

PRELIMINARY OFFICIAL STATEMENT DATED APRIL 23, 2026

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 excluded from 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 imposed on individuals; however, interest on the Notes may affect the federal alternative tax imposed on certain corporations. 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 designate the Notes as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code, as amended, relating to the ability of financial institutions to deduct from income for federal income tax purposes, interest expense that is allocable to carrying and acquiring tax-exempt obligations.

New Issue

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

CITY OF HUDSON, WISCONSIN (St. Croix County)

\$8,215,000* GENERAL OBLIGATION PROMISSORY NOTES, SERIES 2026A

BID OPENING: May 4, 2026, 10:00 A.M., C.T.

CONSIDERATION: May 4, 2026, 6:00 P.M., C.T.

PURPOSE/AUTHORITY/SECURITY: The \$8,215,000* General Obligation Promissory Notes, Series 2026A (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 City's 2026-27 capital projects. 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: May 26, 2026

MATURITY:

As follows:

<u>Maturity</u>	<u>Amount*</u>	<u>Maturity</u>	<u>Amount*</u>	<u>Maturity</u>	<u>Amount*</u>
11/01/2027	\$145,000	11/01/2034	\$370,000	11/01/2041	\$480,000
11/01/2028	195,000	11/01/2035	380,000	11/01/2042	500,000
11/01/2029	265,000	11/01/2036	395,000	11/01/2043	540,000
11/01/2030	325,000	11/01/2037	410,000	11/01/2044	570,000
11/01/2031	335,000	11/01/2038	425,000	11/01/2045	620,000
11/01/2032	345,000	11/01/2039	440,000	05/01/2046	660,000
11/01/2033	355,000	11/01/2040	460,000		

***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:

May 1, 2027 and semiannually thereafter.

OPTIONAL REDEMPTION:

Notes maturing on November 1, 2035 and thereafter are subject to call for prior optional redemption on November 1, 2034 or any date thereafter, at a price of par plus accrued interest to the date of optional redemption.

MINIMUM BID:

\$8,112,312.50.

MAXIMUM BID:

\$9,036,500.

GOOD FAITH DEPOSIT:

A good faith deposit in the amount of \$164,300 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).

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.



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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 2027
Shanley Anderson	Alderman	April 2028
Sarah Bruch	Alderman	April 2027
Joyce Hall	Alderman	April 2027
Mike Kennedy	Alderman	April 2028
Randy Morrissette II	Alderman	April 2027
Lynn Wakefield	Alderman	April 2028

ADMINISTRATION

Brentt Michalek, City Administrator
Sam Hosszu, Finance Director/Treasurer
Becky Measner, City Clerk

PROFESSIONAL SERVICES

Eckberg Lammers, P.C., City Attorney, Hudson, Wisconsin
Fryberger, Buchanan, Smith & Frederick, P.A., Bond Counsel, Duluth, Minnesota
Ehlers and Associates, Inc., Municipal Advisors, Minneapolis, 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 \$8,215,000* General Obligation Promissory Notes, Series 2026A (the "Notes"). 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 authorizing the issuance and sale of the Notes ("Award Resolution") to be adopted by the Common Council on May 4, 2026.

Inquiries may be directed to Ehlers and Associates, Inc. ("Ehlers" or the "Municipal Advisor"), Minneapolis, 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 May 26, 2026. The Notes will mature on November 1 in the years and amounts set forth on the cover of this Preliminary Official Statement except the final maturity is on May 1, 2046. Interest will be payable on May 1 and November 1 of each year, commencing May 1, 2027, 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, Minneapolis, 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 November 1, 2035 shall be subject to optional redemption prior to maturity on November 1, 2034 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 City's 2026-27 capital projects.

ESTIMATED SOURCES AND USES*

Sources		
Par Amount of Notes	<u>\$8,215,000</u>	
Total Sources		\$8,215,000
Uses		
Total Underwriter's Discount (1.250%)	\$102,688	
Costs of Issuance	98,450	
Deposit to Construction Fund	8,009,060	
Rounding Amount	<u>4,803</u>	
Total Uses		\$8,215,000

*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.

RATING

General obligation debt of the City, with the exception of any outstanding credit enhanced issues, is currently rated "Aa2" by Moody's Investors Service, Inc. ("Moody's").

The City has requested a rating on the Notes from Moody's, and bidders will be notified as to the assigned rating prior to the sale. Such rating 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 Bonds 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 EXEMPTION" 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 imposed on individuals; however, such interest on the Notes may affect the federal alternative tax imposed on certain corporations.

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.

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.

