ 1,513,422</u></u>
<b>Sewer</b>			
Total Operating Revenues	\$ 2,586,536	\$ 2,821,820	\$ 3,180,211
Less: Operating Expenses	<u>(2,171,270)</u>	<u>(2,363,761)</u>	<u>(2,570,686)</u>
Operating Income	\$ 415,266	\$ 458,059	\$ 609,525
Plus: Depreciation	114,053	114,835	117,815
Miscellaneous Revenue	292	370	0
Interest Income	<u>3,514</u>	<u>7,913</u>	<u>12,429</u>
Revenues Available for Debt Service	<u><u>\$ 533,125</u></u>	<u><u>\$ 581,177</u></u>	<u><u>\$ 739,769</u></u>
<b>Storm Water</b>			
Total Operating Revenues	\$ 1,169,904	\$ 1,351,688	\$ 1,451,450
Less: Operating Expenses	<u>(658,826)</u>	<u>(684,656)</u>	<u>(670,897)</u>
Operating Income	\$ 511,078	\$ 667,032	\$ 780,553
Plus: Depreciation	251,673	239,072	224,896
Miscellaneous Revenue	0	5,022	0
Interest Income	<u>3,386</u>	<u>6,124</u>	<u>10,455</u>
Revenues Available for Debt Service	<u><u>\$ 766,137</u></u>	<u><u>\$ 917,250</u></u>	<u><u>\$ 1,015,904</u></u>

## SUMMARY GENERAL FUND INFORMATION

Following are summaries of the revenues and expenditures and fund balances for the City's General Fund. These summaries are not purported to be the complete audited financial statements of the City, and potential purchasers should read the included financial statements in their entirety for more complete information concerning the City. Copies of the complete audited financial statements are available upon request. See Appendix A for the City's 2016 audited financial statements.

COMBINED STATEMENT	FISCAL YEAR ENDING DECEMBER 31				
	2014 Audited	2015 Audited	2016 Audited	2017 Unaudited <sup>1</sup>	2018 Adopted Budget <sup>2</sup>
<b>Revenues</b>					
Taxes and special assessments	\$ 5,811,071	\$ 5,794,269	\$ 6,164,001	\$ 6,213,508	\$ 6,270,835
Intergovernmental	4,684,507	4,797,374	4,866,878	4,879,458	4,576,141
Licenses and permits	519,976	500,763	540,756	481,834	552,860
Fines, forfeitures and penalties	794,176	857,361	958,436	974,955	1,016,829
Public charges for services	404,290	388,221	149,722	252,659	239,176
Interdepartmental charges for services	30,987	31,823	33,219	34,554	32,550
Interest	33,136	27,291	67,556	34,483	63,000
Commercial revenues	133,427	121,329	143,127	68,874	66,850
<b>Total Revenues</b>	<b>\$ 12,411,570</b>	<b>\$ 12,518,431</b>	<b>\$ 12,923,695</b>	<b>\$ 12,940,325</b>	<b>\$ 12,818,241</b>
<b>Expenditures</b>					
<b>Current:</b>					
General government	\$ 2,671,652	\$ 2,720,868	\$ 2,853,679	\$ 3,003,428	\$ 2,890,682
Protection of persons and property	7,482,618	7,312,358	7,383,914	7,117,203	7,569,953
Public works	1,544,958	1,513,446	1,443,742	1,485,197	1,761,867
Health and sanitation	968,745	865,703	937,325	857,464	996,631
Park and recreation	168,750	257,208	238,415	323,335	367,008
Capital outlay	28,741	21,122	56,340	10,638	20,600
<b>Total Expenditures</b>	<b>\$ 12,865,464</b>	<b>\$ 12,690,705</b>	<b>\$ 12,913,415</b>	<b>\$ 12,797,265</b>	<b>\$ 13,606,741</b>
<b>Excess of revenues over (under) expenditures</b>	<b>\$ (453,894)</b>	<b>\$ (172,274)</b>	<b>\$ 10,280</b>	<b>\$ 143,060</b>	<b>\$ (788,500)</b>
<b>Other Financing Sources (Uses)</b>					
Proceeds from capital lease	0	0	0	0	0
Proceeds of long-term debt	0	0	0	0	0
Operating transfers in	395,328	448,465	447,702	456,625	446,500
Operating transfers out	0	0	0	0	0
<b>Total Other Financing Sources (Uses)</b>	<b>\$ 395,328</b>	<b>\$ 448,465</b>	<b>\$ 447,702</b>	<b>\$ 456,625</b>	<b>\$ 446,500</b>
<b>Excess of revenues and other financing sources over (under) expenditures and other financing uses</b>	<b>\$ (58,566)</b>	<b>\$ 276,191</b>	<b>\$ 457,982</b>	<b>\$ 599,685</b>	<b>\$ (342,000)</b>
General Fund Balance January 1	4,204,974	4,146,408	4,422,599	4,880,581	5,480,266
Prior Period Adjustment					
Residual Equity Transfer in (out)					
General Fund Balance December 31	<b>\$ 4,146,408</b>	<b>\$ 4,422,599</b>	<b>\$ 4,880,581</b>	<b>\$ 5,480,266</b>	<b>\$ 5,138,266</b>
<b>DETAILS OF DECEMBER 31 FUND BALANCE</b>					
Nonspendable	267,208	987,815	894,410	576,948	580,000
Restricted	0	0	0	0	0
Committed	0	0	0	0	0
Assigned	229,847	232,545	313,600	216,952	220,000
Unassigned	3,649,353	3,202,239	3,672,571	4,686,366	4,338,266
<b>Total</b>	<b>\$ 4,146,408</b>	<b>\$ 4,422,599</b>	<b>\$ 4,880,581</b>	<b>\$ 5,480,266</b>	<b>\$ 5,138,266</b>

<sup>1</sup> Unaudited data is as of December 31, 2017.

<sup>2</sup> The 2018 budget was adopted on November 21, 2017.

## GENERAL INFORMATION

### LOCATION

The City of Cudahy, with a 2010 U.S. Census population of 18,267 and a current estimated population of 18,186 comprises an area of 3.75 square miles and is located just south of the City of Milwaukee in Milwaukee County.

### LARGER EMPLOYERS<sup>1</sup>

Larger employers in the City include the following:

<b>Firm</b>	<b>Type of Business/Product</b>	<b>Estimated No. of Employees</b>
Patrick Cudahy, Inc.	Manufacturer of bacon and sausage products	1,190
ATI Ladish Co.	Forging manufacturer	800
Aurora St. Lukes South Shore	Hospital	615
School District of Cudahy	Elementary and secondary education	347
Fedex Ground Package System Inc.	Small package delivery	250
Vilter Manufacturing	Manufacture industrial compressors	250
City of Cudahy	Municipal government and services	237
Lucas-Milhaupt, Inc.	Corporate headquarters, producer of metal joining products	200
WM Berg Inc.	Manufacture components	200
ACE Worldwide Moving & Storage	Transportation and warehousing	150

**Source:** *ReferenceUSA, written and telephone survey (January 2018), Wisconsin Manufacturers Register, 2017-2018 Milwaukee Business Journal Book of Lists and the Wisconsin Department of Workforce Development.*

---

<sup>1</sup> This does not purport to be a comprehensive list and is based on available data obtained through a survey of individual employers, as well as the sources identified above. Some employers do not respond to inquiries for employment data.

## BUILDING PERMITS

	2014	2015	2016	2017	2018 <sup>1</sup>
<u>New Single Family Homes</u>					
No. of building permits	1	0	1	1	0
Valuation	\$176,700	\$0	\$121,000	\$150,000	\$0
<u>New Multiple Family Buildings</u>					
No. of building permits	1	1	1	0	0
Valuation	\$465,000	\$465,000	\$6,890,800	\$0	\$0
<u>New Commercial/Industrial</u>					
No. of building permits	2	6	1	1	0
Valuation	\$2,240,000	\$1,844,000	\$599,200	\$6,600,000	\$0
<u>All Building Permits</u> <i>(including additions and remodelings)</i>					
No. of building permits	180	144	186	184	0
Valuation	\$6,741,764	\$8,995,840	\$10,750,045	\$16,012,699	\$0

**Source:** The City.

---

<sup>1</sup> As of January 19, 2018.



## U.S. CENSUS DATA

### Population Trend: City of Cudahy

2000 U.S. Census	18,429
2010 U.S. Census	18,267
2017 Estimated Population	18,186
Percent of Change 2000 - 2010	+ -0.88%

### Income and Age Statistics

	<b>City of Cudahy</b>	<b>Milwaukee County</b>	<b>State of Wisconsin</b>	<b>United States</b>
2016 per capita income	\$25,127	\$25,881	\$29,253	\$29,829
2016 median household income	\$46,973	\$45,263	\$54,610	\$55,322
2016 median family income	\$59,117	\$57,738	\$69,925	\$67,871
2016 median gross rent	\$769	\$821	\$789	\$928
2016 median value owner occupied units	\$150,400	\$150,000	\$167,000	\$184,700
2016 median age	41.8 yrs.	34.3 yrs.	39.1 yrs.	37.7 yrs.

	<b>State of Wisconsin</b>	<b>United States</b>
City % of 2016 per capita income	85.90%	84.24%
City % of 2016 median family income	84.54%	87.10%

### Housing Statistics

	<b><u>City of Cudahy</u></b>		
	<b>2000</b>	<b>2016</b>	<b>Percent of Change</b>
All Housing Units	8,273	8,044	-2.77%

**Source:** 2000 and 2010 Census of Population and Housing, and 2016 American Community Survey (Based on a five-year estimate), U.S. Census Bureau ([www.factfinder2.census.gov](http://www.factfinder2.census.gov)).

## EMPLOYMENT/UNEMPLOYMENT DATA

Rates are not compiled for individual communities with populations under 25,000.

<b>Year</b>	<b><u>Average Employment</u></b>		<b><u>Average Unemployment</u></b>	
	<b>Milwaukee County</b>	<b>Milwaukee County</b>	<b>State of Wisconsin</b>	
2013	439,273	8.4%	6.7%	
2014	446,154	6.9%	5.4%	
2015	449,935	5.8%	4.6%	
2016	454,475	5.1%	4.1%	
2017, November	464,128	3.4%	2.7%	

**Source:** Wisconsin Department of Workforce Development.

**FINANCIAL STATEMENTS**

Potential purchasers should read the included financial statements in their entirety for more complete information concerning the City's financial position. Such financial statements have been audited by the Auditor, to the extent and for the periods indicated thereon. The City has not requested the Auditor to perform any additional examination, assessments or evaluation with respect to such financial statements since the date thereof, nor has the City requested that the Auditor consent to the use of such financial statements in this Official Statement. Although the inclusion of the financial statements in this Official Statement is not intended to demonstrate the fiscal condition of the City since the date of the financial statements, in connection with the issuance of the Notes, the City represents that there have been no material adverse change in the financial position or results of operations of the City, nor has the City incurred any material liabilities, which would make such financial statements misleading.

Copies of the complete audited financial statements for the past three years and the current budget are available upon request from Ehlers.

**CITY OF CUDAHY**

Cudahy, Wisconsin

**FINANCIAL STATEMENTS**

Including Independent Auditor's Report

As of and for the Year Ended December 31, 2016

## 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, 2016, 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, 2016 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the 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 Veitchau Krause, LLP*

Milwaukee, Wisconsin  
June 1, 2017



## 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, 2016. 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 \$60.5 million (net position), an increase of \$1.7 million over the prior year net position of \$58.8 million.

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 \$19.7 million, a decrease of \$3.4 million in comparison with the prior year. Approximately 13.5 percent of this total amount, \$2.7 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 \$3.7 million, or 28 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 2017 general fund budget.

The City of Cudahy's total long-term obligations (governmental & business type) decreased by \$1.1 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 73, 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 \$60.5 million and \$58.8 million at December 31, 2016 and 2015, respectively, as presented in the following table.

CITY OF CUDAHY'S NET POSITION						
December 31,						
(In Thousands)						
	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Current and other assets	\$ 42,213	\$ 46,600	\$ 11,276	\$ 11,128	\$ 53,489	\$ 57,928
Capital assets	51,807	51,480	33,436	32,821	85,243	84,301
Total assets	94,020	98,080	44,712	43,949	138,732	142,229
Deferred Outflows of Resources	7,623	2,804	801	210	8,424	3,014
Current and other liabilities	1,337	1,331	1,139	909	2,476	2,240
Long-term liabilities	52,732	55,289	13,662	14,231	66,414	69,520
Total liabilities	54,069	56,620	14,801	15,140	68,890	71,760
Deferred Inflows of Resources	17,569	14,634	214	-	17,783	14,634
Net Position						
Net investment capital assets	33,982	29,804	25,345	24,414	59,782	50,487
Restricted	8,739	13,561	1,365	1,630	10,124	15,191
Unrestricted (Deficit)	(12,716)	(13,535)	3,748	(2,975)	(5,423)	(6,829)
Total net position	\$ 30,005	\$ 29,830	\$ 30,478	\$ 29,019	\$ 60,483	\$ 56,849

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 \$33,982 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, \$8.7 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 \$12.7 million.

The City of Cudahy's net position increased by \$1,634,660 during the current fiscal year. The amount related to the governmental activities was \$175,640, while the business-type activities had an increase in net position of \$1,459,020.

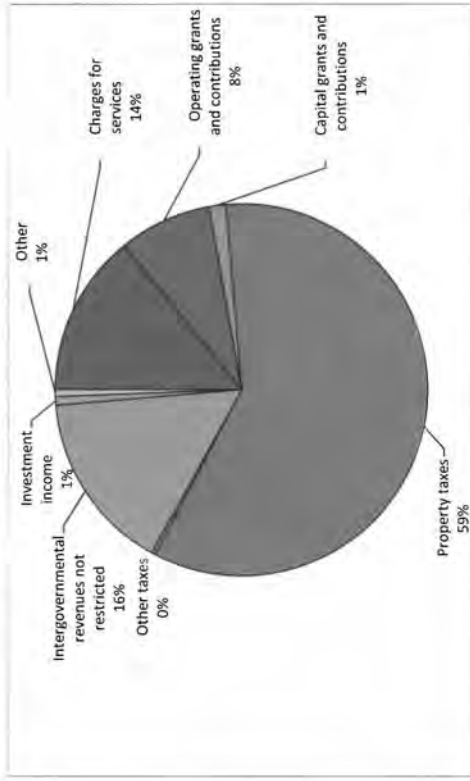
The Governmental Activities deficit of \$12.7 million principally represents utility capital assets contributed by the Governmental Activities (Tax Increment Financing (TIF) Program) to the Business-Type Activities and other noncapital development costs financed with TIF debt.

**Statement of activities.** The following is a more detailed review of the City's 2016 and 2015 operations.

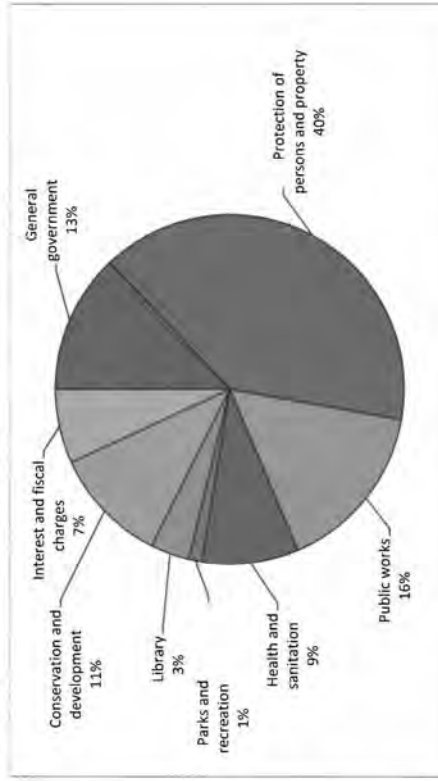
CITY OF CUDAHY'S CHANGES IN NET POSITION						
For the year ending December 31.						
	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
<b>Revenues</b>						
Program revenues	\$ 3,339	\$ 2,845	\$ 7,707	\$ 6,805	\$ 11,042	\$ 9,650
Charges for services	1,912	1,515	-	-	1,912	1,515
Operating grants and contributions	345	442	-	-	345	442
Capital grants and contributions	13,961	13,604	-	-	13,961	13,604
General revenues	75	47	-	-	75	47
Property taxes	3,709	3,733	-	-	3,709	3,733
Other taxes	178	153	25	15	203	188
Intergovernmental revenues not restricted	135	193	47	36	182	229
Investment income	23,650	22,532	7,779	6,656	31,429	29,388
Other	-	-	-	-	-	-
<b>Total revenues</b>						
	3,088	3,068	-	-	3,088	3,068
General government	9,548	8,719	-	-	9,548	8,719
Protection of persons and property	3,777	3,819	-	-	3,777	3,819
Public works	2,138	1,718	-	-	2,138	1,718
Health and sanitation	291	274	-	-	291	274
Parks and recreation	862	912	-	-	862	912
Library	2,550	2,638	-	-	2,550	2,638
Conservation and development	1,638	1,617	-	-	1,638	1,617
Interest and fiscal charges	-	-	2,163	2,136	2,163	2,136
Water	-	-	2,748	2,542	2,748	2,542
Sewer	-	-	962	935	962	935
Storm Water	23,522	22,765	5,673	5,613	29,795	28,378
Total expenses	(272)	(233)	1,906	1,243	1,634	1,010
Increase (decrease) in net position before transfers	447	448	(447)	(448)	-	-
Transfers	175	215	1,459	795	1,634	1,010
Increase (decrease) in net position	29,830	29,615	29,019	28,224	58,849	57,839
Net position - January 1	\$ 30,005	\$ 29,650	\$ 30,478	\$ 29,019	\$ 60,483	\$ 58,849
Net position - December 31.						

