

PRELIMINARY OFFICIAL STATEMENT DATED FEBRUARY 8, 2024

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.

In the opinion of Fryberger, Buchanan, Smith & Frederick, P.A., Bond Counsel, based on present federal laws, regulations, rulings and decisions, and assuming compliance with certain requirements of the Internal Revenue Code of 1986, as amended (the "Code"), and certain covenants of the City, interest to be paid on the Notes is not includable in gross income of the recipient for federal income tax purposes, and is not an item of tax preference which is included in alternative minimum taxable income for purposes of the federal alternative minimum tax; however, such interest is taken into account in determining the annual adjusted financial statement income of certain corporations for the purpose of computing the federal alternative minimum tax imposed on corporations for tax years beginning after December 31, 2022. See "Tax Exemption" herein for a more detailed discussion. The interest on the Notes is not exempt from present Wisconsin income or franchise tax.

The City will NOT designate the Notes as "qualified tax-exempt obligations" pursuant to Section 265 of the Internal Revenue Code of 1986, as amended, which permits financial institutions to deduct interest expenses allocable to the Notes to the extent permitted under prior law.

New Issue

Rating Application Made: Moody's Investors Service, Inc.

CITY OF HUDSON, WISCONSIN (St. Croix County)

\$5,745,000* GENERAL OBLIGATION PROMISSORY NOTES, SERIES 2024A

BID OPENING: February 20, 2024, 10:30 A.M., C.T.

CONSIDERATION: February 20, 2024, 7:00 P.M., C.T.

PURPOSE/AUTHORITY/SECURITY: The \$5,745,000* General Obligation Promissory Notes, Series 2024A (the "Notes") are being issued pursuant to Section 67.12(12), Wisconsin Statutes, by the City of Hudson, Wisconsin (the "City"), for public purposes, including the acquisition of the new Police Facility and 45% of the new Public Works Building in the City. 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 Fryberger, Buchanan, Smith & Frederick, P.A., Duluth, Minnesota.

DATE OF NOTES: March 7, 2024

MATURITY: As follows:

| <u>Maturity</u> | <u>Amount*</u> | <u>Maturity</u> | <u>Amount*</u> | <u>Maturity</u> | <u>Amount*</u> |
|-----------------|----------------|-----------------|----------------|-----------------|----------------|
| 09/01/2025 | \$260,000 | 09/01/2029 | \$605,000 | 09/01/2033 | \$685,000 |
| 09/01/2026 | 545,000 | 09/01/2030 | 620,000 | 03/01/2034 | 575,000 |
| 09/01/2027 | 565,000 | 09/01/2031 | 640,000 | | |
| 09/01/2028 | 585,000 | 09/01/2032 | 665,000 | | |

***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: March 1, 2025 and semiannually thereafter.

OPTIONAL REDEMPTION: Notes maturing on September 1, 2031 and thereafter are subject to call for prior optional redemption on September 1, 2030 or any date thereafter, at a price of par plus accrued interest to the date of optional redemption.

MINIMUM BID: \$5,687,550.

MAXIMUM BID: \$6,319,500.

GOOD FAITH DEPOSIT: A good faith deposit in the amount of \$114,900 shall be made by the winning bidder by wire transfer of funds.

PAYING AGENT: Bond Trust Services Corporation.

BOND COUNSEL: Fryberger, Buchanan, Smith & Frederick, P.A..

MUNICIPAL ADVISOR: Ehlers and Associates, Inc.

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



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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 Underwriter (Syndicate Manager). 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 and 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 and Associates, Inc., payable entirely by the City, is contingent upon the delivery of the Notes.

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 and 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 City is 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.

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CITY OF HUDSON COMMON COUNCIL

| | | <u>Term Expires</u> |
|------------------|----------|---------------------|
| Rich O'Connor | Mayor | April 2025 |
| Sarah Bruch | Alderman | April 2025 |
| Joyce Hall | Alderman | April 2025 |
| Mike Kennedy | Alderman | April 2024 |
| Joy Knudson | Alderman | April 2024 |
| Randy Morrisette | Alderman | April 2025 |
| Lynn Wakefield | Alderman | April 2024 |

ADMINISTRATION

Mike Johnson, Interim City Administrator/Community Development Director

Alison Egger, Finance Director/Treasurer

Becky Eggen, City Clerk

PROFESSIONAL SERVICES

Fryberger, Buchanan, Smith & Frederick, P.A., Bond Counsel, Duluth, Minnesota

Ehlers and Associates, Inc., Municipal Advisors, Roseville, Minnesota

(Other office located in Waukesha, Wisconsin)

INTRODUCTORY STATEMENT

This Preliminary Official Statement contains certain information regarding the City of Hudson, Wisconsin (the "City") and the issuance of its \$5,745,000* General Obligation Promissory Notes, Series 2024A (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 ("Award Resolution") to be adopted by the Common Council on February 20, 2024.

Inquiries may be directed to Ehlers and Associates, Inc. ("Ehlers" or the "Municipal Advisor"), Roseville, Minnesota, (651) 697-8500, the City's municipal advisor. A copy of this Preliminary Official Statement may be downloaded from Ehlers' web site at 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, 2024. The Notes will mature on September 1 in the years and amounts set forth on the cover of this Preliminary Official Statement except the final maturity is on March 1, 2034. Interest will be payable on March 1 and September 1 of each year, commencing March 1, 2025, 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"). 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.

The City has selected Bond Trust Services Corporation, Roseville, Minnesota ("BTSC"), to act as paying agent (the "Paying Agent"). BTSC and Ehlers are affiliate companies. The City will pay the charges for Paying Agent services. The City reserves the right to remove the Paying Agent and to appoint a successor.

*Preliminary, subject to change.

OPTIONAL REDEMPTION

At the option of the City, the Notes maturing on or after September 1, 2031 shall be subject to optional redemption prior to maturity on September 1, 2030 or any date thereafter, at a price of par plus accrued interest to the date of optional redemption.

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.

AUTHORITY; PURPOSE

The Notes are being issued pursuant to Section 67.12(12), Wisconsin Statutes, by the City, for public purposes, including the acquisition of the new Police Facility and 45% of the new Public Works Building in the City.

ESTIMATED SOURCES AND USES*

| | | |
|---------------------------------------|--------------------|--------------------|
| Sources | | |
| Par Amount of Notes | <u>\$5,745,000</u> | |
| Total Sources | | \$5,745,000 |
| Uses | | |
| Total Underwriter's Discount (1.000%) | \$57,450 | |
| Costs of Issuance | 71,800 | |
| Deposit to Project Construction Fund | 5,615,000 | |
| Rounding Amount | <u>750</u> | |
| Total Uses | | \$5,745,000 |

*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 offering for sale its General Obligation Corporate Purpose Bonds, Series 2024B (the "Series 2024B Bonds"), which is scheduled to sell on February 20, 2024, and by means of a separate Request for Proposal, the City will be offering for sale its Taxable Note Anticipation Note, (the "2024 Taxable NAN"), which is scheduled to sell on February 16, 2024, both of which are scheduled to close on March 7, 2024 (collectively, the "Concurrent Obligations").

RATING

General obligation debt of the City is currently rated "Aa2" by Moody's Investors Service, Inc. ("Moody's").

The City has requested an underlying rating on the Notes from Moody's, and bidders will be notified as to the assigned rating prior to the sale. Such rating, if any, reflects only the views of such organization and explanations of the significance of such rating may be obtained from Moody's.

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 judgment 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 brokers, dealers, and municipal securities dealers, in connection with their participation in the offering of the Notes, to comply with Rule 15c2-12 promulgated by the Securities and Exchange Commission, pursuant to the Securities and Exchange Act of 1934, as amended (the "Rule"), the City shall agree to provide certain information to the Municipal Securities Rulemaking Board (MSRB) through its Electronic Municipal Market Access (EMMA) system, or any system that may be prescribed in the future. The Rule was last amended, effective February 27, 2019, to include an expanded list of material events.

On the date of issue and delivery, the City shall execute and deliver a Continuing Disclosure Certificate, under which the City will covenant for the benefit of holders including beneficial holders, to provide electronically, or in a manner otherwise prescribed, certain financial information annually and to provide notices of the occurrence of certain events enumerated in the Rule (the "Disclosure Undertaking"). The details and terms of the Disclosure Undertaking for the City are set forth in Appendix D. Such Disclosure Undertaking will be in substantially the form attached hereto.

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

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. The City has reviewed its continuing disclosure responsibilities along with any changes to the Rule, to ensure compliance. Ehlers is currently engaged as dissemination agent for the City.

LEGAL MATTERS

Legal matters incident to the issuance and sale of the Notes and with regard to the tax-exempt status of interest on the Notes under existing laws are subject to the approving legal opinion of Fryberger, Buchanan, Smith & Frederick, P.A., as Bond Counsel to the City. Bond Counsel has not examined nor attempted to examine or verify any of the financial or statistical statements or data contained in the Official Statement and will express no opinions with respect to such information. Additionally, except for statements on the cover page of the Official Statement and under the caption "TAX MATTERS" relating to Bond Counsel's opinion that the interest on the Notes is not includable in gross income for federal income tax purposes, Bond Counsel has not independently verified any of the factual information contained in the Official Statement nor have they conducted an investigation of the affairs of the City for the purpose of passing upon the accuracy or completeness of the Official Statement. No person is entitled to rely upon their limited participation as an assumption of responsibility for, or an expression of opinion of any kind with regard to, the accuracy or completeness of any of the information contained in the Official Statement. See "FORM OF LEGAL OPINION" found in Appendix B.

TAX EXEMPTION

The following discussion is not intended to be an exhaustive discussion of collateral tax consequences arising from ownership or disposition of the Notes or receipt of interest on the Notes. Prospective purchasers should consult their tax advisors with respect to collateral tax consequences, including without limitation, the determination of gain or loss on the sale of a bond, the calculation of alternative minimum tax liability; the inclusion of Social Security or other retirement payments in taxable income, the disallowance of deductions for certain expenses attributable to the Notes, and applicable state and local tax rules.

In the opinion of Fryberger, Buchanan, Smith & Frederick, P.A., Duluth, Minnesota, as Bond Counsel, based on present federal laws, regulations, rulings and decisions, and on certifications to be furnished at closing, and assuming compliance by the City with certain tax covenants, interest to be paid on the Notes is excluded from gross income for purposes of federal income taxation. Interest on the Notes is not an item of tax preference which is included in alternative minimum taxable income for purposes of the federal alternative minimum tax; however, such interest is taken into account in determining the annual adjusted financial statement income of certain corporations for the purpose of computing the federal alternative minimum tax imposed on corporations for tax years beginning after December 31, 2022.

Certain provisions of the Internal Revenue Code of 1986, as amended (the "Code"), however, impose continuing requirements that must be met after the issuance of the Notes in order that interest on the Notes be and remain excludable from federal gross income. These requirements include, but are not limited to, provisions regarding the use of bond proceeds and the facilities financed or refinanced with such proceeds; restrictions on the investment of bond proceeds and other amounts; and provisions requiring that certain investment earnings be rebated periodically to the federal government. Noncompliance with such requirements of the Code may cause interest on the Notes to be includable in federal gross income retroactively to their date of issue. Compliance with the City's tax covenants will satisfy the current requirements of the Code with respect to exclusion of interest on the Notes from federal gross income. No provision has been made for redemption of or for an increase in the interest rate on the Notes in the event that interest on the same becomes includable in federal gross income.

Bond Counsel has not undertaken to advise in the future whether any events after the date of issuance of the Notes may affect the tax exempt status of interest on the Notes or the tax consequences of ownership of the Notes. No assurance can be given that future legislation, if enacted into law, will not contain provisions which could directly or indirectly affect the exclusion of the interest on the Notes from gross income for federal income tax purposes. The interest on the Notes is not exempt from present Wisconsin income or franchise tax.

Proposed Federal Legislation

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

NON-QUALIFIED TAX-EXEMPT OBLIGATIONS

The City will NOT designate the Notes as "qualified tax-exempt obligations" pursuant to Section 265(b)(3) of the Code, relating to the ability of certain financial institutions (within the meaning of Section 265(6)(5) of the Code) to deduct from income for federal income tax purposes, 80% of the 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. Ehlers makes no representation, warranty or guarantee regarding the accuracy or completeness of the information in this Preliminary Official Statement, and its assistance in preparing this Preliminary Official Statement should not be construed as a representation that it has independently verified such information.

MUNICIPAL ADVISOR AFFILIATED COMPANIES

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, Colorado, 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, 2022 have been audited by Kerber Rose SC, Oshkosh, 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 Preliminary Official Statement.

RISK FACTORS

The 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 will be 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 Authorizing 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.

Cybersecurity: The City is dependent on electronic information technology systems to deliver services. These systems may contain sensitive information or support critical operational functions which may have value for unauthorized purposes. As a result, the electronic systems and networks may be targets of cyberattack. There can be no assurance that the City will not experience an information technology breach or attack with financial consequences that could have a material adverse impact.

The foregoing is intended only as a summary of certain risk factors attendant to an investment in the Notes. In order for potential investors to identify risk factors and make an informed investment decision, potential investors should be thoroughly familiar with this entire Official Statement and the Appendices hereto.

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

| | |
|---------------------------------------------------------|-----------------|
| 2023 Equalized Value | \$3,157,300,000 |
| 2023 Equalized Value Reduced by Tax Increment Valuation | \$3,007,103,000 |
| 2023 Assessed Value | \$2,451,598,000 |

2023 EQUALIZED VALUE BY CLASSIFICATION

| | 2023 Equalized Value¹ | Percent of Total Equalized Value |
|-------------------|---------------------------------------------|---------------------------------------------|
| Residential | \$2,012,984,700 | 63.757% |
| Commercial | 1,011,174,700 | 32.027% |
| Manufacturing | 90,104,800 | 2.854% |
| Personal Property | <u>43,035,800</u> | <u>1.363%</u> |
| Total | <u><u>\$3,157,300,000</u></u> | <u><u>100.000%</u></u> |

TREND OF VALUATIONS

| Year | Assessed Value | Equalized Value¹ | Percent Increase/Decrease in Equalized Value |
|-------------|---------------------------|----------------------------------------|-------------------------------------------------------------|
| 2019 | \$1,684,564,500 | \$2,132,731,200 | 12.55% |
| 2020 | 2,280,342,000 | 2,317,243,500 | 8.65% |
| 2021 | 2,325,202,300 | 2,390,608,700 | 3.17% |
| 2022 | 2,374,417,600 | 2,864,381,700 | 19.82% |
| 2023 | 2,451,598,000 | 3,157,300,000 | 10.23% |

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

¹ Includes tax increment valuation.

LARGER TAXPAYERS

| Taxpayer | Type of Business/Property | 2023 Equalized Value ¹ | Percent of City's Total Equalized Value |
|------------------------------------------------|---------------------------|-----------------------------------------|-----------------------------------------------|
| Hudson Medical Center LLC | Healthcare | \$55,796,790 | 1.77% |
| Hanley Road LLC (Uline) | Distribution/Commercial | 48,721,964 | 1.54% |
| Individual | Residential/Commercial | 44,619,505 | 1.41% |
| Phillips Medisize LLC | Distribution/Commercial | 28,686,046 | 0.91% |
| General Motors LLC | Distribution/Commercial | 27,375,269 | 0.87% |
| Red Cedar Canyon Villas LLC | Healthcare | 17,936,973 | 0.57% |
| Rock Street LLC | Manufacturing/Industrial | 16,803,661 | 0.53% |
| Bella Rose Apartments LLC | Residential/Commercial | 16,140,417 | 0.51% |
| TCA Real Estate LLC | Commercial | 14,776,837 | 0.47% |
| River City Center LLC | Retail/Commercial | <u>13,785,704</u> | <u>0.44%</u> |
| Total | | \$284,643,165 | 9.02% |
| City's Total 2023 Equalized Value ² | | \$3,157,300,000 | |

Source: The City.

DEBT

DIRECT DEBT³

General Obligation Debt (see schedules following)

| | |
|------------------------------------------------------------------------------------------------|----------------------------|
| Total General Obligation Debt (includes the Series 2024A Notes and the Series 2024B Bonds)* | <u><u>\$46,320,000</u></u> |
|------------------------------------------------------------------------------------------------|----------------------------|

*Preliminary, subject to change.

Revenue Debt (see schedules following)

| | |
|----------------------------------------------|----------------------------|
| Total revenue debt secured by sewer revenues | <u><u>\$11,448,842</u></u> |
| Total revenue debt secured by water revenues | <u><u>\$1,329,607</u></u> |

¹ Calculated by dividing the 2023 Assessed Values by the 2023 Aggregate Ratio of assessment for the City.

² Includes tax increment valuation.

³ Outstanding debt is as of the dated date of the Obligations and Concurrent Obligations.

Other Obligations

| Issue Date | Original Amount | Name of Issue | Final Maturity | Amount Outstanding |
|------------|-----------------|------------------------------------------------------------------------|----------------|--------------------|
| 2/16/24 | \$3,495,000 | Taxable Note Anticipation Note ¹ (the 2024 Taxable NAN)* | 3/1/29 | \$3,495,000 |

*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

In addition to the Concurrent Obligations, the City has plans to issue an estimated \$7,000,000 in general obligation debt for capital projects in the next 12 months.

DEBT LIMIT

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 | \$3,157,300,000 |
| Multiply by 5% | <u>0.05</u> |
| Statutory Debt Limit | \$157,865,000 |
| Less: General Obligation Debt (includes the Series 2024A Notes and Series 2024B Bonds)* | <u>(46,320,000)</u> |
| Unused Debt Limit* | <u><u>\$111,545,000</u></u> |

*Preliminary, subject to change.

¹ These Note Anticipation Notes are not general obligations of the City but are secured by a pledge of the proceeds from the issuance of long-term general obligation debt. The City has reserved general obligation debt capacity for the long-term debt.

City of Hudson, Wisconsin
Schedule of Bonded Indebtedness
General Obligation Debt Secured by Taxes
(As of 03/07/2024)

| | Corporate Purpose Bonds Series 2013A | | Corporate Purpose Bonds Series 2015A | | Promissory Notes Series 2015B | | Street Improvement Bonds Series 2016A | | Corporate Purpose Bonds Series 2017A | |
|-------------------------|-----------------------------------------|----------|-----------------------------------------|----------|----------------------------------|----------|------------------------------------------|----------|-----------------------------------------|----------|
| Dated | 10/09/2013 | | 06/09/2015 | | 06/09/2015 | | 04/12/2016 | | 06/01/2017 | |
| Amount | \$3,490,000 | | \$2,115,000 | | \$1,885,000 | | \$3,110,000 | | \$2,495,000 | |
| Maturity | 10/01 | | 10/01 Final Maturity 04/01 | | 10/01 Final Maturity 04/01 | | 10/01 Final Maturity 04/01 | | 12/01 | |
| Calendar Year Ending | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest |
| 2024 | 0 | 38,135 | 105,000 | 45,680 | 200,000 | 12,150 | 145,000 | 53,196 | 165,000 | 47,250 |
| 2025 | | | 105,000 | 42,530 | 205,000 | 3,075 | 145,000 | 48,846 | 165,000 | 43,950 |
| 2026 | | | 110,000 | 39,380 | | | 155,000 | 44,496 | 165,000 | 39,000 |
| 2027 | | | 110,000 | 36,080 | | | 155,000 | 41,396 | 175,000 | 34,050 |
| 2028 | | | 110,000 | 32,780 | | | 160,000 | 38,296 | 180,000 | 28,800 |
| 2029 | | | 115,000 | 29,480 | | | 160,000 | 35,096 | 185,000 | 23,400 |
| 2030 | | | 120,000 | 26,030 | | | 160,000 | 31,696 | 190,000 | 17,850 |
| 2031 | | | 120,000 | 22,190 | | | 170,000 | 28,096 | 200,000 | 12,150 |
| 2032 | | | 125,000 | 18,350 | | | 175,000 | 24,059 | 205,000 | 6,150 |
| 2033 | | | 125,000 | 14,350 | | | 175,000 | 19,903 | | |
| 2034 | | | 140,000 | 9,975 | | | 190,000 | 15,528 | | |
| 2035 | | | 145,000 | 2,538 | | | 190,000 | 10,588 | | |
| 2036 | | | | | | | 195,000 | 2,681 | | |
| 2037 | | | | | | | | | | |
| 2038 | | | | | | | | | | |
| 2039 | | | | | | | | | | |
| 2040 | | | | | | | | | | |
| 2041 | | | | | | | | | | |
| 2042 | | | | | | | | | | |
| 2043 | | | | | | | | | | |
| 2044 | | | | | | | | | | |
| | 0 | 38,135 | 1,430,000 | 319,363 | 405,000 | 15,225 | 2,175,000 | 393,878 | 1,630,000 | 252,600 |

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City of Hudson, Wisconsin
Schedule of Bonded Indebtedness continued
General Obligation Debt Secured by Taxes
(As of 03/07/2024)

| | Promissory Notes Series 2017B | | Corporate Purpose Bonds Series 2019A | | Promissory Notes Series 2019B | | Corporate Purpose Bonds Series 2021B | | Promissory Notes Series 2021C | |
|-------------------------|----------------------------------|----------|-----------------------------------------|-----------|----------------------------------|----------|-----------------------------------------|----------|----------------------------------|----------|
| Dated | 06/01/2017 | | 04/29/2019 | | 04/29/2019 | | 05/06/2021 | | 05/06/2021 | |
| Amount | \$2,470,000 | | \$5,960,000 | | \$2,200,000 | | \$3,850,000 | | \$1,645,000 | |
| Maturity | 12/01 | | 10/01 | | 10/01 | | 10/01 | | 10/01 | |
| | Final Maturity 06/01 | | Final Maturity 04/01 | | Final Maturity 04/01 | | Final Maturity 04/01 | | Final Maturity 04/01 | |
| Calendar Year Ending | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest |
| 2024 | 290,000 | 36,000 | 255,000 | 158,550 | 190,000 | 43,950 | 0 | 56,728 | 140,000 | 24,328 |
| 2025 | 295,000 | 27,300 | 260,000 | 150,900 | 200,000 | 36,350 | 0 | 56,728 | 145,000 | 20,128 |
| 2026 | 300,000 | 18,450 | 260,000 | 143,100 | 210,000 | 28,350 | 210,000 | 56,728 | 150,000 | 15,778 |
| 2027 | 315,000 | 4,725 | 270,000 | 135,300 | 215,000 | 19,950 | 215,000 | 52,528 | 150,000 | 11,278 |
| 2028 | | | 285,000 | 127,200 | 220,000 | 13,500 | 185,000 | 48,228 | 160,000 | 6,778 |
| 2029 | | | 285,000 | 118,650 | 230,000 | 3,450 | 195,000 | 44,528 | 160,000 | 5,178 |
| 2030 | | | 310,000 | 110,100 | | | 195,000 | 42,578 | 160,000 | 3,578 |
| 2031 | | | 325,000 | 100,800 | | | 200,000 | 40,238 | 165,000 | 949 |
| 2032 | | | 335,000 | 91,050 | | | 200,000 | 37,838 | | |
| 2033 | | | 345,000 | 81,000 | | | 205,000 | 34,838 | | |
| 2034 | | | 360,000 | 70,650 | | | 205,000 | 31,763 | | |
| 2035 | | | 370,000 | 59,850 | | | 210,000 | 28,688 | | |
| 2036 | | | 380,000 | 48,750 | | | 210,000 | 25,538 | | |
| 2037 | | | 400,000 | 37,350 | | | 215,000 | 21,863 | | |
| 2038 | | | 410,000 | 25,350 | | | 220,000 | 18,100 | | |
| 2039 | | | 435,000 | 6,525 | | | 225,000 | 13,700 | | |
| 2040 | | | | | | | 225,000 | 9,200 | | |
| 2041 | | | | | | | 235,000 | 2,350 | | |
| 2042 | | | | | | | | | | |
| 2043 | | | | | | | | | | |
| 2044 | | | | | | | | | | |
| | 1,200,000 | 86,475 | 5,285,000 | 1,465,125 | 1,265,000 | 145,550 | 3,350,000 | 622,155 | 1,230,000 | 87,991 |

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City of Hudson, Wisconsin
Schedule of Bonded Indebtedness continued
General Obligation Debt Secured by Taxes
(As of 03/07/2024)

| | Community Development Bonds Series 2022A | | Corporate Purpose Bonds Series 2023A | | Promissory Notes Series 2023B | | Promissory Notes Series 2024A | | Corporate Purpose Bonds 1) Series 2024B | | | | | | | |
|-------------------------|---------------------------------------------|-----------|-----------------------------------------|-----------|----------------------------------|----------|----------------------------------|-----------------------|--------------------------------------------|-----------------------|-----------------|----------------|-------------|--------------------------|---------|----------------------------|
| Dated | 12/01/2022 | | 05/22/2023 | | 05/22/2023 | | 03/07/2024 | | 03/07/2024 | | | | | | | |
| Amount | \$3,860,000 | | \$4,770,000 | | \$3,440,000 | | \$5,745,000* | | \$10,715,000* | | | | | | | |
| Maturity | 10/01 | | 10/01 | | 10/01 | | 09/01 | | 09/01 | | | | | | | |
| | | | Final Maturity 04/01 | | Final Maturity 04/01 | | Final Maturity 03/01 | | Final Maturity 03/01 | | | | | | | |
| Calendar Year Ending | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Estimated Interest | Principal | Estimated Interest | Total Principal | Total Interest | Total P & I | Principal Outstanding | % Paid | Calendar Year Ending |
| 2024 | 125,000 | 158,119 | 170,000 | 259,170 | 355,000 | 202,876 | 0 | 0 | 0 | 0 | 2,140,000 | 1,136,131 | 3,276,131 | 44,180,000 | 4.62% | 2024 |
| 2025 | 135,000 | 151,869 | 140,000 | 184,000 | 280,000 | 131,606 | 260,000 | 287,415 | 155,000 | 629,905 | 2,490,000 | 1,814,601 | 4,304,601 | 41,690,000 | 10.00% | 2025 |
| 2026 | 140,000 | 145,119 | 150,000 | 178,400 | 295,000 | 117,606 | 545,000 | 181,730 | 185,000 | 419,540 | 2,875,000 | 1,427,676 | 4,302,676 | 38,815,000 | 16.20% | 2026 |
| 2027 | 150,000 | 138,119 | 155,000 | 172,400 | 310,000 | 102,856 | 565,000 | 162,383 | 190,000 | 413,528 | 2,975,000 | 1,324,591 | 4,299,591 | 35,840,000 | 22.63% | 2027 |
| 2028 | 150,000 | 130,619 | 165,000 | 166,200 | 325,000 | 87,356 | 585,000 | 143,455 | 195,000 | 407,543 | 2,720,000 | 1,230,754 | 3,950,754 | 33,120,000 | 28.50% | 2028 |
| 2029 | 160,000 | 123,119 | 170,000 | 159,600 | 350,000 | 71,106 | 605,000 | 124,443 | 200,000 | 401,498 | 2,815,000 | 1,139,546 | 3,954,546 | 30,305,000 | 34.57% | 2029 |
| 2030 | 165,000 | 115,119 | 175,000 | 152,800 | 365,000 | 53,606 | 620,000 | 105,083 | 210,000 | 395,298 | 2,670,000 | 1,053,736 | 3,723,736 | 27,635,000 | 40.34% | 2030 |
| 2031 | 175,000 | 106,869 | 185,000 | 145,800 | 370,000 | 39,006 | 640,000 | 85,243 | 220,000 | 388,788 | 2,770,000 | 970,128 | 3,740,128 | 24,865,000 | 46.32% | 2031 |
| 2032 | 185,000 | 99,869 | 190,000 | 138,400 | 385,000 | 24,206 | 665,000 | 64,443 | 225,000 | 381,968 | 2,690,000 | 886,331 | 3,576,331 | 22,175,000 | 52.13% | 2032 |
| 2033 | 190,000 | 92,469 | 195,000 | 130,800 | 405,000 | 6,328 | 685,000 | 42,498 | 235,000 | 374,880 | 2,560,000 | 797,064 | 3,357,064 | 19,615,000 | 57.65% | 2033 |
| 2034 | 200,000 | 84,869 | 260,000 | 123,000 | | | 575,000 | 9,775 | 145,000 | 367,360 | 2,075,000 | 712,919 | 2,787,919 | 17,540,000 | 62.13% | 2034 |
| 2035 | 205,000 | 76,869 | 265,000 | 112,600 | | | | | 735,000 | 362,648 | 2,120,000 | 653,779 | 2,773,779 | 15,420,000 | 66.71% | 2035 |
| 2036 | 215,000 | 68,669 | 275,000 | 102,000 | | | | | 760,000 | 337,658 | 2,035,000 | 585,295 | 2,620,295 | 13,385,000 | 71.10% | 2036 |
| 2037 | 220,000 | 60,069 | 285,000 | 91,000 | | | | | 785,000 | 311,058 | 1,905,000 | 521,339 | 2,426,339 | 11,480,000 | 75.22% | 2037 |
| 2038 | 230,000 | 51,269 | 295,000 | 79,600 | | | | | 815,000 | 282,405 | 1,970,000 | 456,724 | 2,426,724 | 9,510,000 | 79.47% | 2038 |
| 2039 | 245,000 | 42,069 | 310,000 | 67,800 | | | | | 845,000 | 251,843 | 2,060,000 | 381,936 | 2,441,936 | 7,450,000 | 83.92% | 2039 |
| 2040 | 255,000 | 32,269 | 325,000 | 55,400 | | | | | 880,000 | 219,310 | 1,685,000 | 316,179 | 2,001,179 | 5,765,000 | 87.55% | 2040 |
| 2041 | 260,000 | 22,069 | 335,000 | 42,400 | | | | | 915,000 | 180,150 | 1,745,000 | 246,969 | 1,991,969 | 4,020,000 | 91.32% | 2041 |
| 2042 | 275,000 | 11,344 | 350,000 | 29,000 | | | | | 955,000 | 138,975 | 1,580,000 | 179,319 | 1,759,319 | 2,440,000 | 94.73% | 2042 |
| 2043 | | | 375,000 | 7,500 | | | | | 1,000,000 | 95,523 | 1,375,000 | 103,023 | 1,478,023 | 1,065,000 | 97.70% | 2043 |
| 2044 | | | | | | | | | 1,065,000 | 24,761 | 1,065,000 | 24,761 | 1,089,761 | 0 | 100.00% | 2044 |
| | 3,680,000 | 1,710,781 | 4,770,000 | 2,397,870 | 3,440,000 | 836,554 | 5,745,000 | 1,206,465 | 10,715,000 | 6,384,634 | 46,320,000 | 15,962,800 | 62,282,800 | | | |

* Preliminary, subject to change.

1) This portion will refund the 2024 through 2033 maturities of the City's \$3,490,000 General Obligation Corporate Purpose Bonds, Series 2013A, dated October 9, 2013.

City of Hudson, Wisconsin
Schedule of Bonded Indebtedness
Revenue Debt Secured by Sewer Revenues
(As of 03/07/2024)

| Taxable Sewerage System Revenue Bonds 1) Series 2021A | | | | | | | | |
|-------------------------------------------------------------|----------------------------|-----------|-----------------|----------------|-------------|-----------------------|---------|----------------------|
| Dated Amount | 01/27/2021 \$12,616,740 | | | | | | | |
| Maturity | 05/01 | | | | | | | |
| Calendar Year Ending | Principal | Interest | Total Principal | Total Interest | Total P & I | Principal Outstanding | % Paid | Calendar Year Ending |
| 2024 | 596,988 | 165,583 | 596,988 | 165,583 | 762,571 | 10,851,853 | 5.21% | 2024 |
| 2025 | 605,854 | 156,652 | 605,854 | 156,652 | 762,505 | 10,246,000 | 10.51% | 2025 |
| 2026 | 614,851 | 147,588 | 614,851 | 147,588 | 762,439 | 9,631,149 | 15.88% | 2026 |
| 2027 | 623,981 | 138,390 | 623,981 | 138,390 | 762,371 | 9,007,168 | 21.33% | 2027 |
| 2028 | 633,247 | 129,055 | 633,247 | 129,055 | 762,302 | 8,373,920 | 26.86% | 2028 |
| 2029 | 642,651 | 119,581 | 642,651 | 119,581 | 762,232 | 7,731,269 | 32.47% | 2029 |
| 2030 | 652,194 | 109,967 | 652,194 | 109,967 | 762,161 | 7,079,075 | 38.17% | 2030 |
| 2031 | 661,880 | 100,210 | 661,880 | 100,210 | 762,089 | 6,417,195 | 43.95% | 2031 |
| 2032 | 671,708 | 90,308 | 671,708 | 90,308 | 762,016 | 5,745,487 | 49.82% | 2032 |
| 2033 | 681,683 | 80,259 | 681,683 | 80,259 | 761,942 | 5,063,804 | 55.77% | 2033 |
| 2034 | 691,806 | 70,061 | 691,806 | 70,061 | 761,867 | 4,371,997 | 61.81% | 2034 |
| 2035 | 702,080 | 59,711 | 702,080 | 59,711 | 761,791 | 3,669,918 | 67.95% | 2035 |
| 2036 | 712,506 | 49,208 | 712,506 | 49,208 | 761,713 | 2,957,412 | 74.17% | 2036 |
| 2037 | 723,086 | 38,549 | 723,086 | 38,549 | 761,635 | 2,234,326 | 80.48% | 2037 |
| 2038 | 733,824 | 27,731 | 733,824 | 27,731 | 761,555 | 1,500,502 | 86.89% | 2038 |
| 2039 | 744,721 | 16,753 | 744,721 | 16,753 | 761,474 | 755,780 | 93.40% | 2039 |
| 2040 | 755,780 | 5,612 | 755,780 | 5,612 | 761,392 | 0 | 100.00% | 2040 |
| | 11,448,842 | 1,505,215 | 11,448,842 | 1,505,215 | 12,954,057 | | | |

1) Pursuant to the Wisconsin Capital Finance Office, the amount of disbursements as of January 28, 2024 is \$12,412,160.80.

City of Hudson, Wisconsin
Schedule of Bonded Indebtedness
Revenue Debt Secured by Water Revenues
(As of 03/07/2024)

Water System Revenue Bonds
Series 2017C

| Dated | 12/13/2017 | | | | | | | |
|-------------------------|-------------|----------|-----------------|----------------|-------------|--------------------------|---------|----------------------------|
| Amount | \$1,792,013 | | | | | | | |
| Maturity | 05/01 | | | | | | | |
| Calendar Year Ending | Principal | Interest | Total Principal | Total Interest | Total P & I | Principal Outstanding | % Paid | Calendar Year Ending |
| 2024 | 84,581 | 22,657 | 84,581 | 22,657 | 107,237 | 1,245,026 | 6.36% | 2024 |
| 2025 | 86,069 | 21,155 | 86,069 | 21,155 | 107,224 | 1,158,957 | 12.83% | 2025 |
| 2026 | 87,584 | 19,627 | 87,584 | 19,627 | 107,211 | 1,071,373 | 19.42% | 2026 |
| 2027 | 89,125 | 18,072 | 89,125 | 18,072 | 107,197 | 982,248 | 26.12% | 2027 |
| 2028 | 90,694 | 16,489 | 90,694 | 16,489 | 107,184 | 891,553 | 32.95% | 2028 |
| 2029 | 92,290 | 14,879 | 92,290 | 14,879 | 107,169 | 799,263 | 39.89% | 2029 |
| 2030 | 93,915 | 13,241 | 93,915 | 13,241 | 107,155 | 705,349 | 46.95% | 2030 |
| 2031 | 95,567 | 11,573 | 95,567 | 11,573 | 107,141 | 609,781 | 54.14% | 2031 |
| 2032 | 97,249 | 9,876 | 97,249 | 9,876 | 107,126 | 512,532 | 61.45% | 2032 |
| 2033 | 98,961 | 8,150 | 98,961 | 8,150 | 107,111 | 413,571 | 68.90% | 2033 |
| 2034 | 100,703 | 6,393 | 100,703 | 6,393 | 107,095 | 312,868 | 76.47% | 2034 |
| 2035 | 102,475 | 4,605 | 102,475 | 4,605 | 107,080 | 210,393 | 84.18% | 2035 |
| 2036 | 104,279 | 2,785 | 104,279 | 2,785 | 107,064 | 106,114 | 92.02% | 2036 |
| 2037 | 106,114 | 934 | 106,114 | 934 | 107,048 | 0 | 100.00% | 2037 |
| | 1,329,607 | 170,435 | 1,329,607 | 170,435 | 1,500,042 | | | |

OVERLAPPING DEBT¹

| Taxing District | Equalized Value ² | % In City | Total G.O. Debt ³ | City's Proportionate Share |
|----------------------------------------|------------------------------|-----------|------------------------------|----------------------------|
| St. Croix County | \$16,384,537,800 | 19.2700% | \$117,402,000 | \$22,623,365 |
| Hudson School District | 6,947,335,702 | 45.4462% | 83,830,000 | 38,097,549 |
| Northwood Technical College | 56,148,120,853 | 5.6232% | 36,820,000 | <u>2,070,462</u> |
| City's Share of Total Overlapping Debt | | | | <u><u>\$62,791,377</u></u> |

DEBT RATIOS

| | G.O. Debt | Debt/Equalized Value \$3,157,300,000 | Debt/ Per Capita 15,340 ⁴ |
|----------------------------------------|-------------------|-----------------------------------------|-----------------------------------------|
| Total General Obligation Debt* | \$46,320,000 | 1.47% | \$3,019.56 |
| City's Share of Total Overlapping Debt | <u>62,791,377</u> | <u>1.99%</u> | <u>\$4,093.31</u> |
| Total* | \$109,111,377 | 3.46% | \$7,112.87 |

*Preliminary, subject to change.

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

² Includes tax increment valuation.

³ Outstanding debt based on information obtained on EMMA and the Municipal Advisor's records.

⁴ Estimated 2023 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 |
|-----------------|------------------------------------|--------------------|---------------------------------------------------------------------------------------|
| 2019/20 | \$9,071,183 | 100% | \$4.30 |
| 2020/21 | 9,071,183 | 100% | 4.07 |
| 2021/22 | 9,525,768 | 100% | 4.13 |
| 2022/23 | 9,815,354 | 100% | 3.58 |
| 2023/24 | 10,675,022 | In Process | 3.55 |

Property tax statements are distributed to taxpayers by the town, village, and city treasurers 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. The personal property tax has been repealed, starting with the property tax assessments as of January 1, 2024. Beginning in 2025, the personal property tax has been replaced with a payment from the State intended to replace the amount of property taxes imposed on personal property for the property tax assessments as of January 1, 2023.

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:

| Year Levied/ Year Collected | Schools¹ | County | Local | Total |
|----------------------------------------|----------------------------|---------------|--------------|--------------|
| 2019/20 | 10.74 | 3.40 | 4.30 | \$18.44 |
| 2020/21 | 10.37 | 3.18 | 4.07 | 17.62 |
| 2021/22 | 10.25 | 3.02 | 4.13 | 17.40 |
| 2022/23 | 9.11 | 3.00 | 3.58 | 15.70 |
| 2023/24 | 8.49 | 2.71 | 3.55 | 14.75 |

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; for a tax incremental district created after December 31, 2024, the valuation factor includes 90% of the equalized value increase due to new construction that is located in a tax incremental district, but does not include any improvements removed in a tax incremental district). 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%.

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

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

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

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

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

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

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

The Series 2024A Notes and the Series 2024B Bonds were authorized after July 1, 2005 and therefore the levy limits do not apply to taxes levied to pay debt service on the Bonds.

REVENUE FROM THE STATE

In addition to local property taxes described above, a number of state programs exist which provide revenue to the City. One such program is commonly known as shared revenue which, pursuant to sec. 79.036, Wis. Stats., provides funding to the City that can be used for any public purpose. 2023 Wisconsin Act 12 ("Act 12") created a supplement to shared revenue, with payments to the City beginning in 2024. This supplemental shared revenue may be used only for the purposes specified in section 79.037, Wis. Stats. In 2024, the City is expected to receive approximately \$367,050 in shared revenue and supplemental shared revenue from the State, an increase from the approximately \$160,933 received in 2023. In future years, the amount of supplemental shared revenue could grow if State sales tax collections grow.

THE ISSUER

CITY GOVERNMENT

The City was incorporated in 1857 and is governed by a Mayor and a six-member Common Council. All Council Members are elected to two-year terms and the Mayor serves a three-year term. The appointed City Administrator, Assistant City Administrator, Finance Director/Treasurer and City Clerk are responsible for administrative details and financial records.