QUALIFIED TAX-EXEMPT OBLIGATIONS

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

MUNICIPAL ADVISOR

Ehlers has served as municipal advisor to the City in connection with the issuance of the Notes. The Municipal Advisor cannot participate in the underwriting of the Notes. The financial information included in this Preliminary Official Statement has been compiled by the Municipal Advisor. Such information does not purport to be a review, audit or certified forecast of future events and may not conform with accounting principles applicable to compilations of financial information. Ehlers is not a firm of certified public accountants. Ehlers is registered with the Securities and Exchange Commission and the MSRB as a municipal advisor. 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, 2024 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 are general obligations of the City, the ultimate payment of which rests in the City's ability to levy and collect sufficient taxes to pay debt service. In the event of delayed billing, collection or distribution of property taxes, sufficient funds may not be available to the City in time to pay debt service when due.

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

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

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

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

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

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

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

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

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

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

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

2025 Equalized Value	\$3,482,032,900
2025 Equalized Value Reduced by Tax Increment Valuation	\$3,299,065,200
2025 Assessed Value	\$3,445,490,000

2025 EQUALIZED VALUE BY CLASSIFICATION

	2025 Equalized Value¹	Percent of Total Equalized Value
Residential	\$2,205,257,300	63.332%
Commercial	1,177,132,500	33.806%
Manufacturing	<u>99,643,100</u>	<u>2.862%</u>
 Total	<u><u>\$3,482,032,900</u></u>	<u><u>100.000%</u></u>

TREND OF VALUATIONS

Year	Assessed Value	Equalized Value¹	Percent Increase/Decrease in Equalized Value
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%
2024	2,448,859,300	3,366,869,100	6.64%
2025	3,445,490,000	3,482,032,900	3.42%

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	2025 Equalized Value¹	Percent of City's Total Equalized Value
Phillips Medsize, LLC	Manufacturing	\$89,624,677	2.57%
HPIV Minneapolis, LLC	Physicians/Medical	73,939,770	2.12%
Hanley Road, LLC	Bulk supplies distributor	49,793,261	1.43%
Croixland Properties, Ltd.	Manufacturing	43,554,185	1.25%
Paul L. Anderson Properties, LLC	Apartments	35,289,955	1.01%
General Motors, LLC	Automotive dealer	25,969,945	0.75%
Hudson Memorial Hospital, Inc.	Hospital	24,994,205	0.72%
Red Cedar Canyon Villas, LLC	Apartments	20,107,016	0.58%
MKB Hudson LLC	Grocery store	18,984,030	0.55%
Bella Rose Apartments, LLC	Apartments	<u>18,400,102</u>	<u>0.53%</u>
Total		\$400,657,145	11.51%
City's Total 2025 Equalized Value ²		\$3,482,032,900	

Source: The City.

DEBT

DIRECT DEBT³

General Obligation Debt (see schedules following)

Total General Obligation Debt (includes the Notes)* \$59,755,000

*Preliminary, subject to change.

Revenue Debt (see schedules following)

Total revenue debt secured by sewer revenues \$9,586,870

Total revenue debt secured by water revenues \$1,071,373

¹ Calculated by dividing the 2025 Assessed Values by the 2025 Aggregate Ratio of assessment for the City.

² Includes tax increment valuation.

³ Outstanding debt is as of the dated date of the Notes.

DEBT PAYMENT HISTORY

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

FUTURE FINANCING

The City has tentative plans to issue additional revenue bonds for sewer projects in 2027, although the timing and scope of this financing has not yet been determined.

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	\$3,482,032,900
Multiply by 5%	<u>0.05</u>
Statutory Debt Limit	\$174,101,645
Less: General Obligation Debt*	<u>(59,755,000)</u>
Unused Debt Limit*	<u><u>\$114,346,645</u></u>

*Preliminary, subject to change.

City of Hudson, Wisconsin
 Schedule of Bonded Indebtedness
 General Obligation Debt Secured by Taxes
 (As of 05/26/2026)

	Corporate Purpose Bonds Series 2015A		Street Improvement Bonds Series 2016A		Corporate Purpose Bonds Series 2017A		Promissory Notes Series 2017B		Corporate Purpose Bonds Series 2019A	
Dated	06/09/2015		04/12/2016		06/01/2017		06/01/2017		04/29/2019	
Amount	\$2,115,000		\$3,110,000		\$2,495,000		\$2,470,000		\$5,960,000	
Maturity	10/01 Final Maturity 04/01		10/01 Final Maturity 04/01		12/01		12/01 Final Maturity 06/01		10/01 Final Maturity 04/01	
Calendar Year Ending	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2026	110,000	19,690	155,000	22,248	165,000	39,000	300,000	18,450	260,000	71,550
2027	110,000	36,080	155,000	41,396	175,000	34,050	315,000	4,725	270,000	135,300
2028	110,000	32,780	160,000	38,296	180,000	28,800			285,000	127,200
2029	115,000	29,480	160,000	35,096	185,000	23,400			285,000	118,650
2030	120,000	26,030	160,000	31,696	190,000	17,850			310,000	110,100
2031	120,000	22,190	170,000	28,096	200,000	12,150			325,000	100,800
2032	125,000	18,350	175,000	24,059	205,000	6,150			335,000	91,050
2033	125,000	14,350	175,000	19,903					345,000	81,000
2034	140,000	9,975	190,000	15,528					360,000	70,650
2035	145,000	2,538	190,000	10,588					370,000	59,850
2036			195,000	2,681					380,000	48,750
2037									400,000	37,350
2038									410,000	25,350
2039									435,000	6,525
2040										
2041										
2042										
2043										
2044										
2045										
2046										
	1,220,000	211,463	1,885,000	269,587	1,300,000	161,400	615,000	23,175	4,770,000	1,084,125