The significant changes between the 2016 governmental activities data compared to the 2015 data include an increase in charges for services of \$490,000, an increase of protection of persons and property expenses of \$829,000, and an increase of health and sanitation expenses of \$420,000

Program and General Revenues by Source – Governmental Activities



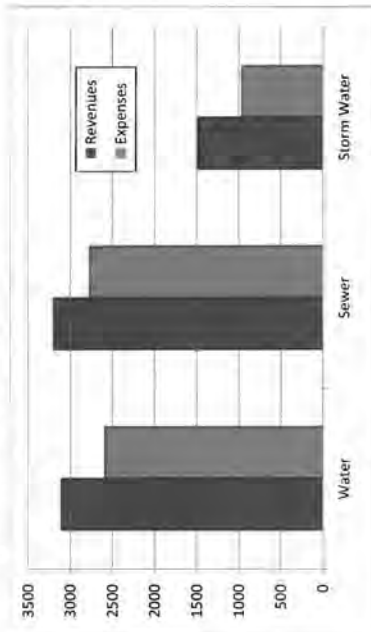
Expenses by Function – Governmental Activities



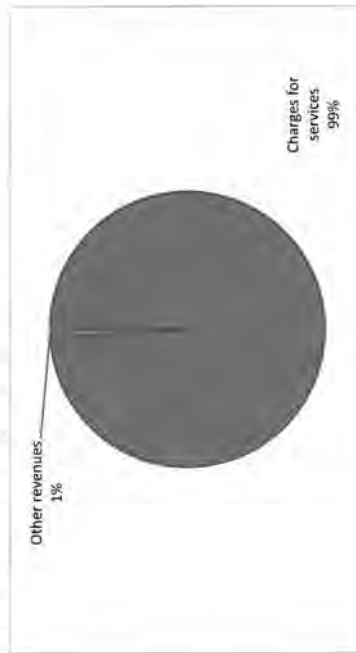


**Business-type activities.** The significant changes between the 2016 business-type activities compared to the 2015 data include an increase in charges for services of \$902,000 and an increase in expenditures before transfers of \$280,000.

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 \$19.69 million, a decrease of \$3.4 million in comparison with the prior year. Approximately 13.5 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 (\$245,000) and restricted amounts in excess of available fund balance (\$402,000) reduces the unassigned fund balance amount. The City has nonspendable fund balance (\$1,001,000) for prepaid items (\$283,000), the Cudahy Family Library's children endowment fund (\$100,000), and the advance to other funds (\$618,000). Restricted fund balance (\$9.7 million) includes amounts that will be used to pay tax increment district project costs (\$1.3 million), debt service (\$5.7 million), tax increment district bond funds (\$364,000), noncurrent receivables (\$797,000), the Cudahy Family Library's endowment fund (\$442,000), CDA Project costs of (\$745,000) and other library activities (\$366,000). The City has also committed fund balance (\$1.85 million) for specific purposes. Lastly, the assigned fund balance (\$4.5 million) includes amounts for capital project funding (\$4.2 million) and for a variety of general fund activities (\$314,000).

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 \$3.67 million, while total fund balance amounted to \$4.88 million. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance (\$3.67 million), which includes the fund balance set aside for working capital (\$3.2 million), to total general fund expenditures. Unassigned fund balance represents 28.4 percent of total general fund expenditures, while total fund balance represents 37.8 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 \$339,000, for the Sewer Utility amounted to \$829,000 and for the Storm Water Utility amounted to \$2.6 million. The change in net position for these funds included an increase of \$517,000 in the Water Utility, an increase of \$431,000 in the Sewer Utility and an increase \$511,000 in the Storm Water Utility.

**General Fund Budgetary Highlights**

Actual revenues and other financing sources were greater than budget by \$290,000. Budgetary expenditures were less than budget by \$87,000 on a total budget of \$13.01 million. In total, the General Fund results were an increase to fund balance of \$458,000. Accordingly, on a budgetary basis the General Fund experienced a total favorable budget variance of \$377,000.

**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, 2016 and 2015 amounts to \$85.2 million and \$94.3 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 Activities		Business-type Activities		Total
	2016	2015	2016	2015	2016
Land & improvements	\$ 14,862	\$ 14,603	\$ 220	\$ 220	\$ 15,112
Construction in progress	232	114	28	28	142
Buildings	6,066	9,145	285	322	6,251
Machinery and equipment	3,310	3,329	1,205	1,331	4,515
Intangible assets	23,960	30	31,701	30,920	55,670
Infrastructure	438	462			850
Library books					438
Total	\$ 51,807	\$ 51,480	\$ 33,436	\$ 32,021	\$ 85,243

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 \$68.4 million and \$67.5 million, respectively. Of these amounts, debt backed by the full faith and credit of the government comprised \$34.4 million in 2016 and \$35.4 million in 2015. 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 \$1.1 million during the current fiscal year.

CITY OF CUDAHY'S OUTSTANDING DEBT December 31, (In Thousands)					
	Governmental Activities		Business-type Activities		Total
	2016	2015	2016	2015	2016
General obligation bonds and notes	\$ 30,779	\$ 32,333	\$ 3,641	\$ 3,077	\$ 34,420
Revenue bonds	13,006	15,838	9,575	10,855	22,561
Compensated absences	902	981	-	-	902
Other post-employment benefits	6,146	5,561	130	124	6,276
Net pension liability (asset)	1,205	(1,649)	102	(157)	1,307
Other	693	675	235	175	928
Total	\$ 52,731	\$ 53,440	\$ 13,683	\$ 14,074	\$ 86,414

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 2016.

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 \$64.47 million which is significantly in excess of the City of Cudahy's outstanding general obligation debt of \$34.4 million.

Additional information on the City of Cudahy's long-term debt can be found in Note III F, on pages 50 - 57 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, 2016, was 4.5 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 2016 collected in 2017 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 2017 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.

**CITY OF CUDAHY**  
**STATEMENT OF NET POSITION**  
As of December 31, 2016

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and investments	\$ 16,474,291	\$ 2,833,157	\$ 19,307,448
Taxes receivable	15,639,318	-	15,639,318
Accounts receivable, net of allowance of \$34,427	145,199	2,248,994	2,394,193
Accrued investment income	39,222	-	39,222
Special assessments receivable	363,704	-	363,704
Loans receivable	797,424	-	797,424
Other receivables	142,299	498	142,797
Internal balances	(275,528)	275,528	-
Prepaid items	283,520	-	283,520
Deposit with Cities and Villages			
Mutual Insurance Company	722,170	-	722,170
Advances	702,653	(702,653)	-
Materials and supply inventory	-	50,426	50,426
Restricted assets			
Cash and investments	2,450,133	6,569,857	9,019,990
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	36,974,891	33,191,088	70,165,979
Construction in progress	232,429	24,685	257,114
Total Assets	<u>94,019,593</u>	<u>44,711,922</u>	<u>138,731,515</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Unamortized loss on refunding	873,240	228,483	1,101,723
Deferred outflows related to pensions	6,750,024	572,109	7,322,133
Total Deferred Outflows of Resources	<u>7,623,264</u>	<u>800,592</u>	<u>8,423,856</u>
<b>LIABILITIES</b>			
Accounts payable and other current liabilities	1,030,846	1,052,538	2,083,384
Accrued interest payable	306,501	86,287	392,788
Noncurrent liabilities			
Net pension liability	1,204,785	101,514	1,306,299
Due within one year	6,751,285	821,575	7,572,860
Due in more than one year	44,775,396	12,758,821	57,534,217
Total Liabilities	<u>54,068,813</u>	<u>14,820,735</u>	<u>68,889,548</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unearned revenue	15,033,291	-	15,033,291
Deferred inflows related to pensions	2,535,451	213,634	2,749,085
Total Deferred Inflows of Resources	<u>17,568,742</u>	<u>213,634</u>	<u>17,782,376</u>
<b>NET POSITION</b>			
Net investment in capital assets	33,982,086	25,345,032	55,782,599
Restricted for			
Debt service	3,842,547	296,862	4,139,409
TID activities	3,989,233	-	3,989,233
Library endowment	100,000	-	100,000
Library capital improvements	441,709	-	441,709
Library operations	365,720	-	365,720
Equipment replacement	-	1,087,888	1,087,888
Unrestricted (Deficit)	<u>(12,715,993)</u>	<u>3,748,363</u>	<u>(5,423,111)</u>
<b>TOTAL NET POSITION</b>	<u>\$ 30,005,302</u>	<u>\$ 30,478,145</u>	<u>\$ 60,483,447</u>

**CITY OF CUDAHY**

**STATEMENT OF ACTIVITIES**

For the Year Ended December 31, 2016

Functions/Programs	Program Revenues				Net (Expenses) Revenues and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Totals
<b>Governmental Activities</b>							
General government	\$ 3,087,830	\$ 370,868	\$ -	\$ -	(2,716,962)	\$ -	(2,716,962)
Protection of persons and property	9,547,825	1,611,340	263,574	58,901	(7,614,010)	-	(7,614,010)
Public works	3,777,272	541,719	988,275	275,908	(1,971,370)	-	(1,971,370)
Health and sanitation	2,138,219	742,953	144,190	-	(1,251,076)	-	(1,251,076)
Parks and recreation	290,541	510	-	-	(290,031)	-	(290,031)
Library	862,315	67,359	514,270	-	(280,686)	-	(280,686)
Conservation and development	2,579,402	-	1,544	10,377	(2,567,481)	-	(2,567,481)
Interest and fiscal charges	1,638,286	-	-	-	(1,638,286)	-	(1,638,286)
<b>Total Governmental Activities</b>	<b>23,921,690</b>	<b>3,334,749</b>	<b>1,911,853</b>	<b>345,186</b>	<b>(18,329,902)</b>	<b>-</b>	<b>(18,329,902)</b>
<b>Business-type Activities</b>							
Water	2,163,421	3,075,841	-	-	-	912,420	912,420
Sewer	2,748,419	3,180,211	-	-	-	431,792	431,792
Storm Water	961,481	1,451,450	-	-	-	489,969	489,969
<b>Total Business-type Activities</b>	<b>5,873,321</b>	<b>7,707,502</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,834,181</b>	<b>1,834,181</b>
<b>Totals</b>	<b>\$ 29,795,011</b>	<b>\$ 11,042,251</b>	<b>\$ 1,911,853</b>	<b>\$ 345,186</b>	<b>(18,329,902)</b>	<b>1,834,181</b>	<b>(16,495,721)</b>
<b>General Revenues:</b>							
<b>Taxes:</b>							
Property taxes, levied for general purposes					7,167,185	-	7,167,185
Property taxes, levied for debt service					1,380,213	-	1,380,213
Property taxes, levied for tax increment districts					5,413,877	-	5,413,877
Other taxes					74,744	-	74,744
Intergovernmental revenues not restricted to specific programs					3,708,838	-	3,708,838
Investment income					178,031	25,310	203,341
Miscellaneous					134,952	47,231	182,183
Transfers					447,702	(447,702)	-
<b>Total General Revenues and Transfers</b>					<b>18,505,542</b>	<b>(375,161)</b>	<b>18,130,381</b>
<b>Change in Net Position</b>					<b>175,640</b>	<b>1,459,020</b>	<b>1,634,660</b>
<b>NET POSITION - Beginning of Year</b>					<b>29,829,662</b>	<b>29,019,125</b>	<b>58,848,787</b>
<b>NET POSITION - END OF YEAR</b>					<b>\$ 30,005,302</b>	<b>\$ 30,478,145</b>	<b>\$ 60,483,447</b>

See accompanying notes to financial statements.

**CITY OF CUDAHY**

BALANCE SHEET  
GOVERNMENTAL FUNDS  
As of December 31, 2016

	General	Tax Increment District #1 Tax Levy	Debt Service	Tax Increment District #1 Capital Projects	Capital Improvements	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>							
Cash and investments	\$ 3,463,709	\$ 601,981	\$ 4,149,048	\$ -	\$ 4,064,175	\$ 3,663,049	\$ 15,941,962
Accounts receivable (net of allowance uncollectibles of \$34,427)	-	-	-	-	2,720	123,189	125,909
Taxes receivable	6,592,745	5,280,648	1,526,078	5,174	-	2,234,673	15,639,318
Special assessments receivable	-	-	-	4,549	-	359,155	363,704
Loans receivable	-	-	-	797,424	-	-	797,424
Other receivables	143,161	22,351	-	-	-	-	165,512
Due from other funds	865,766	-	-	-	-	-	865,766
Advance to other funds	702,653	-	-	-	-	100,000	802,653
Restricted cash and investments	-	-	1,544,749	-	-	905,384	2,450,133
Prepaid items	276,560	-	-	-	4,736	2,224	283,520
<b>Total Assets</b>	<b>\$ 12,044,594</b>	<b>\$ 5,904,980</b>	<b>\$ 7,219,875</b>	<b>\$ 807,147</b>	<b>\$ 4,071,631</b>	<b>\$ 7,387,674</b>	<b>\$ 37,435,901</b>

**CITY OF CUDAHY**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
As of December 31, 2016**

	General	Tax Increment District #1 Tax Levy	Debt Service	Tax Increment District #1 Capital Projects	Capital Improvements	Other Governmental Funds	Total Governmental Funds
<b>LIABILITIES</b>							
Accounts payable	\$ 399,367	\$ -	\$ -	\$ -	\$ 36,799	\$ 134,125	\$ 570,291
Accrued liabilities	282,283	-	-	-	-	28,817	311,100
Due to other funds	275,528	-	-	402,155	-	463,611	1,141,294
Advance from other funds	-	-	-	-	-	100,000	100,000
Total Liabilities	957,178	-	-	402,155	36,799	726,553	2,122,685
<b>DEFERRED INFLOWS OF RESOURCES</b>							
Unearned revenues	6,206,835	5,280,648	1,526,078	-	-	2,019,730	15,033,291
Unavailable revenues	-	-	-	9,715	-	580,101	589,816
Total Deferred Inflows of Resources	6,206,835	5,280,648	1,526,078	9,715	-	2,599,831	15,623,107
<b>FUND BALANCES</b>							
Nonspendable	894,410	-	-	-	4,736	102,224	1,001,370
Restricted	-	624,332	5,693,797	797,424	-	2,586,264	9,701,817
Committed	-	-	-	-	-	1,850,142	1,850,142
Assigned	313,600	-	-	-	4,030,096	131,378	4,475,074
Unassigned (Deficit)	3,672,571	-	-	(402,147)	-	(608,718)	2,661,706
Total Fund Balances	4,880,581	624,332	5,693,797	395,277	4,034,832	4,061,290	19,690,109
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$ 12,044,594</b>	<b>\$ 5,904,980</b>	<b>\$ 7,219,875</b>	<b>\$ 807,147</b>	<b>\$ 4,071,631</b>	<b>\$ 7,387,674</b>	<b>\$ 37,435,901</b>

## CITY OF CUDAHY

### RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION For the Year Ended December 31, 2016

---

Fund balance - total governmental funds	\$ 19,690,109
---	---------------

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	232,429
Other capital assets	68,351,946
Less: Accumulated depreciation	(31,377,055)

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	589,812
---------------------	---------

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.

	1,140,347
--	-----------

The net pension liability does not relate to current financial resources and is not reported in the governmental funds.