EMPLOYEES; PENSIONS

The City employs a staff of 95 full-time, 25 part-time, and three (3) 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 generally required to contribute half of the actuarially determined contributions, and the City generally may not pay the employees' required contribution. During the fiscal year ended December 31, 2020 ("Fiscal Year 2020"), the fiscal year ended December 31, 2021 ("Fiscal Year 2021") and the fiscal year ended December 31, 2022 ("Fiscal Year 2022"), the City's portion of contributions to WRS (not including any employee contributions) totaled \$545,833, \$583,209 and \$614,281, respectively.

Governmental Accounting Standards Board Statement No. 68 ("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, 2022, the total pension liability of the WRS was calculated as \$123.7 billion and the fiduciary net position of the WRS was calculated as \$118.4 billion, resulting in a net pension liability of \$5.3 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 2022, the City reported an asset of \$3,967,533 for its proportionate share of the net pension asset of the WRS. The net pension asset was measured as of December 31, 2021 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 0.04922386% of the aggregate WRS net pension asset as of December 31, 2021.

The calculation of the total pension asset 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 asset 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:

| Bargaining Unit | Expiration Date of Current Contract |
|-------------------------------------------|--------------------------------------------|
| Hudson Police Patrol Officers Association | December 31, 2025 |
| Hudson Police Sergeants Association | December 31, 2025 |

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. 75 (GASB 75). The City's most recent actuarial study shows a total OPEB liability of \$1,335,868 as of January 1, 2023. The City has been funding these obligations on a pay-as-you-go basis.

Source: The City's most recent actuarial study.

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 the Concurrent Obligations or otherwise questioning the validity of the Obligations or the Concurrent 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 January 19, 2024)

| Fund | Total Cash and Investments |
|------------------------------------------|---------------------------------------|
| General | \$5,466,984 |
| Special Revenue | 5,196,192 |
| Capital Projects | 2,511,733 |
| Enterprise Funds | 18,328,400 |
| Component Unity (Library) | 377,375 |
| Component Unity (Community Access Board) | 1,254,219 |
| TIDs | <u>2,511,733</u> |
| Total Funds on Hand | <u><u>\$35,646,636</u></u> |

ENTERPRISE FUNDS

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

| | 2020 | 2021 | 2022 |
|-------------------------------------|---------------------------|---------------------------|---------------------------|
| | Audited | Audited | Audited |
| Water | | | |
| Total Operating Revenues | \$3,558,373 | \$4,195,936 | \$4,419,735 |
| Less: Operating Expenses | <u>(3,408,136)</u> | <u>(3,180,470)</u> | <u>(3,325,678)</u> |
| Operating Income | \$150,237 | \$1,015,466 | \$1,094,057 |
| Plus: Depreciation | 1,071,932 | 1,096,968 | 1,010,363 |
| Interest Income | <u>50,340</u> | <u>2,254</u> | <u>74,945</u> |
| Revenues Available for Debt Service | <u><u>\$1,272,509</u></u> | <u><u>\$2,114,688</u></u> | <u><u>\$2,179,365</u></u> |
| Sewer | | | |
| Total Operating Revenues | \$2,466,232 | \$2,490,067 | \$2,976,224 |
| Less: Operating Expenses | <u>(1,991,782)</u> | <u>(2,027,791)</u> | <u>(2,585,940)</u> |
| Operating Income | \$474,450 | \$462,276 | \$390,284 |
| Plus: Depreciation | 361,259 | 362,429 | 666,980 |
| Interest Income | <u>58,105</u> | <u>14,582</u> | <u>91,526</u> |
| Revenues Available for Debt Service | <u><u>\$893,814</u></u> | <u><u>\$839,287</u></u> | <u><u>\$1,148,790</u></u> |
| Parking¹ | | | |
| Total Operating Revenues | \$165,222 | \$263,911 | \$268,350 |
| Less: Operating Expenses | <u>(277,231)</u> | <u>(316,966)</u> | <u>(263,060)</u> |
| Operating Income | <u>(\$112,009)</u> | <u>(\$53,055)</u> | <u>\$5,290</u> |
| Plus: Depreciation | 62,718 | 78,211 | 78,051 |
| Interest Income | <u>2,064</u> | <u>1,015</u> | <u>1,489</u> |
| Revenues Available for Debt Service | <u><u>(\$47,227)</u></u> | <u><u>\$26,171</u></u> | <u><u>\$84,830</u></u> |
| Ambulance² | | | |
| Total Operating Revenues | \$59,035 | \$40,228 | \$8,725 |
| Less: Operating Expenses | <u>(39,193)</u> | <u>(17,895)</u> | <u>(69,542)</u> |
| Operating Income | \$19,842 | \$22,333 | <u>(\$60,817)</u> |
| Plus: Depreciation | 0 | 0 | 0 |
| Interest Income | <u>530</u> | <u>144</u> | <u>6,578</u> |
| Revenues Available for Debt Service | <u><u>\$20,372</u></u> | <u><u>\$22,477</u></u> | <u><u>(\$54,239)</u></u> |

¹ Starting in Fiscal Year 2022, the Parking and Ambulance Service Funds were reclassified as Nonmajor proprietary funds.

² During September 2019, the City discontinued ambulance service operations. For additional information, see APPENDIX A - FINANCIAL STATEMENTS attached hereto.

SUMMARY GENERAL FUND INFORMATION

The 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 statements are available upon request. Appendix A includes the 2022 audited financial statements.

| COMBINED STATEMENT | FISCAL YEAR ENDING DECEMBER 31 | | | | |
|-----------------------------------------------------|--------------------------------|----------------------|---------------------|----------------------------------------|----------------------------------------|
| | 2020 Audited | 2021 Audited | 2022 Audited | 2023 Adopted Budget ¹ | 2024 Adopted Budget ² |
| Revenues | | | | | |
| Property taxes | \$6,499,263 | \$6,737,062 | \$7,184,524 | \$10,376,954 | \$11,235,022 |
| Intergovernmental | 1,517,625 | 1,354,452 | 1,225,409 | 1,206,791 | 1,616,935 |
| Licenses and permits | 490,036 | 411,944 | 660,984 | 511,080 | 511,080 |
| Fine and forfeitures | 104,485 | 74,023 | 70,087 | 132,100 | 127,100 |
| Public charges for services | 198,955 | 216,613 | 247,221 | 414,900 | 400,900 |
| Intergovernmental charges for services | 658,885 | 726,038 | 712,254 | 740,025 | 879,026 |
| Miscellaneous | 288,556 | 206,437 | 1,540,865 | 226,235 | 235,837 |
| Total Revenues | \$9,757,805 | \$9,726,569 | \$11,641,344 | \$13,608,085 | \$15,005,900 |
| Expenditures | | | | | |
| Current: | | | | | |
| General government | \$2,024,035 | \$2,134,317 | \$3,190,226 | \$2,016,964 | \$1,970,444 |
| Public safety | 5,093,150 | 5,435,191 | 5,659,288 | 5,520,111 | 5,966,610 |
| Transportation facilities | 1,715,684 | 1,678,896 | 1,861,970 | 2,331,351 | 2,526,269 |
| Sanitation | 14,747 | 14,443 | 14,227 | 0 | 0 |
| Health and social services | 18,863 | 18,806 | 13,959 | 12,800 | 13,300 |
| Culture, recreation and education | 750,433 | 844,948 | 869,677 | 460,980 | 473,575 |
| Conservation and development | 584,574 | 641,040 | 548,860 | 499,636 | 518,715 |
| Capital outlay | 0 | 0 | 43,962 | 0 | 0 |
| Debt service | 0 | 0 | | 2,340,613 | 2,731,357 |
| Total Expenditures | \$10,201,486 | \$10,767,641 | \$12,202,169 | \$13,182,455 | \$14,200,270 |
| Excess of revenues over (under) expenditures | (\$443,681) | (\$1,041,072) | (\$560,825) | \$425,630 | \$805,630 |
| Other Financing Sources (Uses) | | | | | |
| Proceeds from sale of property | \$12,378 | \$3,937 | \$0 | \$0 | \$0 |
| Transfers in | 573,979 | 592,952 | 1,335,354 | 0 | 0 |
| Transfers (out) | (69,883) | (61,265) | (61,265) | (425,630) | (805,630) |
| Total Other Financing Sources (Uses) | 516,474 | 535,624 | 1,274,089 | (425,630) | (805,630) |
| Net changes in Fund Balances | \$72,793 | (\$505,448) | \$713,264 | \$0 | \$0 |
| General Fund Balance January 1 | \$5,533,337 | \$5,606,130 | \$5,100,682 | | |
| Prior Period Adjustment | 0 | 0 | 0 | | |
| Residual Equity Transfer in (out) | 0 | 0 | 0 | | |
| General Fund Balance December 31 | \$5,606,130 | \$5,100,682 | \$5,813,946 | | |
| DETAILS OF DECEMBER 31 FUND BALANCE | | | | | |
| Nonspendable | \$73,069 | \$66,144 | \$89,237 | | |
| Assigned | 545,902 | 547,502 | 554,162 | | |
| Unassigned | 4,987,159 | 4,487,036 | 5,170,547 | | |
| Total | \$5,606,130 | \$5,100,682 | \$5,813,946 | | |

¹ The 2023 budget was adopted on November 7, 2022.

² The 2024 budget was adopted on November 8, 2023.

GENERAL INFORMATION

LOCATION

The City, with a 2020 U.S. Census population of 14,755 and a 2023 population estimate of 15,340, comprises an area of approximately eight (8) square miles and is located approximately 20 miles east of St. Paul, Minnesota. The City is the County Seat of St. Croix County, Wisconsin.

LARGER EMPLOYERS¹

Larger employers in the City include the following:

| Firm | Type of Business/Product | Estimated No. of Employees |
|------------------------------------------|----------------------------------------------|-----------------------------------|
| Hudson School District | Elementary and secondary education | 788 ² |
| St. Croix County | County government and services | 732 |
| Phillips-Medisize Corp. | Hospital equipment and supplies manufacturer | 493 |
| Hudson Hospital & Clinic/Health Partners | Hospital and clinic | 292 |
| Hudson Physicians | Physicians & surgeons | 260 ³ |
| GEA Process Engineering | Food and dairy processing technology | 220 |
| Walmart | Retail | 210 |
| Target | Department store | 200 |
| Uline Shipping Supplies | Packaging materials | 200 |
| County Market | Grocery store | 180 |

Source: Data Axle Reference Solutions, written and telephone survey, Wisconsin Manufacturers Register, and the Wisconsin Department of Workforce Development.

¹ 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.

² Reflects employees for entire district, including those outside City limits.

³ Reflects total number of employees for multiple locations including those outside City limits, which employees rotate between on a regular basis between the hospital, clinics and pharmacies.

BUILDING PERMITS (as of December 31, 2023)

| | 2019 | 2020 | 2021 | 2022 | 2023 |
|----------------------------------------------|---------------|--------------|--------------|---------------|---------------|
| <u>New Single Family Homes</u> | | | | | |
| No. of building permits | 48 | 54 | 30 | 7 | 16 |
| Valuation | \$13,236,090 | \$16,275,463 | \$9,622,200 | \$2,336,500 | \$6,648,100 |
| <u>New Multiple Family Buildings</u> | | | | | |
| No. of building permits | 7 | 39 | 29 | 175 | 0 |
| Valuation | \$3,664,246 | \$16,448,000 | \$7,448,000 | \$28,250,000 | \$0 |
| <u>New Commercial/Industrial</u> | | | | | |
| No. of building permits | 2 | 3 | 2 | 3 | 1 |
| Valuation | \$54,238,350 | \$9,066,000 | \$4,809,000 | \$33,547,252 | \$1,276,000 |
| <u>All Building Permits</u> | | | | | |
| <i>(including additions and remodelings)</i> | | | | | |
| No. of building permits | 352 | 480 | 357 | 518 | 393 |
| Valuation | \$105,696,440 | \$70,568,575 | \$37,405,203 | \$129,257,014 | \$118,122,652 |

Source: The City.

U.S. CENSUS DATA

Population Trend: The City

| | |
|-------------------------------|--------|
| 2010 U.S. Census Population | 12,719 |
| 2020 U.S. Census Population | 14,755 |
| Percent of Change 2010 - 2020 | 16.01% |

| | |
|---------------------------|--------|
| 2023 Estimated Population | 15,340 |
|---------------------------|--------|

Income and Age Statistics

| | The City | St. Croix County | State of Wisconsin | United States |
|----------------------------------------|-----------------|-------------------------|---------------------------|----------------------|
| 2022 per capita income | \$46,181 | \$45,810 | \$40,130 | \$41,261 |
| 2022 median household income | \$90,250 | \$97,950 | \$72,458 | \$75,149 |
| 2022 median family income | \$109,375 | \$114,534 | \$92,974 | \$92,646 |
| 2022 median gross rent | \$1,311 | \$1,127 | \$992 | \$1,268 |
| 2022 median value owner occupied units | \$325,500 | \$323,900 | \$231,400 | \$281,900 |
| 2022 median age | 39.8 yrs. | 39.7 yrs. | 39.9 yrs. | 38.5 yrs. |

| | State of Wisconsin | United States |
|-------------------------------------|---------------------------|----------------------|
| City % of 2022 per capita income | 115.08% | 111.92% |
| City % of 2022 median family income | 117.64% | 118.06% |

Housing Statistics

| | <u>The City</u> | | |
|-------------------|------------------------|-------------|--------------------------|
| | 2020 | 2022 | Percent of Change |
| All Housing Units | 6,510 | 6,602 | 1.41% |

Source: 2010 and 2020 Census of Population and Housing, Wisconsin Demographic Services Center (https://doa.wi.gov/Pages/LocalGovtsGrants/Population_Estimates.aspx) and 2022 American Community Survey (Based on a five-year estimate), U.S. Census Bureau (<https://data.census.gov/>).

EMPLOYMENT/UNEMPLOYMENT DATA

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

| Year | <u>Average Employment</u> | <u>Average Unemployment</u> | |
|-----------------------------|----------------------------------|------------------------------------|---------------------------|
| | St. Croix County | St. Croix County | State of Wisconsin |
| 2019 | 48,754 | 3.4% | 3.2% |
| 2020 | 46,801 | 5.5% | 6.4% |
| 2021 | 49,212 | 3.4% | 3.8% |
| 2022 | 48,040 | 3.1% | 2.9% |
| 2023, December ¹ | 49,101 | 3.5% | 2.7% |

Source: Wisconsin Department of Workforce Development.

¹ Preliminary.

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 or engaged the Auditor to perform, and the Auditor has not performed, any additional examination, assessments, procedures or evaluation with respect to such financial statements since the date thereof or with respect to this Preliminary Official Statement, nor has the City requested that the Auditor consent to the use of such financial statements in this Preliminary Official Statement. Although the inclusion of the financial statements in this Preliminary 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 HUDSON, WISCONSIN

Annual Financial Report

December 31, 2022

CITY OF HUDSON, WISCONSIN

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CITY OF HUDSON, WISCONSIN

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December 31, 2022

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INDEPENDENT AUDITORS' REPORT

Independent Auditors' Report

To the City Council
City of Hudson
Hudson, Wisconsin

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Hudson, Wisconsin, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise City of Hudson, Wisconsin's basic financial statements as listed in the table of contents.

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, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Hudson, Wisconsin, as of December 31, 2022, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of City of Hudson, Wisconsin, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about City of Hudson, Wisconsin's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

To the City Council
City of Hudson, Wisconsin

Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness City of Hudson, Wisconsin's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about City of Hudson, Wisconsin's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedules of employer's proportionate share of the net pension liability (asset) and employer contributions - Wisconsin Retirement System, schedule of changes in total OPEB liability and related ratios, schedules of employer's proportionate share of the net OPEB liability and employer contributions - local retiree life insurance plan and schedule of budgetary comparison - budget and actual - general fund be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 City of Hudson, Wisconsin's basic financial statements. The combining balance sheet - nonmajor governmental funds, combining statement of revenues, expenditures and changes in fund balances - nonmajor governmental funds, combining statement of net position - nonmajor proprietary funds, combining statement of revenues, expenses, and changes in net position - nonmajor proprietary funds and combining statement of cash flows - nonmajor proprietary funds are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements.

To the City Council
City of Hudson, Wisconsin

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.

Other Information

Management is responsible for the other information included in the annual report. The other information as listed in the table of contents on pages 73 to 95 does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Report on Summarized Comparative Information

The City of Hudson, Wisconsin's December 31, 2021, financial statements were audited by CliftonLarsonAllen, LLP and in their report dated October 17, 2022, they expressed unmodified opinions on those statements. The supplementary information for the year ended December 31, 2021, 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 related directly to the underlying accounting and other records used to prepare the 2021 basic financial statements. The information was subjected to the audit procedures applied by CliftonLarsonAllen, LLP in the audit of those basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, is consistent, in all material respects, with the audited financial statements from which it was derived.

KerberRose SC

KerberRose SC
Certified Public Accountants
Oshkosh, Wisconsin
July 31, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF HUDSON, WISCONSIN
Management's Discussion and Analysis
December 31, 2022

As management of the City of Hudson, Wisconsin (City), we offer the readers of the City's financial statements this narrative overview and analysis of financial activities of the City for the year ended December 31, 2022. Please consider this information in conjunction with the City's financial statements, which begin on page 4 following this narrative.

Financial Highlights

Key financial highlights for the year ended December 31, 2022, include the following:

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$92,860,956 (net position). Of this amount, \$61,351,644 represented the City's net investment in capital assets, \$9,352,900 was held for restricted purposes, and \$21,976,412 was unrestricted. The unrestricted net position may be used to meet the City's ongoing obligations to citizens and creditors.
- During the year, the City's total net position decreased by \$2,833,309. Net position related to the business-type activities of the City increased by \$1,294,329, while net position related to governmental activities decreased by \$4,127,638.
- At the end of 2022, the City's governmental funds reported combined ending fund balances of \$14,381,457 a decrease of \$3,437,454 from the previous year. This decrease was largely attributable to large capital projects in the capital projects and TID Districts fund's for the current year.
- During the year, the general fund balance increased by \$713,264. At the end of 2022, the unassigned general fund balance totaled \$5,170,547 or 42.4% of the general fund expenditures. The City has assigned \$554,162 of its general fund balance, which together with the year-end unassigned balance, represented 46.9% of general fund expenditures.
- The City's outstanding long-term debt and other long-term obligations increased \$2,943,103 during the current fiscal year. The City issued \$3,860,000 in general obligation debt and \$1,543,611 in sewer revenue bonds during the year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of 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 two government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

CITY OF HUDSON, WISCONSIN
Management's Discussion and Analysis
December 31, 2022

Overview of the Financial Statements (Continued)

The Statement of Net Position presents information on all of the City's assets and deferred outflows of resources, less 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 is improving or deteriorating.

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

Both of the government-wide financial statements distinguish those functions of the City 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 service charges (business-type activities). The governmental activities of the City include general government, public safety, public works, health and human services, culture and recreation, and conservation and development. The business-type activities of the City include a water utility, a sewage treatment utility, parking facilities and ambulance services.

The government-wide financial statements include not only the City of Hudson itself (known as the primary government), but also the legally separate Hudson Area Joint Library, the Joint City of Hudson - Village of North Hudson Community Access Board, and the St Croix Business Park for which the City of Hudson is financially accountable. Financial information for these component units is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found beginning on page 4 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, like other governmental entities, uses fund accounting to ensure and demonstrate compliance with various finance-related legal requirements. All of the funds of the City 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.

CITY OF HUDSON, WISCONSIN
Management's Discussion and Analysis
December 31, 2022

Governmental Funds (Continued)

The City reports seventeen (17) 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, debt service fund, capital projects fund, and tax incremental districts No. 5 and No. 6 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 in the supplementary information section.

The basic governmental fund financial statements can be found beginning on page 8 of this report.

Proprietary funds

Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water utility, sewer utility, parking utility and ambulance service.

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 each of the water utility and sewer utility funds, which are all considered to be major funds of the City.

The basic proprietary fund financial statements can be found beginning on page 14 of this report.

Fiduciary funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is similar to that used for proprietary funds.

The basic fiduciary fund financial statements can be found beginning on page 18 of this report.

Notes to the Financial Statements

The notes to the basic financial statements provide additional detail that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found beginning on page 20 of this report.

Additional Information

In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information on the City's operating budget and employee benefit plans. Required supplementary information can be found beginning on page 60 of this report.

Following the basic government-wide and fund financial statements, accompanying notes, and required supplementary information, additional supplementary information and other information has been provided as part of this report. The supplementary information and other information are noted in the table of contents. The supplementary information section of the report begins on page 66. The other information section of the report begins on page 73.

CITY OF HUDSON, WISCONSIN
Management's Discussion and Analysis
December 31, 2022

Financial Analysis of the City as a Whole

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The City's assets and deferred outflows of resources exceeded liabilities and deferred inflows by \$92,860,956 at the close of 2022. The largest portion of this net position (66%) reflects the City's investment in capital assets, including land, land improvements, buildings, machinery and equipment, infrastructure, plant in service and construction in progress, net of related outstanding debt used to acquire the assets. These capital assets are used to provide services to citizens and are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The following is a summary of the City's statement of net position:

**Condensed Statement of Net Position
December 31, 2022 and 2021**

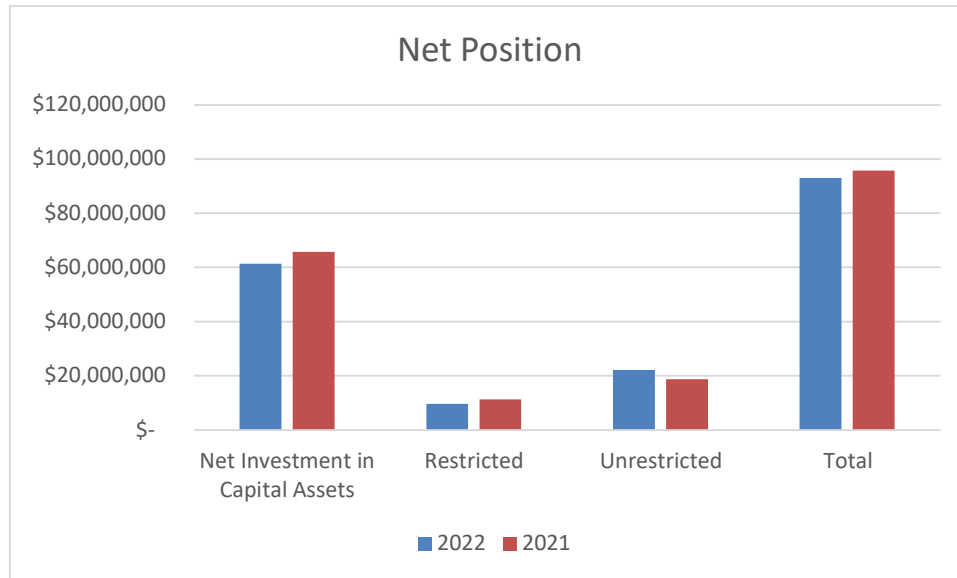
| | Governmental Activities | | Business-Type Activities | | Totals | |
|----------------------------------|-------------------------|----------------------|--------------------------|----------------------|----------------------|----------------------|
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| Assets | | | | | | |
| Current and Other Assets | \$ 32,512,990 | \$ 34,061,440 | \$ 20,786,141 | \$ 17,544,245 | \$ 53,299,131 | \$ 51,605,685 |
| Capital Assets | 53,893,990 | 53,272,841 | 45,997,288 | 44,453,151 | 99,891,278 | 97,725,992 |
| Total Assets | <u>86,406,980</u> | <u>87,334,281</u> | <u>66,783,429</u> | <u>61,997,396</u> | <u>153,190,409</u> | <u>149,331,677</u> |
| Deferred Outflow of Resources | <u>6,555,869</u> | <u>4,353,828</u> | <u>1,107,520</u> | <u>718,479</u> | <u>7,663,389</u> | <u>5,072,307</u> |
| Liabilities | | | | | | |
| Long-Term Debt Outstanding | 23,626,051 | 23,630,672 | 12,215,959 | 11,962,123 | 35,842,010 | 35,592,795 |
| Other Long-Term Obligations | 1,310,554 | 182,832 | 409,120 | - | 1,719,674 | 182,832 |
| Other Liabilities | 4,637,926 | 3,404,406 | 1,710,005 | 1,620,667 | 6,347,931 | 5,025,073 |
| Total Liabilities | <u>29,574,531</u> | <u>27,217,910</u> | <u>14,335,084</u> | <u>13,582,790</u> | <u>43,909,615</u> | <u>40,800,700</u> |
| Deferred Inflows of Resources | <u>19,968,990</u> | <u>16,923,233</u> | <u>4,114,237</u> | <u>985,786</u> | <u>24,083,227</u> | <u>17,909,019</u> |
| Net Position | | | | | | |
| Net Investment in Capital Assets | 28,220,693 | 33,647,550 | 33,130,951 | 32,037,186 | 61,351,644 | 65,684,736 |
| Restricted | 6,408,389 | 8,205,788 | 3,124,511 | 3,089,518 | 9,532,900 | 11,295,306 |
| Unrestricted | 8,790,246 | 5,693,628 | 13,186,166 | 13,020,595 | 21,976,412 | 18,714,223 |
| Total Net Position | <u>\$ 43,419,328</u> | <u>\$ 47,546,966</u> | <u>\$ 49,441,628</u> | <u>\$ 48,147,299</u> | <u>\$ 92,860,956</u> | <u>\$ 95,694,265</u> |

An additional portion of the City's net position (10.3%) represents resources that are subject to other restrictions as to how they may be used. The remaining \$21,976,412 of total net position (23.7%) may be used to meet the City's ongoing obligations to its citizens and creditors. It is important to note that \$13,186,166 of the unrestricted net position is related to the City's business-type activities. Consequently, they generally may not be available to fund governmental activities.

CITY OF HUDSON, WISCONSIN
Management's Discussion and Analysis
December 31, 2022

Financial Analysis of the City as a Whole (Continued)

The following chart shows the comparison of the three components of net position for the years 2022 and 2021:



Governmental Activities

The following condensed statement of changes in net position of the City's governmental activities for the year ended December 31, 2022, shows total net position decreased \$4,127,638 (8.7%) from the prior year. The primary reason is due to the City spending a large amount of funds on capital projects.

Business-Type Activities

The following condensed statement of changes in net position of the City's business-type activities for the year ended December 31, 2022, shows total net position increased \$1,294,329 (2.7%) from the prior year. The key reason for this increase is due to an increase in utility usage and capital contribution from developers.

CITY OF HUDSON, WISCONSIN
Management's Discussion and Analysis
December 31, 2022

Financial Analysis of the City as a Whole (Continued)

The following is a summary of the changes in the City's net position for the years ended December 31, 2022 and 2021:

**Condensed Statement of Changes in Net Position
December 31, 2022 and 2021**

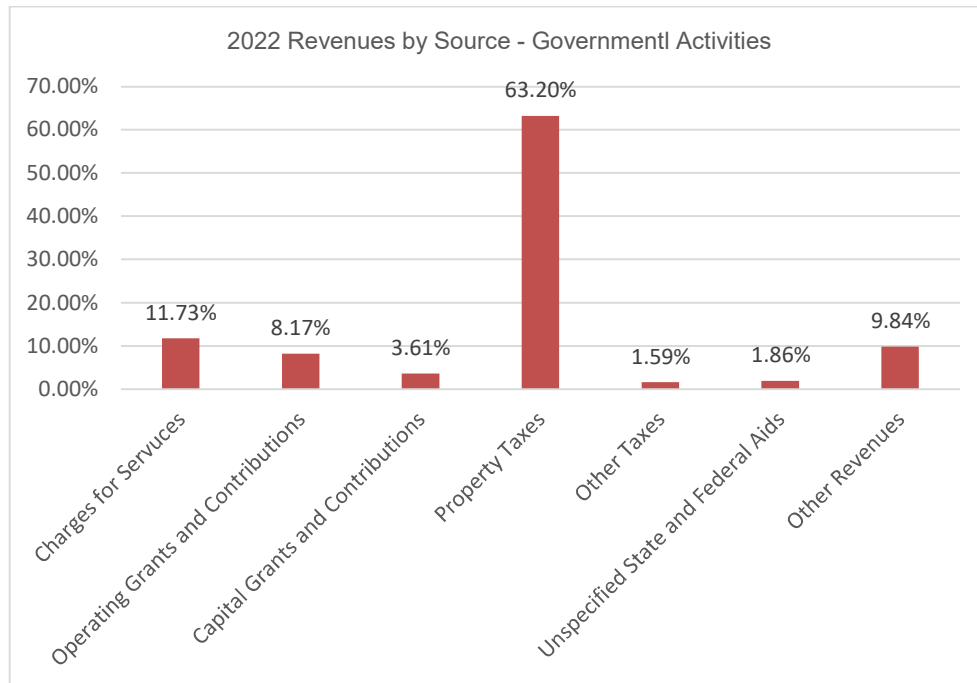
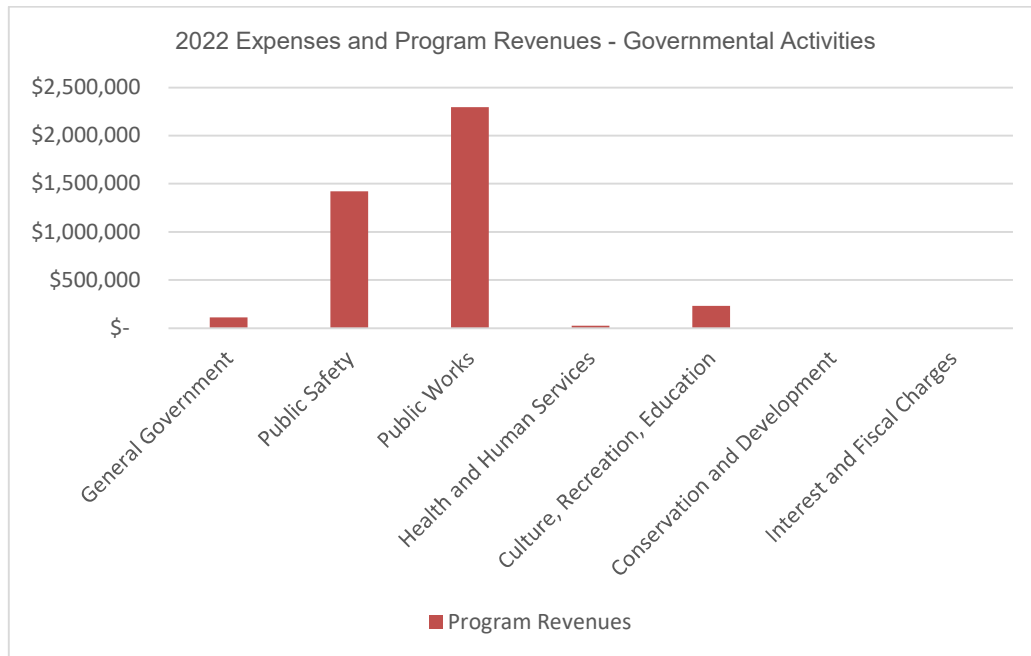
| | Governmental Activities | | Business-Type Activities | | Totals | |
|----------------------------------------------------------------|-------------------------|----------------------|--------------------------|----------------------|----------------------|----------------------|
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| Revenues | | | | | | |
| Program Revenues: | | | | | | |
| Charges for Services | \$ 2,039,274 | \$ 2,033,412 | \$ 7,673,034 | \$ 6,990,142 | 9,712,308 | 9,023,554 |
| Operating Grants and Contributions | 1,421,370 | 1,057,602 | - | - | 1,421,370 | 1,057,602 |
| Capital Grants and Contributions | 626,668 | 917,928 | 1,220,470 | 419,146 | 1,847,138 | 1,337,074 |
| General Revenues | | | | | | |
| Property Taxes | 10,985,568 | 10,596,892 | - | - | 10,985,568 | 10,596,892 |
| Other Taxes | 276,772 | 264,078 | - | - | 276,772 | 264,078 |
| State and Federal Aids Not Restricted to a Specific Program | 323,854 | 244,390 | - | - | 323,854 | 244,390 |
| Other Revenues | 1,656,691 | 188,950 | 176,473 | 18,080 | 1,833,164 | 207,030 |
| Total Revenues | <u>17,330,197</u> | <u>15,303,252</u> | <u>9,069,977</u> | <u>7,427,368</u> | <u>26,400,174</u> | <u>22,730,620</u> |
| Expenses | | | | | | |
| General Government | 3,239,432 | 1,841,320 | - | - | 3,239,432 | 1,841,320 |
| Public Safety | 5,688,213 | 5,477,392 | - | - | 5,688,213 | 5,477,392 |
| Public Works | 5,174,329 | 4,551,191 | - | - | 5,174,329 | 4,551,191 |
| Health and Human Services | 14,547 | 19,394 | - | - | 14,547 | 19,394 |
| Culture and Recreation | 1,323,304 | 1,055,174 | - | - | 1,323,304 | 1,055,174 |
| Conservation and Development | 6,747,732 | 827,996 | - | - | 6,747,732 | 827,996 |
| Interest and Fiscal Charges | 605,632 | 691,662 | - | - | 605,632 | 691,662 |
| Water Utility | - | - | 3,370,012 | 3,225,034 | 3,370,012 | 3,225,034 |
| Sewer Utility | - | - | 2,737,680 | 2,094,935 | 2,737,680 | 2,094,935 |
| Parking Utility | - | - | 263,060 | 316,966 | 263,060 | 316,966 |
| Ambulance Services | - | - | 69,542 | 17,895 | 69,542 | 17,895 |
| Total Expenses | <u>22,793,189</u> | <u>14,464,129</u> | <u>6,440,294</u> | <u>5,654,830</u> | <u>29,233,483</u> | <u>20,118,959</u> |
| Changes in Net Position before Transfers | (5,462,992) | 839,123 | 2,629,683 | 1,772,538 | (2,833,309) | 2,611,661 |
| Transfers | 1,335,354 | 592,952 | (1,335,354) | (592,952) | - | - |
| Change in Net Position | (4,127,638) | 1,432,075 | 1,294,329 | 1,179,586 | (2,833,309) | 2,611,661 |
| Net Position - Beginning of Year | 47,546,966 | 46,114,891 | 48,147,299 | 46,967,713 | 95,694,265 | 93,082,604 |
| Net Position - End of Year | <u>\$ 43,419,328</u> | <u>\$ 47,546,966</u> | <u>\$ 49,441,628</u> | <u>\$ 48,147,299</u> | <u>\$ 92,860,956</u> | <u>\$ 95,694,265</u> |

A review of the statement of activities can provide a concise picture of how the various functions/programs of the City are funded. The following charts draw data from the statement of activities.

CITY OF HUDSON, WISCONSIN
Management's Discussion and Analysis
December 31, 2022

Financial Analysis of the City as a Whole (Continued)

A review of the statement of activities can provide a concise picture of how the various functions/programs of the City are funded. The following charts draw data from the statement of activities for the governmental activities.

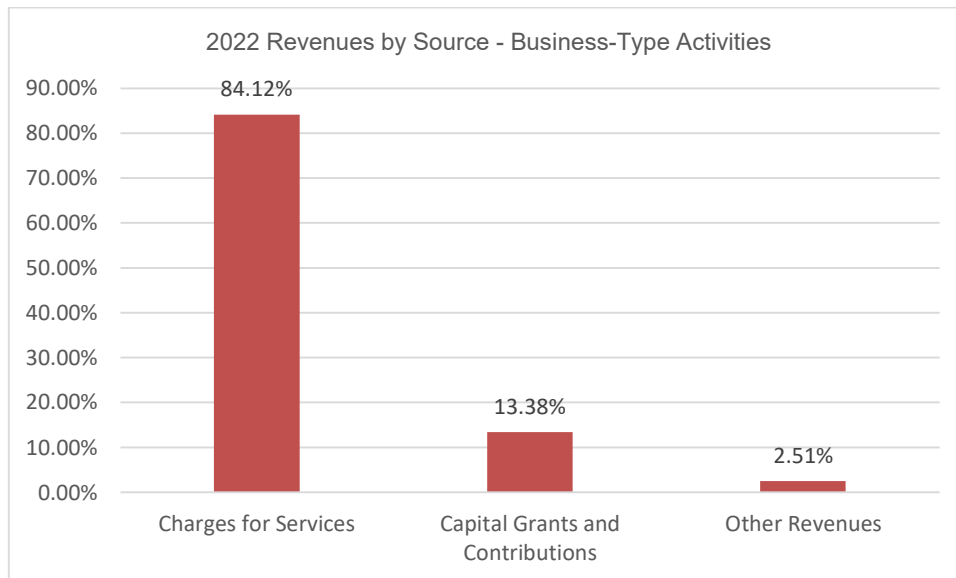
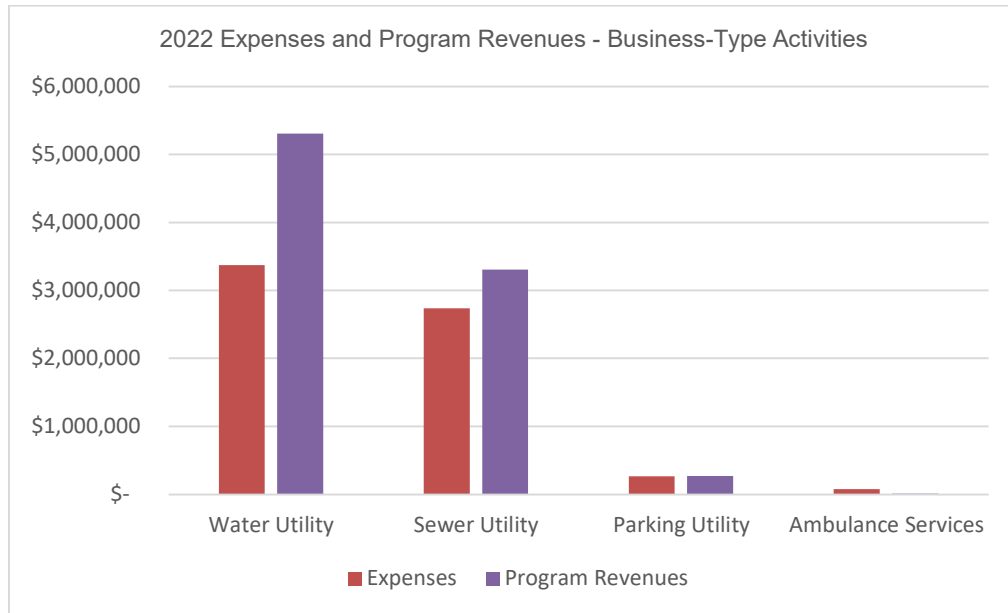


As shown above, the City is highly dependent on property taxes (63.2%) as its principal source of revenues for governmental activities. Program revenues represent (23.5%) of governmental activities revenue.

CITY OF HUDSON, WISCONSIN
Management's Discussion and Analysis
December 31, 2022

Financial Analysis of the City as a Whole (Continued)

The following charts draw data from the statement of activities for the business-type activities.



In the case of business-type activities, the data shows a considerably different picture from that of governmental activities. Charges for services (84%) replace property taxes as the primary revenue. Grants and contributions consist primarily of impact fees collected for the water utility and hook-up fees for sewer services.