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City of Hudson, Wisconsin
Schedule of Bonded Indebtedness continued
General Obligation Debt Secured by Taxes
(As of 05/26/2026)

	Promissory Notes Series 2019B		Corporate Purpose Bonds Series 2021B		Promissory Notes Series 2021C		Community Development Bonds Series 2022A		Corporate Purpose Bonds Series 2023A	
Dated	04/29/2019		05/06/2021		05/06/2021		12/01/2022		05/22/2023	
Amount	\$2,200,000		\$3,850,000		\$1,645,000		\$3,860,000		\$4,770,000	
Maturity	10/01 Final Maturity 04/01		10/01 Final Maturity 04/01		10/01 Final Maturity 04/01		10/01		10/01 Final Maturity 04/01	
Calendar Year Ending	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2026	210,000	14,175	210,000	28,364	150,000	7,889	140,000	72,559	150,000	89,200
2027	215,000	19,950	215,000	52,528	150,000	11,278	150,000	138,119	155,000	172,400
2028	220,000	13,500	185,000	48,228	160,000	6,778	150,000	130,619	165,000	166,200
2029	230,000	3,450	195,000	44,528	160,000	5,178	160,000	123,119	170,000	159,600
2030			195,000	42,578	160,000	3,578	165,000	115,119	175,000	152,800
2031			200,000	40,238	165,000	949	175,000	106,869	185,000	145,800
2032			200,000	37,838			185,000	99,869	190,000	138,400
2033			205,000	34,838			190,000	92,469	195,000	130,800
2034			205,000	31,763			200,000	84,869	260,000	123,000
2035			210,000	28,688			205,000	76,869	265,000	112,600
2036			210,000	25,538			215,000	68,669	275,000	102,000
2037			215,000	21,863			220,000	60,069	285,000	91,000
2038			220,000	18,100			230,000	51,269	295,000	79,600
2039			225,000	13,700			245,000	42,069	310,000	67,800
2040			225,000	9,200			255,000	32,269	325,000	55,400
2041			235,000	2,350			260,000	22,069	335,000	42,400
2042							275,000	11,344	350,000	29,000
2043									375,000	7,500
2044										
2045										
2046										
	875,000	51,075	3,350,000	480,336	945,000	35,648	3,420,000	1,328,235	4,460,000	1,865,500

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City of Hudson, Wisconsin
Schedule of Bonded Indebtedness continued
General Obligation Debt Secured by Taxes
(As of 05/26/2026)

	Promissory Notes Series 2023B		Promissory Notes Series 2024A		Corporate Purpose Bonds Series 2024B		Promissory Notes Series 2025A		Taxable Promissory Notes Series 2025B	
Dated	05/22/2023		03/07/2024		03/07/2024		06/30/2025		01/15/2026	
Amount	\$3,440,000		\$5,745,000		\$10,025,000		\$9,735,000		\$1,060,000	
Maturity	10/01 Final Maturity 04/01		09/01 Final Maturity 03/01		09/01 Final Maturity 03/01		06/01		12/01 Final Maturity 06/01	
Calendar Year Ending	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2026	295,000	58,803	580,000	121,400	105,000	220,175	155,000	588,379	60,000	18,298
2027	310,000	102,856	480,000	213,800	110,000	435,100	65,000	407,869	60,000	17,098
2028	325,000	87,356	500,000	189,800	115,000	429,600	535,000	392,869	60,000	15,898
2029	350,000	71,106	525,000	164,800	125,000	423,850	350,000	370,744	60,000	15,238
2030	365,000	53,606	480,000	138,550	140,000	417,600	370,000	352,744	60,000	14,578
2031	370,000	39,006	505,000	114,550	145,000	410,600	385,000	333,869	65,000	13,738
2032	385,000	24,206	610,000	89,300	150,000	403,350	405,000	314,119	65,000	12,828
2033	405,000	6,328	640,000	58,800	160,000	395,850	425,000	293,369	65,000	11,918
2034			830,000	16,600	145,000	387,850	445,000	273,844	65,000	10,845
2035					705,000	380,600	460,000	255,744	65,000	9,773
2036					740,000	345,350	480,000	236,944	70,000	8,700
2037					775,000	308,350	505,000	217,244	70,000	7,300
2038					820,000	269,600	525,000	196,644	70,000	5,900
2039					860,000	228,600	545,000	175,244	75,000	4,500
2040					890,000	194,200	735,000	149,644	75,000	3,000
2041					925,000	158,600	680,000	121,344	75,000	750
2042					970,000	121,600	615,000	95,444		
2043					1,005,000	82,800	640,000	70,344		
2044					1,065,000	21,300	660,000	44,344		
2045							755,000	15,572		
2046										
	2,805,000	443,269	5,150,000	1,107,600	9,950,000	5,634,975	9,735,000	4,906,314	1,060,000	170,358