	(1,204,785)
--	-------------

Deferred outflows of resources related to pensions do not relate to current financial resources and are not reported in the governmental funds

	6,750,024
--	-----------

Deferred inflows of resources related to pensions do not relate to current financial resources and are not reported in the governmental funds

	(2,535,451)
--	-------------

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	(43,785,068)
Unamortized loss on refunding	873,240
Unamortized debt premium	(693,497)
Compensated absences	(901,607)
Accrued interest	(306,501)
Unfunded OPEB liability	(6,146,509)

#### NET POSITION OF GOVERNMENTAL ACTIVITIES

	<u>\$ 30,005,302</u>
--	----------------------

**CITY OF CUDAHY**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
GOVERNMENTAL FUNDS**  
For the Year Ended December 31, 2016

	General	Tax Increment District #1 Tax Levy	Debt Service	Tax Increment District #1 Capital Projects	Capital Improvements	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>							
Taxes	\$ 6,164,001	\$ 5,138,714	\$ 1,380,213	\$ -	\$ -	\$ 1,343,614	\$ 14,026,542
Other taxes	-	-	-	-	-	9,477	9,477
Intergovernmental	4,866,878	23,659	-	-	-	402,470	5,293,007
Licenses and permits	540,756	-	-	-	-	-	540,756
Fines, forfeitures and penalties	958,436	-	-	-	-	27,872	986,308
Public charges for services	149,722	-	-	-	-	1,145,858	1,295,580
Interdepartmental charges for services	33,219	-	-	-	-	-	33,219
Public improvement revenues	-	-	-	4,540	-	515,565	520,105
Investment income	67,556	3,683	9,677	870	11,812	29,931	123,529
Commercial revenues	143,127	-	56	-	-	376,876	520,059
<b>Total Revenues</b>	<b>12,923,695</b>	<b>5,166,056</b>	<b>1,389,946</b>	<b>5,410</b>	<b>11,812</b>	<b>3,851,663</b>	<b>23,348,582</b>
<b>EXPENDITURES</b>							
Current							
General government	2,853,679	-	-	-	-	-	2,853,679
Protection of persons and property	7,383,914	-	-	-	-	459,512	7,843,426
Public works	1,443,742	-	-	319	28,494	39,094	1,511,649
Health and sanitation	937,325	-	-	-	-	1,126,115	2,063,440
Park and recreation	238,415	-	-	-	-	-	238,415
Library	-	-	-	-	-	693,563	693,563
Conservation and development	-	2,184,365	-	90,566	-	293,974	2,568,905
Capital Outlay	56,340	26,802	-	186,763	1,484,139	1,662,226	3,416,270
Debt Service	-	-	-	-	-	-	-
Principal retirement	-	-	11,923,491	-	-	-	11,923,491
Interest and other charges	-	-	1,604,262	-	-	-	1,604,262
Total Expenditures	12,913,415	2,211,167	13,527,753	277,648	1,512,633	4,274,484	34,717,100
Excess (deficiency) of revenues over expenditures	10,280	2,954,889	(12,137,807)	(272,238)	(1,500,821)	(422,821)	(11,368,518)
<b>OTHER FINANCING SOURCES (USES)</b>							
Long-term debt issued	-	-	8,475,000	-	1,550,000	-	10,025,000
Premium on long term debt issued	-	-	95,394	-	-	-	95,394
Payment to refunding bond escrow agent	-	-	(2,585,824)	-	-	-	(2,585,824)
Transfers in	447,702	-	5,863,847	-	-	139,018	6,450,567
Transfers out	-	(5,626,014)	-	-	-	(376,851)	(6,002,865)
Total Other Financing Sources (Uses)	447,702	(5,626,014)	11,848,417	-	1,550,000	(237,833)	7,982,272
<b>Net change in fund balances</b>	457,982	(2,671,125)	(289,390)	(272,238)	49,179	(660,654)	(3,386,246)
FUND BALANCES - Beginning of Year	4,422,599	3,295,457	5,983,187	667,515	3,985,653	4,721,944	23,076,355
<b>FUND BALANCES - END OF YEAR</b>	<b>\$ 4,880,581</b>	<b>\$ 624,332</b>	<b>\$ 5,693,797</b>	<b>\$ 395,277</b>	<b>\$ 4,034,832</b>	<b>\$ 4,061,290</b>	<b>\$ 19,690,109</b>

See accompanying notes to financial statements.



## CITY OF CUDAHY

### RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES For the Year Ended December 31, 2016

---

Net change in fund balances - total governmental funds	\$ (3,386,246)
--	----------------

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	3,416,270
Some items reported as capital outlay were not capitalized	(872,143)
Depreciation is reported in the government-wide statements	(2,078,137)
Net book value of assets retired	(139,547)

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.	227,938
---	---------

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	(10,025,000)
Principal repaid	14,398,490
Payments on tax increment revenue bonds	13,261

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	(20,274)
Unfunded OPEB liability	(585,934)
Accrued interest on debt	6,133
Net pension liability	(3,053,599)
Deferred outflows related to pensions	4,826,009
Deferred inflows related to pensions	(2,535,451)

Governmental funds report debt premiums and discounts as other financing sources (uses) or expenditures. However, in the statement of net position, these are deferred and reported as other additions 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	127,988
Amortization of loss on refunding	(134,360)
Premium on debt issued	(95,394)
Amortization of debt premium	77,040

Internal service funds are used by management to charge self insurance costs to individual funds.	<u>8,596</u>
---	--------------

<b>CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES</b>	<b><u>\$ 175,640</u></b>
--	--------------------------

**CITY OF CUDAHY**

**STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
As of December 31, 2016**

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Fund
	Water Utility	Sewer Utility	Storm Water Utility	
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and investments	\$ 304,418	\$ 503,013	\$ 2,025,726	\$ 2,833,157
Accounts receivable	834,379	929,723	484,892	2,248,994
Other receivables	-	243	255	498
Due from other funds	107,732	109,660	58,136	275,528
Materials, supply inventory and prepaid items	50,036	195	195	50,426
Restricted assets - cash and investments	103,750	58,736	188,485	350,971
Total Current Assets	1,400,315	1,601,570	2,757,689	5,759,574
<b>Non-Current Assets</b>				
Restricted assets				
Cash and investments	148,946	4,486,806	1,583,134	6,218,886
Total Restricted Assets	148,946	4,486,806	1,583,134	6,218,886
<b>Capital Assets</b>				
Property and equipment	21,431,128	9,828,429	18,676,251	49,935,808
Less: Accumulated depreciation	(11,049,497)	(2,192,665)	(3,282,216)	(16,524,378)
Construction in progress	-	21,380	3,305	24,685
Total Capital Assets, Net of Depreciation	10,381,631	7,657,144	15,397,340	33,436,115
Investment in Cities and Villages Mutual Insurance Company	-	-	-	722,170
Total Non-Current Assets	10,530,577	12,143,950	16,980,474	39,655,001
Total Assets	11,930,892	13,745,520	19,738,163	45,414,575
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Unamortized loss on refunding	30,522	8,198	189,763	228,483
Deferred outflows related to pensions	351,697	95,695	124,717	572,109
Total Deferred Outflows of Resources	382,219	103,893	314,480	800,592

See accompanying notes to financial statements.

**CITY OF CUDAHY**

**STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
As of December 31, 2016**

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Fund
	Water Utility	Sewer Utility	Storm Water Utility	
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Accounts payable	\$ 145,472	\$ 744,212	\$ 24,792	\$ 914,476
Accrued payroll	23,320	3,611	2,753	29,684
Accrued compensated absences	108,378	-	-	108,378
Accrued interest on general obligation debt	6,609	9,365	14,388	30,362
Current portion of advance from municipality	84,803	-	-	84,803
Current portion of general obligation debt	126,313	126,212	134,050	386,575
Current Liabilities Payable from Restricted Assets				
Accrued interest on revenue bonds	4,666	20,816	30,443	55,925
Current portion of revenue bonds	155,000	20,000	260,000	435,000
<b>Total Current Liabilities</b>	<b>654,561</b>	<b>924,216</b>	<b>466,426</b>	<b>2,045,203</b>
<b>Noncurrent Liabilities</b>				
Net OPEB obligation	129,834	-	-	129,834
Net pension liability	61,625	16,816	23,073	101,514
Advance from municipality	617,850	-	-	617,850
Long-term debt, net of current maturities				
General obligation debt	596,134	1,261,760	1,627,031	3,484,925
Revenue bonds payable	334,062	4,145,000	4,665,000	9,144,062
<b>Total Noncurrent Liabilities</b>	<b>1,739,505</b>	<b>5,423,576</b>	<b>6,315,104</b>	<b>13,478,185</b>
<b>Total Liabilities</b>	<b>2,394,066</b>	<b>6,347,792</b>	<b>6,781,530</b>	<b>15,523,388</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflows related to pensions	129,689	35,388	48,557	213,634
<b>Total Deferred Inflows of Resources</b>	<b>129,689</b>	<b>35,388</b>	<b>48,557</b>	<b>213,634</b>
<b>NET POSITION</b>				
Net investment in capital assets	9,349,590	6,007,260	9,988,182	25,345,032
Restricted for debt service	100,900	37,920	158,042	296,862
Restricted for equipment replacement	-	591,915	495,973	1,087,888
Unrestricted	338,866	829,138	2,580,359	3,748,363
<b>TOTAL NET POSITION</b>	<b>\$ 9,789,356</b>	<b>\$ 7,466,233</b>	<b>\$ 13,222,556</b>	<b>\$ 30,478,145</b>

See accompanying notes to financial statements.

**CITY OF CUDAHY**

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

For the Year Ended December 31, 2016

	Business-type Activities - Enterprise Funds			Totals	Governmental Activities - Internal Service Fund
	Water Utility	Sewer Utility	Storm Water Utility		
<b>OPERATING REVENUES</b>					
Charges for services and sales	\$ 2,927,965	\$ 3,180,211	\$ 1,451,450	\$ 7,559,626	\$ -
Other operating revenues	147,876	-	-	147,876	38,000
Total Operating Revenues	3,075,841	3,180,211	1,451,450	7,707,502	38,000
<b>OPERATING EXPENSES</b>					
Operation and maintenance	1,594,845	2,452,871	446,001	4,493,717	64,511
Depreciation	516,971	117,815	224,896	859,682	-
Total Operating Expenses	2,111,816	2,570,686	670,897	5,353,399	64,511
Operating Income (Loss)	964,025	609,525	780,553	2,354,103	(26,511)
<b>NONOPERATING REVENUES (EXPENSES)</b>					
Investment income	2,426	12,429	10,455	25,310	35,107
Miscellaneous revenue	30,000	-	-	30,000	-
Amortization of debt premium	442	6,400	10,389	17,231	-
Interest expense	(44,562)	(175,842)	(285,003)	(505,407)	-
Amortization of loss on refunding	(7,043)	(1,891)	(5,581)	(14,515)	-
Total Nonoperating Revenues (Expenses)	(18,737)	(158,904)	(269,740)	(447,381)	35,107
Income (Loss) Before Transfers	945,288	450,621	510,813	1,906,722	8,596
<b>TRANSFERS</b>					
Transfers out	(427,892)	(19,810)	-	(447,702)	-
Total Transfers	(427,892)	(19,810)	-	(447,702)	-
Change in Net Position	517,396	430,811	510,813	1,459,020	8,596
NET POSITION – Beginning of Year	9,271,960	7,035,422	12,711,743	29,019,125	1,131,751
<b>NET POSITION – END OF YEAR</b>	<b>\$ 9,789,356</b>	<b>\$ 7,466,233</b>	<b>\$ 13,222,556</b>	<b>\$ 30,478,145</b>	<b>\$ 1,140,347</b>

See accompanying notes to financial statements.

**CITY OF CUDAHY**

**STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS**

For the Year Ended December 31, 2016

	Business-type Activities - Enterprise Funds			Total	Governmental Activities - Internal Service Fund
	Water Utility	Sewer Utility	Storm Water Utility		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Cash received from customers	\$ 2,972,116	\$ 3,136,511	\$ 1,424,186	\$ 7,532,813	\$ -
Cash received from (paid to) city	51,279	(51,279)	-	-	37,673
Cash paid to suppliers for goods and services	(881,540)	(2,099,664)	(244,955)	(3,226,159)	(64,512)
Cash payments to employees for services	(542,424)	(158,600)	(194,908)	(895,932)	-
Net Cash Flows From Operating Activities	1,599,431	826,968	984,323	3,410,722	(26,839)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Cash payments from (to) city	(427,892)	(19,810)	-	(447,702)	-
Advances (to) from other funds	(83,964)	-	-	(83,964)	-
Net Cash Flows From Non-capital Financing Activities	(511,856)	(19,810)	-	(531,666)	-
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Acquisition and construction of capital assets	(735,596)	(443,020)	(347,587)	(1,526,203)	-
Long-term debt issued	560,000	230,000	2,790,000	3,580,000	-
Payments to escrow during refunding	-	-	(2,840,344)	(2,840,344)	-
Principal paid on debt	(896,933)	(388,821)	(365,756)	(1,651,510)	-
Debt issuance costs	-	(3,435)	(103,345)	(106,780)	-
Premium on debt issued	1,698	701	74,948	77,347	-
Interest paid on debt	(48,488)	(172,407)	(186,301)	(407,196)	-
Net Cash Flows From Capital and Related Financing Activities	(1,119,319)	(776,982)	(978,385)	(2,874,686)	-
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Investment income	2,426	12,284	10,484	25,194	35,107
Net Cash Flows From Investing Activities	2,426	12,284	10,484	25,194	35,107
<b>Net Change in Cash and Cash Equivalents</b>	(29,318)	42,460	16,422	29,564	8,268
<b>CASH AND CASH EQUIVALENTS -</b> Beginning of Year	586,432	5,006,095	3,780,923	9,373,450	524,061
<b>CASH AND CASH EQUIVALENTS -</b> <b>END OF YEAR</b>	\$ 557,114	\$ 5,048,555	\$ 3,797,345	\$ 9,403,014	\$ 532,329

See accompanying notes to financial statements.

**CITY OF CUDAHY**

**STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS**

For the Year Ended December 31, 2016

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Fund
	Water Utility	Sewer Utility	Storm Water Utility	Total	
<b>CASH AND CASH EQUIVALENTS - STATEMENT OF NET POSITION</b>					
Unrestricted	\$ 304,418	\$ 503,013	\$ 2,025,726	\$ 2,833,157	\$ 532,329
Restricted - current	103,750	58,736	188,485	350,971	-
Restricted - non-current	148,946	4,486,806	1,583,134	6,218,886	-
	<u>\$ 557,114</u>	<u>\$ 5,048,555</u>	<u>\$ 3,797,345</u>	<u>\$ 9,403,014</u>	<u>\$ 532,329</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Operating income (loss)	\$ 964,025	\$ 609,525	\$ 780,553	\$ 2,354,103	\$ (26,511)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Flows From Operating Activities					
Depreciation	516,971	117,815	224,896	859,682	-
Depreciation charged to other accounts	51,279	-	-	51,279	-
Non-operating income	30,000	-	-	30,000	-
Change in Assets, Deferred Outflows, Liabilities, and Deferred Inflows					
Accounts receivable	(133,725)	(43,700)	(27,264)	(204,689)	(327)
Materials, supplies inventory and prepaid items	11,472	(195)	2,205	13,482	-
Accounts payable	112,943	135,286	705	248,934	(1)
Accrued expenses	(6,534)	17	(3,807)	(10,324)	-
Net OPEB obligation	5,755	-	-	5,755	-
Pension related deferrals and liabilities	47,245	8,220	7,035	62,500	-
	<u>\$ 1,599,431</u>	<u>\$ 826,968</u>	<u>\$ 984,323</u>	<u>\$ 3,410,722</u>	<u>\$ (26,839)</u>
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>					
	\$ -	\$ -	\$ 2,645,000	\$ 2,645,000	\$ -
<b>NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES</b>					
Bond proceeds used in refunding of debt	\$ -	\$ -	\$ 195,344	\$ 195,344	\$ -
Loss on refunding	\$ -	\$ -	\$ -	\$ -	\$ -
Amortization of premium	\$ 422	\$ 6,400	\$ 10,389	\$ 17,211	\$ -
Amortization of loss on advance refunding	\$ (7,043)	\$ (1,891)	\$ (5,581)	\$ (14,515)	\$ -

See accompanying notes to financial statements.

**CITY OF CUDAHY**

**STATEMENT OF ASSETS AND LIABILITES  
AGENCY FUND**

As of December 31, 2016

---

	<u>Tax Roll Agency Fund</u>
<b>ASSETS</b>	
Cash and investments	\$ 17,729,061
Taxes receivable	<u>649,236</u>
 Total Assets	 <u>\$ 18,378,297</u>
<b>LIABILITIES</b>	
Due to other taxing units	<u>\$ 18,378,297</u>

See accompanying notes to financial statements.