CITY OF HUDSON, WISCONSIN
Management's Discussion and Analysis
December 31, 2022

Financial Analysis of the City's Major Funds

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

Governmental Funds

The focus of the City's governmental funds is to provide information regarding near-term inflows, outflows and balances of spendable resources. Such information can be useful in assessing the City's financing requirements. In particular, the level of unassigned fund balances may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of December 31, 2022, the City's governmental funds reported combined ending fund balances of \$14,381,457, a decrease of \$3,437,454 from the previous year, which is primarily a result of large projects in the capital projects and TID District funds for the current year. The governmental funds comprising this balance are shown below:

| | Total | Nonspendable | Restricted | Committed | Assigned | Unassigned | Change During the Year |
|-------------------------------------------------------------|----------------------|------------------|---------------------|---------------------|-------------------|---------------------|------------------------|
| Major Funds | | | | | | | |
| General Fund | \$ 5,813,946 | \$ 89,237 | \$ - | \$ - | \$ 554,162 | \$ 5,170,547 | \$ 713,264 |
| Debt Service Fund | 21,432 | - | 21,432 | - | - | - | (7,984) |
| Capital Projects Fund | 3,050,208 | - | - | 3,050,208 | - | - | (3,167,479) |
| TID No. 5 | 1,596,136 | - | 1,596,136 | - | - | - | 483,207 |
| TID No. 6 | (1,050,789) | - | - | - | - | (1,050,789) | (1,431,204) |
| NonMajor Funds: | | | | | | | |
| Special Revenue Funds: | | | | | | | |
| Impact Fees Fund | 1,375,409 | - | 1,375,409 | - | - | - | (282,110) |
| Room Tax Fund | 99,960 | - | - | 99,960 | - | - | (25,779) |
| American Rescue Plan Act (ARPA) Fund | 17,074 | - | - | - | 17,074 | - | 16,200 |
| Sewer Collection System Replacement | 1,281,412 | - | - | 1,281,412 | - | - | 74,927 |
| Park Dedication Fees | 839,521 | - | 839,521 | - | - | - | 177,159 |
| Police Donations | 41,259 | - | 41,259 | - | - | - | (4,585) |
| Golden Rule Donations | - | - | - | - | - | - | (297) |
| Police Drug Forfeitures | 5,445 | - | 5,445 | - | - | - | 1,895 |
| Business Park Revolving Loan Fund | 590,612 | - | 590,612 | - | - | - | 6,548 |
| Storm Water MS-4 | 162,331 | - | - | 162,331 | - | - | 1,801 |
| Storm Water | 537,022 | - | - | 537,022 | - | - | 6,504 |
| Special Assessments | 479 | - | - | - | 479 | - | 479 |
| Total Governmental Fund Balances As of December 31, 2022 | <u>\$ 14,381,457</u> | <u>\$ 89,237</u> | <u>\$ 4,469,814</u> | <u>\$ 5,130,933</u> | <u>\$ 571,715</u> | <u>\$ 4,119,758</u> | <u>\$ (3,437,454)</u> |

The general fund is the primary operating fund used to account for the governmental operations of the City. As a measure of the general fund's liquidity, it may be useful to compare both total fund balance and unassigned fund balance to measures of operating volume such as fund expenditures or fund revenues. The total year-end general fund balance represented 47.4% of total general fund expenditures reported on the statement of revenues, expenditures, and changes in fund balances while the unassigned balance represented 42.4% of the same amount. The City has assigned \$554,162 of its general fund balance which combined with the year-end unassigned balance of \$5,170,547, represented 46.9% of that same amount.

The general fund's total fund balance increased \$713,264 during the year, which is primarily due to the City closing out their EMS fund that ended service in 2019.

CITY OF HUDSON, WISCONSIN
Management's Discussion and Analysis
December 31, 2022

Financial Analysis of the City's Major Funds (Continued)

The debt service fund had a \$21,432 balance at December 31, 2022, a decrease of \$7,984 from the prior year.

The capital projects fund is used by the City on an ongoing basis to account for various governmental capital outlay projects primarily financed from proceeds of long-term debt. The balance in this fund at December 31, 2022, was \$3,050,208, a decrease of \$3,167,479 from the prior year, due to capital outlay for the current year.

The Tax Incremental District No. 5 fund is used by the City on an ongoing basis to support development and improvement costs in a designated area funded primarily by tax revenue and from proceeds of long-term debt. The balance in this fund at December 31, 2022, was \$1,596,136, an increase of \$483,207 from the prior year, due to an increase in tax increment revenue.

The Tax Incremental District No. 6 fund is used by the City on an ongoing basis to support development and improvement costs in a designated area funded primarily by tax revenue and from proceeds of long-term debt. The balance in this fund at December 31, 2022, was a deficit of \$1,050,789, a decrease of \$1,431,204 from the prior year, due to capital outlay expenditures and developer incentives paid during the year.

The aggregated other governmental funds column includes various special revenue and special assessment funds used to account for the proceeds of specific revenue sources that are restricted or committed to expenditures for specific purposes. The accumulated fund balances of these funds decreased by \$27,258 during 2022. Transactions of these funds are further detailed in the supplementary information section of this report.

Proprietary Funds

The City's proprietary funds provide the same type of information found in the government-wide financial statements but in greater detail. As shown below, the net position of the enterprise-type proprietary funds at the end of 2022 totaled \$49,441,628, an increase of \$1,294,329 from the previous year.

**Condensed Statement of Changes in Net Position for Enterprise Funds Years
Ended December 31, 2022 and 2021**

| | Water Utility | | Sewer Utility | |
|----------------------------------|----------------------|----------------------|----------------------|----------------------|
| | 2022 | 2021 | 2022 | 2021 |
| Operating Revenues | \$ 4,419,735 | \$ 4,195,936 | \$ 2,976,224 | \$ 2,490,067 |
| Operating Expenses | | | | |
| Operations and Maintenance | 2,315,315 | 2,083,502 | 1,918,960 | 1,665,362 |
| Depreciation | 1,010,363 | 1,096,968 | 666,980 | 362,429 |
| Total Operating Expenses | 3,325,678 | 3,180,470 | 2,585,940 | 2,027,791 |
| Nonoperating Revenues (Expenses) | 32,546 | (42,225) | 271,234 | 216,950 |
| Income Before | | | | |
| Contributions and Transfers | 1,126,603 | 973,241 | 661,518 | 679,226 |
| Capital Contributions | 889,022 | 149,634 | - | - |
| Transfers | (460,786) | (523,567) | (83,321) | (69,385) |
| Change in Net Position | 1,554,839 | 599,308 | 578,197 | 609,841 |
| Net Position - Beginning of Year | 32,707,372 | 32,108,064 | 13,108,499 | 12,498,658 |
| Net Position - End of Year | <u>\$ 34,262,211</u> | <u>\$ 32,707,372</u> | <u>\$ 13,686,696</u> | <u>\$ 13,108,499</u> |

CITY OF HUDSON, WISCONSIN
Management's Discussion and Analysis
December 31, 2022

Proprietary Funds (Continued)

| | Parking Utility | | Ambulance Service | | Totals | |
|------------------------------------------------------|-----------------|--------------|-------------------|------------|---------------|---------------|
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| Operating Revenues | \$ 268,350 | \$ 263,911 | \$ 8,725 | \$ 40,228 | \$ 7,673,034 | \$ 6,990,142 |
| Operating Expenses | | | | | | |
| Operations and Maintenance | 185,009 | 238,755 | 69,542 | 17,895 | 4,488,826 | 4,005,514 |
| Depreciation | 78,051 | 78,211 | - | - | 1,755,394 | 1,537,608 |
| Total Operating Expenses | 263,060 | 316,966 | 69,542 | 17,895 | 6,244,220 | 5,543,122 |
| Nonoperating Revenues (Expenses) | 1,489 | 1,015 | 6,578 | 144 | 311,847 | 175,884 |
| Net Income (Loss) Before Contributions and Transfers | 6,779 | (52,040) | (54,239) | 22,477 | 1,740,661 | 1,622,904 |
| Capital Contributions | - | - | - | - | 889,022 | 149,634 |
| Transfers | - | - | (791,247) | - | (1,335,354) | (592,952) |
| Change in Net Position | 6,779 | (52,040) | (845,486) | 22,477 | 1,294,329 | 1,179,586 |
| Net Position - Beginning of Year | 1,485,942 | 1,537,982 | 845,486 | 823,009 | 48,147,299 | 46,967,713 |
| Net Position - End of Year | \$ 1,492,721 | \$ 1,485,942 | \$ - | \$ 845,486 | \$ 49,441,628 | \$ 48,147,299 |

The water utility had operating income of \$1,094,057 in 2022. The utility also provides services to residents of the Village of North Hudson. The Utility adjusted user rates effective October 1, 2021.

The sewer utility had operating income of \$390,284 in 2022 and had an overall positive change in net position of \$578,197. The utility also provides services to residents of the Village of North Hudson. The City increased user rates effective in January 1, 2021.

The parking utility was established by the City to separately account for resources to be used in developing, maintaining, and replacing parking lots and meters of the City. The utility had an operating gain of \$6,779 in 2022.

The ambulance service fund is used to account for operations of the City's emergency medical services department (St. Croix EMS & Rescue). During September of 2019, the City discontinued ambulance service operations and sold off most of the related assets. The balances remaining in this fund were closed out to the General Fund in 2022.

General Fund Budgetary Highlights

As shown in the Budgetary Comparison Schedule for the general fund (in required supplementary information), the 2022 general fund budget was not modified by the City Council. The general fund balance increased during 2022 by \$713,264. The primary reason for the increase is due to the City's closing out their EMS funds that ended service in 2019. The City ended the year with a favorable variance between actual amounts and budget amounts for revenues of \$1,453,192 (14.26%) and a negative budget variance for expenditures of \$1,889,647 (-18.32%). The negative expenditure variance is due to a number of expenditure accounts being over budget, including municipal building, police patrol, and culture and recreation costs.

CITY OF HUDSON, WISCONSIN
Management's Discussion and Analysis
December 31, 2022

General Fund Budgetary Highlights (Continued)

Capital Asset and Debt Administration

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of December 31, 2022 and 2021 was as shown below:

**Capital Assets, Net of Accumulated Depreciation
December 31, 2022 and 2021**

| | Governmental Activities | | Business-Type Activities | | Totals | |
|------------------------------|-------------------------|----------------------|--------------------------|----------------------|----------------------|----------------------|
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| Nondepreciable Assets | | | | | | |
| Land and Land Rights | \$ 8,609,512 | \$ 8,615,591 | \$ 1,027,280 | \$ 1,027,280 | \$ 9,636,792 | \$ 9,642,871 |
| Construction in Progress | 531,536 | 767,686 | 146,808 | 12,570,539 | 678,344 | 13,338,225 |
| Total Nondepreciable Assets | <u>9,141,048</u> | <u>9,383,277</u> | <u>1,174,088</u> | <u>13,597,819</u> | <u>10,315,136</u> | <u>22,981,096</u> |
| Depreciable Assets | | | | | | |
| Right to Use Asset | 46,287 | 40,296 | - | - | 46,287 | 40,296 |
| Land Improvements | 3,190,873 | 3,155,303 | - | - | 3,190,873 | 3,155,303 |
| Building and Improvements | 14,369,099 | 13,911,044 | - | - | 14,369,099 | 13,911,044 |
| Machinery and Equipment | 6,455,430 | 5,204,296 | - | - | 6,455,430 | 5,204,296 |
| Vehicles | 6,729,228 | 6,613,986 | - | - | 6,729,228 | 6,613,986 |
| Infrastructure | 94,177,679 | 92,244,416 | - | - | 94,177,679 | 92,244,416 |
| Water System Plant | - | - | 45,056,062 | 42,824,088 | 45,056,062 | 42,824,088 |
| Wastewater Treatment Plant | - | - | 26,566,456 | 13,269,262 | 26,566,456 | 13,269,262 |
| Parking Utility | - | - | 1,436,739 | 1,436,739 | 1,436,739 | 1,436,739 |
| Total Depreciable Assets | <u>124,968,596</u> | <u>121,169,341</u> | <u>73,059,257</u> | <u>57,530,089</u> | <u>198,027,853</u> | <u>178,699,430</u> |
| Accumulated Depreciation | <u>80,215,654</u> | <u>77,253,746</u> | <u>28,236,057</u> | <u>26,674,757</u> | <u>108,451,711</u> | <u>103,928,503</u> |
| Total Capital Assets | | | | | | |
| Net of Depreciation | <u>\$ 53,893,990</u> | <u>\$ 53,298,872</u> | <u>\$ 45,997,288</u> | <u>\$ 44,453,151</u> | <u>\$ 99,891,278</u> | <u>\$ 97,752,023</u> |

Additional information related to the City's capital assets is reported in Note 5 following the financial statements.

CITY OF HUDSON, WISCONSIN
Management's Discussion and Analysis
December 31, 2022

Long-Term Obligations

At December 31, 2022, the City had outstanding \$38,716,395 of long-term debt and other long-term obligations. A summary detail of this amount, together with the percent change from the previous year, is shown below:

**Outstanding Long-Term Obligations
December 31, 2022 and 2021**

| | Governmental Activities | Business-Type Activities | Outstanding 2022 | Outstanding 2021 | Percent Change |
|-----------------------------------------|----------------------------|-----------------------------|---------------------|----------------------|-------------------|
| Long Term Debt | | | | | |
| General Obligation Debt | \$ 25,030,000 | \$ 660,000 | \$25,690,000 | \$ 23,690,000 | 8.44% |
| Unamortized Debt Premium | 621,051 | 4,575 | 625,626 | 645,904 | -3.14% |
| Sewer Revenue Bonds | - | 10,789,038 | 10,789,038 | 9,734,121 | 10.84% |
| Water Revenue bonds | - | 1,412,724 | 1,412,724 | 1,494,404 | -5.47% |
| Total Long-Term Debt | <u>25,651,051</u> | <u>12,866,337</u> | <u>38,517,388</u> | <u>35,564,429</u> | <u>8.30%</u> |
| Other Long-Term Obligations | | | | | |
| Compensated Absence | 143,333 | 33,428 | 176,761 | 182,832 | -3.32% |
| Lease Liability | 22,246 | - | 22,246 | 26,031 | -14.54% |
| Total Other Long-Term Obligations | <u>165,579</u> | <u>33,428</u> | <u>199,007</u> | <u>208,863</u> | <u>-4.72%</u> |
| Total Outstanding Long-Term Obligations | <u>\$ 25,816,630</u> | <u>\$ 12,899,765</u> | <u>\$38,716,395</u> | <u>\$ 35,773,292</u> | <u>8.23%</u> |

Under Wisconsin State Statutes, the outstanding general obligation long-term debt of a municipality may not exceed 5% of the equalized property value of all taxable property within the jurisdiction. The applicable debt of the City outstanding at December 31, 2022 totaled \$25,690,000, approximately 17.94% of the maximum legal limit of \$143,219,085.

Additional information related to the City's long-term debt is reported in Note 7 following the financial statements.

Currently Known Facts

Cash and debt management of the City includes prepayment and refinancing of debt to take advantage of reduced interest rates on general obligation notes and to utilize cash balances that are receiving minimal interest earnings.

The City continues to monitor and manage the budget, which has resulted in a strong fund balance position that allows the City to manage well under the present constraints imposed by the state levy limits.

Requests for Information

This financial report is designed to provide a general overview of the City of Hudson'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 information should be addressed to the office of the Finance Officer, 505 Third Street, Hudson, Wisconsin 54016.

FINANCIAL STATEMENTS

CITY OF HUDSON, WISCONSIN
Statement of Net Position
As of December 31, 2022
With Summarized Information from December 31, 2021

| | Primary Government | | | |
|---------------------------------------------------------|--------------------|---------------|---------------|---------------|
| | Governmental | Business-Type | Total | |
| | Activities | Activities | 2022 | 2021 |
| ASSETS | | | | |
| Current Assets | | | | |
| Cash and Investments | \$ 15,084,900 | \$ 12,688,099 | \$ 27,772,999 | \$ 32,046,619 |
| Receivables: | | | | |
| Property Taxes | 11,847,983 | - | 11,847,983 | 10,745,848 |
| Delinquent Property Taxes | 55,874 | 186,494 | 242,368 | 4,181 |
| Special Assessments | 119,881 | - | 119,881 | 129,949 |
| Accounts | 1,511,294 | 1,749,934 | 3,261,228 | 2,224,245 |
| Due From Other Governments | 613,487 | 83,299 | 696,786 | 797,998 |
| Lease Receivable | - | 220,603 | 220,603 | 207,968 |
| Prepaid Items | 34,987 | - | 34,987 | 43,466 |
| Inventories | - | 35,557 | 35,557 | 25,815 |
| Total Current Assets | 29,268,406 | 14,963,986 | 44,232,392 | 46,226,089 |
| Noncurrent Assets | | | | |
| Restricted Cash and Investments | - | 1,951,567 | 1,951,567 | 1,940,185 |
| Restricted Impact Assessments | - | 850,970 | 850,970 | 747,123 |
| Lease Receivable | - | 2,486,626 | 2,486,626 | 2,707,229 |
| Net Pension Asset | 3,244,584 | 532,992 | 3,777,576 | 2,900,256 |
| Capital Assets - Nondepreciable | 9,141,048 | 1,174,088 | 10,315,136 | 22,981,096 |
| Capital Assets - Depreciable, Net of Depreciation | 44,752,942 | 44,823,200 | 89,576,142 | 74,772,355 |
| Total Noncurrent Assets | 57,138,574 | 51,819,443 | 108,958,017 | 106,048,244 |
| TOTAL ASSETS | 86,406,980 | 66,783,429 | 153,190,409 | 152,274,333 |
| DEFERRED OUTFLOWS OF RESOURCES | | | | |
| Pension Related Amounts | 6,353,452 | 1,043,691 | 7,397,143 | 4,829,910 |
| Other Post-Employment Related Amounts - LRLIF | 102,161 | 32,215 | 134,376 | 140,831 |
| Other Post-Employment Related Amounts - Single-Employer | 100,256 | 31,614 | 131,870 | 101,566 |
| Total Deferred Outflows of Resources | 6,555,869 | 1,107,520 | 7,663,389 | 5,072,307 |
| LIABILITIES | | | | |
| Current Liabilities | | | | |
| Accounts Payable | 1,247,637 | 752,253 | 1,999,890 | 1,901,267 |
| Accrued and Other Current Liabilities | 221,912 | 59,517 | 281,429 | 291,324 |
| Due to Other Governments | 64 | 74,560 | 74,624 | 68,420 |
| Accrued Interest Payable | 141,379 | 34,934 | 176,313 | 266,233 |
| Deposits from Others | - | 104,935 | 104,935 | 236,458 |
| Compensated Absences | 143,333 | 33,428 | 176,761 | 182,832 |
| Current Portion of Lease Liability | 9,129 | - | 9,129 | 11,205 |
| Current Portion of Long-Term Obligations | 2,025,000 | 650,378 | 2,675,378 | 2,388,890 |
| Unearned Revenues: | | | | |
| American Rescue Plan Act Funds | 849,472 | - | 849,472 | 738,070 |
| Other Unearned Revenues | - | - | - | - |
| Total Current Liabilities | 4,637,926 | 1,710,005 | 6,347,931 | 6,084,699 |
| Noncurrent Liabilities | | | | |
| Other Post-Employment Benefits - LRLIF | 295,016 | 93,027 | 388,043 | 334,981 |
| Other Post-Employment Benefits - Single Employer | 1,002,421 | 316,093 | 1,318,514 | 1,216,686 |
| Lease Liability | 13,117 | - | 13,117 | 16,254 |
| Noncurrent Portion of Long-Term Obligations | 23,626,051 | 12,215,959 | 35,842,010 | 33,175,539 |
| Total NonCurrent Liabilities | 24,936,605 | 12,625,079 | 37,561,684 | 34,743,460 |
| TOTAL LIABILITIES | 29,574,531 | 14,335,084 | 43,909,615 | 40,828,159 |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Taxes Levied for Subsequent Period | 11,847,983 | - | 11,847,983 | 10,975,123 |
| Lease Receivable | - | 2,707,229 | 2,707,229 | 2,915,197 |
| Pension Related Amounts | 7,638,029 | 1,254,709 | 8,892,738 | 6,354,966 |
| Other Post-Employment Related Amounts - LRLIF | 64,477 | 20,332 | 84,809 | 94,788 |
| Other Post-Employment Related Amounts - Single-Employer | 418,501 | 131,967 | 550,468 | 484,142 |
| Total Deferred Inflows of Resources | 19,968,990 | 4,114,237 | 24,083,227 | 20,824,216 |
| NET POSITION | | | | |
| Net Investment in Capital Assets | 28,220,693 | 33,130,951 | 61,351,644 | 65,684,736 |
| Restricted | 6,408,389 | 3,124,511 | 9,532,900 | 11,295,306 |
| Unrestricted | 8,790,246 | 13,186,166 | 21,976,412 | 18,714,223 |
| TOTAL NET POSITION | \$ 43,419,328 | \$ 49,441,628 | \$ 92,860,956 | \$ 95,694,265 |

See Accompanying Notes

| Component Units | | | |
|-------------------|----------------------------|---------------------------|--|
| Joint Library | St. Croix Business Park | Community Access Board | |
| \$ 323,382 | \$ 3,399,425 | \$ 1,313,668 | |
| - | - | - | |
| - | - | - | |
| - | - | - | |
| - | 1,459 | 49,095 | |
| - | - | - | |
| - | - | - | |
| - | - | - | |
| <u>323,382</u> | <u>3,400,884</u> | <u>1,362,763</u> | |
| - | - | - | |
| - | - | - | |
| - | - | - | |
| 154,773 | - | 35,184 | |
| - | 855,784 | - | |
| <u>700,259</u> | <u>19,329</u> | <u>114,759</u> | |
| <u>855,032</u> | <u>875,113</u> | <u>149,943</u> | |
| <u>1,178,414</u> | <u>4,275,997</u> | <u>1,512,706</u> | |
| 303,072 | - | 68,895 | |
| 5,786 | - | 861 | |
| <u>5,678</u> | <u>-</u> | <u>845</u> | |
| <u>314,536</u> | <u>-</u> | <u>70,601</u> | |
| 10,780 | 6,834 | 20,239 | |
| 18,145 | - | 3,732 | |
| - | - | - | |
| - | - | - | |
| - | - | - | |
| 9,378 | - | 16,408 | |
| - | - | - | |
| - | - | - | |
| - | - | - | |
| - | 7,400 | - | |
| <u>38,303</u> | <u>14,234</u> | <u>40,379</u> | |
| 16,708 | - | 2,485 | |
| 56,772 | - | 8,445 | |
| - | - | - | |
| - | - | - | |
| <u>73,480</u> | <u>-</u> | <u>10,930</u> | |
| <u>111,783</u> | <u>14,234</u> | <u>51,309</u> | |
| - | - | - | |
| - | - | - | |
| 364,349 | - | 82,825 | |
| 3,652 | - | 543 | |
| <u>23,702</u> | <u>-</u> | <u>3,526</u> | |
| <u>391,703</u> | <u>-</u> | <u>86,894</u> | |
| 700,259 | 875,113 | 114,759 | |
| 289,205 | 3,386,650 | 1,330,345 | |
| - | - | - | |
| <u>\$ 989,464</u> | <u>4,261,763</u> | <u>1,445,104</u> | |

See Accompanying Notes

CITY OF HUDSON, WISCONSIN
Statement of Activities
For the Year Ended December 31, 2022
With Summarized Information from December 31, 2021

| | | Program Revenues | | |
|---------------------------------------|----------------------|---------------------|--------------------------|--------------------------|
| | | Charges for | Operating | Capital |
| | Expenses | Services | Grants and Contributions | Grants and Contributions |
| GOVERNMENTAL ACTIVITIES | | | | |
| General Government | \$ 3,239,432 | \$ 106,924 | \$ 5,189 | \$ - |
| Public Safety | 5,688,213 | 1,311,162 | 109,249 | - |
| Transportation Facilities | 5,160,102 | 595,799 | 1,071,755 | 626,668 |
| Sanitation | 14,227 | - | - | - |
| Health and Human Services | 14,547 | 25,389 | - | - |
| Culture and Recreation | 1,323,304 | - | 235,177 | - |
| Conservation and Development | 6,747,732 | - | - | - |
| Interest and Fiscal Charges | 605,632 | - | - | - |
| Total Governmental Activities | 22,793,189 | 2,039,274 | 1,421,370 | 626,668 |
| BUSINESS-TYPE ACTIVITIES | | | | |
| Water Utility | 3,370,012 | 4,419,735 | - | 889,022 |
| Sewer Utility | 2,737,680 | 2,976,224 | 331,448 | - |
| Parking Facilities | 263,060 | 268,350 | - | - |
| Ambulance Service | 69,542 | 8,725 | - | - |
| Total Business-Type Activities | 6,440,294 | 7,673,034 | 331,448 | 889,022 |
| TOTAL CITY OF HUDSON | \$ 29,233,483 | \$ 9,712,308 | \$ 1,752,818 | \$ 1,515,690 |
| COMPONENT UNITS | | | | |
| Joint Library | \$ 889,304 | \$ 465,697 | \$ 364,365 | \$ - |
| St. Croix Business Park | 35,134 | - | 313,166 | - |
| Community Access Board | 196,668 | 193,232 | 45,543 | - |
| Total Component Units | \$ 1,121,106 | \$ 658,929 | \$ 723,074 | \$ - |

GENERAL REVENUES:

Taxes:

General Property Taxes

Debt Service

Tax Increments

Other Taxes

State and Federal Aids not Restricted to

Specific Functions

Interest and Investment Earnings

Insurance Recoveries and Dividends

Gain (Loss) on Asset Sales

Miscellaneous

Total General Revenues

TRANSFERS

CHANGE IN NET POSITION

NET POSITION - BEGINNING OF YEAR

NET POSITION - END OF YEAR

| Net (Expense) Revenue and Changes in Net Position | | | | | | | |
|------------------------------------------------------|-----------------------------|----------------|----------------|------------------|----------------------------|---------------------------|------|
| Primary Government | | | | Component Units | | | |
| Governmental Activities | Business-Type Activities | Totals | | Joint Library | St. Croix Business Park | Community Access Board | |
| | | 2022 | 2021 | | | | |
| \$ (3,127,319) | \$ - | \$ (3,127,319) | \$ (1,685,865) | \$ - | \$ - | \$ - | \$ - |
| (4,267,802) | - | (4,267,802) | (4,140,852) | - | - | - | - |
| (2,865,880) | - | (2,865,880) | (2,266,255) | - | - | - | - |
| (14,227) | - | (14,227) | - | - | - | - | - |
| 10,842 | - | 10,842 | (16,409) | - | - | - | - |
| (1,088,127) | - | (1,088,127) | (826,148) | - | - | - | - |
| (6,747,732) | - | (6,747,732) | (827,996) | - | - | - | - |
| (605,632) | - | (605,632) | (691,662) | - | - | - | - |
| (18,705,877) | - | (18,705,877) | (10,455,187) | - | - | - | - |
| - | 1,938,745 | 1,938,745 | 1,120,536 | - | - | - | - |
| - | 569,992 | 569,992 | 664,644 | - | - | - | - |
| - | 5,290 | 5,290 | (53,055) | - | - | - | - |
| - | (60,817) | (60,817) | 22,333 | - | - | - | - |
| - | 2,453,210 | 2,453,210 | 1,754,458 | - | - | - | - |
| (18,705,877) | 2,453,210 | (16,252,667) | (8,700,729) | - | - | - | - |
| - | - | - | - | (59,242) | - | - | - |
| - | - | - | - | - | 278,032 | - | - |
| - | - | - | - | - | - | 42,107 | - |
| - | - | - | - | (59,242) | 278,032 | 42,107 | - |
| 7,184,524 | - | 7,184,524 | 6,726,600 | - | - | - | - |
| 2,341,244 | - | 2,341,244 | 2,344,584 | - | - | - | - |
| 1,459,800 | - | 1,459,800 | 1,525,708 | - | - | - | - |
| 276,772 | - | 276,772 | 264,078 | - | - | - | - |
| 323,854 | - | 323,854 | 244,390 | - | - | - | - |
| 156,023 | 174,538 | 330,561 | 43,078 | 5,032 | 11,218 | 14,334 | - |
| 1,366,859 | - | 1,366,859 | - | - | - | - | - |
| (15,979) | - | (15,979) | 4,022 | - | - | - | - |
| 149,788 | 1,935 | 151,723 | 159,930 | 144,332 | - | 881 | - |
| 13,242,885 | 176,473 | 13,419,358 | 11,312,390 | 149,364 | 11,218 | 15,215 | - |
| 1,335,354 | (1,335,354) | - | - | - | - | - | - |
| (4,127,638) | 1,294,329 | (2,833,309) | 2,611,661 | 90,122 | 289,250 | 57,322 | - |
| 47,546,966 | 48,147,299 | 95,694,265 | 93,082,604 | 899,342 | 3,972,513 | 1,387,782 | - |
| \$ 43,419,328 | \$ 49,441,628 | \$ 92,860,956 | \$ 95,694,265 | \$ 989,464 | \$ 4,261,763 | \$ 1,445,104 | - |

CITY OF HUDSON, WISCONSIN
Balance Sheet
Governmental Funds
As of December 31, 2022
With Summarized Information from December 31, 2021

| | General Fund | Debt Service Fund | Capital Projects Fund | Tax Incremental District No. 5 |
|-----------------------------------------------------------------------------------------|-------------------------|----------------------------------|--------------------------------------|-----------------------------------------------|
| ASSETS | | | | |
| Cash and Investments | \$ 4,544,649 | \$ 21,432 | \$ 3,281,649 | \$ 1,598,486 |
| Receivables: | | | | |
| Property Taxes | 7,474,741 | 2,340,613 | 50,842 | 1,387,251 |
| Delinquent Property Taxes | 54,250 | - | 1,624 | - |
| Special Assessments | - | - | 119,881 | - |
| Accounts | 1,315,469 | - | 1,684 | - |
| Due From Other Governments | - | 600,000 | - | - |
| Due from Other Fund | 824,295 | - | - | - |
| Prepaid Items | 34,987 | - | - | - |
| TOTAL ASSETS | <u>\$ 14,248,391</u> | <u>\$ 2,962,045</u> | <u>\$ 3,455,680</u> | <u>\$ 2,985,737</u> |
| LIABILITIES | | | | |
| Accounts Payable | \$ 741,186 | \$ - | \$ 234,749 | \$ 2,350 |
| Accrued Liabilities | 218,454 | - | - | - |
| Due to Other Fund | - | - | - | - |
| Due to Other Governments | 64 | - | - | - |
| Deposits from Others | - | - | - | - |
| Unearned Revenue: | | | | |
| American Rescue Plan Act Funds | - | - | - | - |
| Total Liabilities | <u>959,704</u> | <u>-</u> | <u>234,749</u> | <u>2,350</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Taxes Levied for Subsequent Period | 7,474,741 | 2,340,613 | 50,842 | 1,387,251 |
| Unavailable Revenues - Special Assessments | - | - | 119,881 | - |
| Unavailable Revenues - Others | - | 600,000 | - | - |
| Total Deferred Inflows of Resources | <u>7,474,741</u> | <u>2,940,613</u> | <u>170,723</u> | <u>1,387,251</u> |
| FUND BALANCES (DEFICIT) | | | | |
| Nonspendable | 89,237 | - | - | - |
| Restricted | - | 21,432 | - | 1,596,136 |
| Committed | - | - | 3,050,208 | - |
| Assigned | 554,162 | - | - | - |
| Unassigned (Deficit) | 5,170,547 | - | - | - |
| Total Fund Balances (Deficit) | <u>5,813,946</u> | <u>21,432</u> | <u>3,050,208</u> | <u>1,596,136</u> |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES (DEFICIT) | <u>\$ 14,248,391</u> | <u>\$ 2,962,045</u> | <u>\$ 3,455,680</u> | <u>\$ 2,985,737</u> |

| Tax Incremental District No. 6 | Nonmajor Governmental Funds | Totals | |
|--------------------------------------|-----------------------------------|----------------------|----------------------|
| | | 2022 | 2021 |
| \$ - | \$ 5,638,684 | \$ 15,084,900 | \$ 19,498,831 |
| 594,536 | - | 11,847,983 | 10,591,074 |
| - | - | 55,874 | 4,181 |
| - | - | 119,881 | 129,949 |
| - | 194,141 | 1,511,294 | 654,270 |
| - | 13,487 | 613,487 | 645,000 |
| - | - | 824,295 | - |
| - | - | 34,987 | 40,246 |
| <u>\$ 594,536</u> | <u>\$ 5,846,312</u> | <u>\$ 30,092,701</u> | <u>\$ 31,563,551</u> |
| \$ 226,494 | \$ 42,858 | \$ 1,247,637 | \$ 723,069 |
| - | 3,458 | 221,912 | 232,024 |
| 824,295 | - | 824,295 | - |
| - | - | 64 | 64 |
| - | - | - | 236,333 |
| - | 849,472 | 849,472 | 738,070 |
| <u>1,050,789</u> | <u>895,788</u> | <u>3,143,380</u> | <u>1,929,560</u> |
| 594,536 | - | 11,847,983 | 10,975,123 |
| - | - | 119,881 | 194,957 |
| - | - | 600,000 | 645,000 |
| <u>594,536</u> | <u>-</u> | <u>12,567,864</u> | <u>11,815,080</u> |
| - | - | 89,237 | 66,144 |
| - | 2,852,246 | 4,469,814 | 9,172,825 |
| - | 2,080,725 | 5,130,933 | 3,545,404 |
| - | 17,553 | 571,715 | 547,502 |
| <u>(1,050,789)</u> | <u>-</u> | <u>4,119,758</u> | <u>4,487,036</u> |
| <u>(1,050,789)</u> | <u>4,950,524</u> | <u>14,381,457</u> | <u>17,818,911</u> |
| <u>\$ 594,536</u> | <u>\$ 5,846,312</u> | <u>\$ 30,092,701</u> | <u>\$ 31,563,551</u> |

CITY OF HUDSON, WISCONSIN
Reconciliation of the Balance Sheet
Governmental Funds to the Statement of Net Position
As of December 31, 2022
With Summarized Information from December 31, 2021

| | 2022 | 2021 |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------|----------------------|
| Total Fund Balances - Governmental Funds | \$ 14,381,457 | \$ 17,818,911 |
| <i>Total net position reported for governmental activities in the statement of net position is different from the amount reported above as total governmental funds fund balance because:</i> | | |
| Capital assets used in government activities are not financial resources and therefore are not reported in the fund statements. Amounts reported for governmental activities in the statement of net position: | | |
| Governmental Capital Assets | \$ 134,109,644 | |
| Governmental Accumulated Depreciation | <u>(80,215,654)</u> | 53,893,990 |
| | | 53,298,872 |
| Some receivables that are not currently available are reported as deferred inflows of resources in the fund financial statements but are recognized as revenue when earned in the government-wide statements. | | |
| Other Receivables from Municipalities | 600,000 | |
| Special Assessments | <u>119,881</u> | 719,881 |
| | | 839,957 |
| Net pension asset is not usable in the current period therefore not reported in the fund financial statements | | |
| | | 3,244,584 |
| | | 2,497,889 |
| The City's proportionate share of the Wisconsin Retirement System pension plan and Other Post-Employment Benefits are not an available financial resource; therefore, they are not reported in the fund financial statements. | | |
| Deferred Outflows Related to Pension | 6,353,452 | 4,159,832 |
| Deferred Outflows Related to LRLIF | 102,161 | 109,904 |
| Deferred Outflows Related to OPEB Single-Employer | 100,256 | 84,092 |
| Deferred Inflows Related to Pension | (7,638,029) | (5,473,308) |
| Deferred Inflows Related to LRLIF | (64,477) | (73,954) |
| Deferred Inflows Related to OPEB Single-Employer | (418,501) | (400,848) |
| Post-employment benefit liability not payable in the current period therefore not reported in the fund financial statements | | |
| Net Other Post-Employment Benefits Liability - LRLIF | (295,016) | (261,355) |
| Net Other Post-Employment Benefits Liability - Single-Employer Plan | (1,002,421) | (1,007,363) |
| Noncurrent liabilities, including bonds, notes payable and lease liability, are not due in the current period and therefore not reported in the fund statements. | | |
| Noncurrent liabilities reported in the statement of net position that are not reported in the funds balance sheet | | |
| General Debt | (25,030,000) | (22,990,000) |
| Lease Liability | (22,246) | (26,031) |
| Premium on Debt Issued | (621,051) | (640,672) |
| Accrued Interest on General Obligation Debt | (141,379) | (234,494) |
| Vested Employee Benefits | <u>(143,333)</u> | <u>(154,466)</u> |
| Total Net Position - Governmental Activities | \$ 43,419,328 | \$ 47,546,966 |

CITY OF HUDSON, WISCONSIN

Statement of Revenues, Expenditures and Changes in Fund Balances (Deficit)

Governmental Funds

For the Year Ended December 31, 2022

With Summarized Information from December 31, 2021

| | General Fund | Debt Service Fund | Capital Projects Fund | Tax Incremental District No. 5 |
|------------------------------------------------------|----------------------------|----------------------------------|--------------------------------------|-----------------------------------------------|
| REVENUES | | | | |
| Taxes | \$ 7,184,524 | \$ 2,341,244 | \$ - | \$ 539,811 |
| Special Assessments | - | - | 97,917 | - |
| Intergovernmental | 1,225,409 | - | - | - |
| Licenses and Permits | 660,984 | - | - | - |
| Fines, Forfeitures and Penalties | 70,087 | - | - | - |
| Public Charges for Services | 247,221 | - | - | - |
| Intergovernmental Charges for Services | 712,254 | - | - | - |
| Miscellaneous | 1,540,865 | 3,342 | 44,613 | 9,053 |
| Total Revenues | <u>11,641,344</u> | <u>2,344,586</u> | <u>142,530</u> | <u>548,864</u> |
| EXPENDITURES | | | | |
| General Government | 3,190,226 | - | - | - |
| Public Safety | 5,659,288 | - | - | - |
| Transportation Facilities | 1,861,970 | - | - | - |
| Sanitation | 14,227 | - | - | - |
| Health and Human Services | 13,959 | - | - | - |
| Culture and Recreation | 869,677 | - | - | - |
| Conservation and Development | 548,860 | - | - | - |
| Debt Service: | | | | |
| Principal Retirement | - | 1,820,000 | - | - |
| Interest and Fiscal Charges | - | 693,675 | - | 108,273 |
| Capital Outlay | 43,962 | - | 3,310,009 | 3,817,384 |
| Total Expenditures | <u>12,202,169</u> | <u>2,513,675</u> | <u>3,310,009</u> | <u>3,925,657</u> |
| DEFICIENCY OF REVENUES UNDER EXPENDITURES | <u>(560,825)</u> | <u>(169,089)</u> | <u>(3,167,479)</u> | <u>(3,376,793)</u> |
| OTHER FINANCING SOURCES (USE) | | | | |
| Proceeds of Long-Term Debt | - | - | - | 3,860,000 |
| Debt Premium | - | 83,580 | - | - |
| Sale of Capital Assets | - | - | - | - |
| Transfers In | 1,335,354 | 77,525 | - | - |
| Transfers Out | (61,265) | - | - | - |
| Total Other Financing Sources (Use) | <u>1,274,089</u> | <u>161,105</u> | <u>-</u> | <u>3,860,000</u> |
| NET CHANGE IN FUND BALANCES | 713,264 | (7,984) | (3,167,479) | 483,207 |
| FUND BALANCES - BEGINNING | <u>5,100,682</u> | <u>29,416</u> | <u>6,217,687</u> | <u>1,112,929</u> |
| FUND BALANCES (DEFICIT) - ENDING | <u><u>\$ 5,813,946</u></u> | <u><u>\$ 21,432</u></u> | <u><u>\$ 3,050,208</u></u> | <u><u>\$ 1,596,136</u></u> |

| Tax Incremental District No. 6 | Nonmajor Governmental Funds | Totals | |
|--------------------------------------|-----------------------------------|---------------|---------------|
| | | 2022 | 2021 |
| \$ 152,872 | \$ 276,772 | \$ 10,495,223 | \$ 10,860,970 |
| - | - | 97,917 | 75,710 |
| - | 626,668 | 1,852,077 | 1,858,997 |
| - | - | 660,984 | 463,073 |
| - | - | 70,087 | 76,270 |
| - | 762,851 | 1,010,072 | 818,357 |
| - | 74,286 | 786,540 | 726,038 |
| 340 | 7,946 | 1,606,159 | 322,925 |
| 153,212 | 1,748,523 | 16,579,059 | 15,202,340 |
| - | - | 3,190,226 | 2,134,317 |
| - | 12,203 | 5,671,491 | 5,462,847 |
| - | 514,156 | 2,376,126 | 2,131,962 |
| - | - | 14,227 | 14,443 |
| - | - | 13,959 | 18,806 |
| - | 303,696 | 1,173,373 | 1,221,090 |
| - | 302,798 | 851,658 | 847,315 |
| - | - | 1,820,000 | 2,040,000 |
| - | - | 801,948 | 727,472 |
| 1,584,416 | 626,668 | 9,382,439 | 1,988,623 |
| 1,584,416 | 1,759,521 | 25,295,447 | 16,586,875 |
| (1,431,204) | (10,998) | (8,716,388) | (1,384,535) |
| - | - | 3,860,000 | 5,495,000 |
| - | - | 83,580 | 183,516 |
| - | - | - | 3,937 |
| - | - | 1,412,879 | 684,550 |
| - | (16,260) | (77,525) | (91,598) |
| - | (16,260) | 5,278,934 | 6,275,405 |
| (1,431,204) | (27,258) | (3,437,454) | 4,890,870 |
| 380,415 | 4,977,782 | 17,818,911 | 12,928,041 |
| \$ (1,050,789) | \$ 4,950,524 | \$ 14,381,457 | \$ 17,818,911 |

CITY OF HUDSON, WISCONSIN

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances (Deficit)