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City of Hudson, Wisconsin
Schedule of Bonded Indebtedness continued
General Obligation Debt Secured by Taxes
(As of 05/26/2026)

Promissory Notes								
Series 2026A								
Dated	05/26/2026							
Amount	\$8,215,000*							
Maturity	11/01							
	Final Maturity 05/01							
Calendar Year Ending	Principal	Estimated Interest	Total Principal	Total Interest	Total P & I	Principal Outstanding	% Paid	Calendar Year Ending
2026	0	0	3,045,000	1,390,180	4,435,180	56,710,000	5.10%	2026
2027	145,000	454,434	3,080,000	2,276,981	5,356,981	53,630,000	10.25%	2027
2028	195,000	313,168	3,345,000	2,021,090	5,366,090	50,285,000	15.85%	2028
2029	265,000	307,123	3,335,000	1,895,360	5,230,360	46,950,000	21.43%	2029
2030	325,000	298,908	3,215,000	1,775,735	4,990,735	43,735,000	26.81%	2030
2031	335,000	288,670	3,345,000	1,657,524	5,002,524	40,390,000	32.41%	2031
2032	345,000	278,118	3,375,000	1,537,635	4,912,635	37,015,000	38.06%	2032
2033	355,000	266,905	3,285,000	1,406,528	4,691,528	33,730,000	43.55%	2033
2034	370,000	255,013	3,210,000	1,279,935	4,489,935	30,520,000	48.92%	2034
2035	380,000	242,433	2,995,000	1,179,680	4,174,680	27,525,000	53.94%	2035
2036	395,000	229,133	2,960,000	1,067,764	4,027,764	24,565,000	58.89%	2036
2037	410,000	214,913	2,880,000	958,088	3,838,088	21,685,000	63.71%	2037
2038	425,000	199,538	2,995,000	846,000	3,841,000	18,690,000	68.72%	2038
2039	440,000	183,175	3,135,000	721,613	3,856,613	15,555,000	73.97%	2039
2040	460,000	165,575	2,965,000	609,288	3,574,288	12,590,000	78.93%	2040
2041	480,000	146,715	2,990,000	494,228	3,484,228	9,600,000	83.93%	2041
2042	500,000	126,555	2,710,000	383,943	3,093,943	6,890,000	88.47%	2042
2043	540,000	105,305	2,560,000	265,949	2,825,949	4,330,000	92.75%	2043
2044	570,000	82,085	2,295,000	147,729	2,442,729	2,035,000	96.59%	2044
2045	620,000	57,290	1,375,000	72,862	1,447,862	660,000	98.90%	2045
2046	660,000	14,850	660,000	14,850	674,850	0	100.00%	2046
	8,215,000	4,229,901	59,755,000	22,002,959	81,757,959			

* Preliminary, subject to change.

City of Hudson, Wisconsin
Schedule of Bonded Indebtedness
Revenue Debt Secured by Sewer Revenues
(As of 05/26/2026)

**Taxable Sewerage
System Revenue Bonds
Series 2021A**

Dated	01/27/2021
Amount	\$12,412,161
Maturity	05/01

Calendar Year Ending	Principal	Interest	Total Principal	Total Interest	Total P & I	Principal Outstanding	% Paid	Calendar Year Ending
2026	0	71,183	0	71,183	71,183	9,586,870	.00%	2026
2027	621,113	137,753	621,113	137,753	758,866	8,965,758	6.48%	2027
2028	630,336	128,461	630,336	128,461	758,797	8,335,422	13.05%	2028
2029	639,697	119,031	639,697	119,031	758,728	7,695,725	19.73%	2029
2030	649,196	109,461	649,196	109,461	758,657	7,046,529	26.50%	2030
2031	658,837	99,749	658,837	99,749	758,586	6,387,693	33.37%	2031
2032	668,620	89,893	668,620	89,893	758,513	5,719,072	40.34%	2032
2033	678,549	79,890	678,549	79,890	758,439	5,040,523	47.42%	2033
2034	688,626	69,739	688,626	69,739	758,364	4,351,897	54.61%	2034
2035	698,852	59,437	698,852	59,437	758,289	3,653,045	61.90%	2035
2036	709,230	48,982	709,230	48,982	758,212	2,943,816	69.29%	2036
2037	719,762	38,371	719,762	38,371	758,133	2,224,054	76.80%	2037
2038	730,450	27,604	730,450	27,604	758,054	1,493,603	84.42%	2038
2039	741,298	16,676	741,298	16,676	757,973	752,306	92.15%	2039
2040	752,306	5,586	752,306	5,586	757,892	0	100.00%	2040
	9,586,870	1,101,815	9,586,870	1,101,815	10,688,686			