CITY OF CUDAHY

INDEX TO NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2018

NOTE

I.	Summary of Significant Accounting Policies	
A.	Reporting Entity	
B.	Government-Wide and Fund Financial Statements	
C.	Measurement Focus, Basis of Accounting, and Financial Statement Presentation	
D.	Assets; Deferred Outflows of Resources; Liabilities; Deferred Inflows of Resources, and Net Position or Equity	
	1. Deposits and Investments	
	2. Receivables	
	3. Inventories and Prepaid Items	
	4. Restricted Assets	
	5. Capital Assets	
	6. Land Held for Resale	
	7. Other Assets	
	8. Deferred Outflows of Resources	
	9. Compensated Absences	
	10. Long-Term Obligations	
	11. Deferred Inflows of Resources	
	12. Equity Classifications	
	13. Basis for Existing Rates	
	14. Pensions	
II.	Stewardship, Compliance, and Accountability	
A.	Budgetary Information	
B.	Excess Expenditures Over Appropriations	
C.	Deficit Balances	
D.	Limitation on the City's Tax Levy	
III.	Detailed Notes on All Funds	
A.	Deposits and Investments	
B.	Receivables	
C.	Restricted Assets	
D.	Capital Assets	
E.	Interfund Receivables/Payables and Transfers	
F.	Long-Term Obligations	
G.	Net Position/Fund Balances	
IV.	Other Information	
A.	Employees' Retirement System	
B.	Risk Management	
C.	Commitments and Contingencies	
D.	Other Postemployment Benefits	
E.	Major Customers	
F.	Effect of New Accounting Standards on Current-Period Financial Statements	

Page	
27	
27	
28	
31	
33	
33	
34	
35	
35	
35	
36	
37	
37	
38	
38	
40	
40	
40	
41	
41	
42	
42	
44	
44	
46	
48	
50	
58	
63	
63	
68	
69	
69	
72	
72	

CITY OF CUDAHY

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2018

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, 2016

NOTE 1 – 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 February 2015, the GASB issued statement No. 72 – *Fair Value Measurement and Application*. This statement addresses accounting and financial reporting issues related to fair value measurements. It defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This standard was implemented January 1, 2016.

**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, 2016

NOTE 1 – 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, 2016

NOTE 1 – 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, 2016

NOTE 1 – 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, 2016

NOTE 1 – 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, 2016

NOTE 1 – 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 methods and inputs as outlined in Note III.A. 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, 2016, 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, 2016

NOTE 1 – 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, 2016

NOTE 1 – 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 – 2016 tax roll:

Lien date and levy date	December 2016
Tax bills mailed	December 2016
Payment in full, or	January 31, 2017
First installment due	January 31, 2017
Second installment due	March 31, 2017
Third installment due	May 31, 2017
Personal property taxes in full	January 31, 2017
Final settlement with County	On or before August 15, 2017
Tax deed by county – 2016 delinquent real estate taxes	October 2019

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, 2016

NOTE 1 – 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 2009 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, 2016

NOTE 1 – 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 2016 was \$134,360 and \$14,516 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 \$301,686 of vacation earned but not paid and estimated future accumulated sick pay benefits of \$599,921 at December 31, 2016 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, 2016

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	\$ 33,982,086	\$ 25,345,032	\$ (3,544,519)	\$ 55,782,599
Unrestricted (deficit)	(12,715,993)	3,748,363	3,544,519	(5,423,111)

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, 2016

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 \$3,226,197 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, 2016

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 December 21, 2015, effective January 1, 2016.

Current sewer rates and storm water rates were approved by the Common Council on December 15, 2015, effective January 1, 2016.

14. Pension

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

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.

CITY OF CUDAHY

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2016

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

B. EXCESS EXPENDITURES OVER APPROPRIATIONS

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

Fund	Amount
Debt Service	\$ 6,283,694
Special Collections	91,372
Rental Property Inspection Fund	30,232
Library	13,071
Recycling	109,204
Road and Equipment Improvements Fund	207,979
Sewer Utility	126,554

C. DEFICIT BALANCES

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

As of December 31, 2016, the following individual funds held a deficit balance:

Fund	Amount
Grant Fund	\$ 12,236
Environmental TIF #2 Fund	232,807

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 2016 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, 2016

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	\$ 38,057,967	\$ 33,699,658	Custodial credit
Mutual funds	1,908,425	1,908,425	Credit, interest rate
LGIP	6,086,527	6,086,527	Credit
Peity cash	3,580	n/a	
Total Cash and Investments	\$ 46,056,489	\$ 41,694,610	
Reconciliation to financial statements			
Per statement of net position			
Unrestricted cash and investments	\$ 19,307,448		
Restricted cash and investments	9,019,990		
Per statement of net position - fiduciary funds	17,729,051		
Total Cash and Investments	\$ 46,056,489		

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, 2016, the bank had pledged various government securities in the amount of \$30.4 million to secure the City's deposits.

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

CITY OF CUDAHY

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2016

NOTE III – DETAILED NOTES ON ALL FUNDS (continued)

A. DEPOSITS AND INVESTMENTS (continued)

The valuation method for recurring fair value measurements is as follows:  
> Market Value

Investment Type	December 31, 2016		
	Level 1	Level 2	Level 3
Mutual funds	\$ 1,908,425	\$ -	\$ -
Total	\$ 1,908,425	\$ -	\$ 1,908,425

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, 2016, none of the City's total bank balances of \$33.7 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, 2016 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, 2016 the City's investments were rated as follows:

Investment Type	Standard & Poor's		Moody's		Bank Balance
	AAA	Not Rated	Aaa	Not Rated	
Mutual funds					\$ 1,908,425
LGIP					6,086,527

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, 2016 the City's investments were as follows:

Investment Type	Fair Value	Weighted Average Maturity (Days)
Mutual funds	\$ 1,908,425	



CITY OF CUDAHY

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2016

NOTE III – DETAILED NOTES ON ALL FUNDS (continued)

B. RECEIVABLES

Special assessments of \$363,704 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	\$ 15,027,287	\$ -
Special assessments receivable	-	589,816
Subsequent period prepayments	6,004	-
<b>Total Unavailable/Unearned Revenue for Governmental Funds</b>	<b>\$ 15,033,291</b>	<b>\$ 589,816</b>

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	\$ 126,649	\$ 213,297	\$ 455,374	\$ 795,320
Construction Fund	-	3,681,593	631,787	4,313,380
Special Redemption Fund	103,750	56,736	188,485	350,971
<b>BALANCES - December 31, 2016</b>	<b>\$ 230,399</b>	<b>\$ 3,953,626</b>	<b>\$ 1,275,646</b>	<b>\$ 5,459,671</b>

CITY OF CUDAHY

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2016

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 \$1,908,424 at December 31, 2016.

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 \$541,709 at December 31, 2016.

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, 2016 is \$597,916. 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, 2016 is \$495,973.

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, 2016 is \$22,297.

CITY OF CUDAHY

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2016

NOTE III – DETAILED NOTES ON ALL FUNDS (continued)

D. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2016 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
<b>Governmental Activities</b>				
Capital assets not being depreciated				
Land	\$ 14,599,528	\$ -	\$ -	\$ 14,599,528
Construction in progress	114,473	195,430	77,474	232,429
Total Capital Assets	14,714,001	195,430	77,474	14,831,957
Not Being Depreciated				
Capital assets being depreciated				
Land improvements	385,764	-	-	385,764
Buildings	13,216,011	-	-	13,216,011
Machinery and equipment	8,477,405	567,053	216,961	8,827,497
Intangible assets	89,665	-	-	89,665
Library books	1,033,982	87,373	141,344	980,011
Infrastructure	43,206,700	1,771,744	125,446	44,852,998
Total Capital Assets	66,409,527	2,426,170	483,751	68,351,946
Being Depreciated				
Less, Accumulated depreciation for				
Land improvements	(82,664)	(11,022)	-	(93,686)
Buildings	(4,068,167)	(181,668)	-	(4,249,835)
Machinery and equipment	(5,148,164)	(550,053)	180,427	(5,517,790)
Intangible assets	(59,776)	(29,889)	-	(89,665)
Library books	(578,699)	(105,072)	141,344	(542,427)
Infrastructure	(19,705,652)	(1,200,403)	22,433	(20,883,622)
Total Accumulated Depreciation	(29,643,122)	(2,078,137)	344,204	(31,377,055)
Net Capital Assets Being Depreciated	36,766,405	348,033	139,547	36,974,891
Total Governmental Activities Capital Assets, Net of Depreciation	\$ 51,480,406	\$ 543,463	\$ 217,021	\$ 51,806,848

CITY OF CUDAHY

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2016

NOTE III – DETAILED NOTES ON ALL FUNDS (continued)

D. CAPITAL ASSETS (continued)

Depreciation expense was charged to functions as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
<b>Governmental Activities</b>				
General government			\$ 73,714	
Protection of persons and property			289,469	
Public works, which includes the depreciation of infrastructure			1,523,676	
Health and sanitation			6,926	
Library			172,727	
Park and recreation			11,635	
Total Governmental Activities Depreciation Expense			\$ 2,078,137	
<b>Business-type Activities</b>				
Capital assets not being depreciated				
Land	\$ 220,342	\$ -	\$ -	\$ 220,342
Construction in progress	21,873	7,577	10,765	24,685
Total Capital Assets	248,215	7,577	10,765	245,027
Not Being Depreciated				
Capital assets being depreciated				
Water utility buildings and structures	2,654,078	48,756	13,200	2,689,634
Water utility machinery and equipment	5,545,260	148,946	80,817	5,613,389
Water utility infrastructure	12,431,845	537,893	9,950	12,959,788
Storm Water Utility Infrastructure	18,276,361	355,047	7,182	18,624,226
Sewer Utility Infrastructure	9,390,167	438,749	487	9,828,429
Total Capital Assets	48,297,711	1,529,391	111,636	49,715,466
Being Depreciated				
Less, Accumulated depreciation for				
Water utility buildings and structures	(2,332,210)	(65,499)	13,200	(2,404,509)
Water utility machinery and equipment	(4,214,317)	(274,567)	80,817	(4,408,057)
Water utility infrastructure	(4,038,688)	(208,183)	9,950	(4,236,921)
Storm Water Utility Infrastructure	(3,064,503)	(224,895)	7,182	(3,282,216)
Sewer Utility Infrastructure	(2,075,337)	(117,815)	487	(2,192,665)
Total Accumulated Depreciation	(15,725,055)	(910,959)	111,636	(16,524,378)
Net Capital Assets Being Depreciated	32,572,656	618,432	-	33,191,088
Total Business-type Activities Capital Assets, Net of Depreciation	\$ 32,820,871	\$ 626,009	\$ 10,765	\$ 33,436,115

CITY OF CUDAHY

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2016

NOTE III – DETAILED NOTES ON ALL FUNDS (continued)

D. CAPITAL ASSETS (continued)

Depreciation expense was charged to functions as follows:

Business-Type Activities	
Water	\$ 568,248
Sewer	117,815
Storm Water	224,899
	<u>910,959</u>
Total Business-type Activities Depreciation Expense	\$ 910,959

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:

Receivable Fund	Payable Fund	Amount
Water Utility	General	\$ 107,732
Sewer Utility	General	109,660
Storm Water Utility	General	58,136
General	Grant	22,913
General	Tax Incremental District #1 Capital Projects	402,155
General	Environmental TIF #2	440,998
Sub-total		1,141,294
Eliminations		(865,766)
Total Internal Balances - Government-Wide		\$ 275,528
Statement of Net Position		

The principal purposes of these interfunds are the collection of delinquent utility bills on the tax roll and the allocation of commingled 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, 2016

NOTE III – DETAILED NOTES ON ALL FUNDS (continued)

E. INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS (continued)

Repayment schedule for the advance follows:

Year	Principal	Interest	Total
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	88,247	3,583	91,830
2022 - 2024	270,071	5,418	275,489
	<u>702,653</u>	<u>31,986</u>	<u>734,639</u>

The following is a schedule of interfund transfers:

Fund Transferred To	Fund Transferred From	Amount	Purpose
General	Water Utility	\$ 427,892	Tax equivalent
General	Sewer Utility	19,810	Tax equivalent
Debt Service	Tax Incremental District #1 Tax Levy	5,626,014	Debt service
Debt Service	Environmental Tax Incremental District Fund #1	135,863	Debt service
Debt Service	Environmental Tax Incremental District Fund #2	101,970	Debt service
Environmental Tax Incremental District Fund #2	Environmental Tax Incremental District Fund #1	139,018	TID revenue
Subtotal - Fund financial statements		6,450,567	
Less: Fund eliminations		(6,002,865)	
Total Transfers - Government-wide		\$ 447,702	
Statement of Activities			
Governmental Activities	Business-type Activities	\$ 447,702	
Business-type Activities	Governmental Activities	-	
Total		\$ 447,702	

CITY OF CUDAHY

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2016

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.

F. LONG-TERM OBLIGATIONS

Long-term obligations activity for the year ended December 31, 2016 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<b>Governmental Activities</b>					
Bonds and Notes Payable					
General Obligation Debt					
Bonds	\$ 17,322,804	\$ 1,550,000	\$ 6,798,490	\$ 12,074,314	\$ 1,188,425
Refunding bonds	15,010,000	5,080,000	1,385,000	18,705,000	2,535,000
Total General Obligation Debt	32,332,804	6,630,000	8,183,490	30,779,314	3,723,425
Redevelopment Lease Revenue Bonds	15,245,000	3,395,000	6,215,000	12,425,000	2,705,000
Tax Increment Revenue Bonds	594,015	-	13,261	580,754	-
Total Bonds and Notes Payable	48,171,819	10,025,000	14,411,751	43,785,068	6,438,425
Add: Unamortized debt premium	675,143	95,394	77,040	693,497	-
<b>Total Governmental Activities</b>	<b>48,846,962</b>	<b>10,120,394</b>	<b>14,488,791</b>	<b>44,478,565</b>	<b>6,438,425</b>
<b>Other Liabilities</b>					
Vested compensated absences	881,333	328,604	308,330	901,607	312,860
Net OPEB liability	5,580,575	585,954	-	6,146,509	-
Net pension liability (asset)	(1,848,814)	3,053,599	-	1,204,785	-
Total Other Liabilities	4,593,094	3,968,137	308,330	8,252,901	312,860
<b>Total Governmental Activities</b>	<b>\$ 53,440,056</b>	<b>\$ 14,088,531</b>	<b>\$ 14,797,121</b>	<b>\$ 52,731,466</b>	<b>\$ 6,751,285</b>

CITY OF CUDAHY

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2016

NOTE III – DETAILED NOTES ON ALL FUNDS (continued)

F. LONG-TERM OBLIGATIONS (continued)

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<b>Business-type Activities</b>					
Revenue Bonds Payable	\$ 10,855,000	\$ 2,790,000	\$ 4,070,000	\$ 9,575,000	\$ 435,000
General Obligation Bonds Payable	3,077,197	790,000	228,510	3,640,687	386,575
Add: Unamortized debt premium	174,759	77,347	17,231	234,875	-
<b>Total Business-type Activities</b>	<b>14,106,956</b>	<b>3,657,347</b>	<b>4,315,741</b>	<b>13,450,562</b>	<b>821,575</b>
<b>Bonds Payable</b>					
Net OPEB liability	124,079	34,397	28,642	129,834	-
Net pension liability (asset)	(156,721)	258,235	-	101,514	-
Total Other Liabilities	(32,642)	292,632	28,642	231,348	-
<b>Total Business-type Activities</b>	<b>\$ 14,074,314</b>	<b>\$ 3,949,979</b>	<b>\$ 4,342,383</b>	<b>\$ 13,681,910</b>	<b>\$ 821,575</b>

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, 2016

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, 2016, was \$54,471,010. Total general obligation debt outstanding at year end was \$34,420,002.