Governmental Funds to the Statement of Activities

For the Year Ended December 31, 2022

With Summarized Information from December 31, 2021

| | 2022 | 2021 |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------|----------------------------|
| Net Changes in Fund Balances - Total Governmental Funds | \$ (3,437,454) | \$ 4,890,870 |
| Amounts reported for governmental activities in the statement of activities are different because: | | |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. | | |
| Capital outlay reported in governmental fund statements | \$ 3,611,010 | |
| Depreciation expense reported in the statement of activities | <u>(2,999,913)</u> | |
| Amount by which capital outlays are greater (less) than depreciation in the current period. | 611,097 | (973,498) |
| The City disposed of assets resulting in a reduction of capital assets and recapture of prior year depreciation expense reported on the statement of activities as a net loss and has no effect on the governmental funds balance sheet. | | |
| The value of capital assets disposed of during the year | (53,984) | |
| The amount of depreciation recapture for the year | <u>38,005</u> | |
| Amount by which capital disposals are more than depreciation recapture in the current period | (15,979) | (17,125) |
| Amounts related to the pension plan that affect the statement of activities but do not affect the fund financial statements. | 775,594 | 758,319 |
| Amounts related to the other post-employment benefit that affect the statement of activities but do not affect the fund financials. | | |
| Net OPEB Liability - LRLIF | (31,927) | |
| Total OPEB Liability - Single-Employer | <u>3,453</u> | (78,761) |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds. | | |
| Other Receivables from Municipalities | (45,000) | |
| Special Assessments | <u>(75,076)</u> | 96,975 |
| Vested employee benefits are reported in the government funds when amounts are paid. The statement of activities reports the value of benefits earned during the year. This year the accrual of these benefits was less than the amount paid. | 11,133 | 358,001 |
| Repayment of principal on long-term debt is reported in the governmental funds as an expenditure, but is reported as a reduction in long-term debt in the statement of net position and does not affect the statement of activities. The amount of long-term debt principal payments in the current year is: | | |
| Bonds and Notes Payable | 1,820,000 | |
| Lease Liability | <u>9,776</u> | 2,040,000 |
| Debt incurred in governmental funds is reported as an other financing source, but is reported as an increase in outstanding long-term debt in the statement of net position, and does not affect the statement of activities. | | |
| Bonds Payable | (3,860,000) | |
| Lease Liability | <u>(5,991)</u> | (5,495,000) |
| Interest payments on outstanding debt are reported in the governmental funds as an expenditure when paid, in the statement of activities interest is reported as it accrues. | 93,115 | (53,150) |
| Debt premium, discount and amortization are allocated over the period the debt is outstanding and is reported as amortization revenue/expense in the statement of activities. The activity for the current year is as follows: | | |
| Premium on New Debt | (83,580) | |
| Amortization of Premium | <u>103,201</u> | (94,556) |
| Change in Net Position - Governmental Activities | <u>\$ (4,127,638)</u> | <u>\$ 1,432,075</u> |

CITY OF HUDSON, WISCONSIN
Statement of Net Position
Proprietary Funds
As of December 31, 2022
With Summarized Information from December 31, 2021

| | | | | Totals | |
|---------------------------------------------------------|----------------------|----------------------|-----------------------|----------------------|----------------------|
| | Water Utility | Sewer Utility | Nonmajor Funds | 2022 | 2021 |
| ASSETS | | | | | |
| Current Assets: | | | | | |
| Cash and Investments | \$ 6,666,471 | \$ 5,888,731 | \$ 132,897 | \$ 12,688,099 | \$ 12,547,788 |
| Receivables: | | | | | |
| Customers | 879,178 | 730,815 | 3,864 | 1,613,857 | 1,474,638 |
| Receivables on Tax Roll | 91,929 | 94,565 | - | 186,494 | 154,774 |
| Other | 43,723 | 82,629 | 9,725 | 136,077 | 95,337 |
| Due from Other Governments | 19,679 | 63,620 | - | 83,299 | 152,998 |
| Lease Receivable | 220,603 | - | - | 220,603 | 207,968 |
| Prepaid Items | - | - | - | - | 3,220 |
| Inventories | 35,557 | - | - | 35,557 | 25,815 |
| Total Current Assets | <u>7,957,140</u> | <u>6,860,360</u> | <u>146,486</u> | <u>14,963,986</u> | <u>14,662,538</u> |
| Noncurrent Assets: | | | | | |
| Restricted Cash | 159 | 1,951,408 | - | 1,951,567 | 1,940,185 |
| Restricted Impact Assessments | 850,970 | - | - | 850,970 | 747,123 |
| Lease Receivable | 2,486,626 | - | - | 2,486,626 | 2,707,229 |
| Net Pension Asset | 309,858 | 201,908 | 21,226 | 532,992 | 402,367 |
| Nondepreciable Capital Assets | 138,257 | 275,269 | 760,562 | 1,174,088 | 13,597,819 |
| Depreciable Capital Assets, Net of Depreciation | 28,017,278 | 16,200,815 | 605,107 | 44,823,200 | 30,855,332 |
| Total Noncurrent Assets | <u>31,803,148</u> | <u>18,629,400</u> | <u>1,386,895</u> | <u>51,819,443</u> | <u>50,250,055</u> |
| TOTAL ASSETS | <u>39,760,288</u> | <u>25,489,760</u> | <u>1,533,381</u> | <u>66,783,429</u> | <u>64,912,593</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | | | |
| Pension Related Amounts | 606,756 | 395,371 | 41,564 | 1,043,691 | 670,078 |
| Other Post-Employment Related Amounts - LRLIF | 19,110 | 13,105 | - | 32,215 | 30,927 |
| Other Post-Employment Related Amounts - Single-Employer | 18,753 | 11,610 | 1,251 | 31,614 | 17,474 |
| Total Deferred Outflows of Resources | <u>644,619</u> | <u>420,086</u> | <u>42,815</u> | <u>1,107,520</u> | <u>718,479</u> |
| CURRENT LIABILITIES | | | | | |
| Accounts Payable | 104,997 | 635,592 | 11,664 | 752,253 | 1,178,198 |
| Accrued and Other Current Liabilities | 34,270 | 22,619 | 2,628 | 59,517 | 59,300 |
| Accrued Interest | 8,231 | 26,703 | - | 34,934 | 31,739 |
| Due to Other Governments | 33,589 | 40,971 | - | 74,560 | 68,356 |
| Deposits from Others | 104,810 | - | 125 | 104,935 | 125 |
| Compensated Absences | 9,807 | 22,256 | 1,365 | 33,428 | 28,366 |
| Current Portion of Long-Term Obligations | 123,118 | 527,260 | - | 650,378 | 568,890 |
| Total Current Liabilities | <u>418,822</u> | <u>1,275,401</u> | <u>15,782</u> | <u>1,710,005</u> | <u>1,934,974</u> |
| NONCURRENT LIABILITIES | | | | | |
| Other Post-Employment Benefits - LRLIF | 55,183 | 37,844 | - | 93,027 | 73,626 |
| Other Post-Employment Benefits - Single Employer | 187,505 | 116,083 | 12,505 | 316,093 | 209,323 |
| Noncurrent Portion of Long-Term Debt | 1,954,181 | 10,261,778 | - | 12,215,959 | 11,364,867 |
| Total Noncurrent Liabilities | <u>2,196,869</u> | <u>10,415,705</u> | <u>12,505</u> | <u>12,625,079</u> | <u>11,647,816</u> |
| TOTAL LIABILITIES | <u>2,615,691</u> | <u>11,691,106</u> | <u>28,287</u> | <u>14,335,084</u> | <u>13,582,790</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | | |
| Lease Receivable | 2,707,229 | - | - | 2,707,229 | 2,915,197 |
| Pension Related Amounts | 729,433 | 475,309 | 49,967 | 1,254,709 | 881,658 |
| Other Post-Employment Related Amounts - LRLIF | 12,061 | 8,271 | - | 20,332 | 20,834 |
| Other Post-Employment Related Amounts - Single-Employer | 78,282 | 48,464 | 5,221 | 131,967 | 83,294 |
| Total Deferred Inflows of Resources | <u>3,527,005</u> | <u>532,044</u> | <u>55,188</u> | <u>4,114,237</u> | <u>3,900,983</u> |
| NET POSITION | | | | | |
| Net Investment in Capital Assets | 26,078,236 | 5,687,046 | 1,365,669 | 33,130,951 | 32,037,186 |
| Restricted | 1,038,310 | 2,073,378 | 12,823 | 3,124,511 | 3,089,518 |
| Unrestricted | 7,145,665 | 5,926,272 | 114,229 | 13,186,166 | 13,020,595 |
| TOTAL NET POSITION | <u>\$ 34,262,211</u> | <u>\$ 13,686,696</u> | <u>\$ 1,492,721</u> | <u>\$ 49,441,628</u> | <u>\$ 48,147,299</u> |

CITY OF HUDSON, WISCONSIN
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the Year Ended December 31, 2022
With Summarized Information from December 31, 2021

| | <u>Water Utility</u> | <u>Sewer Utility</u> | <u>Nonmajor Funds</u> | <u>Totals</u> | |
|-------------------------------------------------------------|----------------------|----------------------|---------------------------|----------------------|----------------------|
| | | | | <u>2022</u> | <u>2021</u> |
| OPERATING REVENUES | | | | | |
| Charges for Services | \$ 3,971,037 | \$ 2,952,693 | \$ 264,079 | \$ 7,187,809 | \$ 6,256,949 |
| Other Operating Revenues | 448,698 | 23,531 | 12,996 | 485,225 | 733,193 |
| Total Operating Revenues | <u>4,419,735</u> | <u>2,976,224</u> | <u>277,075</u> | <u>7,673,034</u> | <u>6,990,142</u> |
| OPERATING EXPENSES | | | | | |
| Operation and Maintenance | 2,315,315 | 1,918,960 | 254,551 | 4,488,826 | 4,005,514 |
| Depreciation | 1,010,363 | 666,980 | 78,051 | 1,755,394 | 1,537,608 |
| Total Operating Expenses | <u>3,325,678</u> | <u>2,585,940</u> | <u>332,602</u> | <u>6,244,220</u> | <u>5,543,122</u> |
| OPERATING INCOME (LOSS) | <u>1,094,057</u> | <u>390,284</u> | <u>(55,527)</u> | <u>1,428,814</u> | <u>1,447,020</u> |
| NONOPERATING REVENUES (EXPENSE) | | | | | |
| Gain on Disposal of Capital Assets | - | - | - | - | 85 |
| Investment Income | 74,945 | 91,526 | 8,067 | 174,538 | 17,995 |
| Interest Expense | (44,334) | (151,740) | - | (196,074) | (112,365) |
| Hook-up Fees | - | 331,448 | - | 331,448 | 269,512 |
| Miscellaneous | 1,935 | - | - | 1,935 | 657 |
| Total Nonoperating Revenues (Expense) | <u>32,546</u> | <u>271,234</u> | <u>8,067</u> | <u>311,847</u> | <u>175,884</u> |
| INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS | <u>1,126,603</u> | <u>661,518</u> | <u>(47,460)</u> | <u>1,740,661</u> | <u>1,622,904</u> |
| TRANSFERS OUT | <u>(460,786)</u> | <u>(83,321)</u> | <u>(791,247)</u> | <u>(1,335,354)</u> | <u>(592,952)</u> |
| CAPITAL CONTRIBUTIONS | <u>889,022</u> | <u>-</u> | <u>-</u> | <u>889,022</u> | <u>149,634</u> |
| CHANGE IN NET POSITION | <u>1,554,839</u> | <u>578,197</u> | <u>(838,707)</u> | <u>1,294,329</u> | <u>1,179,586</u> |
| NET POSITION - BEGINNING | <u>32,707,372</u> | <u>13,108,499</u> | <u>2,331,428</u> | <u>48,147,299</u> | <u>46,967,713</u> |
| NET POSITION - ENDING | <u>\$ 34,262,211</u> | <u>\$ 13,686,696</u> | <u>\$ 1,492,721</u> | <u>\$ 49,441,628</u> | <u>\$ 48,147,299</u> |

CITY OF HUDSON, WISCONSIN
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2022
With Summarized Information from December 31, 2021

| | <u>Water Utility</u> | <u>Sewer Utility</u> | <u>Nonmajor Funds</u> | <u>Totals</u> | |
|---------------------------------------------------------------------|----------------------|----------------------|-----------------------|----------------------|----------------------|
| | | | | <u>2022</u> | <u>2021</u> |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | |
| Cash Received from Customers | \$ 4,398,787 | \$ 2,781,155 | \$ 180,491 | \$ 7,360,433 | \$ 6,473,719 |
| Cash Received from Governmental Subsidies/Grants | 3,126 | 35,671 | - | 38,797 | 57,412 |
| Cash Received from Parking Forfeitures | - | - | 138,028 | 138,028 | 119,792 |
| Cash Paid to Suppliers for Goods and Services | (1,167,507) | (1,610,252) | (183,581) | (2,961,340) | (2,177,986) |
| Cash Paid to Employees For Wages and Benefits | (1,017,721) | (706,009) | (98,407) | (1,822,137) | (1,909,864) |
| Net Cash Flows From Operating Activities | <u>2,216,685</u> | <u>500,565</u> | <u>36,531</u> | <u>2,753,781</u> | <u>2,563,073</u> |
| CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES | | | | | |
| Merchandising, Jobbing, and Other Nonoperating Income | 1,935 | - | - | 1,935 | - |
| Transfer to Other Funds | (460,786) | (83,321) | (791,247) | (1,335,354) | (540,668) |
| Net Cash Flows From Noncapital Financing Activities | <u>(458,851)</u> | <u>(83,321)</u> | <u>(791,247)</u> | <u>(1,333,419)</u> | <u>(540,668)</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | | | |
| Acquisition of Capital Assets | (475,228) | (2,036,183) | - | (2,511,411) | (8,847,714) |
| Sale of Capital Assets | - | 6,144 | - | 6,144 | 85 |
| Cash Received for Hook-up Fees | - | 331,448 | - | 331,448 | 269,512 |
| Cash Received for Impact Fees | 94,758 | - | - | 94,758 | 10,964 |
| Principal Payments on Long-Term Debt | (121,680) | (488,694) | - | (610,374) | (120,268) |
| Proceeds from Long-Term Debt | - | 1,543,611 | - | 1,543,611 | 9,734,121 |
| Interest and Fiscal Charges | (45,531) | (148,005) | - | (193,536) | (89,932) |
| Net Cash Flows From Capital and Related Financing Activities | <u>(547,681)</u> | <u>(791,679)</u> | <u>-</u> | <u>(1,339,360)</u> | <u>956,768</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | |
| Investment Income | 74,945 | 91,526 | 8,067 | 174,538 | 17,995 |
| CHANGE IN CASH AND INVESTMENTS | <u>1,285,098</u> | <u>(282,909)</u> | <u>(746,649)</u> | <u>255,540</u> | <u>2,997,168</u> |
| CASH AND INVESTMENTS - BEGINNING | <u>6,232,502</u> | <u>8,123,048</u> | <u>879,546</u> | <u>15,235,096</u> | <u>12,237,928</u> |
| CASH AND INVESTMENTS - ENDING | <u>\$ 7,517,600</u> | <u>\$ 7,840,139</u> | <u>\$ 132,897</u> | <u>\$ 15,490,636</u> | <u>\$ 15,235,096</u> |
| RECONCILIATION OF CASH ACCOUNTS | | | | | |
| Cash and Investments | \$ 6,666,471 | \$ 5,888,731 | \$ 132,897 | \$ 12,688,099 | \$ 12,547,788 |
| Restricted Cash and Investments | 851,129 | 1,951,408 | - | 2,802,537 | 2,687,308 |
| Total Reconciliation of Cash Accounts | <u>\$ 7,517,600</u> | <u>\$ 7,840,139</u> | <u>\$ 132,897</u> | <u>\$ 15,490,636</u> | <u>\$ 15,235,096</u> |

See Accompanying Notes

CITY OF HUDSON, WISCONSIN
Statement of Cash Flows (Continued)
Proprietary Funds
For the Year Ended December 31, 2022
With Summarized Information from December 31, 2021

| | <u>Water Utility</u> | <u>Sewer Utility</u> | <u>Nonmajor Funds</u> | <u>Totals</u> | |
|----------------------------------------------------------|----------------------|----------------------|---------------------------|---------------------|---------------------|
| | | | | <u>2022</u> | <u>2021</u> |
| RECONCILIATION OF OPERATING INCOME (LOSS) | | | | | |
| TO NET CASH FLOWS FROM | | | | | |
| Operating Income (Loss) | \$ 1,094,057 | \$ 390,284 | \$ (55,527) | \$ 1,428,814 | \$ 1,447,020 |
| Adjustments to Reconcile Operating Income (Loss) | | | | | |
| to Net Cash Flows from Operating Activities: | | | | | |
| Depreciation | 1,010,363 | 666,980 | 78,051 | 1,755,394 | 1,537,608 |
| Meter Depreciation Charged to Sewer | 106,853 | (106,853) | - | - | - |
| Changes in Assets and Liabilities: | | | | | |
| Customer Accounts Receivable | (34,576) | (136,362) | 31,719 | (139,219) | (196,182) |
| Accounts Receivable on Tax Roll | (4,339) | (37,106) | - | (41,445) | (8,266) |
| Other Receivables | 17,967 | (58,707) | 9,725 | (31,015) | (7,906) |
| Due From Other Governments | (567) | 70,266 | - | 69,699 | 17,486 |
| Prepaid Items | - | - | 3,220 | 3,220 | (3,220) |
| Materials and Supplies | (9,742) | - | - | (9,742) | 880 |
| Net Pension Asset | (66,681) | (58,566) | (5,378) | (130,625) | (198,150) |
| Deferred Outflows Related to Pension | (201,784) | (156,658) | (15,171) | (373,613) | (191,958) |
| Deferred Outflows Related to OPEB Plans | (10,032) | (5,237) | (159) | (15,428) | (4,816) |
| Accounts Payable | 11,433 | (298,833) | (25,743) | (313,143) | (85,420) |
| Deposits Payable | (7,992) | - | (248) | (8,240) | 20,615 |
| Accrued Wages | 1,073 | (608) | - | 465 | 8,124 |
| Due to Other Governments | 3,693 | 2,511 | - | 6,204 | (7,211) |
| Accrued Compensated Absences | (3,081) | 6,778 | 1,365 | 5,062 | (56,909) |
| Net OPEB Liability Related to OPEB Plans | 82,087 | 44,662 | (578) | 126,171 | 34,752 |
| Deferred Inflows Related to Pension | 196,590 | 161,221 | 15,240 | 373,051 | 268,466 |
| Deferred Inflows Related to OPEB Plans | 31,363 | 16,793 | 15 | 48,171 | (11,840) |
| Net Cash Flows From | | | | | |
| Operating Activities | <u>\$ 2,216,685</u> | <u>\$ 500,565</u> | <u>\$ 36,531</u> | <u>\$ 2,753,781</u> | <u>\$ 2,563,073</u> |
| Non-cash Capital and Related Financing Activities | | | | | |
| Contributions of Capital Assets | <u>\$ 794,264</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 794,264</u> | <u>\$ 138,670</u> |

CITY OF HUDSON, WISCONSIN
Statement of Fiduciary Net Position
Fiduciary Fund
As of December 31, 2022
With Summarized Information from December 31, 2021

| | Custodial | |
|------------------------------|-----------------------|-------------------|
| | Tax Collection | |
| | Fund | |
| | 2022 | 2021 |
| ASSETS | | |
| Cash and Investments | \$ 3,432,964 | \$ 1,527,389 |
| Taxes Receivable | 30,841,648 | 29,110,878 |
| Total Assets | 34,274,612 | 30,638,267 |
| LIABILITIES | | |
| Due to Other Taxing Entities | 34,274,612 | 30,638,267 |
| NET POSITION | \$ - | \$ - |

CITY OF HUDSON, WISCONSIN
Statement of Changes in Fiduciary Net Position
Fiduciary Fund
For the Year Ended December 31, 2022
With Summarized Information from December 31, 2021

| | Custodial Fund Tax Collection Fund | |
|----------------------------------------------------|------------------------------------------|---------------|
| | 2022 | 2021 |
| ADDITIONS | | |
| Taxes Collected on Behalf of Other Taxing Entities | \$ 19,330,240 | \$ 30,249,287 |
| DEDUCTIONS | | |
| Taxes Remitted to Other Taxing Entities | 19,330,240 | 30,249,287 |
| CHANGE IN NET POSITION | - | - |
| NET POSITION - BEGINNING | - | - |
| NET POSITION - ENDING | <u>\$ -</u> | <u>\$ -</u> |

CITY OF HUDSON, WISCONSIN

Notes to Financial Statements

December 31, 2022

Note 1 - Summary of Significant Accounting Policies

This summary of significant accounting policies of the City of Hudson, Wisconsin (City) is presented to assist in understanding the City's financial statements. The financial statements and notes are representations of the City's management who is responsible for the integrity and objectivity of the financial statements. These accounting policies conform to generally accepted accounting principles (GAAP) and have been consistently applied in the preparation of the financial statements. The Governmental Accounting Standards Board (GASB) is the accepted standards setting body for establishing governmental accounting and financial reporting principles.

Reporting Entity

The City is a Wisconsin municipal corporation governed by an elected six-member council. In accordance with generally accepted accounting principles (GAAP), the financial statements are required to include the City (the primary government) and any separate component units that have a significant operational or financial relationship with the City. A blended component unit, although a legally separate entity, is in substance, considered part of the government's operations and is included within the financial statements of the primary government. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

Discretely Presented Component Units

St. Croix Business Park. Effective November 1996, the City became fiscal agent for the St. Croix Business Park Corporation (Business Park). The Business Park is a nonprofit corporation established for the purpose of owning and developing industrial property in the City of Hudson. It has no members and is governed by a three-member board of directors. Originally, the City was jointly involved in the Business Park with Xcel Energy (formerly Northern States Power Company), in which the City reported the Business Park as a related entity. In February 2015, Xcel Energy abandoned its interest in the Business Park. The City now appoints two of the three directors, and the third director is then appointed by the other two directors. The directors will serve an indefinite term or until replaced by their appointing body. Starting in 2015, the City reports the Business Park activity as a discretely presented component unit. The Business Park does not issue stand-alone financial statements.

Joint Library. During 2003, the City, through a joint library contractual agreement with the Village of North Hudson and the Town of Hudson, created the Hudson Area Joint Library (Joint Library). In 2008, the agreement was updated to also include the Town of St. Joseph. The Joint Library is governed by an eight-member board with three members representing the City, two members representing the Town of Hudson, one member representing the Town of St. Joseph, one member representing the Village, and one member representing the school district. The City appoints the City representatives. The City has transferred ownership of its library and collection to the joint library board; however, if the joint library is dissolved without a successor organization, ownership of its property reverts back to the City. The City is to act as the fiscal agent for the joint library, with all disbursements subject to approval of the joint library board.

Employees of the joint library are employees of the City of Hudson and reported under the City's federal and state employer identification numbers. The Joint Library does not issue stand-alone financial statements.

Community Access Board. In 1981, the City along with the Village of North Hudson established the City of Hudson - Village of North Hudson Cable Communications Board, later renamed the Hudson/North Hudson Community Access Board, to jointly enforce a single nonexclusive cable communications franchise for the City and the Village. The Board is governed by a seven-member board with three members representing the City, three representing the Village, and one representing the School District of Hudson Board of Education. The City of Hudson is deemed to be the fiscal agent of the Board. Employees of the Board are employees of the City of Hudson and are reported under the City's federal and state employer identification numbers. The Community Access Board does not issue stand-alone financial statements.

CITY OF HUDSON, WISCONSIN

Notes to Financial Statements

December 31, 2022

Note 1 - Summary of Significant Accounting Policies (Continued)

Other Entity - Hudson Housing Authority. The City is responsible for the appointment of the board members of the Hudson Housing Authority (Housing Authority). The City, however, cannot, without cause, remove appointed members prior to completion of their five-year term. The City receives no funding from, nor provides any funding to, the Housing Authority. The City is not considered to be financially accountable for the Housing Authority and, accordingly, the Housing Authority is not considered to be a component unit of the City.

Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the City. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for services.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, 2) grants and contributions that are restricted to meeting the operational requirements of a particular function, and 3) capital grants and contributions. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

Fund Financial Statements

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds. Governmental funds include general, special revenue, capital projects and debt service funds. Proprietary funds include enterprise funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Fund financial statements of the reporting entity are organized into individual funds each of which are considered to be separate accounting entities. 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, fund equity, revenues, and expenditures/ expenses. 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.

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

CITY OF HUDSON, WISCONSIN

Notes to Financial Statements

December 31, 2022

Note 1 - Summary of Significant Accounting Policies (Continued)

Fund Financial Statements (Continued)

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

Governmental Funds

Governmental funds are identified as either general, debt service, special revenue or capital projects based upon the following guidelines:

General Fund

The general fund is the primary operating fund of the City and is always classified as a major fund. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds

Special revenue funds are used to account for the specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specific purposes.

Debt Service Funds

Debt service funds are used to account for the accumulation of resources for, and the payment of, general long-term principal, interest, and related costs.

Capital Projects Funds

Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

The City reports the following major governmental funds:

General Fund

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

Debt Service Fund

This fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds, except debt issued to finance project plan expenditures of the City's tax incremental financing Districts.

Capital Projects Fund

This fund accounts for the various governmental infrastructure outlay projects of the City in which the time of construction normally exceeds more than one accounting period and often are funded with proceeds of long-term debt.

CITY OF HUDSON, WISCONSIN

Notes to Financial Statements

December 31, 2022

Note 1 - Summary of Significant Accounting Policies (Continued)

Government-Wide and Fund Financial Statements (Continued)

Tax Incremental District No. 5

This fund accounts for the City's resources accumulated to support development and improvement costs in a designated area funded from the property tax generated on the increased value of the property after creation date of the districts.

Tax Incremental District No. 6

This fund accounts for the City's resources accumulated to support development and improvement costs in a designated area funded from the property tax generated on the increased value of the property after creation date of the districts.

Proprietary Funds

The City reports the following major proprietary funds:

Water Utility

This is the City's fund to account for operations of the City's Water Utility. Utility operations are subject to regulations by the Wisconsin Public Service Commission.

Sewer Utility

This is the City's fund to account for the operations of the City's wastewater treatment facilities.

Fiduciary Fund

The City follows the presentation requirements of accounting principles generally accepted in the United States of America as prescribed by the Government Accounting Standards Board and GASB Statement No. 84, *Fiduciary Activities*. This statement revised the criteria on whether the government is controlling the assets of the fiduciary activity and the beneficiaries with whom a fiduciary relationship exists. An activity meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. Four types of fiduciary funds that should be reported, if applicable, include pension (and other employee benefit) trust funds, investment trust funds, private-purpose trust funds, and custodial funds.

The City reports the following custodial fund:

Tax Collection Fund

This fund accounts for taxes and deposits collected by the City, acting in the capacity of a custodian, for distribution to other governmental units or designated beneficiaries.

Measurement Focus And Basis Accounting

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

CITY OF HUDSON, WISCONSIN

Notes to Financial Statements

December 31, 2022

Note 1 - Summary of Significant Accounting Policies (Continued)

Measurement Focus And Basis Accounting (Continued)

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

Assets, Liabilities and Net Position or Equity

Cash and Investments

Cash and investments are combined. Cash deposits consist of demand and time deposits with financial institutions and are carried at cost. For purpose of the statement of cash flows, all cash deposits and highly liquid investments (including restricted assets) with a maturity of three months or less from date of acquisition are considered to be cash.

The City categorizes the fair value measurement of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: 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.

Restricted Cash

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.

Accounts Receivable

Accounts receivable in the governmental funds are recorded at gross amounts with uncollectible amounts recognized under the direct write-off method. No allowance for uncollectible accounts has been provided since it is believed that the amount of such allowance would not be material. Delinquent real estate taxes as of July 31 are paid in full by the county, which assumes the collection thereof.

Accounts receivable in the proprietary funds are recorded at net amounts with uncollectible amounts recognized internally when appropriate.

Special Assessments

Assessments against property owners for public improvements are generally not subject to full settlement in the year levied. Special assessments are placed on tax rolls on an installment basis. Revenue from special assessments recorded in governmental funds is recognized as collections are made or as current installments are placed on tax rolls. Installments placed on the 2022 tax roll are recognized as revenue in 2023. Special assessments are subject to collection procedures.

CITY OF HUDSON, WISCONSIN

Notes to Financial Statements

December 31, 2022

Note 1 - Summary of Significant Accounting Policies (Continued)

Assets, Liabilities and Net Position or Equity (Continued)

Inventories

Inventories of governmental fund types are offset by a nonspendable fund balance to indicate they do not represent spendable available financial resources.

Inventories of governmental and proprietary fund types are recorded at cost, which approximates market, using the first-in, first-out method of valuation. The cost is recorded as an expenditure/expense at the time individual inventory items are consumed rather than when purchased.

Prepaid Items

Payments made to vendors that will benefit periods beyond the end of the current fiscal year are recorded as prepaid items.

Prepaid items of governmental fund types in the fund financial statements are offset by a nonspendable fund balance to indicate that they do not represent spendable available financial resources.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of \$1,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition cost at the date of donation.

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 as in the government-wide statements.

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

Property, plant and equipment of the City is depreciated using the straight-line method over the following estimated useful lives:

| | Years |
|----------------------------|--------------|
| Land Improvements | 20 - 50 |
| Buidlings and Improvements | 20 - 50 |
| Machinery and Equipment | 3 - 10 |
| Infrastructure | 20 - 50 |
| Utility Systems | 4 - 100 |

CITY OF HUDSON, WISCONSIN

Notes to Financial Statements

December 31, 2022

Note 1 - Summary of Significant Accounting Policies (Continued)

Assets, Liabilities and Net Position or Equity (Continued)

Compensated Absences

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

Deferred Outflows of Resources and Deferred Inflows of Resources

In addition to assets, the balance sheet and/or statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The City has three items that qualify for reporting in this category. Accordingly, deferred outflows of resources related to pension, and deferred outflows are resources related to other post-employment benefits are reported in the statement of net position.

In addition to liabilities, the balance sheet and/or statement of net position will sometimes report a separate section for deferred inflows of resources. The separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position or fund balance that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The City has seven types of deferred inflows of resources, one which arises under both modified accrual and the full accrual basis of accounting, two that only arise under the modified accrual basis of accounting on the governmental funds balance sheet and four that arise under the full accrual basis of accounting. Taxes levied for the subsequent period have not met the time requirement to be recognized as an acquisition of resources and is therefore reported as deferred inflows of resources on both the governmental funds balance sheet and the governmental activities statement of net position. The governmental funds report unavailable revenues from special assessments and due from other municipalities. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. Deferred inflows of resources related to pension, deferred inflows of resources related to other post-employment benefits local retiree life insurance fund and single-employer plan, and lease receivables are reported in the statement of net position.

Pension and Other Post-Employment Benefits

Other Post-Employment Benefits (OPEB)

The City's single-employer other post-employment benefit plan and the local retiree life insurance fund have been determined using the flow of economic resources measurement focus and the accrual basis of accounting. This includes for purposes of measuring the total OPEB liability, net OPEB liability, deferred outflows of resources and deferred inflows of resources related to other post-employment benefits. OPEB expenses have been determined on the same basis as they are reported by the plan. For this purpose, benefit payments (including refunds) of employee contributions) are recognized when due and payable in accordance with the benefit terms.

Pension

For purposes of measuring the net pension asset, deferred outflows of resources and deferred inflows of resources related to pension, 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 the WRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

CITY OF HUDSON, WISCONSIN

Notes to Financial Statements

December 31, 2022

Note 1 - Summary of Significant Accounting Policies (Continued)

Assets, Liabilities and Net Position or Equity (Continued)

Long-Term Obligations

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

Conduit Debt

The City has approved the issuance of one industrial revenue bond (IRB) for the benefit of a private business enterprise. IRBs are secured by mortgages or revenue agreements on the associated projects, and do not constitute indebtedness of the City. Accordingly, the bond is not reported as a liability in the accompanying financial statements. The City has not made any additional commitments on the IRB outstanding. The total amount of the IRB outstanding at the end of the year is approximately \$722,792.

Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" and "due to other funds" in the fund financial statements. Noncurrent portions of the interfund receivables for the governmental funds are reported as "advances to other funds" and are offset by nonspendable fund balance since they do not constitute expendable available financial resources and therefore are not available for appropriation.

Interfund Transactions

During the course of normal operations, the City has various transactions between funds, including expenditures and transfers of resources to provide services, construct assets and service debt. The governmental funds generally record such transactions as operating transfers if within governmental funds. Transactions between governmental and proprietary funds are usually recorded as revenues and either expenditures or expenses of the respective funds.

Unearned Revenue

Revenue received that has not been earned, is recorded as a liability until a period of time or expenditures occur. Once the funds are considered earned, at that point they are recognized as revenue.

Leases

The City adopted GASB Statements No. 87 for the year ended December 31, 2022, which requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. This statement establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. A lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and lessor is required to recognize a lease receivable and a deferred inflow of resources.

CITY OF HUDSON, WISCONSIN

Notes to Financial Statements

December 31, 2022

Note 1 - Summary of Significant Accounting Policies (Continued)

Assets, Liabilities and Net Position or Equity (Continued)

Equity Classifications

Government-Wide Statements

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

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

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

Fund balance is classified as either 1) nonspendable, 2) restricted, 3) committed, 4) assigned, or 5) unassigned.

Nonspendable fund balance represents amounts that cannot be spent due to form (such as inventories and prepaid amounts), or amounts that must be maintained intact legally or contractually (such as the principal of a permanent fund).

Restricted fund balance represents amounts constrained for a specific purpose by external parties, constitutional provision or enabling legislation.

Committed fund balance represents amounts constrained for a specific purpose by a government using its highest level of decision-making authority. It would require action by the same group to remove or change the constraints placed on the resources. The action to constrain resources must occur prior to year-end; however, the amount can be determined in the subsequent period. The City Council is the decision-making authority that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance.

Assigned fund balance, in the general fund, represents amounts constrained by the City Council for a specific intended purpose. The City has not delegated that authority to others. Assigned fund balance in all other governmental funds represents any positive remaining amount after classifying nonspendable, restricted or committed fund balance.

Unassigned fund balance represents amounts not classified as nonspendable, restricted, committed or assigned. The general fund is the only fund that would report a positive amount in the unassigned fund balance.

The City, unless otherwise required by law or agreements, spends funds in the following order: restricted first, then committed, then assigned, and lastly unassigned. The City has not adopted a minimum fund balance policy.

CITY OF HUDSON, WISCONSIN

Notes to Financial Statements

December 31, 2022

Note 1 - Summary of Significant Accounting Policies (Continued)

Claims and Judgments

Claims and judgments are recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncements are met. Claims and judgments expected to be liquidated with expendable available financial resources are recorded during the year as expenditures in the governmental funds. If they are not expected to be liquidated with expendable available financial resources, no liability is recognized in the governmental fund financial statements. Claims and judgments in the government-wide financial statements and proprietary funds are recorded as expenses when the related liabilities are incurred. There were no significant claims or judgments at the end of the year.

Use of Estimates

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, deferred outflows of resources, liabilities and deferred inflows of resources at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results may differ from those estimates.

Prior Year Information

Comparative amounts for the prior year have been presented in the basic financial statements to provide an understanding of changes in the City's financial position and operations. The comparative amounts are summarized in total and not at the level of detail required for a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the government's financial statements for the year ended December 31, 2021, from which the summarized information was derived.

Reclassifications

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

Note 2 - Cash and Investments

The City is required to invest its funds in accordance with Wisconsin Statutes. Allowable investments are as follows:

- Time deposits in any credit union, bank, savings bank or trust company maturing in three year or less.
- 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, local professional baseball park district, or the University of Wisconsin Hospitals and Clinics Authority.
- Bonds or securities issued or guaranteed by the federal government.
- The Wisconsin Local Government Investment Pool.
- Any security maturing in seven year or less and having the highest or second highest rating category of a nationally recognized rating.
- Securities of an open-end management investment company or investment trust subject to various conditions and investment options.
- Repurchase agreements with public depositories, with certain conditions.

CITY OF HUDSON, WISCONSIN

Notes to Financial Statements

December 31, 2022

Note 2 - Cash and Investments (Continued)

The carrying amount of the City's cash and investment balances consisted of the following as of December 31, 2022:

| | |
|-----------------------------------------------------------|----------------------|
| Deposits in Financial Institutions | \$ 4,885,025 |
| Deposits in State Local Government Pooled Investment Fund | 12,215,602 |
| Investments in Federal Agency Issuances | 4,086,712 |
| Investment in Municipal Bonds and Notes | 4,610,902 |
| Investments in U.S. Treasury Securities | 8,576,755 |
| Investments in Money Market Funds | 1,005,952 |
| Certificate of Deposits | 2,811,526 |
| Petty Cash | 1,531 |
| Total Cash and Investments | 38,194,005 |
| Less Amount Allocated to Component Units | (5,036,475) |
| Total Cash and Investments | <u>\$ 33,157,530</u> |

Wisconsin statutes require repurchase agreements to be fully collateralized by bonds or securities issued or guaranteed by the federal government or its instrumentalities. The City does not have an additional custodial credit policy.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party.

At December 31, 2022, the City's deposits had a bank balance of \$5,549,211. The City maintains its cash accounts at several financial institutions. Deposits in each bank are insured by the FDIC up to \$250,000 for the combined amounts of all time and savings accounts (including NOW accounts); up to \$250,000 for the combined amount of all interest and noninterest bearing demand deposit accounts.

Any losses caused by failure of public depositories are also covered by the State Deposit Guarantee Fund. The fund provides coverage of \$400,000 in each financial institution above the applicable insurance coverage provided by the FDIC. However, although the fund had reserves available at December 31, 2022, the future availability of resources to cover the losses cannot be projected because provisions of the 1985 Wisconsin Act 25 provided that the amount in the fund will be used to repay public depositors for losses until the appropriation is exhausted, at which time the fund will be abolished; therefore, the State Deposit Guarantee Fund is not considered in covered amounts noted below.

The following represents a summary of deposits as of December 31, 2022:

| | |
|--------------------------------|---------------------|
| Fully Insured Deposits | \$ 1,750,000 |
| Collateralized | 929,229 |
| Uninsured and Uncollateralized | <u>2,869,982</u> |
| Total | <u>\$ 5,549,211</u> |

CITY OF HUDSON, WISCONSIN

Notes to Financial Statements

December 31, 2022

Note 2 - Cash and Investments (Continued)

The difference between the bank balance and carrying value is due to outstanding checks and/or deposits in transit at December 31, 2022.

Credit Risk – State law limits investments in commercial paper, corporate bonds, and mutual bond funds to the top two ratings issued by nationally recognized statistical rating organizations. The City's investment policy does not further limit its investment choices.

As of December 31, 2022, the City's credit quality ratings are as follows:

| Investment Type | Amount | Exempt From Disclosure | AAA | Aa1 | Not Rated |
|-------------------------------------|----------------------|------------------------------|-------------------|---------------------|----------------------|
| U.S. Treasury Securities | \$ 8,576,755 | \$ 8,576,755 | \$ - | \$ - | \$ - |
| Municipal Bonds and Notes | 4,610,902 | - | 639,005 | 3,971,897 | - |
| Federal Home Loan Bank | 1,461,582 | - | - | 1,461,582 | - |
| Federal Home Loan Mortgage Corp | 2,327,784 | - | - | 2,327,784 | - |
| Federal Farm Credit Bureau | 297,297 | - | - | 297,297 | - |
| Certificate of Deposits | 2,811,526 | - | - | - | 2,811,526 |
| Debt Instrument GNMA | 49 | - | - | - | 49 |
| WI Local Government Investment Pool | 12,215,602 | - | - | - | 12,215,602 |
| | <u>\$ 32,301,497</u> | <u>\$ 8,576,755</u> | <u>\$ 639,005</u> | <u>\$ 8,058,560</u> | <u>\$ 15,027,177</u> |

Concentration of Credit Risk

The City's investment policy states that it will diversify its investments by security type and institution. With the exception of U.S. Treasury securities and authorized pools, no more than 50% of the City's total investment portfolio will be invested in a single type or with a single financial institution. Investments in any one issuer that represent 5% or more of City's total investments are as follows:

| Issuer | Investment Type | Reported Amount | Percent of Total Investment |
|---------------------------------|--------------------|--------------------|-----------------------------------|
| Federal Home Loan Mortgage Corp | US Government Bond | \$ 2,327,784 | 7.21% |

Interest Rate Risk

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

CITY OF HUDSON, WISCONSIN

Notes to Financial Statements

December 31, 2022

Note 2 - Cash and Investments (Continued)

As of December 31, 2022, The City's Investments were as follows:

| Investments | Amount | Remaining Maturity (in Months) | | | |
|-------------------------------------|---------------------|--------------------------------|---------------------|---------------------|---------------------|
| | | 12 Months or Less | 13 to 24 Months | 25 to 60 Months | More Than 60 Months |
| U.S. Treasury Securities | \$ 8,576,755 | \$ 8,576,755 | \$ - | \$ - | \$ - |
| Municipal Bonds and Notes | 4,610,902 | 2,557,644 | 607,298 | 1,445,960 | - |
| Federal Home Loan Bank | 1,461,582 | 1,461,582 | - | - | - |
| Federal Home Loan Mortgage Corp | 2,327,784 | 2,327,784 | - | - | - |
| Federal Farm Credit Bureau | 297,297 | 297,297 | - | - | - |
| Certificate of Deposits | 2,811,526 | 124,291 | 2,353,889 | 333,346 | - |
| Debt Instrument GNMA | 49 | 49 | - | - | - |
| WI Local Government Investment Pool | 12,215,602 | 12,215,602 | - | - | - |
| | <u>\$32,301,497</u> | <u>\$27,561,004</u> | <u>\$ 2,961,187</u> | <u>\$ 1,779,306</u> | <u>\$ -</u> |

Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations

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

| Highly Sensitive Investments | Fair Value at Year End |
|------------------------------------------|------------------------|
| Federal Home Loan Bank | \$ 1,461,582 |
| Federal Home Loan Mortgage Corp | 2,327,784 |
| Federal Farm Credit Bureau | 297,297 |
| Government National Mortgage Association | 49 |
| | <u>\$ 4,086,712</u> |

Fair Value

Investments are measured at fair value on a recurring basis. Recurring fair value measurements are those that Governmental Accounting Standards Board (GASB) Statements require in the statement of net position at the end of each reporting period. Fair value measurements are categorized based on the valuation inputs used to measure an asset's fair value.