City of Hudson, Wisconsin
 Schedule of Bonded Indebtedness
 Revenue Debt Secured by Water Revenues
 (As of 05/26/2026)

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
2026	0	9,428	0	9,428	9,428	1,071,373	.00%	2026
2027	89,125	18,072	89,125	18,072	107,197	982,248	8.32%	2027
2028	90,694	16,489	90,694	16,489	107,184	891,553	16.78%	2028
2029	92,290	14,879	92,290	14,879	107,169	799,263	25.40%	2029
2030	93,915	13,241	93,915	13,241	107,155	705,349	34.16%	2030
2031	95,567	11,573	95,567	11,573	107,141	609,781	43.08%	2031
2032	97,249	9,876	97,249	9,876	107,126	512,532	52.16%	2032
2033	98,961	8,150	98,961	8,150	107,111	413,571	61.40%	2033
2034	100,703	6,393	100,703	6,393	107,095	312,868	70.80%	2034
2035	102,475	4,605	102,475	4,605	107,080	210,393	80.36%	2035
2036	104,279	2,785	104,279	2,785	107,064	106,114	90.10%	2036
2037	106,114	934	106,114	934	107,048	0	100.00%	2037
	1,071,373	116,425	1,071,373	116,425	1,187,798			

OVERLAPPING DEBT¹

Taxing District	2025 Equalized Value²	% In City	Total G.O. Debt³	City's Proportionate Share
St. Croix County	\$18,681,252,600	18.6392%	\$107,590,000	\$20,053,915
Hudson School District	7,766,052,557	44.8366%	69,155,000	31,006,751
Northwood Technical College	66,959,697,256	5.2002%	37,710,000	<u>1,960,995</u>
City's Share of Total Overlapping Debt				<u><u>\$53,021,661</u></u>

DEBT RATIOS

	G.O. Debt	Debt/Equalized Value \$3,482,032,900	Debt/ Per Capita 15,508⁴
Total General Obligation Debt*	\$59,755,000	1.72%	\$3,853.17
City's Share of Total Overlapping Debt	<u>53,021,661</u>	<u>1.52%</u>	<u>3,418.99</u>
Total*	\$112,776,661	3.24%	\$7,272.16

*Preliminary, subject to change.

¹ Overlapping debt is as of the dated date of the Notes. 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, Wisconsin Department of Revenue, Wisconsin Department of Public Instruction and the Municipal Advisor's records.

⁴ Estimated 2025 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
2021/22	\$9,525,768	100%	\$4.13
2022/23	9,815,354	100%	3.58
2023/24	10,675,022	100%	3.55
2024/25	12,581,902	100%	3.93
2025/26	12,800,054	In Process of Collection	3.88

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.

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. Previously, personal property taxes were required to be paid to the town, city or village treasurer in full by January 31. Uncollected personal property taxes owed by an entity that had ceased operations or filed a petition for bankruptcy, or were due on personal property that had been removed from the next assessment roll were formerly collected from each taxing entity in the year following the levy year. The personal property tax was repealed, starting with the property tax assessments as of January 1, 2024. Beginning in 2025, the personal property tax was 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
2021/22	\$10.25	\$3.02	\$4.13	\$17.40
2022/23	9.11	3.00	3.58	15.69
2023/24	8.49	2.71	3.55	14.75
2024/25	8.89	2.71	3.93	15.53
2025/26	8.44	2.48	3.88	14.80

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.

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. 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.

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

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. Chapter 79, Wis. Stats. includes other revenue sharing programs, which each have their own requirements. 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 2025, the City received approximately \$588,350 in shared revenue under Chapter 79, Wis. Stats., an increase from the approximately \$577,747 received in 2024. The City is expected to receive approximately \$604,786 in shared revenue under Chapter 79, Wis. Stats. in 2026. 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, Finance Director/Treasurer and City Clerk are responsible for administrative details and financial records.

EMPLOYEES; PENSIONS

The City employs a staff of 88 full-time and 25 part-time 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, 2022, the fiscal year ended December 31, 2023 and the fiscal year ended December 31, 2024 ("Fiscal Year 2024"), the City's portion of contributions to WRS (not including any employee contributions) totaled \$583,209, \$614,281 and \$774,785, 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, 2023, the total pension liability of the WRS was calculated as \$129.2 billion and the fiduciary net position of the WRS was calculated as \$127.7 billion, resulting in a net pension liability of \$1.5 billion. Accordingly, the City will continue to report a liability for its proportionate share of the net pension liability in its audited financial statements for the year ended December 31, 2024.