Governmental Activities General Obligation Debt Refunding Bonds	Date of Issue	Final Maturity	Interest Rates	Original Amount	Balance 12/31/2016
	9/9/2010	11/1/2019	2.0 - 2.25	\$ 4,140,000	\$ 1,455,000
	4/12/2012	4/1/2022	5 - 3.125	1,825,000	1,230,000
	4/12/2012	6/1/2022	2.0 - 2.5	5,255,000	3,295,000
	5/23/2013	10/1/2029	2.0 - 3.25	3,575,000	2,470,000
	6/2/2015	3/1/2027	2.0 - 2.75	5,195,000	5,175,000
	4/19/2016	4/1/2028	1.0 - 2.07	1,360,000	1,360,000
	9/1/2016	10/1/2030	2.0 - 2.85	3,720,000	3,720,000
					18,705,000
General Obligation Bonds	4/2/2008	4/1/2028	3.0 - 4.0	2,210,000	150,000
	2/1/2010	2/1/2030	1.0 - 5.95	1,555,000	125,000
	10/13/2011	3/1/2031	2.0 - 4.0	10,053,669	7,154,314
	4/15/2014	4/1/2023	2.0 - 2.15	865,000	750,000
	4/15/2014	4/1/2034	2.0 - 4.0	2,380,000	2,345,000
	4/19/2016	4/1/2026	1.7 - 2.0	1,550,000	1,550,000
Total Governmental Activities General Obligation Debt					\$ 30,779,314

CITY OF CUDAHY

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2016

NOTE III – DETAILED NOTES ON ALL FUNDS (continued)

F. LONG-TERM OBLIGATIONS (continued)

General Obligation Debt (continued)

Business-type Activities Water, Sewer and Storm Water Systems General Obligation Bonds	Date of Issue	Final Maturity	Interest Rates	Original Amount	Balance 12/31/2016
Storm Water Utility	10/13/2011	3/1/2031	2.0 - 4.0	\$ 1,106,230	\$ 787,207
Water Utility	10/13/2011	3/1/2031	2.0 - 4.0	228,280	162,447
Sewer Utility	10/13/2011	3/1/2031	2.0 - 4.0	366,821	261,033
Storm Water Utility	5/23/2013	10/1/2029	2.0 - 3.25	1,045,000	840,000
Sewer Utility	5/23/2013	10/1/2029	2.0 - 3.25	1,015,000	800,000
Water Utility	4/19/2016	4/1/2021	1.0 - 2.125	560,000	560,000
Sewer Utility	4/19/2016	4/1/2021	1.0 - 2.125	230,000	230,000
Total Business-type Activities General Obligation Debt					\$ 3,640,687

Debt service requirements to maturity are as follows:

	Governmental Activities General Obligation Debt		Business-type Activities General Obligation Debt	
	Principal	Interest	Principal	Interest
2017	\$ 3,733,425	\$ 756,633	\$ 386,575	\$ 94,353
2018	4,099,017	656,166	415,983	85,665
2019	4,342,438	561,581	432,562	76,337
2020	4,327,307	455,853	447,693	66,336
2021	4,520,860	350,503	464,140	55,693
2022-2026	6,356,391	924,742	918,608	171,064
2027-2031	2,729,876	364,473	575,126	43,992
2032-2034	670,000	40,800		
Totals	\$ 30,779,314	\$ 4,111,751	\$ 3,640,687	\$ 593,440

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, 2016

CITY OF CUDAHY

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2016

NOTE III – DETAILED NOTES ON ALL FUNDS (continued)

NOTE III – DETAILED NOTES ON ALL FUNDS (continued)

F. LONG-TERM OBLIGATIONS (continued)

F. LONG-TERM OBLIGATIONS (continued)

Revenue Debt (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.

Debt service requirements to maturity are as follows:

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, 2016 consists of the following:

	Date of Issue	Final Maturity	Interest Rates	Original Amount	Balance 12/31/2016
<b>Governmental Activities</b>					
Lease Development Revenue Bonds	10/13/2011	6/1/2022	7.5 - 3.25	\$ 3,200,000	\$ 2,095,000
	3/14/2012	6/1/2022	6 - 2.6	3,580,000	2,835,000
	11/1/2012	6/1/2027	1.25 - 4.3	1,430,000	1,240,000
	3/7/2013	6/1/2019	7 - 1.75	5,265,000	2,860,000
	4/19/2016	6/1/2019	3.0 - 4.35	3,395,000	3,395,000
					<u>\$ 12,425,000</u>

Total Governmental Activities Revenue Debt

Business-type Activities Water and Sewer System Revenue Bonds

Water Utility	4/2/2008	5/1/2018	3.75 - 4.0	\$ 1,120,000	\$ 255,000
Storm Water Utility	4/2/2008	5/1/2028	3.25 - 4.5	4,150,000	360,000
Sewer Utility	5/6/2014	5/1/2034	3.0 - 3.625	4,175,000	4,165,000
Water Utility	5/6/2014	5/1/2034	3.0 - 3.625	260,000	230,000
Storm Water Utility	5/6/2014	5/1/2034	3.0 - 3.50	1,890,000	1,775,000
Storm Water Utility	9/1/2016	5/1/2028	2.0	2,790,000	2,790,000
<b>Total Business-type Activities Revenue Debt</b>					<u>\$ 9,575,000</u>

	Governmental Activities Revenue Debt		Business-type Activities Revenue Debt	
	Principal	Interest	Principal	Interest
2017	\$ 2,705,000	\$ 355,621	\$ 435,000	\$ 278,456
2018	2,780,000	269,896	450,000	253,056
2019	2,815,000	174,035	460,000	239,106
2020	1,025,000	111,146	460,000	227,556
2021	1,015,000	84,673	495,000	215,531
2022-2026	1,890,000	151,121	2,995,000	850,381
2027-2031	195,000	4,193	2,705,000	459,463
2032-2034			1,575,000	92,735
<b>Totals</b>	<u>\$ 12,425,000</u>	<u>\$ 1,150,685</u>	<u>\$ 9,575,000</u>	<u>\$ 2,616,284</u>

The Water, Sewer and Storm Water Utilities have pledged future revenues, net of specified operating expenses, to repay \$9,575,000 of revenue bonds issued in 2008, 2014 and 2016. 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 22% of net revenues. Total principal and interest remaining to be paid on the bonds is \$12.2 million. Principal and interest paid for the current year and total customer net revenues were \$860,414 and \$3,239,085 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, 2016

NOTE III – DETAILED NOTES ON ALL FUNDS (continued)

F. LONG-TERM OBLIGATIONS (continued)

Tax Incremental 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 this debt issue, the City entered into a developer agreement for the sale of the debt issue to local businesses to provide development incentives to assist the developer in undertaking the project. The details related to the debt issue is:

TID No.	Date of Issue	Final Maturity	Interest Rates	Original Amount	Balance 12/31/16
1	08/26/02	11/1/2022	None	\$ 702,576	\$ 580,754

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

Advance and Current Refundings

On April 19, 2016, the City issued \$2,150,000 of general obligation bonds with an average coupon rate of 1.404% to advance refund \$1,300,000 of outstanding bonds with an average coupon rate of 3.83% and current refund \$870,000 of outstanding bonds with an average coupon rate of 4.03%. 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 and current refunding was \$2,717,529 from 2016 through 2028. The cash flow requirements on the general obligation refunding bonds are \$2,454,481 from 2016 through 2028. The refundings resulted in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$246,143.

On September 1, 2016, the City issued \$3,720,000 of general obligation bonds with an average coupon rate of 2.282% to advance refund \$1,175,000 of outstanding bonds with an average coupon rate of 5.323% and current refund \$2,450,000 of outstanding bonds with an average coupon rate of 4.536%. 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.

CITY OF CUDAHY

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2016

NOTE III – DETAILED NOTES ON ALL FUNDS (continued)

F. LONG-TERM OBLIGATIONS (continued)

Advance and Current Refundings (continued)

The cash flow requirements on the refunded debt prior to the advance and current refunding was \$4,720,224 from 2016 through 2030. The cash flow requirements on the general obligation refunding bonds are \$4,274,117 from 2016 through 2030. The refundings resulted in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$417,223.

On September 1, 2016, the City issued \$2,790,000 of Storm Water Utility revenue bonds with an average coupon rate of 1.57% to advance refund \$2,645,000 of outstanding bonds with an average coupon rate of 4.194%. 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 \$6,351,214 from 2016 through 2034. The cash flow requirements on the Storm Water Utility refunding revenue bonds are \$6,033,025 from 2016 through 2034. 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 \$263,546.

On April 19, 2016, the City issued \$3,395,000 of Community Development Authority redevelopment lease revenue refunding bonds with an average coupon rate of 0.938% to refund \$3,625,000 of outstanding bonds with an average coupon rate of 4.25%. The net proceeds along with existing funds of the City were used to prepay the outstanding debt.

The cash flow requirements on the refunded debt prior to the current refunding was \$3,883,144 from 2016 through 2019. The cash flow requirements on the Community Development Authority redevelopment lease revenue refunding bonds are \$3,462,422 from 2016 through 2019. The current refunding resulted in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$113,672.

Defeasance of Debt

The City defeased certain general obligation and revenue 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, 2016, \$5,120,000 of bonds outstanding are considered defeased. The bonds are callable as follows:

Call Date	Amount
4/1/17	\$ 1,300,000
2/1/18	1,175,000
5/1/18	2,645,000

CITY OF CUDAHY

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2016

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, 2016 include the following:

Net Investment in Capital Assets	
Land	\$ 14,599,528
Other capital assets, net of accumulated depreciation	37,207,320
Less: long-term debt outstanding	(43,785,068)
Plus: non-capital long-term debt	22,012,017
Plus: unspent capital related debt proceeds	3,880,778
Plus: unamortized debt premium of capital debt	664,712
Less: loss on refunding of capital debt	(957,201)
Total Net Investment in Capital Assets	<u>33,982,066</u>
Restricted for	
Debt service	3,842,547
TID activities	3,989,233
Library endowment	100,000
Library capital improvements	441,709
Library operations	365,720
Unrestricted (deficit)	<u>(12,715,993)</u>
Total Governmental Activities Net Position	<u>\$ 30,005,302</u>

CITY OF CUDAHY

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2016

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, 2016 include the following:

Nonspendable		
Major Funds		\$
General Fund		276,560
Prepaid items		617,850
Advance to other funds (Due after 2017)		
Capital Improvements Fund		4,736
Prepaid items		
Total Major Funds		<u>\$ 899,146</u>
Nonmajor Funds		\$
Special Revenue Funds		100,000
Library Fund - Library Children's Endowment		236
Library Fund - Prepaid items		195
Recycling Fund		1,793
Hotel & Motel Tax Fund		102,224
Sub-Total		<u>102,224</u>
Total Nonmajor Funds		<u>\$ 102,224</u>
Restricted		\$
Major Funds		624,332
Special Revenue Fund - Tax Increment District #1 Tax Levy -		
Project costs		5,693,797
Debt Service Fund - Debt service		
Capital Projects Fund - Tax Increment District #1 -		797,424
Noncurrent receivables		797,424
Sub-Total		<u>7,115,553</u>
Total Major Funds		<u>\$ 7,115,553</u>



CITY OF CUDAHY

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2016

NOTE III – DETAILED NOTES ON ALL FUNDS (continued)

G. NET POSITION/FUND BALANCES (continued)

Governmental Activities (continued)

Restricted (continued)	
Nonmajor Funds	
Special Revenue Funds	\$ 441,709
Library Fund - Library Endowment Fund	365,720
Library Fund - Library activities	670,021
Environmental Tax Incremental District Fund #1 - Project costs	363,675
Environmental Tax Incremental District Fund #2 - Bond funds	
Capital Projects Funds	
Community Development Authority Fund - Project costs	<u>745,139</u>
Total Nonmajor Funds	<u>\$ 2,586,264</u>
Committed	
Nonmajor Funds	
Special Revenue Funds	\$ 79,427
Library Fund	158,807
Ambulance Fund	12,722
Health Grant Fund	122,781
Recycling Fund	125,326
Special Collections Fund	1,203,474
Special Assessment Fund	614
K-9 Fund	5,187
Hotel & Motel Tax Fund	<u>141,804</u>
Rental Property Inspection Fund	
Total Nonmajor Funds	<u>\$ 1,850,142</u>

CITY OF CUDAHY

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2016

NOTE III – DETAILED NOTES ON ALL FUNDS (continued)

G. NET POSITION/FUND BALANCES (continued)

Governmental Activities (continued)

Assigned	
Major Funds	
General Fund	\$ 163,656
Equipment acquisition - Computer equipment and software	12,000
Voting machines	1,615
Federal asset forfeiture	94,534
State Asset forfeiture	280
Safety grant	31,515
Police department	<u>10,000</u>
Election training	<u>313,600</u>
Sub-Total	
Capital Improvements Fund - subsequent years expenditures	4,030,086
Total Major Funds	<u>\$ 4,343,696</u>
Nonmajor Funds	
Capital Projects Funds	\$ 131,378
Road & Equipment Improvements Fund	
Unassigned	
Major Funds	\$ 3,672,571
General Fund	<u>(402,147)</u>
Capital Projects Fund - Tax Increment District #1	
Total Major Funds	<u>\$ 3,270,424</u>
Nonmajor Funds	
Special Revenue Funds	\$ (12,236)
Grant Fund	<u>(596,482)</u>
Environmental TIF #2	
Total Nonmajor Funds	<u>\$ (608,718)</u>

CITY OF CUDAHY

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2016

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, 2016 includes the following:

Net Investment in Capital Assets	\$ 220,342
Land	33,215,773
Other capital assets, net of accumulated depreciation	(13,222,080)
Less: related long-term debt outstanding	5,130,687
Add: Unspent proceeds of long-term debt	25,345,032
Total Net Investment in Capital Assets	1,087,888
Restricted	296,862
Equipment replacement	1,384,750
Debt service	3,748,363
Total Restricted	5,304,778,145
Unrestricted	\$ 30,478,145
Total Business-Type Activities Net Position	

CITY OF CUDAHY

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2016

NOTE IV – OTHER INFORMATION

A. EMPLOYEES' RETIREMENT SYSTEM

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.

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

**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.

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.

CITY OF CUDAHY

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2016

NOTE IV – OTHER INFORMATION (continued)

A. EMPLOYEES' RETIREMENT SYSTEM (continued)

**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
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
2015	2.9	2

**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 \$757,175 in contributions from the City.

Contribution rates as of December 31, 2016 are:

	Employee	Employer
General (including teachers)	6.6%	6.6%
Executives & Elected Officials	6.6%	6.6%
Protective with Social Security	6.6%	9.4%
Protective without Social Security	6.6%	13.2%

CITY OF CUDAHY

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2016

NOTE IV – OTHER INFORMATION (continued)

A. EMPLOYEES' RETIREMENT SYSTEM (continued)

**Pension Liability (Asset), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At December 31, 2016, the City reported a liability of \$1,306,299 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014 rolled forward to December 31, 2015. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The City's proportion of the net pension liability was based on the city's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2015, the City's proportion was 0.08038862%, which was a decrease of 0.001260870% from its proportion measured as of December 31, 2014.

For the year ended December 31, 2016, the City recognized pension expense of \$1,568,637.

At December 31, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 220,989	\$ 2,749,085
Changes in assumption	913,944	-
Net differences between projected and actual earnings on pension plan	5,348,364	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	76,135	-
Employer contributions subsequent to the measurement date	762,701	-
<b>Total</b>	<b>\$ 7,322,133</b>	<b>\$ 2,749,085</b>

\$762,701 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 liability in the year ended December 31, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ended December 31:	Deferred Outflows of Resources	Deferred Inflows of Resources
2017	\$1,704,527	\$665,284
2018	1,704,527	665,284
2019	1,704,527	665,284
2020	1,415,848	665,284
2021	30,003	87,949
Thereafter	-	-

CITY OF CUDAHY

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2016

NOTE IV – OTHER INFORMATION (continued)

A. EMPLOYEES' RETIREMENT SYSTEM (continued)

**Actuarial assumptions:** The total pension liability in the December 31, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial valuation date	December 31, 2014
Measurement date of net pension liability (asset)	December 31, 2015
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	3.2%
Salary increases	0.2% - 5.6%
Mortality	Wisconsin 2012 Mortality Table
Post-retirement adjustments	2.1%

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

Actuarial assumptions are based upon an experience study conducted in 2012 using experience from 2009 – 2011. The total pension liability for December 31, 2015 is based upon a roll-forward of the liability calculated from the December 31, 2014, 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:

Core Fund Asset Class	Current Asset Allocation %	Destination Target Asset Allocation %	Long-Term Expected Rate of Return %	Long-Term Real Rate of Return
US Equities	27%	23%	7.6%	4.7%
International Equities	24.5	22	8.5	5.6
Fixed Income	27.5	37	4.4	1.6
Inflation Sensitive Assets	10	20	4.2	1.4
Real Estate	7	7	6.5	3.6
Private Equity/Debt	7	7	9.4	6.5
Multi-Asset	4	4	6.7	3.8
Total Core Fund	107	120	7.4	4.5

CITY OF CUDAHY

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2016

NOTE IV – OTHER INFORMATION (continued)

A. EMPLOYEES' RETIREMENT SYSTEM (continued)

Variable Fund Asset Class	Current Asset Allocation %	Destination Target Asset Allocation %	Long-Term Expected Rate of Return %	Long-Term Real Rate of Return
US Equities	70%	70%	7.6%	4.7%
International Equities	30	30	8.5	5.6
Total Variable Fund	100	100	7.9	5.0

New England Pension Consultants Long Term US CPI (Inflation) Forecast: 2.75%  
Assets Allocations are managed within established ranges; target percentages may differ from actual monthly allocation

**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 liability (asset) to changes in the discount rate.** The following presents the City's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.20 percent, as well as what the City's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.20 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)	\$ 9,162,409	\$ 1,306,299	\$ (4,829,463)

**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://efw.wi.gov/publications/cafr.htm>.

At December 31, 2016, the City reported a payable to the pension plan of \$108,183, which represents contractually required contributions outstanding as of the end of the year.