- Level 1 – Valuation for assets are from quoted prices in active markets. These valuations are obtained from readily available pricing sources for market transactions involving identical assets.
- Level 2 – Valuation for assets are from less active markets. These valuations are obtained from third party pricing services for identical or similar assets.
- Level 3 – Measurements that are least observable are estimated from related market data, determined from sources with little or no market activity for comparable contracts, or are positions with longer durations. These valuations incorporate certain assumptions and projections in determining fair value assigned to such assets.

CITY OF HUDSON, WISCONSIN

Notes to Financial Statements

December 31, 2022

Note 2 - Cash and Investments (Continued)

| | Fair Value Measurement Using | | |
|---------------------------------|------------------------------|---------------|---------|
| | Level 1 | Level 2 | Level 3 |
| U.S. Treasury Securities | \$ - | \$ 8,576,755 | \$ - |
| Municipal Bonds and Notes | - | 4,610,902 | - |
| Federal Home Loan Bank | - | 1,461,582 | - |
| Federal Home Loan Mortgage Corp | - | 2,327,784 | - |
| Federal Farm Credit Bureau | - | 297,297 | - |
| Certificate of Deposits | - | 2,811,526 | - |
| Debt Instrument GNMA | - | 49 | - |
| Total Cash and Investments | \$ - | \$ 20,085,895 | \$ - |

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. Participants in the LGIP have the right to withdraw their funds in total on one day's notice. Investments in the local government investment pool are not insured. Investments in the LGIP are valued at amortized cost. The balance in the local government investment pool at December 31, 2022 was \$12,215,602.

Note 3 - Restricted Assets

Restricted assets on December 31, 2022 totaled \$2,802,537 and consisted of cash and investments held for the following purposes:

| | |
|-------------------------------|--------------|
| Enterprise Funds: | |
| Water Utility | |
| Debt Service | \$ 159 |
| Carmichael Impact Assessments | 850,970 |
| Total Water Utility | 851,129 |
| Sewer Utility | |
| Sewer Replacement Fund | 1,951,408 |
| Total Restricted Assets | \$ 2,802,537 |

Note 4 - Property Taxes

Real estate property taxes are payable in full by January 31 or in four installments on or before January 31, March 31, May 31, and July 31. Real estate taxes not paid by July 31 are submitted to St. Croix County for final collection as part of the August tax settlement.

Personal property tax bills, except improvements on leased land, must be paid in full on or before January 31 or the taxes are delinquent.

All delinquent real estate and personal property taxes are subject to interest of 1% per month (fraction of a month counts as a whole month) from February 1 until paid and may be subject to an additional penalty (sec. 74.47, Wis. Stats.). The payment must be received by the treasurer within 5 working days of the due date.

Under 2011 Wisconsin Act 32, a municipality is allowed to increase its levy over the amount it levied in the prior year by the percentage increase in equalized value from net new construction or zero percent. Changes in debt service from one year to the next are generally exempt from this limit.

CITY OF HUDSON, WISCONSIN

Notes to Financial Statements

December 31, 2022

Note 5 - Capital Assets

Capital asset activity for governmental activities for the year ended December 31, 2022 was as follows:

| | Beginning Balances | Increases | Decreases | Ending Balances |
|----------------------------------------------------------------------------------------|-----------------------|---------------------|-------------------|----------------------|
| Governmental Activities | | | | |
| Capital Assets not Being Depreciated | | | | |
| Land | \$ 8,615,591 | \$ | \$ 6,079 | \$ 8,609,512 |
| Construction in Progress | 767,686 | 375,639 | 611,789 | 531,536 |
| Total Capital Assets Not Being Depreciated | <u>9,383,277</u> | <u>375,639</u> | <u>617,868</u> | <u>9,141,048</u> |
| Capital Assets Being Depreciated | | | | |
| Right To Use Asset | 40,296 | 5,991 | - | 46,287 |
| Land Improvements | 3,155,303 | 35,570 | - | 3,190,873 |
| Buildings and Improvements | 13,911,044 | 458,055 | - | 14,369,099 |
| Machinery and Equipment | 5,204,296 | 1,299,039 | 47,905 | 6,455,430 |
| Vehicles | 6,613,986 | 115,242 | - | 6,729,228 |
| Infrastructure | 92,244,416 | 1,933,263 | - | 94,177,679 |
| Total Capital Assets Being Depreciated | <u>121,169,341</u> | <u>3,847,160</u> | <u>47,905</u> | <u>124,968,596</u> |
| Less Accumulated Depreciation | | | | |
| Right To Use Asset | (14,265) | (10,639) | - | (24,904) |
| Land Improvements | (2,341,550) | (92,914) | - | (2,434,464) |
| Buildings and Improvements | (3,375,755) | (331,758) | - | (3,707,513) |
| Machinery and Equipment | (3,291,668) | (453,177) | (38,005) | (3,706,840) |
| Vehicles | (4,041,326) | (383,727) | - | (4,425,053) |
| Infrastructure | (64,189,182) | (1,727,698) | - | (65,916,880) |
| Total Accumulated Depreciation | <u>(77,253,746)</u> | <u>(2,999,913)</u> | <u>(38,005)</u> | <u>(80,215,654)</u> |
| Total Capital Assets Being Depreciated, Net of Depreciation | <u>43,915,595</u> | <u>847,247</u> | <u>9,900</u> | <u>44,752,942</u> |
| Governmental Activities Capital Assets, Net of Accumulated Depreciation | <u>\$ 53,298,872</u> | <u>\$ 1,222,886</u> | <u>\$ 627,768</u> | <u>\$ 53,893,990</u> |

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

| | |
|-------------------------------------------------------------|---------------------|
| Governmental Activities: | |
| General Government | \$ 242,269 |
| Public Safety | 561,124 |
| Public Works | 1,997,379 |
| Health and Human Services | 588 |
| Culture and Recreation | 197,579 |
| Conservation and Development | 974 |
| Total Depreciation Expense - Governmental Activities | <u>\$ 2,999,913</u> |

CITY OF HUDSON, WISCONSIN

Notes to Financial Statements

December 31, 2022

Note 5 - Capital Assets (Continued)

Capital asset activity for the business-type activities for the year ended December 31, 2022 was as follows:

| | Beginning Balances | Increases | Decreases | Ending Balances |
|-------------------------------------------------------------------------|-----------------------|---------------------|---------------------|----------------------|
| Water Utility | | | | |
| Capital Assets not Being Depreciated | | | | |
| Land and Land Rights | \$ 136,862 | \$ - | \$ - | \$ 136,862 |
| Construction in Progress | 1,148,755 | 416,922 | 1,564,282 | 1,395 |
| Total Capital Assets Not Being Depreciated | <u>1,285,617</u> | <u>416,922</u> | <u>1,564,282</u> | <u>138,257</u> |
| Capital Assets Being Depreciated | | | | |
| Source of Supply | 1,873,394 | - | - | 1,873,394 |
| Pumping Plant | 2,390,443 | 8,901 | 2,225 | 2,397,119 |
| Water Treatment | 8,476,504 | 4,818 | - | 8,481,322 |
| Transmission and Distribution | 27,789,152 | 2,368,019 | 165,731 | 29,991,440 |
| General Assets | 2,294,595 | 35,114 | 16,922 | 2,312,787 |
| Total Capital Assets Being Depreciated | <u>42,824,088</u> | <u>2,416,852</u> | <u>184,878</u> | <u>45,056,062</u> |
| Less Accumulated Depreciation | | | | |
| Source of Supply | (851,759) | (51,775) | - | (903,534) |
| Pumping Plant | (2,179,242) | (56,485) | (2,225) | (2,233,502) |
| Water Treatment | (3,570,368) | (274,988) | - | (3,845,356) |
| Transmission and Distribution | (8,268,646) | (641,496) | (165,731) | (8,744,411) |
| General Assets | (1,236,431) | (92,472) | (16,922) | (1,311,981) |
| Total Accumulated Depreciation | <u>(16,106,446)</u> | <u>(1,117,216)</u> | <u>(184,878)</u> | <u>(17,038,784)</u> |
| Total Capital Assets Being Depreciated, Net of Depreciation | <u>26,717,642</u> | <u>1,299,636</u> | <u>-</u> | <u>28,017,278</u> |
| Water Utility Capital Assets Net of Accumulated Depreciation | <u>\$ 28,003,259</u> | <u>\$ 1,716,558</u> | <u>\$ 1,564,282</u> | <u>\$ 28,155,535</u> |

CITY OF HUDSON, WISCONSIN

Notes to Financial Statements

December 31, 2022

Note 5 - Capital Assets (Continued)

| | Beginning Balances | Increases | Decreases | Ending Balances |
|-----------------------------------------------------------------------|-------------------------------|----------------------|----------------------|----------------------------|
| Sewer Utility | | | | |
| Capital Assets not Being Depreciated | | | | |
| Land | \$ 129,856 | \$ - | \$ - | \$ 129,856 |
| Construction in Progress | 11,421,784 | 1,900,367 | 13,176,738 | 145,413 |
| Total Capital Assets Not Being Depreciated | 11,551,640 | 1,900,367 | 13,176,738 | 275,269 |
| Capital Assets Being Depreciated | | | | |
| Collection System | 680,920 | 791,936 | - | 1,472,856 |
| Pumping System | 135,363 | - | - | 135,363 |
| Treatment and Disposal plant | 11,450,104 | 12,455,200 | | 23,905,304 |
| General Plant | 1,002,875 | 65,418 | 15,360 | 1,052,933 |
| Total Capital Assets Being Depreciated | 13,269,262 | 13,312,554 | 15,360 | 26,566,456 |
| Less Accumulated Depreciation | | | | |
| Collection System | (271,167) | (27,476) | - | (298,643) |
| Pumping System | (37,639) | (11,614) | - | (49,253) |
| Treatment and Disposal plant | (8,703,682) | (477,861) | - | (9,181,543) |
| General Plant | (802,242) | (43,176) | (9,216) | (836,202) |
| Total Accumulated Depreciation | (9,814,730) | (560,127) | (9,216) | (10,365,641) |
| Total Capital Assets Being Depreciated, Net of Depreciation | 3,454,532 | 12,752,427 | 6,144 | 16,200,815 |
| Sewer Utility Capital Assets Net of Accumulated Depreciation | \$ 15,006,172 | \$ 14,652,794 | \$ 13,182,882 | \$ 16,476,084 |
| | Beginning Balances | Increases | Decreases | Ending Balances |
| Parking Utility | | | | |
| Capital Assets not Being Depreciated | | | | |
| Land | \$ 760,562 | \$ - | \$ - | \$ 760,562 |
| Capital Assets Being Depreciated | | | | |
| Improvement to Lots | 991,691 | - | - | 991,691 |
| Equipment | 445,048 | - | - | 445,048 |
| Total Capital Assets Being Depreciated | 1,436,739 | - | - | 1,436,739 |
| Less Accumulated Depreciation | | | | |
| Improvement to Lots | (619,939) | (42,559) | - | (662,498) |
| Equipment | (133,642) | (35,492) | - | (169,134) |
| Total Accumulated Depreciation | (753,581) | (78,051) | - | (831,632) |
| Total Capital Assets Being Depreciated, Net of Depreciation | 683,158 | (78,051) | - | 605,107 |
| Parking Utility Capital Assets Net of Accumulated Depreciation | \$ 1,443,720 | \$ (78,051) | \$ - | \$ 1,365,669 |

CITY OF HUDSON, WISCONSIN

Notes to Financial Statements

December 31, 2022

Note 5 - Capital Assets (Continued)

| | Beginning Balances | Increases | Decreases | Ending Balances |
|---------------------------------------------------------------------------------|-----------------------|----------------------|----------------------|----------------------|
| Total Business-Type Activities: | | | | |
| Capital Assets Not Being Depreciated | \$ 13,597,819 | \$ 2,317,289 | \$ 14,741,020 | \$ 1,174,088 |
| Capital Assets Being Depreciated | 57,530,089 | 15,729,406 | 200,238 | 73,059,257 |
| Total Business-Type Capital Assets | <u>71,127,908</u> | <u>18,046,695</u> | <u>14,941,258</u> | <u>74,233,345</u> |
| Less Accumulated Depreciation | <u>(26,674,757)</u> | <u>(1,755,394)</u> | <u>(194,094)</u> | <u>(28,236,057)</u> |
| Business-Type Activities Capital Assets, Net of Accumulated Depreciation | <u>\$ 44,453,151</u> | <u>\$ 16,291,301</u> | <u>\$ 14,747,164</u> | <u>\$ 45,997,288</u> |

Depreciation expense was charged to the following business-type activities:

Business-Type Activities:

| | |
|----------------------------------------------------------------|---------------------|
| Water Utility Depreciation Charged to Accumulated Depreciation | \$ 1,117,216 |
| Less: Share of Meter Depreciation | <u>(106,853)</u> |
| Total Water Utility Depreciation Expense | <u>1,010,363</u> |
| Sewer Utility Depreciation Charged to Accumulated Depreciation | 560,127 |
| Plus: Share of Meter Depreciation | <u>106,853</u> |
| Total Sewer Utility Depreciation Expense | <u>666,980</u> |
| Parking Utility | <u>78,051</u> |
| Total Depreciation Expense - Business-Type Activities | <u>\$ 1,755,394</u> |

Note 6 - Interfund Receivables, Payables and Transfers

The following is a schedule of interfund receivables and payables:

| Receivable Fund | Payable Fund | Amount | Purpose |
|-----------------|------------------------------|-------------------|---------------------------|
| General Fund | Tax Increment District No. 6 | <u>\$ 824,295</u> | Year End Cash Flow Timing |

Interfund transfers for the year ended December 31, 2022 were as follows:

| Fund Transferred To | Fund Transferred From | Amount | Principal Purpose |
|---------------------|-----------------------|---------------------|-----------------------------------|
| General Fund | Water Utility | \$ 460,786 | Property Tax Equivalent |
| General Fund | Sewer Utility | 83,321 | Property Tax Equivalent |
| General Fund | Ambulance Service | 791,247 | Close Out Fund |
| Debt Service Fund | General Fund | 61,265 | Town Share of Fire Truck Purchase |
| Debt Service Fund | Stormwater Fund | 16,260 | Share of Debt Service |
| | | <u>\$ 1,412,879</u> | |

CITY OF HUDSON, WISCONSIN

Notes to Financial Statements
December 31, 2022

Note 7 - Long-Term Obligations

The following is a summary of changes in long-term obligations of the City for the year ended December 31, 2022:

| | <u>Beginning Balances</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balances</u> | <u>Due Within One Year</u> |
|------------------------------------|-------------------------------|---------------------|---------------------|----------------------------|--------------------------------|
| Governmental Activities | | | | | |
| General Obligation Debt: | | | | | |
| G.O. Bonds | \$ 17,220,000 | \$ 3,860,000 | \$ 925,000 | \$ 20,155,000 | \$ 775,000 |
| G.O. Promissory Notes | 5,770,000 | - | 895,000 | 4,875,000 | 1,250,000 |
| Total General Obligation Debt | <u>22,990,000</u> | <u>3,860,000</u> | <u>1,820,000</u> | <u>25,030,000</u> | <u>2,025,000</u> |
| Adjustments For | | | | | |
| Debt Premium | 640,672 | 83,580 | 103,201 | 621,051 | - |
| Lease Liability | 26,031 | 5,991 | 9,776 | 22,246 | 9,129 |
| Compensated Absences | 154,466 | 143,333 | 154,466 | 143,333 | 143,333 |
| Total Governmental Activity | | | | | |
| Long-Term Obligations | <u>\$ 23,811,169</u> | <u>\$ 4,092,904</u> | <u>\$ 2,087,443</u> | <u>\$ 25,816,630</u> | <u>\$ 2,177,462</u> |
| | <u>Beginning Balances</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balances</u> | <u>Due Within One Year</u> |
| Business-Type Activities | | | | | |
| General Obligation Debt: | | | | | |
| G.O Bonds | | | | | |
| Water Utility | \$ 700,000 | \$ - | \$ 40,000 | \$ 660,000 | \$ 40,000 |
| Mortgage Revenue Bonds | | | | | |
| Water Utility | 1,494,404 | - | 81,680 | 1,412,724 | 83,118 |
| Sewer Utility | 9,734,121 | 1,543,611 | 488,694 | 10,789,038 | 527,260 |
| Compensated Absences | 28,366 | 33,428 | 28,366 | 33,428 | 33,428 |
| Debt Premium | 5,232 | - | 657 | 4,575 | - |
| Long-Term Obligations | <u>\$ 11,962,123</u> | <u>\$ 1,577,039</u> | <u>\$ 639,397</u> | <u>\$ 12,899,765</u> | <u>\$ 683,806</u> |

Total interest paid during the year on long-term debt totaled \$995,484

Additional information on the above outstanding long-term obligations are as follows:

| | <u>Date of Issuances</u> | <u>Final Maturities</u> | <u>Interest Rates</u> | <u>Original Indebtedness</u> | <u>Balances 12/31/22</u> |
|-----------------------------------------------------|------------------------------|-----------------------------|---------------------------|----------------------------------|------------------------------|
| Governmental Activities | | | | | |
| Long-Term Obligations | | | | | |
| G.O. Bonds - 2013A | 10/09/13 | 10/01/33 | 3.00-4.00% | \$ 3,490,000 | \$ 2,135,000 |
| G.O. Bonds - 2015A | 06/09/15 | 04/01/35 | 3.00-3.50% | 2,115,000 | 1,530,000 |
| G.O. Bonds - 2016A | 04/12/16 | 04/01/36 | 2.00-3.00% | 3,110,000 | 1,655,000 |
| G.O. Bonds - 2017A | 05/15/17 | 12/01/32 | 2.00-3.00% | 2,495,000 | 1,790,000 |
| G.O. Bonds - 2019A | 04/29/19 | 12/31/39 | 3.00% | 5,960,000 | 5,530,000 |
| G.O. Bonds - 2021B | 05/06/21 | 04/01/41 | 1.00-2.00% | 3,850,000 | 3,655,000 |
| G.O. Bonds - 2022A | 12/01/22 | 10/01/42 | 4.00-5.00% | 3,860,000 | 3,860,000 |
| G.O. Promissory Notes - 2015B | 06/09/15 | 04/01/25 | 1.50-3.00% | 1,885,000 | 600,000 |
| G.O. Promissory Notes - 2017B | 06/01/17 | 06/01/27 | 3.00% | 2,470,000 | 1,460,000 |
| G.O. Promissory Notes - 2019B | 04/29/19 | 12/31/29 | 3.00-4.00% | 2,200,000 | 1,450,000 |
| G.O. Promissory Notes - 2021C | 05/06/21 | 04/01/31 | 1.15-3.00% | 1,645,000 | 1,365,000 |
| Total Governmental Activities Long-Term Obligations | | | | | <u>\$ 25,030,000</u> |

CITY OF HUDSON, WISCONSIN

Notes to Financial Statements

December 31, 2022

Note 7 - Long-Term Obligations (Continued)

| | <u>Date of Issuances</u> | <u>Final Maturities</u> | <u>Interest Rates</u> | <u>Original Indebtedness</u> | <u>Balances 12/31/22</u> |
|------------------------------------------------------|------------------------------|-----------------------------|---------------------------|----------------------------------|------------------------------|
| Business Type Activities | | | | | |
| Long-Term Obligations | | | | | |
| G.O Bonds - Water | 04/12/16 | 04/01/36 | 2.00-3.00% | \$ 3,110,000 | \$ 660,000 |
| Mortgage Revenue Bond - Water | 12/13/17 | 05/01/37 | 1.760% | 1,653,550 | 1,412,724 |
| Mortgage Revenue Bond - Sewer | 01/27/21 | 05/01/40 | 1.485% | 9,734,121 | 10,789,038 |
| Total Business Type Activities Long-Term Obligations | | | | | <u>\$ 12,861,762</u> |

The annual principal and interest maturities for general obligation debt are allocated as follows:

| | <u>Governmental Funds</u> | | <u>Enterprise Funds</u> | | <u>Totals</u> | |
|-----------|---------------------------|---------------------|-------------------------|---------------------|----------------------|---------------------|
| | <u>Principal</u> | <u>Interest</u> | <u>Principal</u> | <u>Interest</u> | <u>Principal</u> | <u>Interest</u> |
| 2023 | \$ 2,025,000 | \$ 681,796 | \$ 650,378 | \$ 196,784 | \$ 2,675,378 | \$ 878,580 |
| 2024 | 1,740,000 | 651,391 | 659,671 | 186,220 | 2,399,671 | 837,611 |
| 2025 | 1,785,000 | 594,866 | 669,105 | 175,513 | 2,454,105 | 770,379 |
| 2026 | 1,835,000 | 541,141 | 683,684 | 164,661 | 2,518,684 | 705,802 |
| 2027 | 1,895,000 | 481,166 | 693,410 | 153,961 | 2,588,410 | 635,127 |
| 2028-2032 | 7,625,000 | 1,742,129 | 3,628,212 | 603,306 | 11,253,212 | 2,345,435 |
| 2033-2037 | 5,110,000 | 867,389 | 3,874,641 | 303,719 | 8,984,641 | 1,171,108 |
| 2038-2042 | 3,015,000 | 234,244 | 2,002,661 | 44,902 | 5,017,661 | 279,146 |
| | <u>\$ 25,030,000</u> | <u>\$ 5,794,122</u> | <u>\$ 12,861,762</u> | <u>\$ 1,829,066</u> | <u>\$ 37,891,762</u> | <u>\$ 7,623,188</u> |

Legal Margin For Debt

The 2022 equalized valuation of the City as certified by the Wisconsin Department of Revenue is \$2,864,381,700. The legal debt limit and margin of indebtedness as of December 31, 2022, in accordance with Section 67.03 of the Wisconsin Statutes follows:

| | |
|---------------------------------------------------------------------------------|-----------------------|
| Equalized valuation of the City | \$ 2,864,381,700 |
| Statutory limitation percentage | <u>5%</u> |
| General obligation debt limitation, per Section 67.03 of the Wisconsin Statutes | 143,219,085 |
| Net outstanding general obligation debt applicable to debt limitation | <u>25,690,000</u> |
| Legal margin for new debt | <u>\$ 117,529,085</u> |

CITY OF HUDSON, WISCONSIN

Notes to Financial Statements

December 31, 2022

Note 7 - Long-Term Obligations (Continued)

Utility Revenues Pledged

The Utility has pledged future revenue derived from the Water and Sewer Utilities, net of specified operating expenses, to repay the Clean Water Fund Loan, Safe Drinking Water Loans, and Revenue Bonds. Proceeds from the debt provided financing for the construction or acquisition of capital assets used within the utilities.

The Clean Water Fund Loan and Mortgage Revenue Bonds are payable from Sewerage System net revenues and payable through 2040. The total principal and interest remaining to be paid on the loans is \$12,294,488. Principal and interest paid for the current year and total Sewerage System net revenues were \$636,699 and \$1,176,850, respectively. The Sewerage System did meet the Clean Water Fund Loan revenue requirements in 2022.

The Safe Drinking Water Loans and Mortgage Revenues Bonds are payable from Water System net revenues and are payable through 2037. The total principal and interest remaining to be paid on the loans is \$1,607,292. Principal and interest paid for the current year and total water system net revenues were \$107,263 and \$2,201,691, respectively. The Water System did meet the Safe Drinking Water Loans and Revenue Bonds revenue requirements in 2022.

Note 8 - Fund Equity

Fund Financial Statements

At December 31, 2022 the governmental fund balances are as follows:

| | Total | Nonspendable | Restricted | Committed | Assigned | Unassigned (Deficit) |
|-----------------------------------------|----------------------|------------------|---------------------|---------------------|-------------------|-------------------------|
| Major Funds | | | | | | |
| General Fund: | | | | | | |
| Delinquent Taxes | \$ 54,250 | \$ 54,250 | \$ - | \$ - | \$ - | \$ - |
| Prepaid Items | 34,987 | 34,987 | - | - | - | - |
| Police Equipment | 13,252 | - | - | - | 13,252 | - |
| Fire Equipment | 81,850 | - | - | - | 81,850 | - |
| Energy Savings | 7,577 | - | - | - | 7,577 | - |
| BOGO Tree Funds | 1,584 | - | - | - | 1,584 | - |
| Health Insurance Reserve | 449,899 | - | - | - | 449,899 | - |
| Unassigned | 5,170,547 | - | - | - | - | 5,170,547 |
| Debt Service Fund | 21,432 | - | 21,432 | - | - | - |
| Capital Projects Fund | 3,050,208 | - | - | 3,050,208 | - | - |
| TID No. 5 | 1,596,136 | - | 1,596,136 | - | - | - |
| TID No. 6 | (1,050,789) | - | - | - | - | (1,050,789) |
| NonMajor Funds: | | | | | | |
| Special Revenue Funds: | | | | | | |
| Impact Fees Fund | 1,375,409 | - | 1,375,409 | - | - | - |
| Room Tax Fund | 99,960 | - | - | 99,960 | - | - |
| American Rescue Plan Act (ARPA) Fund | 17,074 | - | - | - | 17,074 | - |
| Sewer Collection System Replacement | 1,281,412 | - | - | 1,281,412 | - | - |
| Park Dedication Fees | 839,521 | - | 839,521 | - | - | - |
| Police Donations | 41,259 | - | 41,259 | - | - | - |
| Police Drug Forfeitures | 5,445 | - | 5,445 | - | - | - |
| Business Park Revolving Loan Fund | 590,612 | - | 590,612 | - | - | - |
| Storm Water MS-4 | 162,331 | - | - | 162,331 | - | - |
| Storm Water | 537,022 | - | - | 537,022 | - | - |
| Special Assessments | 479 | - | - | - | 479 | - |
| Total Governmental Fund Balances | | | | | | |
| As of December 31, 2022 | <u>\$ 14,381,457</u> | <u>\$ 89,237</u> | <u>\$ 4,469,814</u> | <u>\$ 5,130,933</u> | <u>\$ 571,715</u> | <u>\$ 4,119,758</u> |

CITY OF HUDSON, WISCONSIN

Notes to Financial Statements

December 31, 2022

Note 8 - Fund Equity (Continued)**Government-Wide Financial Statements**

At December 31, 2022 net position was as follows:

| | Governmental Activities | Business-Type Activities | Total |
|-----------------------------------------------|------------------------------------|-------------------------------------|---------------|
| Net Investment in Capital Assets | | | |
| Net Capital Assets | \$ 53,893,990 | \$ 45,997,288 | \$ 99,891,278 |
| Less: Related Long-Term Debt | (25,030,000) | (12,861,762) | (37,891,762) |
| Less: Premium on Capital Debt | (621,051) | (4,575) | (625,626) |
| Less: Lease Liability | (22,246) | - | (22,246) |
| Total Net Investment in Capital Assets | 28,220,693 | 33,130,951 | 61,351,644 |
| Restricted | | | |
| Impact Fees | 1,375,409 | - | 1,375,409 |
| Park Fees | 839,521 | - | 839,521 |
| Police Fees and Donations | 46,704 | - | 46,704 |
| Community Development Loans | 590,612 | - | 590,612 |
| Capital Projects | 1,596,136 | - | 1,596,136 |
| Debt Service | - | 159 | 159 |
| Special Assessments | - | 850,970 | 850,970 |
| Asset Replacement | - | 1,951,408 | 1,951,408 |
| Pension Benefits | 1,960,007 | 321,974 | 2,281,981 |
| Total Restricted | 6,408,389 | 3,124,511 | 9,532,900 |
| Unrestricted | 8,790,246 | 13,186,166 | 21,976,412 |
| Total Government-Wide Activities Net Position | \$ 43,419,328 | \$ 49,441,628 | \$ 92,860,956 |

Note 9 - Individual Fund Balance Disclosures

The following governmental funds have a deficit fund balance as of December 31, 2022:

| | |
|--------------------------------|--------------|
| Tax Incremental District No. 6 | \$ 1,050,789 |
|--------------------------------|--------------|

These deficit fund balances will be corrected with subsequent years' revenues.

Note 10 - Defined Benefit Pension Plan**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, 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 Annual Comprehensive Financial Report (ACFR), which can be found at <https://etf.wi.gov/about-etf/reports-and-studies/financial-reports-and-statements>.

CITY OF HUDSON, WISCONSIN

Notes to Financial Statements

December 31, 2022

Note 10 - Defined Benefit Pension Plan (Continued)

Additionally, ETF issued a standalone Wisconsin Retirement System Financial Report, which can also be found using the link above.

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 occupations and 62 for elected officials and executive service retirement plan participants, if hired on or before December 31, 2016) are entitled to a retirement benefit based on a formula factor, their final average earnings, and creditable service.

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

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

The WRS also provides death and disability benefits for employees.

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

| <u>Year</u> | <u>Core Fund Adjustment</u> | <u>Variable Fund Adjustment</u> |
|-------------|-----------------------------|---------------------------------|
| 2012 | (7.0)% | (7)% |
| 2013 | (9.6) | 9 |
| 2014 | 4.7 | 25 |
| 2015 | 2.9 | 2 |
| 2016 | 0.5 | (5) |
| 2017 | 2.0 | 4 |
| 2018 | 2.4 | 17 |
| 2019 | 0.0 | (10) |
| 2020 | 1.7 | 21 |
| 2021 | 5.1 | 13 |

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

CITY OF HUDSON, WISCONSIN

Notes to Financial Statements

December 31, 2022

Note 10 - Defined Benefit Pension Plan (Continued)

During the reporting period, the WRS recognized \$614,281 in contributions from the City.

Contribution rates as of December 31, 2022 are:

| Employee Category | Employee | Employer |
|-----------------------------------------------------------------|----------|----------|
| General (including teachers, executives, and elected officials) | 6.50% | 6.50% |
| Protective with Social Security | 6.50% | 12.04% |

Pension Liabilities (Assets), Pension Expense (Revenues), and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2022, the City reported an asset of \$3,967,533 for its proportionate share of the net pension asset, with \$3,777,576 relating to the primary government and \$189,957 relating to the City's component units. The net pension asset was measured as of December 31, 2021, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2020, rolled forward to December 31, 2021. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The City's proportion of the net pension asset was based on the City's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2021, the City's proportion was 0.04922386%, which was an increase of 0.0007153% from its proportion measured as of December 31, 2020.

For the year ended December 31, 2022, the City recognized a reduction in pension expense of \$344,455.

At December 31, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---------------------------------------------------------------------------------------------------------------|--------------------------------------|-------------------------------------|
| Differences between projected and actual experiences | \$ 6,409,350 | \$ 462,183 |
| Changes in assumptions | 740,206 | - |
| Net differences between projected and actual earnings on pension plan investments | - | 8,875,702 |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 5,273 | 2,027 |
| Employer contributions subsequent to the measurement date | 614,281 | - |
| Total | 7,769,110 | 9,339,912 |
| Less Amounts Allocated to Component Units | (371,967) | (447,174) |
| Total Primary Government | \$ 7,397,143 | \$ 8,892,738 |

CITY OF HUDSON, WISCONSIN

Notes to Financial Statements

December 31, 2022

Note 10 - Defined Benefit Pension Plan (Continued)

The \$614,281 reported as deferred outflows related to pension resulting from the WRS Employer's contributions subsequent to the measurement date will be recognized as an adjustment of the net pension liability (asset) in the year ending December 31, 2023. 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 Ending December 31, | Net Deferred Outflows (Inflows) of Resources |
|-------------------------------------|-----------------------------------------------------------------|
| 2023 | \$ (183,730) |
| 2024 | (1,073,981) |
| 2025 | (473,413) |
| 2026 | (453,959) |
| | <u>\$ (2,185,083)</u> |

Actuarial Assumptions. The total pension liability in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|----------------------------------------------------|---------------------------------|
| Actuarial Valuation Date: | December 31, 2020 |
| Measurement Date of Net Pension Liability (Asset): | December 31, 2021 |
| Actuarial Cost Method: | Entry Age Normal |
| Asset Valuation Method: | Fair Value |
| Long-Term Expected Rate of Return: | 6.8% |
| Discount Rate: | 6.8% |
| Salary Increases: | |
| Inflation | 3.0% |
| Seniority/Merit | 0.1% - 5.6% |
| Mortality: | 2020 Experience Mortality Table |
| Post-retirement Adjustments* | 1.7% |

* No post-retirement adjustment is guaranteed. Actual adjustments are based on recognized investment return, actuarial experience and other factors. 1.7% 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 2021 that covered a three-year period from January 1, 2018 to December 31, 2020. Based on this experience study, actuarial assumptions used to measure the total pension liability changed from prior year, including the discount rate, long-term expected rate of return, post-retirement adjustment, price inflation, mortality and separation rates. The total pension liability for December 31, 2021 is based upon a roll-forward of the liability calculated from the December 31, 2020 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.

CITY OF HUDSON, WISCONSIN

Notes to Financial Statements

December 31, 2022

Note 10 - Defined Benefit Pension Plan (Continued)

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Allocation Targets and Expected Returns¹ As of December 31, 2021

| Core Fund Asset Class | Asset Allocation % | Long-Term Expected Nominal Rate of Return % | Long-Term Expected Real Rate of Return % ² |
|------------------------------|--------------------|---------------------------------------------|-------------------------------------------------------|
| Global Equities | 52% | 6.8% | 4.2% |
| Fixed Income | 25 | 4.3 | 1.8 |
| Inflation Sensitive Assets | 19 | 2.7 | 0.2 |
| Real Estate | 7 | 5.6 | 3.0 |
| Private Equity/Debt | 12 | 9.7 | 7.0 |
| Total Core Fund ³ | 115% * | 6.6% | 4.0% |
| Variable Fund Asset Class | | | |
| U.S. Equities | 70% | 6.3% | 3.7% |
| International Equities | 30 | 7.2 | 4.6 |
| Total Variable Fund | 100% | 6.8% | 4.2% |

¹Asset Allocations are managed within established ranges; target percentages may differ from actual monthly allocations.

²New England Pension Consultants Long Term US CPI (Inflation) Forecast: 2.5%.

³The investment policy used for the Core Fund involves reducing equity exposure by leveraging lower-volatility assets, such as fixed income securities. This results in an asset allocation beyond 100%. Currently, an asset allocation target of 15% policy leverage is used, subject to an allowable range of up to 20%.

Single Discount Rate. A single discount rate of 6.8% was used to measure the total pension liability, as opposed to a discount rate of 7.0% for the prior year. This single discount rate is based on the expected rate of return on pension plan investments of 6.80% and a municipal bond rate of 1.84% (Source: Fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-year Municipal GO AA Index" as of December 31, 2022. In describing this index, Fidelity notes that the Municipal Curves are constructed using option-adjusted analytics of a diverse population of over 10,000 tax exempt securities.). Because of the unique structure of WRS, the 6.8% expected rate of return implies that a dividend of approximately 1.7% 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 municipal bond rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

CITY OF HUDSON, WISCONSIN

Notes to Financial Statements

December 31, 2022

Note 10 - Defined Benefit Pension Plan (Continued)

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 6.80 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 (5.80 percent) or 1-percentage-point higher (7.80 percent) than the current rate:

| | 1% Decrease to Discount Rate (5.8%) | Current Discount Rate (6.8%) | 1% Increase to Discount Rate (7.8%) |
|--------------------------------------------------------------------|-------------------------------------------|------------------------------------|-------------------------------------------|
| City's Proportionate Share of the Net Pension Liability (Asset) | \$ 2,815,246 | \$ (3,967,533) | \$ 8,849,873 |

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

Payables to the Pension Plan. The City is required to remit the monthly required contribution for both the employee and City portions by the last day of the following month. There was no amount due to WRS as of December 31, 2022.

Note 11 - Post-Employment Benefits Other Than Pension Benefits - LRLIF

General Information About the OPEB Plan

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

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

Additionally, ETF issued a standalone Retiree Life Insurance Financial Report, which can also be found using the link above.

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

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

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

Contribution rates as of December 31, 2022 are:

| Coverage Type | Employee |
|------------------------------|----------------------------|
| 50% Post Retirement Coverage | 40% of Member Contribution |
| 25% Post Retirement Coverage | 20% of Member Contribution |

CITY OF HUDSON, WISCONSIN

Notes to Financial Statements

December 31, 2022

Note 11 - Post-Employment Benefits Other Than Pension Benefits - LRLIF (Continued)

Member contributions are based upon nine age bands through age 69 and an additional eight age bands for those age 70 and over. Participating members must pay monthly contribution rates per \$1,000 of coverage until the age of 65 (age 70 if active). The member contribution rates in effect for the year ended December 31, 2022 are as listed below:

**Life Insurance Member
Contribution Rates ***

| Attained Age | Basic/Supplemental |
|---------------------|---------------------------|
| Under 30 | \$ 0.05 |
| 30-34 | 0.06 |
| 35-39 | 0.07 |
| 40-44 | 0.08 |
| 45-49 | 0.12 |
| 50-54 | 0.22 |
| 55-59 | 0.39 |
| 60-64 | 0.49 |
| 65-69 | 0.57 |

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

During the reporting period, the Plan recognized \$1,597 in contributions from the City.

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

At December 31, 2022, the City reported a liability of \$407,236 for its proportionate share of the net OPEB liability, with \$388,043 relating to the primary government and \$19,193 relating to the City's component units. The net OPEB liability was measured as of December 31, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2020, rolled forward to December 31, 2021. 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 OPEB liability was based on the City's share of contributions to the OPEB plan relative to the contributions of all participating employers. At December 31, 2021, the City's proportion was 0.06890200%, which was an increase of 0.002311% from its proportion measured as of December 31, 2020.

For the year ended December 31, 2022, the City recognized OPEB expense of \$40,748.

CITY OF HUDSON, WISCONSIN

Notes to Financial Statements

December 31, 2022

Note 11 - Post-Employment Benefits Other Than Pension Benefits - LRLIF (Continued)

At December 31, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---------------------------------------------------------------------------------------------------------------|-----------------------------------------------|----------------------------------------------|
| Differences between projected and actual experiences | \$ - | \$ 20,717 |
| Changes in assumptions | 123,041 | 19,739 |
| Net differences between projected and actual earnings on pension plan investments | 5,299 | - |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 11,086 | 48,548 |
| Employer contributions subsequent to the measurement date | 1,597 | - |
| Total | 141,023 | 89,004 |
| Less Amounts Allocated to Component Units | (6,647) | (4,195) |
| Total Primary Government | \$ 134,376 | \$ 84,809 |

The \$1,597 reported as deferred outflows related to OPEB resulting from the WRS Employer's contributions subsequent to the measurement date will be recognized as an adjustment of the net OPEB liability in the year ending December 31, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| Year Ending December 31, | Net Deferred Outflows (Inflows) of Resources |
|-------------------------------------|-----------------------------------------------------------------|
| 2023 | \$ 10,089 |
| 2024 | 9,475 |
| 2025 | 6,999 |
| 2026 | 15,250 |
| 2027 | 7,494 |
| Thereafter | 1,115 |
| | \$ 50,422 |

CITY OF HUDSON, WISCONSIN

Notes to Financial Statements

December 31, 2022

Note 11 - Post-Employment Benefits Other Than Pension Benefits - LRLIF (Continued)

Actuarial Assumptions. The total OPEB liability in the January 1, 2021, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|------------------------------------------|------------------------------------------------------------------|
| Actuarial Valuation Date: | January 1, 2021 |
| Measurement Date of Net OPEB Liability: | December 31, 2021 |
| Experience Study: | January 1, 2018 - December 31, 2020, Published November 19, 2021 |
| Actuarial Cost Method: | Entry Age Normal |
| 20 Year Tax-Exempt Municipal Bond Yield: | 2.06% |
| Long-Term Expected Rate of Return: | 4.25% |
| Discount Rate: | 2.17% |
| Salary Increases: | |
| Wage Inflation | 3.00% |
| Seniority/Merit | 0.1% - 5.6% |
| Mortality: | 2020 WRS Experience Mortality Table |

Actuarial assumptions are based upon an experience study conducted in 2021 that covered a three-year period from January 1, 2018 to December 31, 2020. Based on this experience study, actuarial assumptions used to measure the total OPEB liability changed from the prior year, including the price inflation, mortality and separation rates. The total OPEB liability for December 31, 2021 is based upon a roll-forward of the liability calculated from the January 1, 2021 actuarial valuation.