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 2024, the City reported a liability of \$770,715 for its proportionate share of the net pension liability of the WRS. The net pension liability was measured as of December 31, 2023 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 0.05183698% of the aggregate WRS net pension liability as of December 31, 2023.

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 Note 9 in "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.¹

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. Furthermore, if strikes do occur, they may be enjoined by the courts. Additionally, because the only legal subject of bargaining is total base wages, 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, 2028
Hudson Police Sergeants Association	December 31, 2028

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 Comprehensive Annual Financial Report (Audit) shows a total OPEB liability of \$1,517,729 as of December 31, 2024. The City has been funding these obligations on a pay-as-you-go basis.

The City provides OPEB through the Local Retiree Life Insurance Fund ("LRLIF"), which is a cost-sharing multiple-employer defined benefit plan established by Chapter 40. The ETF and the Group Insurance Board have statutory authority for program administration and oversight, including establishing contribution requirements for employers.

¹ On July 3, 2024, a Wisconsin circuit court judge issued a decision in the case *Abbotsford Education Association vs. Wisconsin Employment Relations Commission, Case No. 2023CV3152*, denying the Wisconsin State Legislature’s intervening motion to dismiss the plaintiffs' challenge to the different classifications the Act created regarding collective bargaining rights. The court's order denying the motion to dismiss stated that the Act violates the equal protection clause of the Wisconsin Constitution and declared those provisions of the Act relating to collective bargaining modifications unconstitutional and void. The decision further instructed the parties to make additional filings to the court as to whether the court should issue judgment on the pleadings in light of the court's order or take some other action to bring the case to a final judgment. On December 2, 2024, the court issued an order granting the plaintiffs' motion for judgment on the pleadings and striking down substantial portions of the Act. The court's decision has been appealed to the Wisconsin Court of Appeals. On January 23, 2025, the court granted a motion to stay the decision pending outcome of the appeal. No guarantee can be made regarding the outcome of the matter.

For Fiscal Year 2024, the City's portion of contributions to the LRLIF totaled \$1,776. For Fiscal Year 2024, the City reported a liability of \$372,860 for its proportionate share of the net OPEB liability/asset of the LRLIF. The net OPEB liability was measured as of December 31, 2023 based on the City's share of contributions to the LRLIF relative to the contributions of all participating employers. The City's proportion was 0.08104500% of the aggregate LRLIF net OPEB liability/asset as of December 31, 2023.

The calculation of the total OPEB liability and fiduciary net position are subject to a number of actuarial assumptions, which may change in future actuarial valuations. Such changes may have a significant impact on the calculation of the net OPEB liability of the LRLIF, which may also cause ETF to change the contribution requirements for employers and employees. For more detailed information, see Note 10 in "APPENDIX A - FINANCIAL STATEMENTS" attached hereto.

Source: The City's most recent Audit.

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 Notes or otherwise questioning the validity of the Notes.

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 Notes 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 Notes could be modified in bankruptcy proceedings. Such modifications could be adverse to holders of the Notes, and there could ultimately be no assurance that holders of the Notes would be paid in full or in part on the Notes. Further, under such circumstances, there could be no assurance that the Notes would not be treated as general, unsecured debt by a bankruptcy court, meaning that claims of holders of the Notes 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 Notes.

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 Notes would not occur.

FUNDS ON HAND (as of December 31, 2025)

Fund	Total Cash and Investments
General	\$5,199,937
Special Revenue	6,174,047
Debt Service	(686,802)
Capital Projects	14,555,202
Enterprise Funds	15,745,131
Component Unity (Community Access Board)	1,643,279
TIDs	<u>3,600,161</u>
Total Funds on Hand	<u><u>\$46,230,955</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:

	2022 Audited	2023 Audited	2024 Audited
Water			
Total Operating Revenues	\$4,548,585	\$4,548,585	\$4,044,057
Less: Operating Expenses	<u>(3,478,703)</u>	<u>(3,478,703)</u>	<u>(3,366,145)</u>
Operating Income	\$1,069,882	\$1,069,882	\$677,912
Plus: Depreciation	1,034,497	1,034,497	1,031,119
Interest Income	<u>556,039</u>	<u>556,039</u>	<u>392,280</u>
Revenues Available for Debt Service	<u><u>\$2,660,418</u></u>	<u><u>\$2,660,418</u></u>	<u><u>\$2,101,311</u></u>
Sewer			
Total Operating Revenues	\$3,067,612	\$3,067,612	\$3,296,955
Less: Operating Expenses	<u>(2,944,422)</u>	<u>(2,944,422)</u>	<u>(2,940,846)</u>
Operating Income	\$123,190	\$123,190	\$356,109
Plus: Depreciation	891,351	891,351	874,838
Interest Income	<u>570,331</u>	<u>570,331</u>	<u>486,441</u>
Revenues Available for Debt Service	<u><u>\$1,584,872</u></u>	<u><u>\$1,584,872</u></u>	<u><u>\$1,717,388</u></u>

SUMMARY GENERAL FUND INFORMATION

The following are summaries of the revenues, 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 2024 audited financial statements.