CITY OF CUDAHY

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2016

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, 2016.

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, 2016 was 1.67%. Upon withdrawal, expulsion or dissolution, the City would be entitled to a lump sum payment which at December 31, 2016 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, 2016

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.

	Beginning Balance	Claims and Changes in Estimates	Payments	Ending Balance
2015	\$ 149,454	\$ 3,395	\$ (3,395)	\$ 149,454
2016	\$ 149,454	\$ 13,418	\$ (13,419)	\$ 149,453

At December 31, 2016, the Liability Insurance Fund has net position of \$1.14 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, 2016. 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, 2016

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 2016, the City contributed \$794,682 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	\$ 1,497,410
Interest on net OPEB obligation	170,540
Adjustment to annual required contribution	<u>(281,579)</u>
Annual OPEB cost (expense)	1,386,371
Contributions made	<u>(794,682)</u>
Increase in net OPEB Liability	591,689
Net OPEB Liability - beginning of year	5,684,654
Net OPEB Liability - end of year	<u>\$ 6,276,343</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
12/31/2014	1,437,074	46%	4,944,743
12/31/2015	1,465,549	50%	5,684,654
12/31/2016	1,386,371	57%	6,276,343

CITY OF CUDAHY

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2016

NOTE IV – OTHER INFORMATION (continued)

D. OTHER POSTEMPLOYMENT BENEFITS (continued)

As of December 31, 2016, the most recent actuarial valuation date, the plan was 0.6% funded. The actuarial accrued liability for benefits was \$16.66 million, and the actuarial value of assets was \$97,191, resulting in an unfunded actuarial accrued liability (UAAL) of \$16.57 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, 2016 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 9.40% initially, reduced to an ultimate rate of 4.00% after 64 years, was used.

CITY OF CUDAHY

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2016

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, 2016, 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 40% 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. 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. 80, Blending Requirements for Certain Component Units - an Amendment of GASB Statement No. 14
- > Statement No. 81, Irrevocable Split-Interest Agreements
- > Statement No. 82, Pension Issues - an Amendment of GASB Statements No. 67, No. 68, and No. 73

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

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, 2016

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>REVENUES</b>				
Taxes	\$ 6,112,734	\$ 6,112,734	\$ 6,164,001	\$ 51,267
Intergovernmental	4,799,634	4,799,634	4,766,102	(33,532)
Licenses and permits	510,169	510,169	540,766	30,597
Fines, forfeitures and penalties	824,800	824,800	957,706	132,906
Public charges for services	96,025	96,025	149,722	53,697
Interdepartmental revenues	146,886	146,886	111,091	(35,805)
Investment income	36,000	36,000	67,566	31,566
Commercial revenues	65,600	65,600	96,736	31,136
Total Revenues	12,591,858	12,591,858	12,855,670	263,812
<b>EXPENDITURES</b>				
Current				
General government	2,745,939	2,745,939	2,843,961	(98,022)
Protection of persons and property	7,142,566	7,142,566	7,377,549	(234,983)
Public works	1,810,796	1,810,796	1,521,614	289,182
Health and sanitation	955,133	955,133	937,325	17,808
Parks and recreation	335,524	335,524	238,415	97,109
Capital Outlay	23,400	23,400	7,581	15,819
Total Expenditures	13,013,358	13,013,358	12,926,445	86,913
Excess (Deficiency) of Revenues over Expenditures	(421,500)	(421,500)	(70,775)	350,725
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	421,500	421,500	447,702	26,202
Net change in fund balance - budgetary basis	\$ -	\$ -	\$ 376,927	\$ 376,927
Adjustments to generally accepted accounting principles basis				
Revenues credited to designated funds			145,897	145,897
Interdepartmental revenues that represent interfund charges			(77,872)	(77,872)
Interfund charges for engineering reported as expenditures			(64,842)	(64,842)
Other				
Net change in fund balance - generally accepted accounting principles basis			457,982	457,982
FUND BALANCE - Beginning of Year			4,422,599	4,422,599
FUND BALANCE - END OF YEAR			\$ 4,880,581	\$ 4,880,581

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

CITY OF CUDAHY

REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF FUNDING PROGRESS  
As of December 31, 2016

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projected until (b)	Unfunded AAL (UAAI) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAI as a Percentage of Covered Payroll (b-a)/c
<b>Postemployment Health Care Plan</b>						
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%
12/31/16	97,191	16,662,409	16,565,218	0.6%	8,548,445	194%

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



CITY OF CUDAHY

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
As of and for the Year Ended December 31, 2016

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 1.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.

See independent auditors' report.

CITY OF CUDAHY

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET) -  
WISCONSIN RETIREMENT SYSTEM  
For the Year Ended December 31, 2016

Fiscal Year Ending	Proportion of the Net Pension Liability (Asset)	Proportionate Share of the Net Pension Liability (Asset)	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll		Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	
			Liability (Asset)	Covered Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll	Pension Liability
12/31/15	0.08164849%	\$ (2,095,535)	8,367,637	-23.97%	102.74%	
12/31/16	0.08038862%	1,306,299	8,349,793	15.64%	98.20%	

SCHEDULE OF EMPLOYER CONTRIBUTIONS - WISCONSIN RETIREMENT SYSTEM  
For the Year Ended December 31, 2016

Fiscal Year Ending	Contractually Required Contributions	Contractually Required Contributions	Contribution Deficiency (Excess)	Contributions in Relation to the Contractually Required Contributions	
				Covered Payroll	Contributions as a Percentage of Covered Payroll
12/31/15	\$ 757,176	\$ 757,176	\$ -	8,349,793	9.07%
12/31/16	762,701	762,701	.	8,548,445	8.92%

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

SUPPLEMENTARY INFORMATION

**CITY OF CUDAHY**

**COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
As of December 31, 2016**

	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	
<b>ASSETS</b>								
Cash and investments	\$ 474,914	\$ 119,826	\$ -	\$ 4,383	\$ 158,098	\$ 122,156	\$ 1,216,385	\$ 570,021
Accounts receivable (net of allowance for uncollectibles of \$34,427)	11,254	46,021	10,377	17,754	2,538	3,170	-	-
Taxes receivable	685,980	-	-	-	413,886	222,390	220,947	210,009
Special assessments receivable - due in more than one year	-	-	-	-	-	-	359,155	-
Advance to other funds	-	-	-	-	-	-	-	100,000
Restricted cash and investments	541,709	-	-	-	-	-	-	-
Prepaid items	236	-	-	-	195	-	-	-
<b>Total Assets</b>	<b>\$ 1,714,093</b>	<b>\$ 165,847</b>	<b>\$ 10,377</b>	<b>\$ 22,137</b>	<b>\$ 574,717</b>	<b>\$ 347,716</b>	<b>\$ 1,796,487</b>	<b>\$ 880,030</b>
<b>LIABILITIES</b>								
Accounts payable	34,373	1,074	-	3,681	35,837	-	-	-
Accrued liabilities	6,648	5,966	-	-	2,018	-	12,642	-
Due to other funds	-	-	22,613	-	-	-	-	-
Advance from other funds	-	-	-	-	-	-	-	-
<b>Total Liabilities</b>	<b>41,021</b>	<b>7,040</b>	<b>22,613</b>	<b>3,681</b>	<b>37,855</b>	<b>-</b>	<b>12,642</b>	<b>-</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>								
Unearned revenues	685,980	-	-	5,734	413,886	222,390	270	210,009
Unavailable revenues	-	-	-	-	-	-	580,101	-
<b>Total Deferred Inflows of Resources</b>	<b>685,980</b>	<b>-</b>	<b>-</b>	<b>5,734</b>	<b>413,886</b>	<b>222,390</b>	<b>580,371</b>	<b>210,009</b>
<b>FUND BALANCES</b>								
Nonspendable	100,236	-	-	-	195	-	-	-
Restricted	807,429	-	-	-	-	-	-	670,021
Committed	79,427	158,807	-	12,722	122,781	125,326	1,203,474	-
Assigned	-	-	(12,236)	-	-	-	-	-
Unassigned	-	-	(12,236)	-	-	-	-	-
<b>Total Fund Balance (Deficit)</b>	<b>987,092</b>	<b>158,807</b>	<b>(12,236)</b>	<b>12,722</b>	<b>122,976</b>	<b>125,326</b>	<b>1,203,474</b>	<b>670,021</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$ 1,714,093</b>	<b>\$ 165,847</b>	<b>\$ 10,377</b>	<b>\$ 22,137</b>	<b>\$ 574,717</b>	<b>\$ 347,716</b>	<b>\$ 1,796,487</b>	<b>\$ 880,030</b>

CITY OF CUDAHY

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
As of December 31, 2016

	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	Total	
<b>ASSETS</b>								
Cash and investments	\$ -	\$ 1,364	\$ 4,921	\$ 117,722	\$ 740,691	\$ 132,568	\$ 3,663,049	
Accounts receivable (net of allowance for uncollectibles of \$34,427)	-	-	1,947	25,625	4,448	55	123,189	
Taxes receivable	31,461	-	-	-	-	450,000	2,234,673	
Special assessments receivable - due in more than one year	-	-	-	-	-	-	359,155	
Advance to other funds	-	-	-	-	-	-	100,000	
Restricted cash and investments	363,675	-	-	-	-	-	905,384	
Prepaid items	-	-	1,793	-	-	-	2,224	
Total Assets	\$ 395,136	\$ 1,364	\$ 8,661	\$ 143,347	\$ 745,139	\$ 582,623	\$ 7,387,674	
<b>LIABILITIES</b>								
Accounts payable	55,484	750	1,681	-	-	1,245	134,125	
Accrued liabilities	-	-	-	1,543	-	-	28,817	
Due to other funds	440,998	-	-	-	-	-	463,611	
Advance from other funds	100,000	-	-	-	-	-	100,000	
Total Liabilities	\$ 596,482	\$ 750	\$ 1,681	\$ 1,543	\$ -	\$ 1,245	\$ 726,553	
<b>DEFERRED INFLOWS OF RESOURCES</b>								
Unearned revenues	31,461	-	-	-	-	450,000	2,019,730	
Unavailable revenues	-	-	-	-	-	-	580,101	
Total Deferred Inflows of Resources	\$ 31,461	\$ -	\$ -	\$ -	\$ -	\$ 450,000	\$ 2,599,831	
<b>FUND BALANCES</b>								
Nonspendable	-	-	1,793	-	-	-	102,224	
Restricted	363,675	-	-	-	745,139	-	2,586,264	
Committed	-	614	5,187	141,804	-	-	1,850,142	
Assigned	(596,482)	-	-	-	-	131,378	131,378	
Unassigned	(232,807)	614	6,980	141,804	745,139	131,378	(608,718)	
Total Fund Balance (Deficit)	\$ -	\$ 1,364	\$ 8,661	\$ 143,347	\$ 745,139	\$ 582,623	\$ 7,387,674	
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>								

**CITY OF CUDAHY**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
For the Year Ended December 31, 2016**

	Special Revenue Funds									
	Library Fund	Ambulance Fund	Grant Fund	Health Grant Fund	Recycling Fund	Special Collections Fund	Special Assessment Fund	Environmental Tax Incremental District Fund #1		
<b>REVENUES</b>										
Taxes	\$ 647,560	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 275,163
Other taxes	-	-	-	-	-	-	-	-	-	-
Intergovernmental	149,246	29,417	69,278	80,713	63,477	-	-	-	-	-
Fines, forfeitures and penalties	27,872	-	-	-	-	-	-	-	-	-
Public charges for services	36,164	303,414	-	-	423,933	248,260	-	-	-	-
Public improvement revenue	-	-	-	-	-	-	515,565	-	-	-
Investment income	2,188	259	-	-	4,066	2,013	17,218	-	-	1,416
Commercial revenues	368,346	887	-	-	2,129	1,237	-	-	-	-
Total Revenues	<u>1,231,376</u>	<u>333,977</u>	<u>69,278</u>	<u>80,713</u>	<u>493,605</u>	<u>251,510</u>	<u>532,783</u>	<u>-</u>	<u>-</u>	<u>276,579</u>
<b>EXPENDITURES</b>										
Current										
Protection of persons and property	-	336,756	-	-	-	-	-	-	-	-
Public works	-	-	-	-	-	-	39,094	-	-	-
Health and sanitation	-	-	-	83,014	705,479	337,622	-	-	-	-
Library	693,563	-	-	-	-	-	-	-	-	-
Conservation and development	-	-	-	-	-	-	-	-	-	8,108
Capital Outlay	405,995	7,341	69,278	-	-	-	570,634	-	-	-
Total Expenditures	<u>1,099,558</u>	<u>344,097</u>	<u>69,278</u>	<u>83,014</u>	<u>705,479</u>	<u>337,622</u>	<u>609,728</u>	<u>-</u>	<u>-</u>	<u>8,108</u>
Excess (deficiency) of revenues over expenditures	<u>131,818</u>	<u>(10,120)</u>	<u>-</u>	<u>(2,301)</u>	<u>(211,874)</u>	<u>(86,112)</u>	<u>(76,945)</u>	<u>-</u>	<u>-</u>	<u>268,471</u>
<b>OTHER FINANCING SOURCES (USES)</b>										
Transfers in	-	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-	(274,881)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(274,881)</u>
<b>Net change in fund balances</b>	<u>131,818</u>	<u>(10,120)</u>	<u>-</u>	<u>(2,301)</u>	<u>(211,874)</u>	<u>(86,112)</u>	<u>(76,945)</u>	<u>-</u>	<u>-</u>	<u>(6,410)</u>
FUND BALANCES (DEFICIT) - Beginning of Year	<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>-</u>	<u>-</u>	<u>676,431</u>
<b>FUND BALANCES (DEFICIT) - END OF YEAR</b>	<u>\$ 987,092</u>	<u>\$ 158,807</u>	<u>\$ (12,236)</u>	<u>\$ 12,722</u>	<u>\$ 122,976</u>	<u>\$ 125,326</u>	<u>\$ 1,203,474</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 670,021</u>

**CITY OF CUDAHY**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
For the Year Ended December 31, 2016**

	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		
<b>REVENUES</b>								
Taxes	\$ 20,891	\$ -	\$ -	\$ -	\$ -	\$ 400,000	\$ 1,343,614	
Other taxes	-	-	9,477	-	-	-	9,477	
Intergovernmental	-	-	-	-	-	10,339	402,470	
Fines, forfeitures and penalties	-	-	-	-	-	-	27,872	
Public charges for services	-	-	-	134,087	-	-	1,145,858	
Public improvement revenue	-	-	-	-	-	-	515,565	
Investment income	22	7	-	-	1,589	1,153	29,931	
Commercial revenues	-	4,277	-	-	-	-	376,876	
Total Revenues	20,913	4,284	9,477	134,087	1,589	411,492	3,851,663	
<b>EXPENDITURES</b>								
Current								
Protection of persons and property	-	5,206	-	117,550	-	-	459,512	
Public works	-	-	-	-	-	-	39,094	
Health and sanitation	-	-	-	-	-	-	1,126,115	
Library	-	-	-	-	-	-	693,563	
Conservation and development	264,743	-	21,123	-	-	-	293,974	
Capital Outlay	-	-	-	-	-	608,978	1,662,226	
Total Expenditures	264,743	5,206	21,123	117,550	-	608,978	4,274,484	
Excess (deficiency) of revenues over expenditures	(243,830)	(922)	(11,646)	16,537	1,589	(197,486)	(422,821)	
<b>OTHER FINANCING SOURCES (USES)</b>								
Transfers in	139,018	-	-	-	-	-	139,018	
Transfers out	(101,970)	-	-	-	-	-	(376,851)	
Total Other Financing Sources (Uses)	37,048	-	-	-	-	-	(237,833)	
Net change in fund balances	(206,782)	(922)	(11,646)	16,537	1,589	(197,486)	(660,654)	
FUND BALANCES (DEFICIT) - Beginning of Year	(26,025)	1,536	18,626	125,267	743,550	328,864	4,721,944	
FUND BALANCES (DEFICIT) - END OF YEAR	(232,807)	614	6,980	141,804	745,139	131,378	4,061,290	

**FORM OF LEGAL OPINION**

(See following pages)

March 7, 2018

**\$1,380,000\***  
**City of Cudahy**  
**Milwaukee County, Wisconsin**  
**General Obligation Promissory Notes, Series 2018A**

We have acted as bond counsel in connection with the issuance by the City of Cudahy, Milwaukee County, Wisconsin (the “City”), of its \$1,380,000 General Obligation Promissory Notes, Series 2018A, dated March 7, 2018 (the “Notes”). We have examined the law and a certified copy of the proceedings of record of the City preliminary to and in connection with the issuance of the Notes, as well as other documents and records which we have deemed necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certificates of officers of the City and other public officials furnished to us, without undertaking to verify the same by independent investigation. The rights of the owners of the Notes and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors’ rights heretofore or hereafter enacted and that their enforcement may be subject to the exercise of judicial discretion in accordance with general principles of equity.