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

State OPEB Life Insurance Asset Allocation Targets and Expected Returns As of December 31, 2021

| Asset Class | Index | Target Allocation | Long-Term Expected Geometric Real Rate of Return % |
|-----------------------------------|------------------------------|-------------------|----------------------------------------------------|
| U.S. Intermediate Credit Bonds | Bloomberg U.S. Interm Credit | 45% | 1.68% |
| U.S. Long Credit Bonds | Bloomberg U.S. Long Credit | 5 | 1.82 |
| U.S. Mortgages | Bloomberg U.S. MBS | 50 | 1.94 |
| Inflation | | | 2.30 |
| Long-Term Expected Rate of Return | | | 4.25 |

The long-term expected rate of return remained unchanged from the prior year at 4.25%. The long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The expected inflation rate increased from 2.20% as of December 31, 2020 to 2.30% as of December 31, 2021.

CITY OF HUDSON, WISCONSIN

Notes to Financial Statements

December 31, 2022

Note 11 - Post-Employment Benefits Other Than Pension Benefits - LRLIF (Continued)

Single Discount Rate. A single discount rate of 2.17% was used to measure the total OPEB liability for the current year, as opposed to a discount rate of 2.25% for the prior year. The significant change in the discount rate was primarily caused by the decrease in the municipal bond rate from 2.12% as of December 31, 2020 to 2.06% as of December 31, 2021. The Plan's fiduciary net position was projected to be insufficient to make all projected future benefit payments of current active and inactive members. Therefore, the discount rate for calculating the total OPEB liability is equal to the single equivalent rate that results in the same actuarial present value as the long-term expected rate of return applied to benefit payments, to the extent that the plan's fiduciary net position is projected to be sufficient to make projected benefit payments, and the municipal bond rate applied to benefit payment to the extent that the plan's fiduciary net position is projected to be insufficient. The plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through December 31, 2036.

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

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate. The following presents the City's proportionate share of the net OPEB liability calculated using the discount rate of 2.17 percent, as well as what the City's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.17 percent) or 1-percentage-point higher (3.17 percent) than the current rate:

| | 1% Decrease to Discount Rate (1.17%) | Current Discount Rate (2.17%) | 1% Increase to Discount Rate (3.17%) |
|--------------------------------------------------------------------|--------------------------------------------|-------------------------------------|--------------------------------------------|
| City's Proportionate Share of the Net Pension Liability (Asset) | \$ 552,473 | \$ 407,236 | \$ 297,952 |

Payables to the OPEB Plan. The City is required to remit the monthly required contribution for both the employee and City portions by the last day of the following month. There was no amount due for the life insurance plan at December 31, 2022.

Note 12 - Post-Employment Benefits Other Than Pension Benefits - Single-Employer Plan

Plan description. The City incurs a liability for postemployment health care benefits under its current plan and policies as follows:

Conversion of Sick Leave. The City allows for a portion of accumulated sick leave to be used as a credit for postemployment health insurance upon retirement based upon the rate of pay at the time of retirement.

Implicit Rate Subsidy. The City plan uses a blended rate for both active and retired employees. The difference between the blended rate and the higher age-adjusted rate is considered a subsidy of the retirees' health insurance cost.

CITY OF HUDSON, WISCONSIN

Notes to Financial Statements

December 31, 2022

Note 12 - Post-Employment Benefits Other Than Pension Benefits - Single-Employer Plan (Continued)

The City's plan is a single employer defined benefit plan used to provide postemployment benefits other than pensions (OPEB). The City Council is designated as the administrator of the OPEB plan.

Benefits provided. All City employees eligible for retirement under the Wisconsin Retirement System with a minimum of 5 years of service and at least 55 years of age (50 for protective status) may continue coverage under the City's group medical plan until Medicare eligible provided that they self-pay 100% of the required premium.

Employees covered by benefit terms. At December 31, 2022, the following employees were covered by the benefit terms:

| | |
|--------------------------------------------------------------------------|-----------|
| Inactive employees or beneficiaries currently receiving benefit payments | 10 |
| Active employees | 89 |
| | <u>99</u> |

Contributions. The City funds its other postemployment benefit on a pay-as-you go basis. For fiscal year 2022, the City contributed an estimated \$31,236 to the plan.

Total OPEB Liability. The City does not accumulate assets in a trust for payment of OPEB benefits. Accordingly, the City must report its total OPEB liability. The City's total OPEB liability was determined by an actuarial valuation as of January 1, 2021, with a measurement date of January 1, 2022. At December 31, 2022, the City reported a total OPEB liability of \$1,383,731, with \$1,318,514 allocated to the primary government and the remaining amount allocated to component units. Changes in the City's total OPEB liability were as follows:

| | Total OPEB Liability |
|----------------------------------------------------------|---------------------------------|
| Balance at December 31, 2021 | \$ 1,321,348 |
| Changes for the Year: | |
| Service Cost | 164,860 |
| Interest | 29,197 |
| Differences Between Expected and Actual Experiences | (142,028) |
| Changes of Assumptions or Other Input | 63,308 |
| Benefit Payments | (52,954) |
| Net Changes | <u>62,383</u> |
| Balance at December 31, 2022 | 1,383,731 |
| Less: Allocation to Component Units | 65,217 |
| Balance at December 31, 2022 - Primary Government | <u>\$ 1,318,514</u> |

CITY OF HUDSON, WISCONSIN

Notes to Financial Statements

December 31, 2022

Note 12 - Post-Employment Benefits Other Than Pension Benefits - Single-Employer Plan (Continued)

Actuarial assumptions. The total OPEB liability in the actuarial valuation was determined under the alternative measurement method using the following actuarial assumptions rolled forward to the measurement date, applied to all periods included in the measurement, unless otherwise specified:

| | |
|------------------------------|---------------------------------------------------------------------------------------------------------------------------------------|
| Measurement Date | January 1, 2022 |
| Actuarial Valuation Date | January 1, 2021 |
| Actuarial Cost Method | Entry Age, level percentage of pay |
| Amortization Method | average of expected remaining service on a closed basis for differences between expected and actual experience and assumption changes |
| Discount Rate | 2.00% |
| 20-Year Municipal Bond Yield | 2.00% |
| Inflation Rate | 2.00% |
| Salary Increases | 3.4% - 7.8% |
| Medical Trend Rates | 6.50% as of January 1, 2022 grading to 5.00% over 6 years and then to 4.00% over the next 48 years |
| Mortality Rates | Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Safety with MP 2021 Generational Improvement Scale) |

Discount Rate. The discount rate used to measure the total OPEB liability was 2.0%. The discount rate is based upon all years of projected payments discounted at a municipal bond rate of 2.0%.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate. The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

| | 1% Decrease (1.00%) | Current Discount Rate (2.00%) | 1% Increase (3.00%) |
|-----------------------------|------------------------|----------------------------------|------------------------|
| Total OPEB Liability | \$ 1,491,217 | \$ 1,383,731 | \$ 1,282,612 |

Sensitivity of the Total OPEB Liability to Changes in the Health Care Cost Trend Rates. The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using health care cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current health care cost trend rates:

| | 1% Decrease (5.5% decreasing to 4.0%) | Healthcare Cost Trend Rates (6.5% decreasing to 5.0%) | 1% Increase (7.5% decreasing to 6.0%) |
|-----------------------------|---------------------------------------------|----------------------------------------------------------------|---------------------------------------------|
| Total OPEB Liability | \$ 1,280,560 | \$ 1,383,731 | \$ 1,507,146 |

CITY OF HUDSON, WISCONSIN

Notes to Financial Statements

December 31, 2022

Note 12 - Post-Employment Benefits Other Than Pension Benefits - Single-Employer Plan (Continued)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB. For the year ended December 31, 2022, the City recognized OPEB expense of \$117,435. At December 31, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---------------------------------------------------------------------|-----------------------------------------------|------------------------------------------|
| Differences between OPEB plan - projected and actual experiences | \$ - | \$ 433,499 |
| Changes in assumptions | 107,157 | 144,197 |
| Employer contributions subsequent to the measurement date | 31,236 | - |
| Total | 138,393 | 577,696 |
| Less Amounts Allocated to Component Units | (6,523) | (27,228) |
| Total Primary Government | \$ 131,870 | \$ 550,468 |

The \$31,236 reported as deferred outflows of resources resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the year ended December 31, 2023.

The plan does not issue separate financial statements.

Note 13 - Leases

Lessee

The City is obligated under one lease accounted for as a lease obligation that was used to finance the acquisition of vehicles to be used for the public works department.

At December 31, 2022, the City has recognized a right to use asset of \$46,287 and a lease liability of \$22,246 related to this lease. During the current fiscal year, the City recorded \$10,639 as depreciation expense and \$24,904 as total accumulated depreciation related to its right to use asset.

| | Beginning Balance | Additions | Reductions | Ending Balance | Amount Due Within One Year |
|-------------------|------------------------------|------------------|-------------------|---------------------------|-------------------------------------------|
| Lease Obligations | | | | | |
| Lease Liability | \$ 26,031 | \$ 5,991 | \$ 9,776 | \$ 22,246 | \$ 9,129 |

Interest paid on lease liability obligation during the year ended December 31, 2022, was \$1,428

CITY OF HUDSON, WISCONSIN

Notes to Financial Statements

December 31, 2022

Note 13 - Leases (Continued)

The remaining obligations associated with the leases at December 31, 2022, are as follows:

| Year Ending December 31, | Principal | Interest | Total |
|-----------------------------|------------------|-----------------|------------------|
| 2023 | \$ 9,129 | \$ 1,407 | \$ 10,536 |
| 2024 | 8,452 | 1,224 | 9,676 |
| 2025 | 4,089 | 797 | 4,886 |
| 2026 | 576 | 264 | 840 |
| Total | <u>\$ 22,246</u> | <u>\$ 3,692</u> | <u>\$ 25,938</u> |

Lessor

At December 31, 2022, the City had eight leases with entities that they lease all or a portion of the City's assets. These leases are for antenna leases on City property and are reflected in the water utility on the statement of net position proprietary funds.

The water utility leases tower space to an entity for the purpose of transmission and reception of communication signals. This lease has an initial lease term of six years with five additional six-year terms. The initial monthly payment was \$2,800 and increases 5.0% annually. The water utility leases tower space to an entity for the purpose of transmission and reception of communication signals. This lease has an initial lease term of six years with two additional six-year terms. The initial monthly payment was \$1,708 and increases by 5.0% annually. The water utility leases tower space to an entity for the purpose of transmission and reception of communication signals. This lease has an initial lease term of six years with two additional six-year terms. The initial monthly payment was \$2,011 and increases 2.5% annually. The water utility leases tower space to an entity for the purpose of transmission and reception of communication signals. This lease has an initial lease term of six years with two additional six-year terms. The initial monthly payment was \$1,583 and increases 5.0% annually. The water utility leases tower space to an entity for the purpose of transmission and reception of communication signals. This lease has an initial lease term of six years with two additional six-year terms. The initial annual payment was \$27,844 and increases 2.0% annually. The water utility leases tower space to entity for the purpose of transmission and reception of communication signals. This lease has an initial lease term of six years with two additional six-year terms. The initial monthly payment was \$1,385 and increases 5.0% annually. The water Utility leases tower space to an entity for the purpose of transmission and reception of communication signals. This lease has an initial lease term of six years with two additional six-year terms. The initial monthly payment was \$2,602 and increases 3.0% annually. The water utility leases tower space to a governmental entity for the purpose of transmission and reception of communication signals. This lease has an initial lease term of six years with two additional six-year terms. The initial monthly payment was \$1,000 and increases 5.0% annually.

For the year end December 31, 2022, the water utility recognized \$207,968 in lease revenue related to these agreements. At December 31, 2022, the utility recorded \$2,707,229 in lease receivables and deferred inflows of resources for these arrangements.

CITY OF HUDSON, WISCONSIN

Notes to Financial Statements

December 31, 2022

Note 13 - Leases (Continued)

| Leases Receivable | Beginning Balances | Additions | Reductions | Ending Balances |
|------------------------------------------|-----------------------|-------------|-------------------|---------------------|
| AT&T Deer Path Tower Lease | \$ 1,177,849 | \$ - | \$ 9,936 | \$ 1,167,913 |
| T Mobile Carmichael Tower Lease | 168,347 | - | 40,817 | 127,530 |
| T Mobile Hanley Rd Tower Lease | 365,545 | - | 24,428 | 341,117 |
| T Mobile WI St. Tower Lease | 197,413 | - | 37,157 | 160,256 |
| Verizon Carmichael Tower Lease | 310,257 | - | 26,617 | 283,640 |
| Verizon Deer Path Tower Lease | 175,058 | - | 27,365 | 147,693 |
| Verizon Hanley Road Tower Lease | 466,577 | - | 29,124 | 437,453 |
| Washington County Hanley Rd. Tower Lease | 54,151 | - | 12,524 | 41,627 |
| Total | <u>\$ 2,915,197</u> | <u>\$ -</u> | <u>\$ 207,968</u> | <u>\$ 2,707,229</u> |

Remaining amounts to be received associated with these leases at December 31, 2022 are as follows:

| Year Ending December 31, | |
|-----------------------------|---------------------|
| 2023 | \$ 220,603 |
| 2024 | 234,272 |
| 2025 | 234,192 |
| 2026 | 181,628 |
| 2027 | 131,716 |
| 2028-2032 | 634,377 |
| 2033-2037 | 236,263 |
| 2038-2042 | 214,992 |
| 2043-2047 | 286,940 |
| 2048-2052 | 332,246 |
| Total | <u>\$ 2,707,229</u> |

Note 14 - Tax Incremental Financing Districts

The City has established separate capital projects funds for the Tax Incremental Financing Districts (TID) created by the City in accordance with Section 66.1105 of the Wisconsin Statutes. At the time the TID's were created, the property tax base within each TID was "frozen" and increment taxes resulting from increases to the property tax base are used to finance TID improvements, including principal and interest on long-term debt issued by the City to finance such improvements. State Statutes allow a tax incremental district to incur eligible project costs up to five years from the maximum termination date.

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

| | Termination Year |
|----------|---------------------|
| TID No.5 | 2045 |
| TID No.6 | 2038 |

CITY OF HUDSON, WISCONSIN

Notes to Financial Statements

December 31, 2022

Note 14 - Tax Incremental Financing Districts (Continued)

Tax Abatements

The City has entered into agreements within some of the Districts that require the City to make annual repayments of property taxes collected within the Districts to the developers, based upon the terms of the agreements. As tax abatements, those developer payments and the related property tax revenues are not reported as revenues or expenditures in the financial statements.

For the year ended December 31, 2022, the City abated property taxes of \$767,117 under this program which include the following tax abatement agreements:

- A property tax abatement of \$472,767 to a developer within Tax Incremental District No. 5
- A property tax abatement of \$294,350 to two developers within Tax Incremental District No. 6

Note 15 - Business Park Revolving Loan Fund

The City was awarded a grant by the Wisconsin Department of Commerce under the Major Economic Development (MED) program in 2003 in the amount of \$850,000. The funds were to be used to assist in financing site acquisition costs from the St. Croix Business Park for a major business to locate within the business park. Upon closing of the sale, St. Croix Business Park was to pay \$425,000 of the funds to the City to establish a separate revolving loan fund under management and direction of the City to be used by St. Croix Business Park to assist future economic development projects in the City.

The \$425,000 was recorded in a separate special revenue fund by the City. There were no loans outstanding at December 31, 2022. Outstanding balances on the loans would be shown as long-term receivables in the business park revolving loan special revenue fund. The balance in the fund at December 31, 2022 totaled \$590,612.

Note 16 - Participation in Biosolids Facility

The City is a participating member of the West Central Wisconsin Biosolids Facility (Facility), a facility jointly constructed by eleven Wisconsin communities to provide for the treatment, storage, and disposal of biosolids (sludge). The communities have created a commission pursuant to Section 66.0301 (formerly 66.30) of the Wisconsin Statutes to administer the Facility with said commission to operate as a governmental body under Section 19.82(1) of the Statutes. Costs of operation of the Facility are to be recovered from users of the Facility (both members and nonmembers) based on usage. The City is advanced billed quarterly for its estimated share of costs. The billings are subject to a final adjustment based on actual costs and actual usage.

Note 17 - Landfill Postclosure Care Costs

The City is responsible for postclosure care costs relating to a landfill site owned by the City. The landfill was closed in prior years and a cover and monitoring wells were installed in 1992. Future postclosure care costs currently consist solely of monitoring emissions from the site wells and the water quality of identified adjacent property owners' wells. The Wisconsin Department of Natural Resources did not stipulate a specific future timeframe for the required monitoring and, accordingly, no liability has been recorded for these ongoing costs in the government-wide financial statements. Total expenditures during 2022 were \$3,037. Future annual expenditures are expected to be similar to current year expenditures.

CITY OF HUDSON, WISCONSIN

Notes to Financial Statements

December 31, 2022

Note 18 - Discretely Presented Component Units

St. Croix Business Park

Capital asset activity for the St. Croix Business Park for the year ended December 31, 2022, was as follows:

| | Beginning Balances | Increases | Decreases | Ending Balances |
|-----------------------------------------|-----------------------|-------------------|-------------|--------------------|
| Governmental Activities | | | | |
| Capital Assets not Being Depreciated | | | | |
| Land | \$ 855,784 | \$ - | \$ - | \$ 855,784 |
| Capital Assets Being Depreciated | | | | |
| Land Improvements | 82,725 | - | - | 82,725 |
| Total Capital Assets | 938,509 | - | - | 938,509 |
| Less Accumulated Depreciation | | | | |
| Land Improvements | (59,260) | (4,136) | - | (63,396) |
| Net Capital Assets | | | | |
| St. Croix Business Park | <u>\$ 879,249</u> | <u>\$ (4,136)</u> | <u>\$ -</u> | <u>\$ 875,113</u> |

Depreciation expense charge to the Business Park was \$4,136.

Joint Library

Capital asset activity for the Joint Library for the year ended December 31, 2022, was as follows:

| | Beginning Balances | Increases | Decreases | Ending Balances |
|-----------------------------------------------|-----------------------|-----------------|-------------|--------------------|
| Capital Assets Being Depreciated | | | | |
| Buildings and Improvements | \$ 523,386 | \$ 34,338 | \$ - | \$ 557,724 |
| Machinery and Equipment | 710,173 | 74,413 | - | 784,586 |
| Total Capital Assets Being Depreciated | 1,233,559 | 108,751 | - | 1,342,310 |
| Less Accumulated Depreciation | | | | |
| Buildings and Improvements | (234,364) | (23,987) | - | (258,351) |
| Machinery and Equipment | (298,403) | (85,297) | - | (383,700) |
| Total Accumulated Depreciation | (532,767) | (109,284) | - | (642,051) |
| Net Capital Assets - Joint Library | <u>\$ 700,792</u> | <u>\$ (533)</u> | <u>\$ -</u> | <u>\$ 700,259</u> |

Depreciation expense charge to the Joint Library was \$109,284.

CITY OF HUDSON, WISCONSIN

Notes to Financial Statements

December 31, 2022

Note 18 - Discretely Presented Component Units (Continued)

The long-term obligations activity for the Joint Library component unit for the year ended December 31, 2022, was as follows:

| | Balance 01/01/22 | Additions | Reductions | Balance 12/31/22 | Amount Due Within One Year |
|----------------------|---------------------|-----------------|------------------|---------------------|----------------------------------|
| Compensated Absences | <u>\$ 10,707</u> | <u>\$ 9,378</u> | <u>\$ 10,707</u> | <u>\$ 9,378</u> | <u>\$ 9,378</u> |

Community Access Board

Capital asset activity for the Community Access Board for the year ended December 31, 2022, was as follows:

| | Beginning Balances | Increases | Decreases | Ending Balances |
|-----------------------------------------|-----------------------|------------------|-------------|--------------------|
| Capital Assets Being Depreciated | | | | |
| Machinery and Equipment | <u>\$ 281,595</u> | <u>\$ 33,236</u> | <u>\$ -</u> | <u>\$ 314,831</u> |
| Less Accumulated Depreciation | | | | |
| Machinery and Equipment | <u>(181,014)</u> | <u>(19,058)</u> | <u>-</u> | <u>(200,072)</u> |
| Net Capital Assets | | | | |
| Community Access Board | <u>\$ 100,581</u> | <u>\$ 14,178</u> | <u>\$ -</u> | <u>\$ 114,759</u> |

Depreciation expense charge to the Community Access Board was \$19,058.

The long-term obligations activity for the Community Access Board component unit for the year ended December 31, 2022, was as follows:

| | Balance 01/01/22 | Additions | Reductions | Balance 12/31/22 | Amount Due Within One Year |
|----------------------|---------------------|------------------|------------------|---------------------|----------------------------------|
| Compensated Absences | <u>\$ 12,576</u> | <u>\$ 16,408</u> | <u>\$ 12,576</u> | <u>\$ 16,408</u> | <u>\$ 16,408</u> |

Note 19 - 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; injuries to employees; employee health claims; unemployment compensation claims; and environmental damage for which the City purchases commercial insurance. There has been no reduction in insurance coverage from the prior year. Insurance settlements for claims resulting from the risks covered by commercial insurance have not exceeded the insurance coverage in past year.

CITY OF HUDSON, WISCONSIN

Notes to Financial Statements

December 31, 2022

Note 20 - Contingencies

The City 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 for expenditures disallowed under terms of the grants. The City believes such disallowances, if any, would be immaterial.

From time to time the City is involved in legal actions and claims, most of which normally occur in governmental operations. In the opinion of City management, these issues, and any other proceedings known to exist at December 31, 2022, are not likely to have a material adverse impact on the City's financial position.

Note 21 - Subsequent Events

The City issued the following debt subsequent to December 31, 2022.

- General obligation corporate purpose bonds, series 2023A, par amount of \$4,770,000 on May 22, 2023 with an interest rate of 4.00% and a maturity date of April 1, 2043.
- General obligation promissory notes, series 2023B, par amount of \$3,440,000 on May 22, 2023 with interest rates of 3.125%-5.00% and a maturity date of April 1, 2033.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF HUDSON, WISCONSIN

Schedule of Employer's Proportionate Share of the Net Pension Liability (Asset) Wisconsin Retirement System (WRS)

| WRS Fiscal Year End Date (Measurement Date) | City's Proportion of the Net Pension Asset/Liability | City's Proportionate Share of the Net Pension (Asset)/Liability | City's Covered Payroll | City's Proportionate Share of the Net Pension Asset/Liability as a Percentage of Covered Payroll | Plan Fiduciary Net Position as a Percentage of the Total Pension Asset/Liability |
|------------------------------------------------------|------------------------------------------------------------------|-----------------------------------------------------------------------------|------------------------------|-----------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------|
| 12/31/2021 | 0.04922386% | \$ (3,967,533) | \$ 6,679,423 | 59.40% | 106.02% |
| 12/31/2020 | 0.04850856% | (3,028,456) | 6,345,452 | 47.73% | 105.26% |
| 12/31/2019 | 0.04733479% | (1,526,289) | 6,377,558 | 23.93% | 102.96% |
| 12/31/2018 | 0.04506210% | 1,603,168 | 6,078,348 | 26.38% | 96.45% |
| 12/31/2017 | 0.04237096% | (1,258,044) | 5,580,151 | 22.54% | 102.93% |
| 12/31/2016 | 0.04027648% | 331,974 | 5,274,504 | 6.29% | 99.12% |
| 12/31/2015 | 0.03942175% | 640,597 | 4,990,775 | 12.84% | 98.20% |
| 12/31/2014 | 0.03932084% | (965,827) | 4,775,480 | 20.22% | 102.74% |

Schedule of Employer Contributions Wisconsin Retirement System (WRS)

| City Year End Date | Contractually Required Contributions | Contributions in Relation to the Contractually Required Contributions | Contribution Deficiency (Excess) | Covered Payroll | Contributions as a Percentage of Covered Payroll |
|-----------------------|--------------------------------------------|-----------------------------------------------------------------------------------|----------------------------------------|--------------------|-----------------------------------------------------------|
| 12/31/2022 | \$ 614,281 | \$ 614,281 | \$ - | \$ 7,138,788 | 8.60% |
| 12/31/2021 | 583,209 | 583,209 | - | 6,679,423 | 8.73% |
| 12/31/2020 | 545,833 | 545,833 | - | 6,345,452 | 8.60% |
| 12/31/2019 | 511,551 | 511,551 | - | 6,377,558 | 8.02% |
| 12/31/2018 | 490,651 | 490,651 | - | 6,078,348 | 8.07% |
| 12/31/2017 | 455,284 | 455,284 | - | 5,580,151 | 8.16% |
| 12/31/2016 | 398,730 | 398,730 | - | 5,274,504 | 7.56% |
| 12/31/2015 | 385,618 | 385,618 | - | 4,990,775 | 7.73% |

CITY OF HUDSON, WISCONSIN
Schedule of Changes in Total OPEB Liability and Related Ratios
Other Post-Employment Benefit Plan - Single-Employer Plan
Last 10 Fiscal Years*

| | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> |
|------------------------------------------------------------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| Total OPEB Liability | | | | | |
| Service Cost | \$ 164,860 | \$ 153,479 | \$ 130,844 | \$ 145,836 | \$ 152,610 |
| Interest | 29,197 | 36,984 | 68,322 | 57,878 | 53,756 |
| Differences Between Expected and Actual Experience | (142,028) | - | (458,515) | - | - |
| Changes of Assumptions or Other Input | 63,308 | 64,518 | (174,127) | (50,609) | - |
| Benefit Payments | (52,954) | (110,134) | (113,301) | (75,082) | (74,355) |
| Net Change in Total OPEB Liability | <u>62,383</u> | <u>144,847</u> | <u>(546,777)</u> | <u>78,023</u> | <u>132,011</u> |
| Total OPEB Liability - Beginning | <u>1,321,348</u> | <u>1,176,501</u> | <u>1,723,278</u> | <u>1,645,255</u> | <u>1,513,244</u> |
| Total OPEB Liability - Ending | <u><u>\$ 1,383,731</u></u> | <u><u>\$ 1,321,348</u></u> | <u><u>\$ 1,176,501</u></u> | <u><u>\$ 1,723,278</u></u> | <u><u>\$ 1,645,255</u></u> |
| Covered-Employee Payroll | \$ 6,306,875 | \$ 5,820,162 | \$ 5,636,961 | \$ 5,469,304 | \$ 5,310,004 |
| Total OPEB Liability as a Percentage of Covered-Employee Payroll | 21.94% | 22.70% | 20.87% | 31.51% | 30.98% |

*Ten years of data will be accumulated beginning with 2018.

CITY OF HUDSON, WISCONSIN

Schedule of Employer's Proportionate Share of the Net OPEB Liability Local Retiree Life Insurance Plan

| WRS Fiscal Year End Date (Measurement Date) | City's Proportion of the Net OPEB Liability | City's Proportionate Share of the Net OPEB Liability | City's Covered Payroll | City's Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll | Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability |
|------------------------------------------------------|---------------------------------------------------------|------------------------------------------------------------------|------------------------------|--------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------|
| 12/31/2021 | 0.06890200% | \$ 407,236 | \$ 4,292,000 | 9.49% | 29.57% |
| 12/31/2020 | 0.06659100% | 366,299 | 4,086,000 | 8.96% | 31.36% |
| 12/31/2019 | 0.07222800% | 307,561 | 3,889,000 | 7.91% | 37.58% |
| 12/31/2018 | 0.08302300% | 214,227 | 3,791,000 | 5.65% | 48.69% |
| 12/31/2017 | 0.09710600% | 292,152 | 4,083,585 | 7.15% | 44.81% |

Schedule of Employer Contributions Local Retiree Life Insurance Plan

| City Year End Date | Contractually Required Contributions | Contributions in Relation to the Contractually Required Contributions | Contribution Deficiency (Excess) | Covered Payroll | Contributions as a Percentage of Covered Payroll |
|-----------------------|--------------------------------------------|-----------------------------------------------------------------------------------|----------------------------------------|--------------------|-----------------------------------------------------------|
| 12/31/2022 | \$ 1,597 | \$ 1,597 | \$ - | \$ 4,700,000 | 0.03% |
| 12/31/2021 | 1,395 | 1,395 | - | 4,292,000 | 0.03% |
| 12/31/2020 | 1,313 | 1,313 | - | 4,086,000 | 0.03% |
| 12/31/2019 | 1,397 | 1,397 | - | 3,889,000 | 0.04% |
| 12/31/2018 | 1,598 | 1,598 | - | 3,791,000 | 0.04% |

CITY OF HUDSON, WISCONSIN
Schedule of Budgetary Comparison
Budget and Actual
General Fund
For the Year Ended December 31, 2022

| | Budgeted Amounts | | Actual | Variance with |
|-------------------------------------------|-------------------------|----------------------|---------------------|----------------------|
| | Original | Final Amounts | Amounts | Final Budget |
| | | | | Positive |
| | | | | (Negative) |
| REVENUES | | | | |
| Taxes | \$ 7,196,124 | \$ 7,196,124 | \$ 7,184,524 | \$ (11,600) |
| Intergovernmental | 1,155,219 | 1,155,219 | 1,225,409 | 70,190 |
| Licenses and Permits | 420,830 | 420,830 | 660,984 | 240,154 |
| Fines, Forfeitures and Penalties | 120,882 | 120,882 | 70,087 | (50,795) |
| Public Charges for Services | 365,900 | 365,900 | 247,221 | (118,679) |
| Intergovernmental Charges for Services | 708,991 | 708,991 | 712,254 | 3,263 |
| Miscellaneous | 220,206 | 220,206 | 1,540,865 | 1,320,659 |
| Total Revenues | 10,188,152 | 10,188,152 | 11,641,344 | 1,453,192 |
| EXPENDITURES | | | | |
| General Government | 2,134,464 | 2,134,464 | 3,190,226 | (1,055,762) |
| Public Safety | 5,283,861 | 5,283,861 | 5,659,288 | (375,427) |
| Transportation Facilities | 1,835,171 | 1,835,171 | 1,861,970 | (26,799) |
| Sanitation | 14,542 | 14,542 | 14,227 | 315 |
| Health and Human Services | 14,800 | 14,800 | 13,959 | 841 |
| Culture and Recreation | 454,633 | 454,633 | 869,677 | (415,044) |
| Conservation and Development | 574,051 | 574,051 | 548,860 | 25,191 |
| Capital Outlay | 1,000 | 1,000 | 43,962 | (42,962) |
| Total Expenditures | 10,312,522 | 10,312,522 | 12,202,169 | (1,889,647) |
| DEFICIENCY OF REVENUES | | | | |
| UNDER EXPENDITURES | (124,370) | (124,370) | (560,825) | (436,455) |
| OTHER FINANCING SOURCE (USE) | | | | |
| Transfers In | 560,000 | 560,000 | 1,335,354 | 775,354 |
| Transfers Out | - | - | (61,265) | (61,265) |
| Total Other Financing Source (Use) | 560,000 | 560,000 | 1,274,089 | 714,089 |
| NET CHANGE IN FUND BALANCE | 435,630 | 435,630 | 713,264 | 277,634 |
| FUND BALANCE - BEGINNING | 5,100,682 | 5,100,682 | 5,100,682 | - |
| FUND BALANCE - ENDING | \$ 5,536,312 | \$ 5,536,312 | \$ 5,813,946 | \$ 277,634 |

CITY OF HUDSON, WISCONSIN
Notes to Required Supplementary Information
For the Year Ended December 31, 2022

Budgetary Process

The City follows these procedures in establishing the budgetary data reflected in the budgetary comparison schedules:

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

Excess of Actual Expenditures Over Budget

The following fund had an excess of actual expenditures over budget for the year ended December 31, 2022:

| <u>General Fund</u> | <u>Excess Expenditures</u> |
|---------------------------|--------------------------------|
| General Government | \$ 1,055,762 |
| Public Safety | 375,427 |
| Transportation Facilities | 26,799 |
| Culture and Recreation | 415,044 |
| Capital Outlay | 42,962 |

CITY OF HUDSON, WISCONSIN
Notes to Required Supplementary Information
For the Year Ended December 31, 2022

Defined Benefit Pension Plan

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

Changes of assumptions.

Based on a three-year experience study conducted in 2021 covering January 1, 2018 through December 31, 2020, the ETF Board adopted assumption changes that were used to measure the total pension liability beginning with the year-end December 31, 2021, including the following:

- Lowering the long-term expected rate of return from 7.0% to 6.8%
- Lowering the discount rate from 7.0% to 6.8%
- Lowering the price inflation rate from 2.5% to 2.4%
- Lowering the post-retirement adjustments from 1.9% to 1.7%
- Mortality assumptions were changed to reflect updated trends by transitioning from the Wisconsin 2018 Mortality Table to the 2020 WRS Experience Mortality Table.

Post-Employment Benefits Other Than Pension Benefits - LRLIF

Changes of benefit terms. There were no recent changes in benefit terms.

Changes of assumptions. In addition to the rate changes detailed in the tables above, the State of Wisconsin Employee Trust Fund Board adopted economic and demographic assumption changes based on a three year experience study performed for the Wisconsin Retirement System. These assumptions are used in the actuarial valuations of OPEB liabilities (assets) for the retiree life insurance programs and are summarized below.

The assumption changes that were used to measure the December 31, 2021 total OPEB liabilities, including the following:

- Lowering the price inflation rate from 2.5% to 2.4%
- Mortality assumptions were changed to reflect updated trends by transitioning from the Wisconsin 2018 Mortality Table to the 2020 WRS Experience Mortality Table.

Post-Employment Benefits Other Than Pension Benefits - Single-Employer Plan

Changes of benefit terms. There were no recent changes in benefit terms.

Changes of assumptions. There were no recent changes in assumptions.