	FISCAL YEAR ENDING DECEMBER 31				
COMBINED STATEMENT	2020 Audited	2021 Audited	2022 Audited	2023 Audited	2024 Audited
Revenues					
Property taxes	\$6,499,263	\$6,737,062	\$7,184,524	\$7,474,743	\$7,943,677
Intergovernmental	1,517,625	1,354,452	1,225,409	1,213,022	1,862,859
Licenses and permits	490,036	411,944	660,984	528,039	509,399
Fine and forfeitures	104,485	74,023	70,087	74,132	75,804
Public charges for services	198,955	216,613	247,221	349,712	372,551
Intergovernmental charges for services	658,885	726,038	712,254	762,080	903,768
Miscellaneous	288,556	206,437	1,540,865	537,729	775,304
Total Revenues	\$9,757,805	\$9,726,569	\$11,641,344	\$10,939,457	\$12,443,362
Expenditures					
Current:					
General government	\$2,024,035	\$2,134,317	\$3,190,226	\$2,318,602	\$2,478,096
Public safety	5,093,150	5,435,191	5,659,288	5,950,791	6,636,955
Transportation facilities	1,715,684	1,678,896	1,861,970	1,950,758	1,938,007
Sanitation	14,747	14,443	14,227	14,330	20,941
Health and social services	18,863	18,806	13,959	15,962	17,322
Culture, recreation and education	750,433	844,948	869,677	855,186	483,078
Conservation and development	584,574	641,040	548,860	630,711	551,791
Capital outlay	0	0	43,962	29,055	49,959
Debt service	0	0	0	0	10,170
Total Expenditures	\$10,201,486	\$10,767,641	\$12,202,169	\$11,765,395	\$12,186,319
Excess of revenues over (under) expenditures	(\$443,681)	(\$1,041,072)	(\$560,825)	(\$825,938)	\$257,043
Other Financing Sources (Uses)					
Proceeds from sale of property	\$12,378	\$3,937	\$0	\$0	\$0
Sale of capital assets		0	0	0	16,350
Transfers in	573,979	592,952	1,335,354	459,679	472,735
Transfers (out)	(69,883)	(61,265)	(61,265)	(61,265)	(744,366)
Total Other Financing Sources (Uses)	516,474	535,624	1,274,089	398,414	(255,281)
Net changes in Fund Balances	\$72,793	(\$505,448)	\$713,264	(\$427,524)	\$1,762
General Fund Balance January 1	\$5,533,337	\$5,606,130	\$5,100,682	\$5,813,946	\$5,386,422
Prior Period Adjustment	0	0	0	0	0
Residual Equity Transfer in (out)	0	0	0	0	0
General Fund Balance December 31	\$5,606,130	\$5,100,682	\$5,813,946	\$5,386,422	\$5,388,184
DETAILS OF DECEMBER 31 FUND BALANCE					
Nonspendable	\$73,069	\$66,144	\$89,237	\$118,090	\$58,009
Assigned	545,902	547,502	554,162	560,969	548,100
Unassigned	4,987,159	4,487,036	5,170,547	4,707,363	4,782,075
Total	\$5,606,130	\$5,100,682	\$5,813,946	\$5,386,422	\$5,388,184

¹ The 2025 budget was adopted on November 11, 2024.

GENERAL FUND BUDGET SUMMARY

FISCAL YEAR ENDING DECEMBER 31

COMBINED STATEMENT

	2025 Adopted Budget	2026 Adopted Budget¹
Revenues		
Property taxes	\$8,136,931	\$8,460,054
Intergovernmental	1,774,101	2,007,876
Licenses and permits	506,055	520,055
Fine and forfeitures	142,100	142,100
Public charges for services	675,950	693,950
Intergovernmental charges for services	873,526	1,075,117
Miscellaneous	796,900	882,989
Total Revenues	<u>\$12,905,563</u>	<u>\$13,782,141</u>
Expenditures		
General government	\$2,133,342	2195262
Public safety	6,261,156	\$6,824,647
Transportation facilities	2,537,811	\$2,488,410
Health and social services	14,800	14,800
Culture, recreation and education	543,468	508,411
Conservation and development	636,726	1,006,245
Total Expenditures	<u>\$9,993,961</u>	<u>\$10,842,513</u>
Excess of revenues over (under) expenditures	\$2,911,602	\$2,939,628
Other Financing Sources (Uses)		
Transfers in	(\$778,260)	(\$744,366)
Total Other Financing Sources (Uses)	<u>(778,260)</u>	<u>(744,366)</u>
Net changes in Fund Balances	\$2,133,342	\$2,195,262
General Fund Balance January 1	\$5,388,184	\$7,521,526
Prior Period Adjustment	<u>0</u>	<u>0</u>
General Fund Balance December 31	\$7,521,526	\$9,716,788

¹ The 2026 budget was adopted on November 3, 2025.