Based on the foregoing, we are of the opinion and hereby certify that, as of the date hereof:

1. The Notes are valid and binding general obligations of the City, payable from a nonrepealable, direct annual tax levied upon all the taxable property of the City for the express purpose of paying interest on the Notes as it falls due and also to pay and discharge the principal thereof at maturity.

2. The interest on the Notes is excluded from gross income for federal income tax purposes and is not an item of tax preference under Section 57 of the Internal Revenue Code of 1986, as amended (the “Code”), for purposes of the federal alternative minimum tax; such interest is, however, included in adjusted current earnings of certain corporations for purposes of computing federal alternative minimum tax in effect prior to January 1, 2018 for tax years beginning before such date. The Code contains requirements that must be satisfied subsequent to the issuance of the Notes in order for interest on the Notes to be or continue to be excluded from gross income for federal income tax purposes. Failure to comply with certain of those requirements could cause the interest on the

---

\* Preliminary; subject to change



Notes to be included in gross income retroactively to the date of issuance of the Notes. The City has agreed to comply with all of those requirements. The opinion set forth in the first sentence of this paragraph is subject to the condition that the City comply with those requirements. We express no opinion regarding other federal tax consequences arising with respect to the Notes.

3. The City has properly designated the Notes as “qualified tax-exempt obligations” under Section 265 of the Code.

Very truly yours,

**HUSCH BLACKWELL LLP**

**BOOK-ENTRY-ONLY SYSTEM**

1. The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the securities (the "Securities"). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for [each issue of] the Securities, [each] in the aggregate principal amount of such issue, and will be deposited with DTC. [If, however, the aggregate principal amount of [any] issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.]
2. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).
3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.
4. To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. [Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.]
6. Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.
7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).
8. Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.
9. A Beneficial Owner shall give notice to elect to have its Securities purchased or tendered, through its Participant, to [Tender/Remarketing] Agent, and shall effect delivery of such Securities by causing the Direct Participant to transfer the Participant's interest in the Securities, on DTC's records, to [Tender/Remarketing] Agent. The requirement for physical delivery of Securities in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Securities are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Securities to [Tender/Remarketing] Agent's DTC account.
10. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to the City or Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.
11. The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.
12. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.

**FORM OF CONTINUING DISCLOSURE AGREEMENT**

(See following pages)

**\$1,380,000\***  
**City of Cudahy**  
**Milwaukee County, Wisconsin**  
**General Obligation Promissory Notes, Series 2018A**

---

---

**CONTINUING DISCLOSURE AGREEMENT**

---

---

This Continuing Disclosure Agreement (the “Continuing Disclosure Agreement”) is executed and delivered by the City of Cudahy, Milwaukee County, Wisconsin (the “City”), in connection with the issuance of \$1,380,000 General Obligation Promissory Notes, Series 2018A (the “Notes”). The Notes are being issued pursuant to the resolutions adopted by the Common Council on January 16, 2018 and February 21, 2018 (the “Resolutions”). The City covenants and agrees as follows:

Section 1. Purpose of Continuing Disclosure Agreement. This Continuing Disclosure Agreement is being executed and delivered by the City for the benefit of the Noteholders and in order to assist the Participating Underwriters in complying with SEC Rule 15c2-12(b)(5).

Section 2. Definitions. In addition to the definitions set forth in the Resolutions which apply to any capitalized term used in this Continuing Disclosure Agreement unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“Annual Report” shall mean any Annual Report provided by the City pursuant to, and as described in, Sections 3 and 4 of this Continuing Disclosure Agreement.

“Audited Financial Statements” shall mean the City’s annual financial statements, which are currently prepared in accordance with generally accepted accounting principles (GAAP) for governmental units as prescribed by the Governmental Accounting Standards Board (GASB) and which the City intends to continue to prepare in substantially the same form.

“City Contact” shall mean the Clerk of the City, 5050 South Lake Drive, Cudahy, Wisconsin 53110.

“Dissemination Agent” shall mean any Dissemination Agent designated in writing by the City which has filed with the City a written acceptance of such designation.

“Fiscal Year” shall mean the fiscal year of the City, currently ending on December 31 of each year.

“Listed Events” shall mean any of the events listed in Section 5(a) of this Continuing Disclosure Agreement.

---

\* Preliminary; subject to change

“MSRB” shall mean the Municipal Securities Rulemaking Board located at 1300 I Street NW, Suite 1000, Washington, DC 20005.

“National Repository” shall mean any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule. The sole National Repository is the MSRB, through the operation of EMMA, as provided in Section 3(e) hereof.

“Noteholder” shall mean the registered owner or beneficial owner of any of the Notes.

“Official Statement” shall mean the final official statement dated February \_\_\_\_\_, 2018 delivered in connection with the Notes, which is available from the MSRB.

“Participating Underwriter” shall mean the original underwriter of the Notes required to comply with the Rule in connection with offering of the Notes.

“Repository” shall mean each National Repository and each State Repository.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“State Repository” shall mean any public or private repository or entity designated by the State as a state repository for the purpose of the Rule. As of the date of this Continuing Disclosure Agreement, there is no State Repository.

### Section 3. Provision of Annual Reports.

(a) The City shall, or shall cause the Dissemination Agent to, not later than 365 days after the end of the City’s Fiscal Year in each year, commencing with the Fiscal Year ending December 31, 2017 provide to each Repository an Annual Report which is consistent with the requirements of Section 4 of this Continuing Disclosure Agreement. Not later than fifteen (15) business days prior to said date, the City shall provide the Annual Report to the Dissemination Agent, if any. In each case, the Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Continuing Disclosure Agreement; provided that the Audited Financial Statements of the City may be submitted separately from the balance of the Annual Report and that, if Audited Financial Statements are not available within 365 days after the end of the Fiscal Year, unaudited financial information will be provided, and Audited Financial Statements will be submitted to each Repository as soon as received by the City.

(b) If the City is unable or fails to provide an Annual Report to the Repositories by the date required above, the City shall, in a timely manner, send a notice of that fact to the National Repositories, the MSRB and any State Repository.

(c) The City shall determine each year prior to the date for providing the Annual Report, the name and address of each National Repository and each State Repository, if any.

(d) The Dissemination Agent, if any, shall:

- (1) determine each year prior to the date for providing the Annual Report the name and address of each National Repository and each State Repository, if any; and
- (2) file a report with the City certifying that the Annual Report has been provided pursuant to this Continuing Disclosure Agreement, stating the date it was provided, and listing all the Repositories to which it was provided.

(e) The Securities and Exchange Commission has approved the submission of continuing disclosure filings with the Electronic Municipal Market Access (“EMMA”) system established by the MSRB until EMMA shall no longer be the sole National Repository recognized by the Securities and Exchange Commission for purposes of the Rule. All continuing disclosure filings under this Continuing Disclosure Agreement may thereafter be filed solely by transmitting such filings to EMMA at [www.emma.msrb.org](http://www.emma.msrb.org).

Section 4. Content of Annual Reports. The City’s Annual Report shall contain or incorporate by reference the Audited Financial Statements of the City and updates of the following sections of the Official Statement to the extent such financial information and operating data are not included in the Audited Financial Statements:

Current Property Valuations  
Direct Debt  
Debt Limit  
Tax Levies and Collections

Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues with respect to which the City is an “obligated person” (as defined by the Rule), which have been filed with each of the Repositories or the Securities and Exchange Commission. If the document incorporated by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The City shall clearly identify each such other document so incorporated by reference.

Section 5. Reporting of Significant Events.

(a) This Section 5 shall govern the giving of notices of the occurrence of any of the following events:

- (1) Principal and interest payment delinquencies;
- (2) Nonpayment related defaults, if material;
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) Substitution of credit or liquidity providers, or their failure to perform;
- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material

notices or determinations with respect to the tax status of the Notes, or other material events affecting the tax status of the Notes;

- (7) Modifications to the rights of holders of the Notes, if material;
- (8) Note calls, if material, and tender offers;
- (9) Defeasances;
- (10) Release, substitution or sale of property securing repayment of the Notes, if material;
- (11) Rating changes;
- (12) Bankruptcy, insolvency, receivership or similar event of the City;
- (13) The consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to such actions, other than pursuant to its terms, if material; and
- (14) Appointment of a successor or additional trustee, or the change of the name of a trustee, if material.

(b) The City shall file a notice of the occurrence of any of the Listed Events in a timely manner not in excess of ten business days after the occurrence of the event with the MSRB in an electronic format as prescribed by the MSRB and accompanied by identifying information as prescribed by the MSRB.

Section 6. Termination of Reporting Obligation. The City's obligations under this Continuing Disclosure Agreement shall terminate upon the defeasance, prior redemption or payment in full of all of the Notes.

Section 7. City Contact/Dissemination Agent. Information may be obtained from the City Contact. The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Continuing Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent.

Section 8. Amendment; Waiver. Notwithstanding any other provision of this Continuing Disclosure Agreement, the City may amend this Continuing Disclosure Agreement, and any provision of this Continuing Disclosure Agreement may be waived, if such amendment or waiver is supported by an opinion of counsel expert in federal securities laws, to the effect that such amendment or waiver would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule.

Section 9. Additional Information. Nothing in this Continuing Disclosure Agreement shall be deemed to prevent the City from disseminating any other information, using the means of



dissemination set forth in this Continuing Disclosure Agreement or any other means of communication, or including any other information or notice of occurrence of a Listed Event, in addition to that which is required by this Continuing Disclosure Agreement. If the City chooses to include any information or notice of occurrence of a Listed Event in addition to that which is specifically required by this Continuing Disclosure Agreement, the City shall have no obligation under this Continuing Disclosure Agreement to update such information or include it in any future notice of occurrence of a Listed Event.

Section 10. Default. In the event of a failure of the City to comply with any provision of this Continuing Disclosure Agreement, any Noteholder may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City to comply with its obligations under this Continuing Disclosure Agreement. A default under this Continuing Disclosure Agreement shall not be deemed an Event of Default under the Resolutions, and the sole remedy under this Continuing Disclosure Agreement in the event of any failure of the City to comply with this Continuing Disclosure Agreement shall be an action to compel performance.

Section 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent, if any, shall have only such duties as are specifically set forth in this Continuing Disclosure Agreement, and the City agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's gross negligence or willful misconduct. The obligations of the City under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Notes.

Section 12. Beneficiaries. This Continuing Disclosure Agreement shall inure solely to the benefit of the City, the Dissemination Agent, if any, the Participating Underwriters, and the Noteholders from time to time of the Notes and shall create no rights in any other person or entity.

[SIGNATURE PAGE TO FOLLOW]

IN WITNESS WHEREOF, we have executed this Continuing Disclosure Agreement in our official capacities effective March 7, 2018.

**CITY OF CUDAHY,  
MILWAUKEE COUNTY, WISCONSIN**

[SEAL]

By: \_\_\_\_\_  
John Hohenfeldt, Mayor

By: \_\_\_\_\_  
Dennis Broderick, City Clerk

**NOTICE OF SALE**

**\$1,380,000\* GENERAL OBLIGATION PROMISSORY NOTES, SERIES 2018A  
CITY OF CUDAHY, WISCONSIN**

Bids for the purchase of \$1,380,000\* General Obligation Promissory Notes, Series 2018A (the "Notes") of the City of Cudahy, Wisconsin (the "City") will be received at the offices of Ehlers & Associates, Inc. ("Ehlers"), 3060 Centre Pointe Drive, Roseville, Minnesota 55113-1105, Municipal Advisors to the City, until 10:00 A.M., Central Time, and **ELECTRONIC PROPOSALS** will be received via **PARITY**, in the manner described below, until 10:00 A.M. Central Time, on February 21, 2018, at which time they will be opened, read and tabulated. The bids will be presented to the Common Council for consideration for award by resolution at a meeting to be held at 7:00 P.M., Central Time, on the same date. The bid offering to purchase the Notes upon the terms specified herein and most favorable to the City will be accepted unless all bids are rejected.

**PURPOSE**

The Notes are being issued pursuant to Section 67.12(12), Wisconsin Statutes, for the public purposes of financing public works and public safety equipment purchases, facility needs assessments, road improvements and sidewalk improvements. The Notes are general obligations of the City, and all the taxable property in the City is subject to the levy of a tax to pay the principal of and interest on the Notes as they become due which tax may, under current law, be levied without limitation as to rate or amount.

**DATES AND MATURITIES**

The Notes will be dated March 7, 2018, will be issued as fully registered Notes in the denomination of \$5,000 each, or any integral multiple thereof, and will mature on March 1 as follows:

<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>
2019	\$125,000	2023	\$135,000	2027	\$150,000
2020	130,000	2024	140,000	2028	150,000
2021	130,000	2025	140,000		
2022	135,000	2026	145,000		

**ADJUSTMENT OPTION**

\* The City reserves the right to increase or decrease the principal amount of the Notes on the day of sale, in increments of \$5,000 each. Increases or decreases may be made in any maturity. If any principal amounts are adjusted, the purchase price proposed will be adjusted to maintain the same gross spread per \$1,000.

**TERM BOND OPTION**

Bids for the Notes may contain a maturity schedule providing for any combination of serial bonds and term bonds, subject to mandatory redemption, so long as the amount of principal maturing or subject to mandatory redemption in each year conforms to the maturity schedule set forth above. All dates are inclusive.

## INTEREST PAYMENT DATES AND RATES

Interest will be payable on March 1 and September 1 of each year, commencing September 1, 2018, to the registered owners of the Notes appearing of record in the bond register as of the close of business on the 15th day (whether or not a business day) of the immediately preceding month. Interest will be computed upon the basis of a 360-day year of twelve 30-day months and will be rounded pursuant to rules of the Municipal Securities Rulemaking Board. **The rate for any maturity may not be more than 2.00% less than the rate for any preceding maturity. (For example, if a rate of 4.50% is proposed for the 2019 maturity, then the lowest rate that may be proposed for any later maturity is 2.50%.)** All Notes of the same maturity must bear interest from date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

## BOOK-ENTRY-ONLY FORMAT

Unless otherwise specified by the purchaser, the Notes will be designated in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Notes, and will be responsible for maintaining a book-entry system for recording the interests of its participants and the transfers of interests between its participants. The participants will be responsible for maintaining records regarding the beneficial interests of the individual purchasers of the Notes. So long as Cede & Co. is the registered owner of the Notes, all payments of principal and interest will be made to the depository which, in turn, will be obligated to remit such payments to its participants for subsequent disbursement to the beneficial owners of the Notes.

## OPTIONAL REDEMPTION

At the option of the City, the Notes maturing on or after March 1, 2026 shall be subject to optional redemption prior to maturity on March 1, 2025 and on any date thereafter, at a price of par plus accrued interest.

Redemption may be in whole or in part of the Notes subject to prepayment. If redemption is in part, the selection of the amounts and maturities of the Notes to be redeemed shall be at the discretion of the City. If only part of the Notes having a common maturity date are called for redemption, then the City or Paying Agent, if any, will notify DTC of the particular amount of such maturity to be redeemed. DTC will determine by lot the amount of each participant's interest in such maturity to be redeemed and each participant will then select by lot the beneficial ownership interest in such maturity to be redeemed.

Notice of redemption shall be sent by mail not more than 60 days and not less than 30 days prior to the date fixed for redemption to the registered owner of each Note to be redeemed at the address shown on the registration books.