SUPPLEMENTARY INFORMATION

CITY OF HUDSON, WISCONSIN

Combining Balance Sheet
Nonmajor Governmental Funds
As of December 31, 2022

| | Impact Fees Fund | Room Tax Fund | American Rescue Plan Act (ARPA) Fund | Sewer Collection System Replacement | Park Dedication Fees | Police Donations |
|-------------------------------------------------------------------------------|-----------------------------|----------------------|-----------------------------------------------------|----------------------------------------------------|---------------------------------|-----------------------------|
| ASSETS | | | | | | |
| Cash and Investments | \$ 1,374,332 | \$ 82,010 | \$ 866,546 | \$ 1,281,412 | \$ 839,521 | \$ 41,259 |
| Receivables: | | | | | | |
| Accounts Receivable | 1,077 | 59,832 | - | - | - | - |
| Due from Other Governments | - | - | - | - | - | - |
| TOTAL ASSETS | <u>\$ 1,375,409</u> | <u>\$ 141,842</u> | <u>\$ 866,546</u> | <u>\$ 1,281,412</u> | <u>\$ 839,521</u> | <u>\$ 41,259</u> |
| LIABILITIES | | | | | | |
| Accounts Payable | \$ - | \$ 41,882 | \$ - | \$ - | \$ - | \$ - |
| Accrued Liabilities | - | - | - | - | - | - |
| Unearned Revenue | | | | | | |
| American Rescue Plan Act Funds | - | - | 849,472 | - | - | - |
| Total Liabilities | <u>-</u> | <u>41,882</u> | <u>849,472</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| FUND BALANCES | | | | | | |
| Restricted | 1,375,409 | - | - | - | 839,521 | 41,259 |
| Assigned | - | - | 17,074 | - | - | - |
| Committed | - | 99,960 | - | 1,281,412 | - | - |
| Total Fund Balances | <u>1,375,409</u> | <u>99,960</u> | <u>17,074</u> | <u>1,281,412</u> | <u>839,521</u> | <u>41,259</u> |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | <u>\$ 1,375,409</u> | <u>\$ 141,842</u> | <u>\$ 866,546</u> | <u>\$ 1,281,412</u> | <u>\$ 839,521</u> | <u>\$ 41,259</u> |

| <u>Golden Rule Donations</u> | <u>Police Drug Forfeitures</u> | <u>Business Park Revolving Loan Fund</u> | <u>Storm Water MS-4 Fund</u> | <u>Storm Water Fund</u> | <u>Special Assessments</u> | <u>Total Nonmajor Governmental Funds</u> |
|----------------------------------|------------------------------------|--------------------------------------------------|----------------------------------|-----------------------------|--------------------------------|--------------------------------------------------|
| \$ - | \$ 5,445 | \$ 590,612 | \$ 162,331 | \$ 394,737 | \$ 479 | \$ 5,638,684 |
| - | - | - | - | 133,232 | - | 194,141 |
| - | - | - | - | 13,487 | - | 13,487 |
| <u>\$ -</u> | <u>\$ 5,445</u> | <u>\$ 590,612</u> | <u>\$ 162,331</u> | <u>\$ 541,456</u> | <u>\$ 479</u> | <u>\$ 5,846,312</u> |
| \$ - | \$ - | \$ - | \$ - | \$ 976 | \$ - | \$ 42,858 |
| - | - | - | - | 3,458 | - | 3,458 |
| - | - | - | - | - | - | 849,472 |
| - | - | - | - | 4,434 | - | 895,788 |
| - | 5,445 | 590,612 | - | - | - | 2,852,246 |
| - | - | - | - | - | 479 | 17,553 |
| - | - | - | 162,331 | 537,022 | - | 2,080,725 |
| - | 5,445 | 590,612 | 162,331 | 537,022 | 479 | 4,950,524 |
| <u>\$ -</u> | <u>\$ 5,445</u> | <u>\$ 590,612</u> | <u>\$ 162,331</u> | <u>\$ 541,456</u> | <u>\$ 479</u> | <u>\$ 5,846,312</u> |

CITY OF HUDSON, WISCONSIN
Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Deficits)
Nonmajor Governmental Funds
For the Year Ended December 31, 2022

| | Impact Fees Fund | Room Tax Fund | American Rescue Plant Act (ARPA) Fund | Sewer Collection System Replacement | Parks Dedication Fees | Police Donations |
|----------------------------------------------------------------------|-----------------------------|--------------------------|------------------------------------------------------|--------------------------------------------------------|----------------------------------|-----------------------------|
| REVENUES | | | | | | |
| Taxes | \$ - | \$ 276,772 | \$ - | \$ - | \$ - | \$ - |
| Intergovernmental | - | - | 626,668 | - | - | - |
| Charges for Services | - | - | - | 63,138 | 167,202 | - |
| Investment Income | 20,688 | 848 | 16,200 | 11,789 | 8,139 | 1,490 |
| Donations | - | - | - | - | 1,818 | 5,957 |
| Miscellaneous | - | - | - | - | - | 171 |
| Total Revenues | 20,688 | 277,620 | 642,868 | 74,927 | 177,159 | 7,618 |
| EXPENDITURES | | | | | | |
| Current: | | | | | | |
| Public Safety | - | - | - | - | - | 12,203 |
| Transportation Facilities | - | - | - | - | - | - |
| Culture, Recreation, and Education | - | 303,399 | - | - | - | - |
| Conservation and Development | 302,798 | - | - | - | - | - |
| Capital Outlay | - | - | 626,668 | - | - | - |
| Total Expenditures | 302,798 | 303,399 | 626,668 | - | - | 12,203 |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | (282,110) | (25,779) | 16,200 | 74,927 | 177,159 | (4,585) |
| OTHER FINANCING USE | | | | | | |
| Transfers Out | - | - | - | - | - | - |
| NET CHANGE IN FUND BALANCES | (282,110) | (25,779) | 16,200 | 74,927 | 177,159 | (4,585) |
| FUND BALANCES - BEGINNING | 1,657,519 | 125,739 | 874 | 1,206,485 | 662,362 | 45,844 |
| FUND BALANCES - ENDING | \$ 1,375,409 | \$ 99,960 | \$ 17,074 | \$ 1,281,412 | \$ 839,521 | \$ 41,259 |

| Golden Rule Donations | Police Drug Forfeitures | Business Park Revolving Loan Fund | Storm Water MS- 4 Fund | Storm Water Fund | Special Assessments | Total Nonmajor Governmental Funds |
|--------------------------|----------------------------|-----------------------------------------|---------------------------|---------------------|------------------------|-----------------------------------------|
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 276,772 |
| - | - | - | - | - | - | 626,668 |
| - | - | - | - | 532,511 | - | 762,851 |
| - | 1,895 | 6,548 | 1,801 | 4,409 | 479 | 74,286 |
| - | - | - | - | - | - | 7,775 |
| - | - | - | - | - | - | 171 |
| - | 1,895 | 6,548 | 1,801 | 536,920 | 479 | 1,748,523 |
| - | - | - | - | - | - | 12,203 |
| - | - | - | - | 514,156 | - | 514,156 |
| 297 | - | - | - | - | - | 303,696 |
| - | - | - | - | - | - | 302,798 |
| - | - | - | - | - | - | 626,668 |
| 297 | - | - | - | 514,156 | - | 1,759,521 |
| (297) | 1,895 | 6,548 | 1,801 | 22,764 | 479 | (10,998) |
| - | - | - | - | (16,260) | - | (16,260) |
| (297) | 1,895 | 6,548 | 1,801 | 6,504 | 479 | (27,258) |
| 297 | 3,550 | 584,064 | 160,530 | 530,518 | - | 4,977,782 |
| \$ - | \$ 5,445 | \$ 590,612 | \$ 162,331 | \$ 537,022 | \$ 479 | \$ 4,950,524 |

CITY OF HUDSON, WISCONSIN
Combining Statement of Net Position
Nonmajor Proprietary Funds
As of December 31, 2022
With Summarized Comparative Information as of December 31, 2021

| | | | Totals | |
|---------------------------------------------------------|------------------------|--------------------------|---------------------|---------------------|
| | Parking Utility | Ambulance Service | 2022 | 2021 |
| ASSETS | | | | |
| Current Assets: | | | | |
| Cash and Investments | \$ 132,897 | \$ - | \$ 132,897 | \$ 879,546 |
| Receivables | | | | |
| Accounts | 3,864 | - | 3,864 | 35,583 |
| Taxes | - | - | - | 9,725 |
| Other | 9,725 | - | 9,725 | 9,725 |
| Prepaid Items | - | - | - | 3,220 |
| Total Current Assets | 146,486 | - | 146,486 | 937,799 |
| Noncurrent Assets: | | | | |
| Net Pension Asset | 21,226 | - | 21,226 | 15,848 |
| Nondepreciable Capital Assets | 760,562 | - | 760,562 | 760,562 |
| Depreciable Capital assets, Net of Depreciation | 605,107 | - | 605,107 | 683,158 |
| Total Noncurrent Assets | 1,386,895 | - | 1,386,895 | 1,459,568 |
| TOTAL ASSETS | 1,533,381 | - | 1,533,381 | 2,397,367 |
| DEFERRED OUTFLOWS OF RESOURCES | | | | |
| Pension Related Amounts | 41,564 | - | 41,564 | 26,393 |
| Other Post-Employment Related Amounts - Single-Employer | 1,251 | - | 1,251 | 1,092 |
| Total Deferred Outflows of Resources | 42,815 | - | 42,815 | 27,485 |
| CURRENT LIABILITIES | | | | |
| Accounts Payable | 11,664 | - | 11,664 | 37,407 |
| Accrued and Other Current Liabilities | 2,628 | - | 2,628 | 2,876 |
| Deposits Payable | 125 | - | 125 | 125 |
| Current Portion of Compensated Absences | 1,365 | - | 1,365 | - |
| Total Current Liabilities | 15,782 | - | 15,782 | 40,408 |
| NONCURRENT LIABILITIES | | | | |
| Other Post-Employment Benefits - Single Employer | 12,505 | - | 12,505 | 13,083 |
| TOTAL LIABILITIES | 28,287 | - | 28,287 | 53,491 |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Pension Related Amounts | 49,967 | - | 49,967 | 34,727 |
| Other Post-Employment Related Amounts - Single-Employer | 5,221 | - | 5,221 | 5,206 |
| Total Deferred Inflows of Resources | 55,188 | - | 55,188 | 39,933 |
| NET POSITION | | | | |
| Net Investment in Capital Assets | 1,365,669 | - | 1,365,669 | 1,443,720 |
| Restricted | 12,823 | - | 12,823 | 15,848 |
| Unrestricted | 114,229 | - | 114,229 | 871,860 |
| TOTAL NET POSITION | \$ 1,492,721 | \$ - | \$ 1,492,721 | \$ 2,331,428 |

CITY OF HUDSON, WISCONSIN

Combining Statement of Revenues, Expenses and Changes in Net Position

Nonmajor Proprietary Funds

For the Year Ended December 31, 2022

With Summarized Comparative Information from December 31, 2021

| | | | Totals | |
|---------------------------------------|------------------------|--------------------------|---------------------|---------------------|
| | Parking Utility | Ambulance Service | 2022 | 2021 |
| OPERATING REVENUES | | | | |
| Charges for Services | \$ 264,079 | \$ - | \$ 264,079 | \$ 261,374 |
| Other Operating Revenues | 4,271 | 8,725 | 12,996 | 42,765 |
| Total Operating Revenues | <u>268,350</u> | <u>8,725</u> | <u>277,075</u> | <u>304,139</u> |
| OPERATING EXPENSES | | | | |
| Operation and Maintenance | 185,009 | 69,542 | 254,551 | 256,650 |
| Depreciation | 78,051 | - | 78,051 | 78,211 |
| Total Operating Expenses | <u>263,060</u> | <u>69,542</u> | <u>332,602</u> | <u>334,861</u> |
| OPERATING INCOME (LOSS) | <u>5,290</u> | <u>(60,817)</u> | <u>(55,527)</u> | <u>(30,722)</u> |
| NONOPERATING REVENUE | | | | |
| Investment Income | <u>1,489</u> | <u>6,578</u> | <u>8,067</u> | <u>1,159</u> |
| INCOME (LOSS) BEFORE TRANSFERS | <u>6,779</u> | <u>(54,239)</u> | <u>(47,460)</u> | <u>(29,563)</u> |
| TRANSFERS OUT | <u>-</u> | <u>(791,247)</u> | <u>(791,247)</u> | <u>-</u> |
| CHANGE IN NET POSITION | <u>6,779</u> | <u>(845,486)</u> | <u>(838,707)</u> | <u>(29,563)</u> |
| NET POSITION - BEGINNING | <u>1,485,942</u> | <u>845,486</u> | <u>2,331,428</u> | <u>2,360,991</u> |
| NET POSITION - ENDING | <u>\$ 1,492,721</u> | <u>\$ -</u> | <u>\$ 1,492,721</u> | <u>\$ 2,331,428</u> |

CITY OF HUDSON, WISCONSIN
Combining Statement of Cash Flows
Nonmajor Proprietary Funds
For the Year Ended December 31, 2022
With Summarized Comparative Information from December 31, 2021

| | | | Totals | |
|-----------------------------------------------------------------------------------------------|------------------------|---------------------------|-------------------|-------------------|
| | Parking Utility | Ambulance Services | 2022 | 2021 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Cash Received from Customers | \$ 136,183 | \$ 44,308 | \$ 180,491 | \$ 157,274 |
| Cash Received from Government Subsidies/Grants | - | - | - | 39,728 |
| Cash Received from Parking Forfeitures | 138,028 | - | 138,028 | 119,792 |
| Cash Paid to Suppliers for Goods and Services | (116,816) | (66,765) | (183,581) | (141,313) |
| Cash Paid to Employees For Wages and Benefits | (95,339) | (3,068) | (98,407) | (97,983) |
| Net Cash Flows From Operating Activities | <u>62,056</u> | <u>(25,525)</u> | <u>36,531</u> | <u>77,498</u> |
| CASH FLOWS FROM NON-CAPITAL AND RELATED FINANCING ACTIVITIES | | | | |
| Transfer to Municipality | - | (791,247) | (791,247) | - |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | | |
| Acquisition of Capital Assets | - | - | - | (73,224) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Investment Income | <u>1,489</u> | <u>6,578</u> | <u>8,067</u> | <u>1,159</u> |
| CHANGE IN CASH AND INVESTMENTS | <u>63,545</u> | <u>(810,194)</u> | <u>(746,649)</u> | <u>5,433</u> |
| CASH AND INVESTMENTS - BEGINNING | <u>69,352</u> | <u>810,194</u> | <u>879,546</u> | <u>874,113</u> |
| CASH AND INVESTMENTS - ENDING | <u>\$ 132,897</u> | <u>\$ -</u> | <u>\$ 132,897</u> | <u>\$ 879,546</u> |
| RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS FROM | | | | |
| Operating Income (Loss) | \$ 5,290 | \$ (60,817) | \$ (55,527) | \$ (30,722) |
| Adjustments to Reconcile Operating Income (Loss) to Net Cash Flows from Operating Activities: | | | | |
| Depreciation | 78,051 | - | 78,051 | 78,211 |
| Changes in Assets and Liabilities: | | | | |
| Customer Accounts Receivable | (3,864) | 35,583 | 31,719 | 13,657 |
| Other Receivables | 9,725 | - | 9,725 | (422) |
| Prepaid Items | 3,220 | - | 3,220 | (3,220) |
| Net Pension Asset | (5,378) | - | (5,378) | (8,064) |
| Deferred Outflows Related to Pension | (15,171) | - | (15,171) | (8,169) |
| Deferred Outflows Related to OPEB | (159) | - | (159) | 42 |
| Accounts Payable | (25,452) | (291) | (25,743) | 26,990 |
| Accrued Wages | (248) | - | (248) | (90) |
| Accrued Other Liabilities | - | - | - | (2,171) |
| Due to Other Governments | - | - | - | (580) |
| Accrued Compensated Absences | 1,365 | - | 1,365 | - |
| Net OPEB Liability Related to OPEB | (578) | - | (578) | 1,434 |
| Deferred Inflows Related to Pension | 15,240 | - | 15,240 | 11,354 |
| Deferred Inflows Related to OPEB | 15 | - | 15 | (752) |
| Net Cash Flows From Operating Activities | <u>\$ 62,056</u> | <u>\$ (25,525)</u> | <u>\$ 36,531</u> | <u>\$ 77,498</u> |

OTHER INFORMATION

CITY OF HUDSON, WISCONSIN

Detailed Balance Sheet

General Fund

As of December 31, 2022

With Summarized Information from December 31, 2021

| | 2022 | 2021 |
|-------------------------------------------------------------------------------|----------------------|----------------------|
| ASSETS | | |
| Cash and Investments | \$ 4,544,649 | \$ 5,917,607 |
| Receivables: | | |
| Property Taxes | 7,474,741 | 6,709,568 |
| Delinquent Property Taxes | 54,250 | 25,898 |
| Accounts | 1,315,469 | 441,496 |
| Due from Other Funds | 824,295 | - |
| Prepaid Items | 34,987 | 40,246 |
| TOTAL ASSETS | \$ 14,248,391 | \$ 13,134,815 |
| LIABILITIES | | |
| Accounts Payable | \$ 741,186 | \$ 385,150 |
| Accrued Liabilities | 218,454 | 228,063 |
| Due to Other Governments | 64 | 64 |
| Deposits from Others | - | 236,333 |
| Total Liabilities | 959,704 | 849,610 |
| DEFERRED INFLOWS OF RESOURCES | | |
| Taxes Levied for Subsequent Period | 7,474,741 | 7,184,523 |
| FUND BALANCES | | |
| Nonspendable | 89,237 | 66,144 |
| Assigned | 554,162 | 547,502 |
| Unassigned | 5,170,547 | 4,487,036 |
| Total Fund Balances | 5,813,946 | 5,100,682 |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | \$ 14,248,391 | \$ 13,134,815 |

CITY OF HUDSON, WISCONSIN
Statement of Changes in Fund Balance
General Fund
For the Year Ended December 31, 2022

| | Balance | Revenue and Other Sources | | | Net Transfers | Total | Expenditures/ | Balance |
|---------------------------|-------------------|---------------------------|-----------------|-------------|------------------|-------------------|---------------|-------------------|
| | 01/01/22 | Tax | Interest | Other | From (To) | Available | Transfers to | 12/31/22 |
| | | Levy | | | General Fund | | Other Funds | |
| NONSPENDABLE | | | | | | | | |
| Delinquent Taxes | \$ 25,898 | \$ - | \$ - | \$ - | \$ 28,352 | \$ 54,250 | \$ - | \$ 54,250 |
| Prepaid Items | 40,246 | - | - | - | (5,259) | 34,987 | - | 34,987 |
| Total Nonspendable | <u>\$ 66,144</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 23,093</u> | <u>\$ 89,237</u> | <u>\$ -</u> | <u>\$ 89,237</u> |
| ASSIGNED | | | | | | | | |
| Police Equipment | \$ 13,092 | \$ - | \$ 169 | \$ - | \$ - | \$ 13,261 | \$ 9 | \$ 13,252 |
| Fire Equipment | 80,867 | - | 1,038 | - | - | 81,905 | 55 | 81,850 |
| Health Insurance | 444,492 | - | 5,707 | - | - | 450,199 | 300 | 449,899 |
| Energy Savings | 7,486 | - | 96 | - | - | 7,582 | 5 | 7,577 |
| BOGO Tree Funds | 1,565 | - | 20 | - | - | 1,585 | 1 | 1,584 |
| Total Assigned | <u>\$ 547,502</u> | <u>\$ -</u> | <u>\$ 6,861</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 554,532</u> | <u>\$ 370</u> | <u>\$ 554,162</u> |

CITY OF HUDSON, WISCONSIN
Detailed Schedule of Budgetary Comparison Revenues
General Fund

| | Original and Final Budget | Actual Amounts | Variance Favorable (Unfavorable) |
|-----------------------------------------------|--------------------------------------|---------------------------|-------------------------------------------------|
| TAXES | | | |
| General Property Taxes | \$ 7,184,524 | \$ 7,184,524 | \$ - |
| Payment in Lieu of Taxes | 10,000 | - | (10,000) |
| Interest on Taxes | 1,600 | - | (1,600) |
| Total Taxes | 7,196,124 | 7,184,524 | (11,600) |
| INTERGOVERNMENTAL | | | |
| State Aids | | | |
| Shared Taxes | 160,930 | 212,540 | 51,610 |
| Aid for Exempt Computers | 30,000 | 30,502 | 502 |
| Fire Insurance Dues | 80,000 | 91,912 | 11,912 |
| Aid for Police Training | 4,000 | 8,660 | 4,660 |
| General Transportation Aids | 800,429 | 798,263 | (2,166) |
| Personal Property Aid | 79,860 | 79,860 | - |
| Other State Payments | - | 3,672 | 3,672 |
| Total Intergovernmental | 1,155,219 | 1,225,409 | 70,190 |
| LICENSES AND PERMITS | | | |
| Liquor and Malt Beverage Licenses | 40,000 | 23,760 | (16,240) |
| Other Business and Occupational Licenses | 19,380 | 11,835 | (7,545) |
| Dog and Cat Licenses | 5,000 | 6,620 | 1,620 |
| Cigarette Licenses | 2,300 | 2,500 | 200 |
| Building Permits | 303,000 | 555,641 | 252,641 |
| Other Permits | 12,150 | 18,765 | 6,615 |
| Filing Fees | 39,000 | 41,863 | 2,863 |
| Total Licenses and Permits | 420,830 | 660,984 | 240,154 |
| FINES, FORFEITURES AND PENALTIES | | | |
| Court Penalties and Fees | 120,882 | 69,937 | (50,945) |
| County Court and Miscellaneous | - | 150 | 150 |
| Total Fines, Forfeitures and Penalties | 120,882 | 70,087 | (50,795) |
| PUBLIC CHARGES FOR SERVICES | | | |
| Publication Fees | 300 | 1,050 | 750 |
| Maps, Copies, and Photos | 700 | 496 | (204) |
| Tax Exempt Property Fees | - | 300 | 300 |
| Assessment Search Fees | 6,000 | 2,439 | (3,561) |
| Administrations Charges to Business Park | 12,500 | - | (12,500) |
| Police Special OT | 5,000 | 1,204 | (3,796) |
| Public Education Fees | 400 | - | (400) |
| Maintenance Charges | 225,000 | 171,754 | (53,246) |
| Weed and Nuisance Control | 1,000 | 3,821 | 2,821 |
| Parks and Recreation | 30,000 | 38,526 | 8,526 |
| Boat Launching | 70,000 | 14,198 | (55,802) |
| Sal Boat Mooring | 15,000 | 13,433 | (1,567) |
| Total Public Charges for Services | 365,900 | 247,221 | (118,679) |

CITY OF HUDSON, WISCONSIN**Detailed Schedule of Budgetary Comparison Revenues - Continued**
General Fund

| | Original and Final Budget | Actual Amounts | Variance Favorable (Unfavorable) |
|-----------------------------------------------|--------------------------------------|---------------------------|-------------------------------------------------|
| INTERGOVERNMENTAL CHARGES FOR SERVICES | | | |
| Fire Protection - Contracts | 508,591 | 473,470 | (35,121) |
| School Liason Officer | 175,000 | 207,958 | 32,958 |
| Police Labor Reimbursement | 2,000 | 5,437 | 3,437 |
| Other Charges | - | 1,989 | 1,989 |
| Library - Administrative Charge | 15,000 | 15,000 | - |
| Cable TV Administrative Charge | 8,400 | 8,400 | - |
| Total Intergovernmental Charges for Services | <u>708,991</u> | <u>712,254</u> | <u>3,263</u> |
| MISCELLANEOUS | | | |
| Investment Income | 75,000 | 24,389 | (50,611) |
| MB Occupancy Costs | 99,535 | 99,535 | - |
| Rent of City Building and Property | 5,000 | 1,200 | (3,800) |
| Rent Charge to Ambulance Service | 1,500 | 1,200 | (300) |
| Insurance Recoveries and Dividends | - | 1,366,859 | 1,366,859 |
| Sale of Assets | 4,000 | - | (4,000) |
| Other Miscellaneous Revenue | 35,171 | 47,682 | 12,511 |
| Total Miscellaneous | <u>220,206</u> | <u>1,540,865</u> | <u>1,320,659</u> |
| TOTAL REVENUES | <u>\$ 10,188,152</u> | <u>\$ 11,641,344</u> | <u>\$ 1,453,192</u> |

CITY OF HUDSON, WISCONSIN
Detailed Schedule of Budgetary Comparison Expenditures
General Fund

| | Original and Final Budget | Actual Amounts | Variance Favorable (Unfavorable) |
|----------------------------------------|------------------------------|-------------------|----------------------------------------|
| GENERAL GOVERNMENT | | | |
| Mayor and Council | \$ 68,231 | \$ 94,474 | \$ (26,243) |
| Municipal Court | 134,601 | 122,728 | 11,873 |
| City Attorney and Other Legal | 120,400 | 104,144 | 16,256 |
| Clerk-Treasurer | 510,740 | 490,327 | 20,413 |
| Administrator | 168,400 | 181,852 | (13,452) |
| Labor Negotiator and Drug Test | 21,000 | 8,972 | 12,028 |
| Information Techonology | 317,048 | 306,153 | 10,895 |
| Elections | 60,300 | 30,912 | 29,388 |
| Assessment of Property | 74,100 | 78,904 | (4,804) |
| Insurance | 252,099 | 248,245 | 3,854 |
| City Hall | 145,008 | 143,740 | 1,268 |
| Municipal Building | 222,537 | 1,370,852 | (1,148,315) |
| Other General Government | 40,000 | 8,923 | 31,077 |
| Total General Government | <u>2,134,464</u> | <u>3,190,226</u> | <u>(1,055,762)</u> |
| PUBLIC SAFETY | | | |
| Police Administration | 674,333 | 718,437 | (44,104) |
| Police Patrol | 2,656,345 | 2,975,190 | (318,845) |
| Criminal Investigation | 555,396 | 481,692 | 73,704 |
| School Officer | 244,338 | 263,112 | (18,774) |
| Police and Fire Commission | 2,400 | 2,219 | 181 |
| Fire Department | 434,759 | 452,299 | (17,540) |
| Fire Department Training | 71,411 | 55,639 | 15,772 |
| Fire Department Officers | 32,526 | 32,202 | 324 |
| Fire Deferred Compensation Wages | 22,356 | 13,429 | 8,927 |
| Fire Mechanic Wages | 10,498 | 7,704 | 2,794 |
| Fire Administration | 335,031 | 402,690 | (67,659) |
| Building Inspection | 240,768 | 237,768 | 3,000 |
| Emergency Government - Sirens | 3,100 | 13,080 | (9,980) |
| Dams | 600 | 3,827 | (3,227) |
| Total Public Safety | <u>5,283,861</u> | <u>5,659,288</u> | <u>(375,427)</u> |
| TRANSPORTATION FACILITIES | | | |
| Director of Public Works | 384,711 | 328,483 | 56,228 |
| Machinery and Equipment | 202,856 | 206,022 | (3,166) |
| Garage - Storage Sheds | 38,500 | 34,516 | 3,984 |
| West Garage | 8,500 | 13,152 | (4,652) |
| Street Maintenance | 999,104 | 1,069,746 | (70,642) |
| Highways 94 and 35 | 30,000 | 26,802 | 3,198 |
| Street Lighting | 134,000 | 151,236 | (17,236) |
| Street Signs and Markings | 17,500 | 18,016 | (516) |
| Stop and Go Lights | 18,000 | 13,997 | 4,003 |
| Sidewalks and Crosswalks | 1,000 | - | 1,000 |
| Curb and Gutter | 1,000 | - | 1,000 |
| Total Transportation Facilities | <u>1,835,171</u> | <u>1,861,970</u> | <u>(26,799)</u> |

CITY OF HUDSON, WISCONSIN
Detailed Schedule of Budgetary Comparison Expenditures - Continued
General Fund

| | Original and Final Budget | Actual Amounts | Variance Favorable (Unfavorable) |
|-------------------------------------------|--------------------------------------|---------------------------|-------------------------------------------------|
| SANITATION | | | |
| Landfill | 2,500 | 3,073 | (573) |
| Weed Control | 6,250 | 7,446 | (1,196) |
| Recycling Coordinator | 5,792 | 3,708 | 2,084 |
| Total Sanitation | <u>14,542</u> | <u>14,227</u> | <u>315</u> |
| HEALTH AND HUMAN SERVICES | | | |
| Sealer of Weights and Measurers | 6,000 | 6,000 | - |
| Animal Control | 8,800 | 7,959 | 841 |
| Total Health and Human Services | <u>14,800</u> | <u>13,959</u> | <u>841</u> |
| CULTURE AND RECREATION | | | |
| Joint Library | - | 364,365 | (364,365) |
| Parks: | | | |
| Park Administration | 113,464 | 111,275 | 2,189 |
| Park Maintenance | 241,164 | 305,325 | (64,161) |
| Lakefront Park | 43,704 | 39,383 | 4,321 |
| Grandview Park | 56,301 | 49,329 | 6,972 |
| Total Culture and Recreation | <u>454,633</u> | <u>869,677</u> | <u>(415,044)</u> |
| CONSERVATION AND DEVELOPMENT | | | |
| Shade Tree Control | 139,521 | 104,711 | 34,810 |
| Community Development | 434,530 | 444,149 | (9,619) |
| Total Conservation and Development | <u>574,051</u> | <u>548,860</u> | <u>25,191</u> |
| CAPITAL OUTLAY | | | |
| Fire Department | 1,000 | 43,962 | (42,962) |
| TOTAL EXPENDITURES | <u>\$ 10,312,522</u> | <u>\$ 12,202,169</u> | <u>\$ (1,889,647)</u> |

CITY OF HUDSON, WISCONSIN
Statement of Net Position
Water Utility
As of December 31, 2022
With Summarized Information from December 31, 2021

| | <u>2022</u> | <u>2021</u> |
|---------------------------------------------------------|----------------------|----------------------|
| ASSETS | | |
| Current Assets: | | |
| Cash and Investments | \$ 6,666,471 | \$ 5,485,222 |
| Receivables: | | |
| Customers | 879,178 | 844,602 |
| Receivables on Tax Roll | 91,929 | 87,590 |
| Other | 43,723 | 61,690 |
| Due from Other Governments | 19,679 | 19,112 |
| Lease Receivable | 220,603 | 207,968 |
| Inventories | 35,557 | 25,815 |
| Total Current Assets | <u>7,957,140</u> | <u>6,731,999</u> |
| Noncurrent Assets: | | |
| Restricted Cash | 159 | 157 |
| Restricted Impact Assessments | 850,970 | 747,123 |
| Lease Receivable | 2,486,626 | 2,707,229 |
| Net Pension Asset | 309,858 | 243,177 |
| Nondepreciable Capital Assets | 138,257 | 1,148,755 |
| Depreciable Capital Assets, Net of Depreciation | 28,017,278 | 26,854,504 |
| Total Noncurrent Assets | <u>31,803,148</u> | <u>31,700,945</u> |
| TOTAL ASSETS | <u>39,760,288</u> | <u>38,432,944</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | |
| Pension Related Amounts | 606,756 | 404,972 |
| Other Post-Employment Related Amounts - LRLIF | 19,110 | 18,002 |
| Other Post-Employment Related Amounts - Single-Employer | 18,753 | 9,829 |
| Total Deferred Outflows of Resources | <u>644,619</u> | <u>432,803</u> |
| CURRENT LIABILITIES | | |
| Accounts Payable | 104,997 | 93,783 |
| Accrued and Other Current Liabilities | 34,270 | 33,197 |
| Accrued Interest | 8,231 | 8,771 |
| Due to Other Governments | 33,589 | 29,896 |
| Deposits from Others | 104,810 | 112,583 |
| Compensated Absences | 9,807 | 12,888 |
| Current Portion of Long-Term Obligations | 123,118 | 121,680 |
| Total Current Liabilities | <u>418,822</u> | <u>412,798</u> |
| NONCURRENT LIABILITIES | | |
| Lease Receivable | 2,707,229 | 2,915,197 |
| Other Post-Employment Benefits - LRLIF | 55,183 | 42,857 |
| Other Post-Employment Benefits - Single Employer | 187,505 | 117,744 |
| Noncurrent Portion of Long-Term Debt | 1,954,181 | 2,077,956 |
| Total Noncurrent Liabilities | <u>4,904,098</u> | <u>5,153,754</u> |
| TOTAL LIABILITIES | <u>5,322,920</u> | <u>5,566,552</u> |
| DEFERRED INFLOWS OF RESOURCES | | |
| Pension Related Amounts | 729,433 | 532,843 |
| Other Post-Employment Related Amounts - LRLIF | 12,061 | 12,127 |
| Other Post-Employment Related Amounts - Single-Employer | 78,282 | 46,853 |
| Total Deferred Inflows of Resources | <u>819,776</u> | <u>591,823</u> |
| NET POSITION | | |
| Net Investment in Capital Assets | 26,078,236 | 25,803,780 |
| Restricted | 1,038,310 | 990,300 |
| Unrestricted | 7,145,665 | 5,913,292 |
| TOTAL NET POSITION | <u>\$ 34,262,211</u> | <u>\$ 32,707,372</u> |

CITY OF HUDSON, WISCONSIN

Statement of Revenues, Expenses and Changes in Net Position

Water Utility

For the Year Ended December 31, 2022

With Summarized Information from December 31, 2021

| | 2022 | 2021 |
|----------------------------------------------|-----------------------------|-----------------------------|
| OPERATING REVENUES | | |
| Sales of Water | | |
| Residential | \$ 1,164,883 | \$ 1,039,723 |
| Commercial | 1,673,982 | 1,670,216 |
| Industrial | 9,625 | 9,104 |
| Public Authorities | 53,284 | 40,164 |
| Multifamily Residential | 121,197 | 105,245 |
| Metered Sales to Temporary Customers | 4,407 | 4,167 |
| Public Fire Protection | 153,234 | 603,168 |
| Private Fire Protection | 790,425 | 149,554 |
| Total Sales of Water | <u>3,971,037</u> | <u>3,621,341</u> |
| Other Operating Revenues | | |
| Forfeited Discounts | 13,245 | 18,829 |
| Tower Leasing | 305,853 | 282,137 |
| Meter Charge to Sewer | 120,600 | 217,095 |
| Other Operating Revenues | 9,000 | 56,534 |
| Total Other Operating Revenues | <u>448,698</u> | <u>574,595</u> |
| Total Operating Revenues | <u>4,419,735</u> | <u>4,195,936</u> |
| OPERATING EXPENSES | | |
| Operation and Maintenance | 2,315,315 | 2,083,502 |
| Depreciation | 1,010,363 | 1,096,968 |
| Total Operating Expenses | <u>3,325,678</u> | <u>3,180,470</u> |
| OPERATING INCOME | <u>1,094,057</u> | <u>1,015,466</u> |
| NONOPERATING REVENUES (EXPENSE) | | |
| Gain on Disposal of Capital Assets | - | 85 |
| Investment Income | 74,945 | 2,254 |
| Interest Expense | (44,334) | (45,221) |
| Miscellaneous | 1,935 | 657 |
| Total Nonoperating Revenues (Expense) | <u>32,546</u> | <u>(42,225)</u> |
| INCOME BEFORE | | |
| CONTRIBUTIONS AND TRANSFERS | 1,126,603 | 973,241 |
| CAPITAL CONTRIBUTIONS | | |
| Plant Contributed by Developers | 794,264 | 138,670 |
| Impact Fees Applied | 94,758 | 10,964 |
| Total Capital Contributions | <u>889,022</u> | <u>149,634</u> |
| TRANSFERS OUT | <u>(460,786)</u> | <u>(523,567)</u> |
| CHANGE IN NET POSITION | 1,554,839 | 599,308 |
| NET POSITION - BEGINNING | <u>32,707,372</u> | <u>32,108,064</u> |
| NET POSITION - ENDING | <u><u>\$ 34,262,211</u></u> | <u><u>\$ 32,707,372</u></u> |

CITY OF HUDSON, WISCONSIN
Statement of Cash Flows
Water Utility
For the Year Ended December 31, 2022
With Summarized Information from December 31, 2021

| | 2022 | 2021 |
|---------------------------------------------------------------------|----------------------------|----------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Cash Received from Customers | \$ 4,398,787 | \$ 3,875,994 |
| Cash Received from Governmental Subsidies/Grants | 3,126 | - |
| Cash Paid to Suppliers for Goods and Services | (1,167,507) | (836,038) |
| Cash Paid to Employees For Wages and Benefits | (1,017,721) | (1,132,479) |
| Net Cash Flows From Operating Activities | <u>2,216,685</u> | <u>1,907,477</u> |
| CASH FLOWS FROM NON-CAPITAL AND RELATED FINANCING ACTIVITIES | | |
| Merchandising, Jobbing, and Other Nonoperating Income | 1,935 | - |
| Transfer to Other Funds | (460,786) | (523,567) |
| Net Cash Flows From Noncapital Financing Activities | <u>(458,851)</u> | <u>(523,567)</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | |
| Acquisition of Capital Assets | (475,228) | (976,867) |
| Sale of Capital Assets | - | 85 |
| Cash Received for Impact Fees | 94,758 | 10,964 |
| Principal Payments on Long-Term Debt | (121,680) | (120,268) |
| Interest and Fiscal Charges | (45,531) | (45,756) |
| Net Cash Flows From Capital and Related Financing Activities | <u>(547,681)</u> | <u>(1,131,842)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Investment Income | <u>74,945</u> | <u>2,254</u> |
| CHANGE IN CASH AND INVESTMENTS | 1,285,098 | 254,322 |
| CASH AND INVESTMENTS - BEGINNING | <u>6,232,502</u> | <u>5,978,180</u> |
| CASH AND INVESTMENTS - ENDING | <u><u>\$ 7,517,600</u></u> | <u><u>\$ 6,232,502</u></u> |
| RECONCILIATION OF CASH ACCOUNTS | | |
| Cash and Investments | \$ 6,666,471 | \$ 5,485,222 |
| Restricted Cash and Investments | 851,129 | 747,280 |
| Total Reconciliation of Cash Accounts | <u><u>\$ 7,517,600</u></u> | <u><u>\$ 6,232,502</u></u> |

CITY OF HUDSON, WISCONSIN
Statement of Cash Flows (Continued)
Water Utility
For the Year Ended December 31, 2022
With Summarized Information from December 31, 2021

| | 2022 | 2021 |
|----------------------------------------------------------|---------------------|---------------------|
| RECONCILIATION OF OPERATING INCOME | | |
| TO NET CASH FLOWS FROM | | |
| Operating Income | \$ 1,094,057 | \$ 1,015,466 |
| Adjustments to Reconcile Operating Income | | |
| to Net Cash Flows from Operating Activities: | | |
| Depreciation | 1,010,363 | 879,873 |
| Meter Depreciation Charged to Sewer | 106,853 | 217,095 |
| Changes in Assets and Liabilities: | | |
| Customer Accounts Receivable | (34,576) | (90,938) |
| Accounts Receivable on Tax Roll | (4,339) | (24,703) |
| Other Receivables | 17,967 | (7,816) |
| Due From Other Governments | (567) | (5) |
| Materials and Supplies | (9,742) | 880 |
| Net Pension Asset | (66,681) | (118,327) |
| Deferred Outflows Related to Pension | (201,784) | (112,668) |
| Deferred Outflows Related to OPEB Plans | (10,032) | (2,816) |
| Accounts Payable | 11,433 | 3,559 |
| Deposits Payable | (7,992) | 20,615 |
| Accrued Wages | 1,073 | 2,143 |
| Due to Other Governments | 3,693 | 1,838 |
| Accrued Compensated Absences | (3,081) | (47,803) |
| Net OPEB Liability Related to OPEB Plans | 82,087 | 19,779 |
| Deferred Inflows Related to Pension | 196,590 | 157,962 |
| Deferred Inflows Related to OPEB Plans | 31,363 | (6,657) |
| Net Cash Flows From | | |
| Operating Activities | <u>\$ 2,216,685</u> | <u>\$ 1,907,477</u> |
| Non-cash Capital and Related Financing Activities | | |
| Contributions of Capital Assets | <u>\$ 794,264</u> | <u>\$ 138,670</u> |

CITY OF HUDSON, WISCONSIN
Schedule Operating Revenues and Expenses
Water Utility
For the Year Ended December 31, 2022
With Summarized Information from December 31, 2021

| | 2022 | 2021 |
|--------------------------------------------|------------------|------------------|
| OPERATING REVENUES | | |
| Sales of Water | | |
| Residential | \$ 1,164,883 | \$ 1,039,723 |
| Commercial | 1,673,982 | 1,670,216 |
| Industrial | 9,625 | 9,104 |
| Public Authorities | 53,284 | 40,164 |
| Multifamily Residential | 121,197 | 105,245 |
| Metered Sales to Temporary Customers | 4,407 | 4,167 |
| Private Fire Protection | 153,234 | 149,554 |
| Public Fire Protection | 790,425 | 603,168 |
| Total Water Sales | <u>3,971,037</u> | <u>3,621,341</u> |
| Other Operating Revenues | | |
| Forfeited Discounts | 13,245 | 18,829 |
| Tower Leasing | 305,853 | 282,137 |
| Meter Charge to Sewer | 120,600 | 217,095 |
| Other Operating Revenues | 9,000 | 56,534 |
| Total Other Operating Revenues | <u>448,698</u> | <u>574,595</u> |
| Total Operating Revenues | <u>4,419,735</u> | <u>4,195,936</u> |
| OPERATING EXPENSES | | |
| Operation and Maintenance | | |
| Pumping Expenses | | |
| Salaries and Wages | 162,474 | 137,302 |
| Fringe Benefits | 84,075 | 73,923 |
| Power Purchased for Pumping | 203,447 | 205,958 |
| Operating Supplies | 68,817 | 71,183 |
| Maintenance of Structures and Improvements | 17,418 | 49,918 |
| Maintenance of Pumping Plant | 111,565 | 27,410 |
| Total Pumping Expense | <u>647,796</u> | <u>565,694</u> |
| Water Treatment | | |
| Salaries and Wages | 61,303 | 69,668 |
| Fringe Benefits | 30,698 | 34,969 |
| Operating Supplies | 37,206 | 26,040 |
| Chemicals | 37,477 | 31,037 |
| Maintenance Supplies | 4,303 | 5,916 |
| Total Water Treatment | <u>170,987</u> | <u>167,630</u> |
| Transmission and Distribution | | |
| General Transmission and Distribution | | |
| Salaries and Wages | 248,232 | 192,162 |
| Fringe Benefits | 123,265 | 122,198 |
| Operating Supplies | 3,841 | 2,795 |
| Other Expenses | 20,380 | - |
| Maintenance | | |
| Reservoir and Towers | | |
| Salaries and Wages | 111 | 169 |
| Fringe Benefits | 56 | 83 |
| Other Expenses | 18,974 | 23,852 |
| Mains | | |
| Salaries and Wages | 1,291 | 286 |
| Fringe Benefits | 469 | 186 |
| Payment to North Hudson | 50,000 | 162,843 |
| Other Expenses | 26,023 | 43,093 |
| Services | | |
| Salaries and Wages | 225 | 290 |
| Fringe Benefits | 179 | 193 |
| Other Expenses | 39,003 | 26,254 |

CITY OF HUDSON, WISCONSIN
Schedule Operating Revenues and Expenses (Continued)
Water Utility
For the Year Ended December 31, 2022
With Summarized Information from December 31, 2021

| | 2022 | 2021 |
|-------------------------------------------|----------------------------|----------------------------|
| OPERATING EXPENSES (continued) | | |
| Operation and Maintenance (continued) | | |
| Transmission and Distribution (Continued) | | |
| Meters | | |
| Salaries and Wages | \$ 37,387 | \$ 32,828 |
| Fringe Benefits | 21,655 | 17,249 |
| Other Expenses | 16,497 | 60,705 |
| Hydrants | | |
| Salaries and Wages | 4,703 | 15,203 |
| Fringe Benefits | 1,921 | 5,407 |
| Other Expenses | 82,228 | 23,694 |
| Total Transmission and Distribution | <u>696,440</u> | <u>729,490</u> |
| Meter Reading | | |
| Salaries and Wages | 6,686 | 5,615 |
| Fringe Benefits | 3,938 | 3,409 |
| Other Expenses | 30,409 | 15,054 |
| Total Meter Reading | <u>41,033</u> | <u>24,078</u> |
| Customer Accounts and Collection | | |
| Salaries and Wages | 53,134 | 43,107 |
| Fringe Benefits | 28,711 | 22,301 |
| Other Expenses | 6,241 | 9,026 |
| Total Customer Accounts and Collection | <u>88,086</u> | <u>74,434</u> |
| Administrative and General | | |
| Salaries and Wages | 256,555 | 217,473 |
| Office Supplies | 59,097 | 59,425 |
| Outside Services Employed | 82,000 | 96,491 |
| Property Insurance | 68,326 | 63,418 |
| Employee Pensions and Benefits | 142,261 | 27,813 |
| Miscellaneous | 3,961 | 4,003 |
| Transportation | | |
| Salaries | 1,028 | 1,465 |
| Fringe Benefits | 676 | 793 |
| Insurance | 5,873 | 5,710 |
| Other Expenses | 35,477 | 28,805 |
| Maintenance of General Plant | 15,719 | 16,780 |
| Total Administrative and General | <u>670,973</u> | <u>522,176</u> |
| Total Operation and Maintenance | <u>2,315,315</u> | <u>2,083,502</u> |
| Other Operating Expenses | | |
| Depreciation | <u>1,010,363</u> | <u>1,096,968</u> |
| Total Operating Expenses | <u>3,325,678</u> | <u>3,180,470</u> |
| OPERATING INCOME | <u><u>\$ 1,094,057</u></u> | <u><u>\$ 1,015,466</u></u> |

CITY OF HUDSON, WISCONSIN
Statement of Net Position
Sewer Utility
As of December 31, 2022
With Summarized Information from December 31, 2021

| | 2022 | 2021 |
|---------------------------------------------------------|----------------------|----------------------|
| ASSETS | | |
| Current Assets: | | |
| Cash and Investments | \$ 5,888,731 | \$ 6,183,020 |
| Receivables: | | |
| Customers | 730,815 | 594,453 |
| Receivables on Tax Roll | 94,565 | 57,459 |
| Other | 82,629 | 23,922 |
| Due from Other Governments | 63,620 | 133,886 |
| Total Current Assets | 6,860,360 | 6,992,740 |
| Noncurrent Assets: | | |
| Restricted Cash | 1,951,408 | 1,940,028 |
| Net Pension Asset | 201,908 | 143,342 |
| Nondepreciable Capital Assets | 275,269 | 11,421,784 |
| Depreciable Capital Assets, Net of Depreciation | 16,200,815 | 3,584,388 |
| Total Noncurrent Assets | 18,629,400 | 17,089,542 |
| TOTAL ASSETS | 25,489,760 | 24,082,282 |
| DEFERRED OUTFLOWS OF RESOURCES | | |
| Pension Related Amounts | 395,371 | 238,713 |
| Other Post-Employment Related Amounts - LRLIF | 13,105 | 12,925 |
| Other Post-Employment Related Amounts - Single-Employer | 11,610 | 6,553 |
| Total Deferred Outflows of Resources | 420,086 | 258,191 |
| CURRENT LIABILITIES | | |
| Accounts Payable | 635,592 | 934,425 |
| Accrued and Other Current Liabilities | 22,619 | 23,227 |
| Accrued Interest | 26,703 | 22,968 |
| Due to Other Governments | 40,971 | 38,460 |
| Compensated Absences | 22,256 | 15,478 |
| Current Portion of Long-Term Obligations | 527,260 | 447,210 |
| Total Current Liabilities | 1,275,401 | 1,481,768 |
| NONCURRENT LIABILITIES | | |
| Other Post-Employment Benefits - LRLIF | 37,844 | 30,769 |
| Other Post-Employment Benefits - Single Employer | 116,083 | 78,496 |
| Noncurrent Portion of Long-Term Debt | 10,261,778 | 9,286,911 |
| Total Noncurrent Liabilities | 10,415,705 | 9,396,176 |
| TOTAL LIABILITIES | 11,691,106 | 10,877,944 |
| DEFERRED INFLOWS OF RESOURCES | | |
| Pension Related Amounts | 475,309 | 314,088 |
| Other Post-Employment Related Amounts - LRLIF | 8,271 | 8,707 |
| Other Post-Employment Related Amounts - Single-Employer | 48,464 | 31,235 |
| Total Deferred Inflows of Resources | 532,044 | 354,030 |
| NET POSITION | | |
| Net Investment in Capital Assets | 5,687,046 | 4,789,686 |
| Restricted | 2,073,378 | 2,083,370 |
| Unrestricted | 5,926,272 | 6,235,443 |
| TOTAL NET POSITION | \$ 13,686,696 | \$ 13,108,499 |

CITY OF HUDSON, WISCONSIN

Statement of Revenues, Expenses and Changes in Net Position

Sewer Utility

For the Year Ended December 31, 2022

With Summarized Information from December 31, 2021

| | 2022 | 2021 |
|-----------------------------------------------------|----------------------|----------------------|
| OPERATING REVENUES | | |
| Charges for Services | | |
| Residential | \$ 1,996,433 | \$ 1,649,915 |
| Commercial | 694,091 | 560,407 |
| Industrial | 19,271 | 12,100 |
| Public Authorities | 67,033 | 47,597 |
| Multifamily Residential | 239,003 | 174,415 |
| Less: Charges for City/Village Replacement Accounts | (63,138) | (70,200) |
| Total Charges for Services | <u>2,952,693</u> | <u>2,374,234</u> |
| Other Operating Revenues | | |
| Forfeited Discounts | 12,355 | 12,649 |
| Dam Maintenance | 3,036 | 17,684 |
| Other Operating Revenues | 8,140 | 85,500 |
| Total Other Operating Revenues | <u>23,531</u> | <u>115,833</u> |
| Total Operating Revenues | <u>2,976,224</u> | <u>2,490,067</u> |
| OPERATING EXPENSES | | |
| Operation and Maintenance | 1,918,960 | 1,665,362 |
| Depreciation | 666,980 | 362,429 |
| Total Operating Expenses | <u>2,585,940</u> | <u>2,027,791</u> |
| OPERATING INCOME | <u>390,284</u> | <u>462,276</u> |
| NONOPERATING REVENUES (EXPENSE) | | |
| Investment Income | 91,526 | 14,582 |
| Interest Expense | (151,740) | (67,144) |
| Hook-up Fees | 331,448 | 269,512 |
| Total Nonoperating Revenues (Expense) | <u>271,234</u> | <u>216,950</u> |
| INCOME BEFORE TRANSFERS | 661,518 | 679,226 |
| TRANSFERS OUT | <u>(83,321)</u> | <u>(69,385)</u> |
| CHANGE IN NET POSITION | 578,197 | 609,841 |
| NET POSITION - BEGINNING | <u>13,108,499</u> | <u>12,498,658</u> |
| NET POSITION - ENDING | <u>\$ 13,686,696</u> | <u>\$ 13,108,499</u> |

CITY OF HUDSON, WISCONSIN

Statement of Cash Flows

Sewer Utility

For the Year Ended December 31, 2022

With Summarized Information from December 31, 2021

| | 2022 | 2021 |
|-------------------------------------------------------------------------|---------------------|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Cash Received from Customers | \$ 2,781,155 | \$ 2,458,135 |
| Cash Received from Governmental Subsidies/Grants | 35,671 | - |
| Cash Paid to Suppliers for Goods and Services | (1,610,252) | (1,200,635) |
| Cash Paid to Employees For Wages and Benefits | (706,009) | (679,402) |
| Net Cash Flows From Operating Activities | 500,565 | 578,098 |
| CASH FLOWS FROM NON-CAPITAL AND RELATED FINANCING ACTIVITIES | | |
| Transfer to Other Funds | (83,321) | (17,101) |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | |
| Acquisition of Capital Assets | (2,036,183) | (7,797,623) |
| Sale of Capital Assets | 6,144 | - |
| Cash Received for Hook-up Fees | 331,448 | 269,512 |
| Principal Payments on Long-Term Debt | (488,694) | - |
| Proceeds from Long-Term Debt | 1,543,611 | 9,734,121 |
| Interest and Fiscal Charges | (148,005) | (44,176) |
| Net Cash Flows From Capital and Related Financing Activities | (791,679) | 2,161,834 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Investment Income | 91,526 | 14,582 |
| CHANGE IN CASH AND INVESTMENTS | (282,909) | 2,737,413 |
| CASH AND INVESTMENTS - BEGINNING | 8,123,048 | 5,385,635 |
| CASH AND INVESTMENTS - ENDING | \$ 7,840,139 | \$ 8,123,048 |
| RECONCILIATION OF CASH ACCOUNTS | | |
| Cash and Investments | \$ 5,888,731 | \$ 6,183,020 |
| Restricted Cash and Investments | 1,951,408 | 1,940,028 |
| Total Reconciliation of Cash Accounts | \$ 7,840,139 | \$ 8,123,048 |

CITY OF HUDSON, WISCONSIN
Statement of Cash Flows (Continued)
Sewer Utility
For the Year Ended December 31, 2022
With Summarized Information from December 31, 2021

| | <u>2022</u> | <u>2021</u> |
|----------------------------------------------|-------------------|-------------------|
| RECONCILIATION OF OPERATING INCOME | | |
| TO NET CASH FLOWS FROM | | |
| Operating Income | \$ 390,284 | \$ 462,276 |
| Adjustments to Reconcile Operating Income | | |
| to Net Cash Flows from Operating Activities: | | |
| Depreciation | 666,980 | 579,524 |
| Meter Depreciation Charged to Sewer | (106,853) | (217,095) |
| Changes in Assets and Liabilities: | | |
| Customer Accounts Receivable | (136,362) | (118,901) |
| Accounts Receivable on Tax Roll | (37,106) | 16,437 |
| Other Receivables | (58,707) | 332 |
| Due From Other Governments | 70,266 | 17,491 |
| Net Pension Asset | (58,566) | (71,759) |
| Deferred Outflows Related to Pension | (156,658) | (71,121) |
| Deferred Outflows Related to OPEB Plans | (5,237) | (2,042) |
| Accounts Payable | (298,833) | (115,969) |
| Accrued Wages | (608) | 6,071 |
| Due to Other Governments | 2,511 | (8,469) |
| Accrued Compensated Absences | 6,778 | (6,935) |
| Net OPEB Liability Related to OPEB Plans | 44,662 | 13,539 |
| Deferred Inflows Related to Pension | 161,221 | 99,150 |
| Deferred Inflows Related to OPEB Plans | 16,793 | (4,431) |
| Net Cash Flows From | | |
| Operating Activities | <u>\$ 500,565</u> | <u>\$ 578,098</u> |

CITY OF HUDSON, WISCONSIN
Schedule Operating Revenues and Expenses
Sewer Utility
For the Year Ended December 31, 2022
With Summarized Information from December 31, 2021

| | 2022 | 2021 |
|----------------------------------------------------|-------------------|-------------------|
| OPERATING REVENUES | | |
| Sewer Revenues | | |
| Residential | \$ 1,996,433 | \$ 1,649,915 |
| Commercial | 694,091 | 560,407 |
| Industrial | 19,271 | 12,100 |
| Public Authorities | 67,033 | 47,597 |
| Multifamily Residential | 239,003 | 174,415 |
| Less Charges for City/Village Replacement Accounts | (63,138) | (70,200) |
| Total Sewer Revenues | <u>2,952,693</u> | <u>2,374,234</u> |
| Other Operating Revenues | | |
| Forfeited Discounts | 12,355 | 12,649 |
| Dam Maintenance Charges | 3,036 | 17,684 |
| Miscellaneous Service Revenue | 8,140 | 85,500 |
| Total Other Operating Revenues | <u>23,531</u> | <u>115,833</u> |
| Total Operating Revenues | <u>2,976,224</u> | <u>2,490,067</u> |
| OPERATING EXPENSES | | |
| Operation and Maintenance | | |
| Collection System | | |
| Salaries and Benefits | 7,829 | 17,884 |
| Supplies | 1,090 | 3,667 |
| Other Services and Charges | 12,583 | 9,960 |
| Total Collection System | <u>21,502</u> | <u>31,511</u> |
| Wastewater Treatment Plant | | |
| Salaries and Benefits | 496,532 | 415,002 |
| Supplies | 103,058 | 89,648 |
| Biosolid Charges | 444,377 | 364,956 |
| Other Services and Charges | 220,219 | 186,179 |
| Total Wastewater Treatment Plant | <u>1,264,186</u> | <u>1,055,785</u> |
| Lift Stations | | |
| Salaries and Benefits | 13,404 | 38,010 |
| Supplies | 122,843 | 2,521 |
| Other Services and Charges | 573 | 38,729 |
| Total Lift Stations | <u>136,820</u> | <u>79,260</u> |
| Dams | | |
| Salaries and Benefits | 1,596 | 2,881 |
| Other Services and Charges | 1,194 | 914 |
| Total Dams | <u>2,790</u> | <u>3,795</u> |
| Meter Reading | | |
| Salaries and Benefits | 15,538 | 4,156 |
| Supplies | 11,293 | 6,027 |
| Meter Use Charge Paid to Water Utility | 92,764 | 217,095 |
| Total Meter Reading | <u>119,595</u> | <u>227,278</u> |
| Administrative and General | | |
| Salaries and Benefits | 179,495 | 137,314 |
| Office Supplies | 8,879 | 3,304 |
| Outside Services Employed | 26,830 | 38,062 |
| Property Insurance | 72,409 | 62,426 |
| Employee Pensions and Benefits | 85,210 | 26,627 |
| Miscellaneous General Expenses | 1,244 | - |
| Total Administrative and General | <u>374,067</u> | <u>267,733</u> |
| Total Operation and Maintenance | <u>1,918,960</u> | <u>1,665,362</u> |
| Other Operating Expenses | | |
| Depreciation | 666,980 | 362,429 |
| Total Operating Expenses | <u>2,585,940</u> | <u>2,027,791</u> |
| OPERATING INCOME | <u>\$ 390,284</u> | <u>\$ 462,276</u> |

CITY OF HUDSON, WISCONSIN
Statement of Net Position
Parking Utility
As of December 31, 2022
With Summarized Information from December 31, 2021

| | Totals | |
|---------------------------------------------------------|---------------------|---------------------|
| | 2022 | 2021 |
| ASSETS | | |
| Current Assets: | | |
| Cash and Investments | \$ 132,897 | \$ 69,352 |
| Receivables: | | |
| Special Assessments | 9,725 | 9,725 |
| Receivables on Tax Roll | - | 9,725 |
| Accounts | 3,864 | - |
| Prepaid Items | - | 3,220 |
| Total Current Assets | 146,486 | 92,022 |
| Noncurrent Assets: | | |
| Net Pension Asset | 21,226 | 15,848 |
| Nondepreciable Capital Assets | 760,562 | 760,562 |
| Depreciable Capital Assets, Net of Depreciation | 605,107 | 683,158 |
| Total Noncurrent Assets | 1,386,895 | 1,459,568 |
| TOTAL ASSETS | 1,533,381 | 1,551,590 |
| DEFERRED OUTFLOWS OF RESOURCES | | |
| Pension Related Amounts | 41,564 | 26,393 |
| Other Post-Employment Related Amounts - Single-Employer | 1,251 | 1,092 |
| Total Deferred Outflows of Resources | 42,815 | 27,485 |
| CURRENT LIABILITIES | | |
| Accounts Payable | 11,664 | 37,116 |
| Accrued and Other Current Liabilities | 2,628 | 2,876 |
| Deposits from Others | 125 | 125 |
| Compensated Absences | 1,365 | - |
| Total Current Liabilities | 15,782 | 40,117 |
| NONCURRENT LIABILITIES | | |
| Other Post-Employment Benefits - Single Employer | 12,505 | 13,083 |
| TOTAL LIABILITIES | 28,287 | 53,200 |
| DEFERRED INFLOWS OF RESOURCES | | |
| Pension Related Amounts | 49,967 | 34,727 |
| Other Post-Employment Related Amounts - Single-Employer | 5,221 | 5,206 |
| Total Deferred Inflows of Resources | 55,188 | 39,933 |
| NET POSITION | | |
| Net Investment in Capital Assets | 1,365,669 | 1,443,720 |
| Restricted | 12,823 | 15,848 |
| Unrestricted | 114,229 | 26,374 |
| TOTAL NET POSITION | \$ 1,492,721 | \$ 1,485,942 |

CITY OF HUDSON, WISCONSIN

Statement of Revenues, Expenses and Changes in Net Position

Parking Utility

For the Year Ended December 31, 2022

With Summarized Information from December 31, 2021

| | 2022 | 2021 |
|----------------------------------------|---------------------|---------------------|
| OPERATING REVENUES | | |
| Parking Meters | \$ 105,339 | \$ 125,061 |
| Parking Permits | 20,712 | 18,636 |
| Parking Tickets | 138,028 | 117,677 |
| Other Operating Revenues | 4,271 | 2,537 |
| Total Operating Revenues | 268,350 | 263,911 |
| OPERATING EXPENSES | | |
| Operation and Maintenance | | |
| General Utility | 178,597 | 182,135 |
| Parking Lots | 6,412 | 9,802 |
| Meters | - | 46,818 |
| Total Operation and Maintenance | 185,009 | 238,755 |
| Depreciation | 78,051 | 78,211 |
| Total Operating Expenses | 263,060 | 316,966 |
| OPERATING INCOME (LOSS) | 5,290 | (53,055) |
| NONOPERATING REVENUE | | |
| Investment Earnings | 1,489 | 1,015 |
| CHANGE IN NET POSITION | 6,779 | (52,040) |
| NET POSITION - BEGINNING | 1,485,942 | 1,537,982 |
| NET POSITION - ENDING | \$ 1,492,721 | \$ 1,485,942 |

CITY OF HUDSON, WISCONSIN

Statement of Cash Flows

Parking Utility

For the Year Ended December 31, 2022

With Summarized Information from December 31, 2021

| | <u>2022</u> | <u>2021</u> |
|-----------------------------------------------------------------------------------------------|--------------------------|-------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Cash Received from Customers | \$ 136,183 | \$ 152,842 |
| Cash Received from Parking Forfeitures | 138,028 | 119,792 |
| Cash Paid to Suppliers for Goods and Services | (116,816) | (124,688) |
| Cash Paid to Employees For Wages and Benefits | (95,339) | (94,272) |
| Net Cash Flows From Operating Activities | <u>62,056</u> | <u>53,674</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | |
| Acquisition of Capital Assets | <u>-</u> | <u>(73,224)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Investment Income | <u>1,489</u> | <u>1,015</u> |
| CHANGE IN CASH AND INVESTMENTS | 63,545 | (18,535) |
| CASH AND INVESTMENTS - BEGINNING | <u>69,352</u> | <u>87,887</u> |
| CASH AND INVESTMENTS - ENDING | <u><u>\$ 132,897</u></u> | <u><u>\$ 69,352</u></u> |
| RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS FROM | | |
| Operating Income (Loss) | \$ 5,290 | \$ (53,055) |
| Adjustments to Reconcile Operating Income (Loss) to Net Cash Flows from Operating Activities: | | |
| Depreciation | 78,051 | 78,211 |
| Changes in Assets and Liabilities: | | |
| Customer Accounts Receivable | (3,864) | 9,725 |
| Accounts Receivable on Tax Roll | 9,725 | 422 |
| Other Receivables | - | (844) |
| Prepaid Items | 3,220 | (3,220) |
| Net Pension Asset | (5,378) | (8,064) |
| Deferred Outflows Related to Pension | (15,171) | (8,169) |
| Deferred Outflows Related to OPEB Plans | (159) | 42 |
| Accounts Payable | (25,452) | 29,431 |
| Accrued Wages | (248) | (90) |
| Due to Other Governments | - | (580) |
| Accrued Compensated Absences | 1,365 | (2,171) |
| Net OPEB Liability Related to OPEB Plan | (578) | 1,434 |
| Deferred Inflows Related to Pension | 15,240 | 11,354 |
| Deferred Inflows Related to OPEB Plan | <u>15</u> | <u>(752)</u> |
| Net Cash Flows From Operating Activities | <u><u>\$ 62,056</u></u> | <u><u>\$ 53,674</u></u> |

CITY OF HUDSON, WISCONSIN
Statement of Net Position
Ambulance Service
As of December 31, 2022
With Summarized Information from December 31, 2021

| | <u>2022</u> | <u>2021</u> |
|-----------------------------|-------------|-------------------|
| ASSETS | | |
| Current Assets: | | |
| Cash and Investments | \$ - | \$ 810,194 |
| Accounts Receivable | <u>-</u> | <u>35,583</u> |
| Total Current Assets | <u>-</u> | <u>845,777</u> |
| CURRENT LIABILITIES | | |
| Accounts Payable | <u>-</u> | <u>291</u> |
| NET POSITION | | |
| Unrestricted | <u>\$ -</u> | <u>\$ 845,486</u> |

CITY OF HUDSON, WISCONSIN

Statement of Revenues, Expenses and Changes in Net Position

Ambulance Service

For the Year Ended December 31, 2022

With Summarized Information from December 31, 2021

| | 2022 | 2021 |
|---------------------------------------|------------------|-------------------|
| OPERATING REVENUES | | |
| Other Operating Revenues | \$ 8,725 | \$ 40,228 |
| OPERATING EXPENSES | | |
| Operation and Maintenance | | |
| Salaries and Benefits | 3,068 | 3,711 |
| Other Services and Charges | 66,469 | 11,084 |
| Operating Supplies | 5 | 100 |
| Insurance | - | 3,000 |
| Total Operating Expenses | 69,542 | 17,895 |
| OPERATING INCOME (LOSS) | (60,817) | 22,333 |
| NONOPERATING REVENUE | | |
| Investment Earnings | 6,578 | 144 |
| INCOME (LOSS) BEFORE TRANSFERS | (54,239) | 22,477 |
| TRANSFERS OUT | (791,247) | - |
| CHANGE IN NET POSITION | (845,486) | 22,477 |
| NET POSITION - BEGINNING | 845,486 | 823,009 |
| NET POSITION - ENDING | \$ - | \$ 845,486 |

CITY OF HUDSON, WISCONSIN
Statement of Cash Flows
Ambulance Service
For the Year Ended December 31, 2022
With Summarized Information from December 31, 2021

| | 2022 | 2021 |
|--------------------------------------------------------------------------------------------------|---------------------------|--------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Cash Received from Customers | \$ 44,308 | \$ 4,432 |
| Cash Received from Governmental Subsidies/Grants | - | 39,728 |
| Cash Paid to Suppliers for Goods and Services | (66,765) | (16,625) |
| Cash Paid to Employees For Wages and Benefits | (3,068) | (3,711) |
| Net Cash Flows From Operating Activities | <u>(25,525)</u> | <u>23,824</u> |
| CASH FLOWS FROM NON-CAPITAL AND RELATED FINANCING ACTIVITIES | | |
| Transfer to Municipality | <u>(791,247)</u> | <u>-</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Investment Income | <u>6,578</u> | <u>144</u> |
| CHANGE IN CASH AND INVESTMENTS | (810,194) | 23,968 |
| CASH AND INVESTMENTS - BEGINNING | <u>810,194</u> | <u>786,226</u> |
| CASH AND INVESTMENTS - ENDING | <u><u>\$ -</u></u> | <u><u>\$ 810,194</u></u> |
| RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS FROM | | |
| Operating Income (Loss) | \$ (60,817) | \$ 22,333 |
| Adjustments to Reconcile Operating Income (Loss) to Net Cash Flows from Operating Activities: | | |
| Changes in Assets and Liabilities: | | |
| Customer Accounts Receivable | 35,583 | 3,932 |
| Accounts Payable | <u>(291)</u> | <u>(2,441)</u> |
| Net Cash Flows From Operating Activities | <u><u>\$ (25,525)</u></u> | <u><u>\$ 23,824</u></u> |

FORM OF LEGAL OPINION

(See following pages)

FRYBERGER

— LAW FIRM —

\$ _____
GENERAL OBLIGATION PROMISSORY NOTES, SERIES 2024A
CITY OF HUDSON, WISCONSIN

We have acted as Bond Counsel in connection with the authorization, issuance and delivery by the City of Hudson, St. Croix County, Wisconsin (the “Issuer”), of its \$ _____ General Obligation Promissory Notes, Series 2024A, dated March 7, 2024, as the date of original issue (the “Notes”). The Notes are issued pursuant to Chapter 67, Wisconsin Statutes.

For purposes of this opinion, we have examined the law and certified copies of certain proceedings taken, and certain affidavits and certificates furnished by the Issuer in the authorization, sale and issuance of the Notes. As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certificates of public officials furnished to us without undertaking to verify such facts by independent investigation.

We have not been engaged or undertaken to review the accuracy, completeness, or sufficiency of the Official Statement or other offering material relating to the Notes, and we express no opinion relating thereto (excepting only the matters set forth as our opinion in the Official Statement).

Based upon such examination, and assuming the authenticity of all documents submitted to us as originals, the conformity to original documents of all documents submitted to us as certified or photostatic copies and the authenticity of the originals, and assuming the genuineness of the signatures thereon and the accuracy of the facts and representations stated therein, and on the basis of laws, regulations, rulings and decisions in effect on the date hereof, but excluding any legislation which may have a retroactive effective date prior to the date hereof, it is our opinion that:

1. The Notes are valid and binding general obligations of the Issuer enforceable in accordance with their terms.
2. All the taxable property in the territory of the Issuer is subject to the levy of ad valorem taxes to pay principal of and interest on the Notes, without limitation as to rate or amount. The Issuer is required by law to include in its annual tax levy the principal and interest coming due on the Notes except to the extent the necessary funds have been irrevocably deposited into the debt service fund account established for the payment of the principal of and interest on the Notes.

FRYBERGER, BUCHANAN, SMITH & FREDERICK, P.A

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Cloquet, MN 55720
p: (218) 879-6830

DULUTH
302 West Superior St.
Ste 700
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p: (218) 722-0861

SUPERIOR
1409 Hammond Ave., Suite 330
Superior, WI 54880
p: (715) 392-7405

ST. PAUL
c/o 302 West Superior St.
Ste 700
Duluth, MN 55802
p: (651) 221-1044

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3. The Notes, as of their date of issuance, bear interest which is not includable in gross income of the recipient for federal income tax purposes and is not an item of tax preference which is included in alternative minimum taxable income for purposes of the federal alternative minimum tax; however, such interest is taken into account in determining the annual adjusted financial statement income of certain corporations for the purpose of computing the federal alternative minimum tax imposed on corporations for tax years beginning after December 31, 2022.

We express no opinion regarding tax consequences arising with respect to the Notes, other than as set forth in paragraph 3 above.

For the purpose of rendering the opinion set forth in paragraph 3 above, we have assumed compliance by the Issuer with requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Notes. The Issuer has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of interest on the Notes in federal gross income retroactive to the date of issuance of the Notes.

It is to be understood that the rights of the holders 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.

Dated: March 7, 2024

Respectfully submitted,

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.
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 CERTIFICATE

(See following pages)

CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by the City of Hudson, St. Croix County, Wisconsin (the “Issuer”) in connection with the issuance of its \$_____ General Obligation Promissory Notes, Series 2024A, dated March 7, 2024 (the “Obligations”). The Obligations are being issued pursuant to a Resolution of the Issuer dated February 20, 2024 (the “Resolution”). The Issuer covenants and agrees as follows:

Section 1. (a) Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Issuer for the benefit of the holders and beneficial owners of the Obligations and in order to assist the Participating Underwriter in complying with the Rule (defined below). References in this Disclosure Certificate to holders of the Obligations shall include the beneficial owners of the Obligations. This Disclosure Certificate constitutes the written understanding under the Rule.

(b) Filing Requirements. Any filing under this Disclosure Certificate must be made solely by transmitting such filing to the MSRB (defined herein) through the Electronic Municipal Market Access (“EMMA”) System at www.emma.msrb.org in the format prescribed by the MSRB. All documents provided to the MSRB shall be accompanied by the identifying information prescribed by the MSRB.

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

“Annual Report” means any Annual Report provided by the Issuer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

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

“Code” means the Internal Revenue Code of 1986, as amended.

“Dissemination Agent” means such person from time to time designated in writing by the Issuer and which has filed with the Issuer a written acceptance of such designation.

“Financial Obligation” means, with respect to the Issuer a: (a) debt obligation; (b) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) guarantee of one of the foregoing. The term “Financial Obligation” shall not include municipal securities as to which a final official statement has been provided to the Municipal Securities Rulemaking Board consistent with this rule.

“IRS” means the Internal Revenue Service of the Department of the Treasury.

“Listed Events” means any of the events listed in Sections 5(a) and 5(b) of this Disclosure Certificate.

“MSRB” means the Municipal Securities Rulemaking Board, whose current address is 1300 I Street NW, Suite 1000, Washington, DC 20005.

“Official Statement” means the Preliminary Official Statement, dated February ___, 2024, delivered in connection with the original issuance and sale of the Obligations, together with the final Official Statement and any amendments thereto or supplements thereof.

“Participating Underwriter” means any of the original underwriter(s) of the Obligations required to comply with the Rule in connection with offering of the Obligations.

“Rule” means Rule 15c2-12(b)(5) adopted by the SEC under the Securities Exchange Act of 1934, as the same may be amended from time to time. Reference is also made to SEC Release No. 34-83885 (File No. S7-01-17) for additional information relating to the Issuer’s compliance with this Certificate.

“SEC” means the Securities and Exchange Commission or any successor to its functions governing state and municipal securities.

Section 3. Provision of Annual Reports.

(a) The Issuer shall, or shall cause the Dissemination Agent to, not later than 12 months after the end of the fiscal year (presently December 31), commencing with the fiscal year ended December 31, 2023, provide to the MSRB, filed in accordance with Section 1(b) of this Disclosure Certificate, an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. 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 Disclosure Certificate; provided that the Audited Financial Statements of the Issuer may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date; provided, however, unaudited financial information will be provided and the Audited Financial Statements will be submitted to the MSRB when and if available. The Issuer may provide the Annual Report by specific reference to documents previously provided to the MSRB or filed with the SEC; provided, however, that if the document so referenced is a final official statement within the meaning of the Rule, such final official statement must be available from the MSRB.

(b) Not later than 15 days prior to the date specified in subsection (a) for providing the Annual Report to the MSRB, the Issuer shall provide the Annual Report to the Dissemination Agent (if the Issuer is not the Dissemination Agent).

(c) If the Issuer is unable or fails to provide an Annual Report by the date required in subsection (a), the Issuer shall send in a timely manner a notice of such fact to

the MSRB in the format prescribed by the MSRB, as described in Section 1(b) of this Disclosure Certificate.

Section 4. Content of Annual Reports. The Issuer's Annual Report shall contain or incorporate by reference the Audited Financial Statements 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:

- (a) Current Property Valuations
- (b) Direct Debt
- (c) Debt Limit
- (d) Tax Levies & Collections

Section 5. Reporting of Significant Events.

(a) The Issuer shall give, or cause to be given notice of the occurrence of any of the following events with respect to the Obligations, in a timely manner not in excess of 10 business days after the occurrence of the event:

- (1) principal and interest payment delinquencies;
 - (2) unscheduled draws on debt service reserves reflecting financial difficulties;
 - (3) unscheduled draws on credit enhancements reflecting financial difficulties;
 - (4) substitution of credit or liquidity providers, if any, or their failure to perform;
 - (5) adverse tax opinions or the issuance by the IRS of proposed or final determinations of taxability or of a Notice of Proposed Issue (IRS Form 5701-TEB);
 - (6) tender offers;
 - (7) defeasances;
 - (8) rating changes;
 - (9) bankruptcy, insolvency, receivership or similar event of the Issuer;
- or

(10) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation, any of which reflect financial difficulties.

(b) The Issuer shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Obligations, *if material*, in a timely manner not in excess of 10 business days after the occurrence of the event:

(1) non-payment related defaults;

(2) unless described in (a)(5) above, other notices or determinations by the IRS with respect to the tax-exempt status of the Obligations, or other events affecting the tax-exempt status of the Obligations;

(3) modifications to rights of holders of the Obligations;

(4) bond calls;

(5) release, substitution or sale of property securing repayment of the Obligations;

(6) the consummation of a merger, consolidation or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms;

(7) appointment of a successor or additional trustee or the change of name of a trustee; or

(8) incurrence of a Financial Obligation or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation, any of which affect security holders.

(c) For the purposes of the event identified in subsection (a)(9), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Issuer in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Issuer, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan or reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Issuer.

(d) Whenever the Issuer obtains knowledge of the occurrence of a Listed Event under subsection (b), the Issuer shall as soon as possible determine if such event would constitute material information for holders of Obligations.

(e) Unless otherwise required by law, the Issuer shall submit the information in the format prescribed by the MSRB, as described in Section 1(b) of this Disclosure Certificate.

Section 6. Termination of Reporting Obligation. The Issuer's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Obligations.

Section 7. Dissemination Agent. The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the Issuer pursuant to this Disclosure Certificate. If at any time there is not any other designated Dissemination Agent, the Issuer shall be the Dissemination Agent.

Section 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Issuer may amend this Disclosure Certificate and any provision of this Disclosure Certificate may be waived if such amendment or waiver is supported by an opinion of nationally recognized bond counsel to the effect that such amendment or waiver would not, in and of itself, cause the undertaking 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 Disclosure Certificate shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Issuer chooses to include any information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is specifically required by this Disclosure Certificate, the Issuer shall have no obligation under this Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 10. Default. In the event of a failure of the Issuer to comply with any provision of this Disclosure Certificate, any holder or beneficial owner of the Obligations may take such action as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Issuer to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an event of default under the Resolution, and the sole remedy under this Disclosure Certificate in the event of any failure of the Issuer to comply with this Disclosure Certificate shall be an action to compel performance.

Section 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the Issuer 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 negligence or willful misconduct. The obligations of the Issuer under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Obligations.

Section 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Issuer, the Dissemination Agent, the Participating Underwriter and holders and beneficial owners from time to time of the Obligations, and shall create no rights in any other person or entity.

Section 13. Reserved Rights. The Issuer reserves the right to discontinue providing any information required under the Rule if a final determination should be made by a court of competent jurisdiction that the Rule is invalid or otherwise unlawful or, subject to the provisions of Section 8 hereof, to modify the undertaking under this Disclosure Certificate if the Issuer determines that such modification is required by the Rule or by a court of competent jurisdiction.

Dated as of March 7, 2024.

CITY OF HUDSON, WISCONSIN

By _____
Rich O'Connor, Mayor

By _____
Becky Eggen, City Clerk

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NOTICE OF SALE

**\$5,745,000* GENERAL OBLIGATION PROMISSORY NOTES, SERIES 2024A
CITY OF HUDSON, WISCONSIN**

Bids for the purchase of \$5,745,000* General Obligation Promissory Notes, Series 2024A (the "Notes") of the City of Hudson, Wisconsin (the "City") will be received at the offices of Ehlers and Associates, Inc. ("Ehlers"), 3060 Centre Pointe Drive, Roseville, Minnesota 55113-1105, municipal advisors to the City, until 10:30 A.M., Central Time, and **ELECTRONIC PROPOSALS** will be received via bondsale@ehlers-inc.com or **PARITY**, in the manner described below, until 10:30 A.M. Central Time, on February 20, 2024, 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.

AUTHORITY; PURPOSE; SECURITY

The Notes are being issued pursuant to Section 67.12(12), Wisconsin Statutes, by the City, for public purposes, including the acquisition of the new Police Facility and 45% of the new Public Works Building in the City. 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, 2024, will be issued as fully registered Notes in the denomination of \$5,000 each, or any integral multiple thereof, and will mature as follows:

| <u>Year</u> | <u>Amount*</u> | <u>Year</u> | <u>Amount*</u> | <u>Year</u> | <u>Amount*</u> |
|-------------|----------------|-------------|----------------|-------------|----------------|
| 09/01/2025 | \$260,000 | 09/01/2029 | \$605,000 | 09/01/2033 | \$685,000 |
| 09/01/2026 | 545,000 | 09/01/2030 | 620,000 | 03/01/2034 | 575,000 |
| 09/01/2027 | 565,000 | 09/01/2031 | 640,000 | | |
| 09/01/2028 | 585,000 | 09/01/2032 | 665,000 | | |

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 March 1, 2025, 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. 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.

PAYING AGENT

The City has selected Bond Trust Services Corporation, Roseville, Minnesota ("BTSC"), to act as paying agent (the "Paying Agent"). BTSC and Ehlers are affiliate companies. The City will pay the charges for Paying Agent services. The City reserves the right to remove the Paying Agent and to appoint a successor.

OPTIONAL REDEMPTION

At the option of the City, the Notes maturing on or after September 1, 2031 shall be subject to optional redemption prior to maturity on September 1, 2030 or any date thereafter, at a price of par plus accrued interest to the date of optional redemption.

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, 2024, 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 MATTERS

Legal matters incident to the issuance and sale of the Notes and with regard to the tax-exempt status of interest on the Notes under existing laws are subject to the approving legal opinion of Fryberger, Buchanan, Smith & Frederick, P.A., as Bond Counsel to the City. Bond Counsel has not examined nor attempted to examine or verify any of the financial or statistical statements or data contained in the Official Statement and will express no opinions with respect to such information. Additionally, except for statements on the cover page of the Official Statement and under the caption "TAX MATTERS" relating to Bond Counsel's opinion that the interest on the Notes is not includable in gross income for federal income tax purposes, Bond Counsel has not independently verified any of the factual information contained in the Official Statement nor have they conducted an investigation of the affairs of the City for the purpose of passing upon the accuracy or completeness of the Official Statement. No person is entitled to rely upon their limited participation as an assumption of responsibility for, or an expression of opinion of any kind with regard to, the accuracy or completeness of any of the information contained in the Official Statement. See "FORM OF LEGAL OPINION" found in Appendix B.

SUBMISSION OF BIDS

Bids must not be for less than \$5,687,550 plus accrued interest on the principal sum of \$5,745,000 from date of original issue of the Notes to date of delivery. **The maximum proposal allowed will be \$6,319,500.** 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; or
- 2) Electronically via **PARITY** in accordance with this Notice of Sale until 10:30 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 IHS Markit (now part of S&P Global) at <https://ihsmarkit.com/products/municipal-issuance.html> or via telephone (844) 301-7334.

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 \$114,900 shall be made by the winning bidder by wire transfer of funds. Such Deposit shall be received by Ehlers no later than two hours after the bid opening time. Wire transfer instructions will be provided to the winning bidder by Ehlers after the tabulation of bids. 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.

NON-QUALIFIED TAX-EXEMPT OBLIGATIONS

The Notes shall not be designated as "qualified tax-exempt obligations" pursuant to Section 265(b)(3) of the Internal Revenue Code of 1986, as amended.

CONTINUING DISCLOSURE

In order to assist the Underwriter (Syndicate Manager) 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 winning bidder. 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 winning bidder on its bid form to determine the issue price for the Notes. On its bid form, each bidder 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 winning bidder 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 (5th) 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 will advise the City promptly after the close of the fifth (5th) business day after the sale whether it has 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.

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 requirements for establishing issue price of the Notes, including, but not limited to, its agreement to comply with the hold-the-price rule, if applicable to the Notes, 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 requirements for establishing issue price of the Notes, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Notes, as set forth in a selling group agreement and the related pricing wires, and

(iii) in the event that an underwriter or dealer who is a member of the selling group is a party to a third-party 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 requirements for establishing issue price of the Notes, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Notes, as set forth in the third-party 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 requirements for establishing issue price rule of the Notes, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Notes, 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 third-party distribution agreement to comply with its corresponding agreement to comply with the requirements for establishing issue price of the Notes, including, but not limited to, its agreement to comply with 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 winning bidder selects the 10% test, the winning bidder 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 either (i) all Notes of that maturity have been sold or (ii) the 10% test has been satisfied as to each maturity of the Notes, provided that, the winning bidder's reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the City or bond counsel.

(f) By submitting a bid, each bidder confirms that:

(i) any agreement among underwriters, any selling group agreement and each third-party 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 third-party distribution agreement, as applicable, to:

(A) report the prices at which it sells to the public the unsold Notes of each maturity allocated to it, whether or not the Closing Date has occurred until either all securities of that maturity allocated to it have been sold or it is notified by the winning bidder that either the 10% test has been satisfied as to the Notes of that maturity, provided that, the reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the City or bond counsel.

(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 or selling group agreement 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 a party to a third-party 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 third-party distribution agreement to:

(A) to promptly notify the winning bidder of any sales of Notes that, to its knowledge, are made to a purchaser who is a related party to an underwriter participating in the initial sale of the Notes to the public (each such term being used as defined below), and

(B) to acknowledge that, unless otherwise advised by the underwriter, dealer or broker-dealer, the winning bidder shall assume that each order submitted by the underwriter, dealer or broker-dealer is a sale to the public.

(g) Sales of any Notes to any person that is a related party to an underwriter participating in the initial sale of the Notes to the public (each term being used as defined below) 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 third-party 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 (A) more than 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), (B) 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 (C) 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 by connecting to the Bond Sales link. The Underwriter (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

City of Hudson, Wisconsin

BID FORM

The Common Council
City of Hudson, Wisconsin (the "City")

February 20, 2024

RE: \$5,745,000* General Obligation Promissory Notes, Series 2024A (the "Notes")
DATED: March 7, 2024

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 \$5,687,550, *and not more than \$6,319,500*) plus accrued interest to date of delivery for fully registered Notes bearing interest rates and maturing in the stated years as follows:

| | | | | | |
|-------------|------------|-------------|------------|-------------|------------|
| _____ % due | 09/01/2025 | _____ % due | 09/01/2029 | _____ % due | 09/01/2033 |
| _____ % due | 09/01/2026 | _____ % due | 09/01/2030 | _____ % due | 03/01/2034 |
| _____ % due | 09/01/2027 | _____ % due | 09/01/2031 | | |
| _____ % due | 09/01/2028 | _____ % due | 09/01/2032 | | |

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.

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%.

A good faith deposit ("Deposit") in the amount of \$114,900 shall be made by the winning bidder by wire transfer of funds. Such Deposit shall be received by Ehlers no later than two hours after the bid opening time. Wire transfer instructions will be provided to the winning bidder by Ehlers after the tabulation of bids. 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. We agree to the conditions and duties of Ehlers and 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, 2024.

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 the Notes.

We have received and reviewed the Official Statement, and any addenda thereto, and have submitted our requests for additional information or corrections to the Final Official Statement. As Underwriter (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 either the: ____ 10% test, or the ____ 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, 2024 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 Hudson, Wisconsin, on February 20, 2024.

By: _____ By: _____
Title: _____ Title: _____