## DELIVERY

On or about March 7, 2018, the Notes will be delivered without cost to the winning bidder at DTC. On the day of closing, the City will furnish to the winning bidder the opinion of bond counsel hereinafter described, an arbitrage certification, and certificates verifying that no litigation in any manner questioning the validity of the Notes is then pending or, to the best knowledge of officers of the City, threatened. Payment for the Notes must be received by the City at its designated depository on the date of closing in immediately available funds.

## LEGAL OPINION

An opinion as to the validity of the Notes and the exemption from federal taxation of the interest thereon will be furnished by Husch Blackwell LLP, Bond Counsel to the City, and will be available at the time of delivery of the Notes. The legal opinion will be issued on the basis of existing law and will state that the Notes are valid and binding general obligations of the City; provided that the rights of the owners of the Notes and the enforceability of the Notes may be limited by bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting creditors' rights and by equitable principles (which may be applied in either a legal or equitable proceeding).

## STATEMENT REGARDING COUNSEL PARTICIPATION

Bond Counsel has not assumed responsibility for this Preliminary Official Statement or participated in its preparation (except with respect to the section entitled "TAX EXEMPTION" in the Preliminary Official Statement and the "FORM OF LEGAL OPINION" found in Appendix B).

## SUBMISSION OF BIDS

Bids must not be for less than \$1,366,200, nor more than \$1,435,200, plus accrued interest on the principal sum of \$1,380,000 from date of original issue of the Notes to date of delivery. Prior to the time established above for the opening of bids, interested parties may submit a bid as follows:

- 1) Electronically to [bondsale@ehlers-inc.com](mailto:bondsale@ehlers-inc.com); or
- 2) Facsimile submission to Ehlers, Facsimile Number (651) 697-8555; or
- 3) Electronically via **PARITY** in accordance with this Notice of Sale until 10:00 A.M. Central Time, but no bid will be received after the time for receiving bids specified above. To the extent any instructions or directions set forth in **PARITY** conflict with this Notice of Sale, the terms of this Notice of Sale shall control. For further information about **PARITY**, potential bidders may contact Ehlers or i-Deal LLC at 1359 Broadway, 2<sup>nd</sup> Floor, New York, New York 10018, Telephone (212) 849-5021.

Bids must be submitted to Ehlers via one of the methods described above and must be received prior to the time established above for the opening of bids. Each bid must be unconditional except as to legality. Neither the City nor Ehlers shall be responsible for any failure to receive a facsimile submission.

A good faith deposit ("Deposit") in the amount of \$27,600 shall be made by the winning bidder by wire transfer of funds to **KleinBank, 1550 Audubon Road, Chaska, Minnesota, ABA No. 091915654 for credit: Ehlers & Associates Good Faith Account No. 3208138**. Such Deposit shall be received by Ehlers no later than two hours after the bid opening time. The City reserves the right to award the Notes to a winning bidder whose wire transfer is initiated but not received by such time provided that such winning bidder's federal wire reference number has been received by such time. In the event the Deposit is not received as provided above, the City may award the Notes to the bidder submitting the next best bid provided such bidder agrees to such award. The Deposit will be retained by the City as liquidated damages if the bid is accepted and the Purchaser fails to comply therewith.

The City and the winning bidder who chooses to so wire the Deposit hereby agree irrevocably that Ehlers shall be the escrow holder of the Deposit wired to such account subject only to these conditions and duties: 1) All income earned thereon shall be retained by the escrow holder as payment for its expenses; 2) If the bid is not accepted, Ehlers shall, at its expense, promptly return the Deposit amount to the winning bidder; 3) If the bid is accepted, the Deposit shall be returned to the winning bidder at the closing; 4) Ehlers shall bear all costs of maintaining the escrow account and returning the funds to the winning bidder; 5) Ehlers shall not be an insurer of the Deposit amount and shall have no liability hereunder except if it willfully fails to perform or recklessly disregards, its duties specified herein; and 6) FDIC insurance on deposits within the escrow account shall be limited to \$250,000 per bidder.

No bid can be withdrawn after the time set for receiving bids unless the meeting of the City scheduled for award of the Notes is adjourned, recessed, or continued to another date without award of the Notes having been made.

## AWARD

The Notes will be awarded to the bidder offering the lowest interest rate to be determined on a True Interest Cost (TIC) basis. The City's computation of the interest rate of each bid, in accordance with customary practice, will be controlling. In the event of a tie, the sale of the Notes will be awarded by lot. The City reserves the right to reject any and all bids and to waive any informality in any bid.

## **BOND INSURANCE**

If the Notes are qualified for any bond insurance policy, the purchase of such policy shall be at the sole option and expense of the winning bidder. Any cost for such insurance policy is to be paid by the winning bidder, except that, if the City requested and received a rating on the Notes from a rating agency, the City will pay that rating fee. Any rating agency fees not requested by the City are the responsibility of the winning bidder.

Failure of the municipal bond insurer to issue the policy after the Notes are awarded to the winning bidder shall not constitute cause for failure or refusal by the winning bidder to accept delivery of the Notes.

## **CUSIP NUMBERS**

The City will assume no obligation for the assignment or printing of CUSIP numbers on the Notes or for the correctness of any numbers printed thereon, but will permit such numbers to be printed at the expense of the winning bidder, if the winning bidder waives any delay in delivery occasioned thereby.

## **QUALIFIED TAX-EXEMPT OBLIGATIONS**

The City will designate the Notes as qualified tax-exempt obligations for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended.

## **CONTINUING DISCLOSURE**

In order to assist the Underwriters in complying with the provisions of Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934 the City will enter into an undertaking for the benefit of the holders of the Notes. A description of the details and terms of the undertaking is set forth in Appendix D of the Preliminary Official Statement.

## **NEW ISSUE PRICING**

The winning bidder will be required to provide, in a timely manner, certain information necessary to compute the yield on the Notes pursuant to the provisions of the Internal Revenue Code of 1986, as amended, and to provide a certificate which will be provided by Bond Counsel upon request.

(a) The winning bidder shall assist the City in establishing the issue price of the Notes and shall execute and deliver to the City at closing an "issue price" or similar certificate satisfactory to Bond Counsel setting forth the reasonably expected initial offering price to the public or the sales price or prices of the Notes, together with the supporting pricing wires or equivalent communications. All actions to be taken by the City under this Notice of Sale to establish the issue price of the Notes may be taken on behalf of the City by the City's municipal advisor identified herein and any notice or report to be provided to the City may be provided to the City's municipal advisor.

(b) The City intends that the provisions of Treasury Regulation Section 1.148-1(f)(3)(i) (defining "competitive sale" for purposes of establishing the issue price of the Notes) will apply to the initial sale of the Notes (the "competitive sale requirements") because:

- (1) The City shall disseminate this Notice of Sale to potential underwriters in a manner that is reasonably designed to reach potential investors;
- (2) all bidders shall have an equal opportunity to bid;
- (3) the City may receive bids from at least three underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds; and

- (4) the City anticipates awarding the sale of the Notes to the bidder who submits a firm offer to purchase the Notes at the highest price (or lowest interest cost), as set forth in this Notice of Sale.

Any bid submitted pursuant to this Notice of Sale shall be considered a firm offer for the purchase of the Notes, as specified in this bid.

(c) If all of the requirements of a "competitive sale" are not satisfied, the City shall advise the winning bidder of such fact prior to the time of award of the sale of the Notes to the Underwriter. In such event, any bid submitted will not be subject to cancellation or withdrawal and the City agrees to use the rule selected by the Underwriter on its bid form to determine the issue price for the Notes. On its bid form, each Underwriter must select one of the following two rules for determining the issue price of the Notes: (1) the first price at which 10% of a maturity of the Notes (the "10% test") is sold to the public as the issue price of that maturity or (2) the initial offering price to the public as of the sale date as the issue price of each maturity of the Notes (the "hold-the-offering-price rule").

(d) If all of the requirements of a "competitive sale" are not satisfied and the Underwriter selects the hold-the-offering-price rule, the winning bidder shall (i) confirm that the underwriters have offered or will offer the Notes to the public on or before the date of award at the offering price or prices (the "initial offering price"), or at the corresponding yield or yields, set forth in the bid submitted by the winning bidder and (ii) agree, on behalf of the underwriters participating in the purchase of the Notes, that the underwriters will neither offer nor sell unsold Notes of any maturity to which the hold-the-offering-price rule shall apply to any person at a price that is higher than the initial offering price to the public during the period starting on the sale date and ending on the earlier of the following:

- (1) the close of the fifth (5<sup>th</sup>) business day after the sale date; or
- (2) the date on which the underwriters have sold at least 10% of that maturity of the Notes to the public at a price that is no higher than the initial offering price to the public.

The winning bidder shall promptly advise the City when the underwriters have sold 10% of that maturity of the Notes to the public at a price that is no higher than the initial offering price to the public, if that occurs prior to the close of the fifth (5<sup>th</sup>) business day after the sale date.

The City acknowledges that in making the representation set forth above, the winning bidder will rely on (i) the agreement of each underwriter to comply with the hold-the-price rule, as set forth in an agreement among underwriters and the related pricing wires, (ii) in the event a selling group has been created in connection with the initial sale of the Notes to the public, the agreement of each dealer who is a member of the selling group to comply with the hold-the-offering-price rule, as set forth in a selling group agreement and the related pricing wires, and (iii) in the event that an underwriter is a party to a retail distribution agreement that was employed in connection with the initial sale of the Notes to the public, the agreement of each broker-dealer that is party to such agreement to comply with the hold-the-offering-price rule, as set forth in the retail distribution agreement and the related pricing wires. The City further acknowledges that each underwriter shall be solely liable for its failure to comply with its agreement regarding the hold-the-offering-price rule and that no underwriter shall be liable for the failure of any other underwriter, or of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a retail distribution agreement to comply with its corresponding agreement regarding the hold-the-offering-price rule as applicable to the Notes.

(e) If all of the requirements of a "competitive sale" are not satisfied and the Underwriter selects the 10% test, the Underwriter agrees to promptly report to the City, Bond Counsel and Ehlers the prices at which the Notes have been sold to the public. That reporting obligation shall continue, whether or not the closing date has occurred, until the 10% test has been satisfied as to each maturity of the Notes or until all of the Notes of a certain maturity have been sold.

(f) By submitting a bid, each bidder confirms that (i) any agreement among underwriters, any selling group agreement and each retail distribution agreement (to which the bidder is a party) relating to the initial sale of the Notes to the public, together with the related pricing wires, contains or will contain language obligating each underwriter, each dealer who is a member of the selling group, and each broker-dealer that is party to such retail distribution agreement, as applicable, to (A) report the prices at which it sells to the public the unsold Notes of each maturity

allotted to it until it is notified by the winning bidder that either the 10% test has been satisfied as to the Notes of that maturity or all Notes of that maturity have been sold to the public, and (B) comply with the hold-the-offering-price rule, if applicable, in each case if and for so long as directed by the winning bidder and as set forth in the related pricing wires, and (ii) any agreement among underwriters relating to the initial sale of the Notes to the public, together with the related pricing wires, contains or will contain language obligating each underwriter that is a party to a retail distribution agreement to be employed in connection with the initial sale of the Notes to the public to require each broker-dealer that is a party to such retail distribution agreement to (A) report the prices at which it sells to the public the unsold Notes of each maturity allotted to it until it is notified by the winning bidder or such underwriter that either the 10% test has been satisfied as to the Notes of that maturity or all Notes of that maturity have been sold to the public, and (B) comply with the hold-the-offering-price rule, if applicable, in each case if an for so long as directed by the winning bidder or such underwriter and as set forth in the related pricing wires.

(g) Sales of any Notes to any person that is a related party to an underwriter shall not constitute sales to the public for purposes of this Notice of Sale. Further, for purposes of this Notice of Sale:

- (i) "public" means any person other than an underwriter or a related party,
- (ii) "underwriter" means (A) any person that agrees pursuant to a written contract with the City (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Notes to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Notes to the public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Notes to the public),
- (iii) a purchaser of any of the Notes is a "related party" to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (i) at least 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and
- (iv) "sale date" means the date that the Notes are awarded by the City to the winning bidder.

### **PRELIMINARY OFFICIAL STATEMENT**

Bidders may obtain a copy of the Preliminary Official Statement relating to the Notes prior to the bid opening by request from Ehlers at [www.ehlers-inc.com](http://www.ehlers-inc.com) by connecting to the Bond Sales link. The Syndicate Manager will be provided with an electronic copy of the Final Official Statement within seven business days of the bid acceptance. Up to 10 printed copies of the Final Official Statement will be provided upon request. Additional copies of the Final Official Statement will be available at a cost of \$10.00 per copy.



Information for bidders and bid forms may be obtained from Ehlers at 3060 Centre Pointe Drive, Roseville, Minnesota 55113-1105, Telephone (651) 697-8500.

By Order of the Common Council

Dennis Broderick, City Clerk-Treasurer  
City of Cudahy, Wisconsin



# BID FORM

The Common Council  
City of Cudahy, Wisconsin

February 21, 2018

RE: \$1,380,000\* General Obligation Promissory Notes, Series 2018A

DATED: March 7, 2018

For all or none of the above Notes, in accordance with the Notice of Sale and terms of the Global Book-Entry System (unless otherwise specified by the Purchaser) as stated in this Official Statement, we will pay you \$\_\_\_\_\_ (not less than \$1,366,200, nor more than \$1,435,200) plus accrued interest to date of delivery for fully registered Notes bearing interest rates and maturing in the stated years as follows:

_____ % due 2019	_____ % due 2023	_____ % due 2027
_____ % due 2020	_____ % due 2024	_____ % due 2028
_____ % due 2021	_____ % due 2025	
_____ % due 2022	_____ % due 2026	

\* The City reserves the right to increase or decrease the principal amount of the Notes on the day of sale, in increments of \$5,000 each. Increases or decreases may be made in any maturity. If any principal amounts are adjusted, the purchase price proposed will be adjusted to maintain the same gross spread per \$1,000.

**The rate for any maturity may not be more than 2.00% less than the rate for any preceding maturity. (For example, if a rate of 4.50% is proposed for the 2019 maturity, then the lowest rate that may be proposed for any later maturity is 2.50%.)** All Notes of the same maturity must bear interest from date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

We enclose our Deposit in the amount of \$27,600, to be held by you pending delivery and payment. Alternatively, if we are the winning bidder, we will wire our Deposit to **KleinBank, 1550 Audubon Road, Chaska, Minnesota, ABA No. 091915654 for credit: Ehlers & Associates Good Faith Account No. 3208138**. Such Deposit shall be received by Ehlers & Associates no later than two hours after the bid opening time. The City reserves the right to award the Notes to a winning bidder whose wire transfer is initiated but not received by such time provided that such winning bidder's federal wire reference number has been received. In the event the Deposit is not received as provided above, the City may award the Notes to the bidder submitting the next best bid provided such bidder agrees to such award. If our bid is not accepted, said deposit shall be promptly returned to us. If the Deposit is wired to such escrow account, we agree to the conditions and duties of Ehlers & Associates, Inc., as escrow holder of the Deposit, pursuant to the Notice of Sale. This bid is for prompt acceptance and is conditional upon delivery of said Notes to The Depository Trust Company, New York, New York, in accordance with the Notice of Sale. Delivery is anticipated to be on or about March 7, 2018.

This bid is subject to the City's agreement to enter into a written undertaking to provide continuing disclosure under Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934 as described in the Preliminary Official Statement for this Issue.

We have received and reviewed the Official Statement and have submitted our requests for additional information or corrections to the Final Official Statement. As Syndicate Manager, we agree to provide the City with the reoffering price of the Notes within 24 hours of the bid acceptance.

This bid is a firm offer for the purchase of the Notes identified in the Notice of Sale, on the terms set forth in this bid form and the Notice of Sale, and is not subject to any conditions, except as permitted by the Notice of Sale.

By submitting this bid, we confirm that we are an Underwriter and have an established industry reputation for underwriting new issuances of municipal bonds. YES: \_\_\_\_ NO: \_\_\_\_.

If the competitive sale requirements are not met, we elect to use the (circle one): 10% test / hold-the-offering-price rule to determine the issue price of the Notes.

Account Manager: \_\_\_\_\_ By: \_\_\_\_\_  
Account Members:

**Award will be on a true interest cost basis.** According to our computations (the correct computation being controlling in the award), the total dollar interest cost (including any discount or less any premium) computed from March 7, 2018 of the above bid is \$\_\_\_\_\_ and the true interest cost (TIC) is \_\_\_\_\_%.

The foregoing offer is hereby accepted by and on behalf of the Common Council of the City of Cudahy, Wisconsin, on February 21, 2018.

By: \_\_\_\_\_ By: \_\_\_\_\_  
Title: \_\_\_\_\_ Title: \_\_\_\_\_