GENERAL INFORMATION

LOCATION

The City, with a 2020 U.S. Census population of 14,755 and a 2025 population estimate of 15,508, comprises an area of approximately 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

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 March 31, 2026)

	2022	2023	2024	2025	2026
<u>New Single Family Homes</u>					
No. of building permits	7	16	3	10	14
Valuation	\$2,336,500	\$664,810	\$1,804,310	\$4,583,110	\$8,642,200
<u>New Multiple Family Buildings</u>					
No. of building permits	175	0	1	6	1
Valuation	\$28,250,000	\$0	\$17,000,000	\$2,200,000	\$6,600,000
<u>New Commercial/Industrial</u>					
No. of building permits	3	1	0	1	3
Valuation	\$33,547,252	\$1,276,000	\$0	\$906,000	\$17,892,000
<u>All Building Permits</u> <i>(including additions and remodelings)</i>					
No. of building permits	518	393	82	321	338
Valuation	\$129,257,014	\$118,122,652	\$36,020,835	\$48,184,340	\$74,020,194

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%
2025 Estimated Population	15,508

Income and Age Statistics

	The City	St. Croix County	State of Wisconsin	United States
2024 per capita income	\$56,684	\$50,302	\$43,373	\$44,673
2024 median household income	\$93,937	\$103,046	\$77,485	\$80,734
2024 median family income	\$115,733	\$122,374	\$100,141	\$99,999
2024 median gross rent	\$1,359	\$1,271	\$1,087	\$1,413
2024 median value owner occupied units	\$392,700	\$377,700	\$266,500	\$332,700
2024 median age	38.1 yrs.	40.4 yrs.	40.2 yrs.	38.9 yrs.

	State of Wisconsin	United States
City % of 2024 per capita income	130.69%	126.89%
City % of 2024 median family income	115.57%	115.73%

Housing Statistics

	<u>The City</u>		
	2020	2024	Percent of Change
All Housing Units	6,165	6,834	10.85%

Source: 2010 and 2020 Census of Population and Housing, Wisconsin Demographic Services Center (https://doa.wi.gov/Pages/LocalGovtsGrants/Population_Estimates.aspx) and 2024 American Community Survey (Based on a five-year estimate), U.S. Census Bureau (<https://data.census.gov/cedsci>).

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	St. Croix County	State of Wisconsin
2022	51,642	2.8%	2.8%	
2023	52,607	3.1%	2.8%	
2024	23,145 ¹	3.3% ¹	3.0%	
2025, December ¹	52,534	3.6%	3.2%	
2026, January	51,780	4.9%	3.9%	

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, 2024

CITY OF HUDSON, WISCONSIN

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December 31, 2024

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CITY OF HUDSON, WISCONSIN

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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 unit, each major fund, and the aggregate remaining fund information of the City of Hudson, Wisconsin, as of and for the year ended December 31, 2024, 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 unit, each major fund, and the aggregate remaining fund information of the City of Hudson, Wisconsin, as of December 31, 2024, 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.

Change in Accounting Principles

For the year ended December 31, 2024, the City adopted new accounting guidance, GASB Statement No. 101, *Compensated Absences* and GASB Statement No. 100, *Accounting Changes and Error Corrections*. Our opinions are not modified with respect to this matter.

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.

To the City Council
City of Hudson, Wisconsin

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.

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 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.

To the City Council
City of Hudson, Wisconsin

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinions on the basic financial statements are not affected by this missing information.

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 and combining statement of revenues, expenditures and changes in fund balances - nonmajor governmental 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.

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 comprises the detailed schedule of budgetary comparisons revenues and other financing sources – general fund and the detailed schedule of budgetary comparison expenditures and other financing use – general fund, but 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.

KerberRose SC

KerberRose SC
Certified Public Accountants

Oshkosh, Wisconsin
June 10, 2025

FINANCIAL STATEMENTS

CITY OF HUDSON, WISCONSIN

Statement of Net Position
As of December 31, 2024

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Community Access Board
ASSETS				
Current Assets				
Cash and Investments	\$ 24,934,239	\$ 15,437,864	\$ 40,372,103	\$ 1,547,473
Receivables:				
Property Taxes	14,457,644	-	14,457,644	-
Delinquent Property Taxes	10,770	228,356	239,126	-
Special Assessments	107,625	-	107,625	-
Accounts	989,078	1,889,044	2,878,122	-
Interest	75,949	-	75,949	-
Due From Other Governments	510,027	-	510,027	-
Lease Receivables	150,567	234,192	384,759	-
Prepaid Items	47,239	235	47,474	78
Inventories	78	48,041	48,119	-
Total Current Assets	41,283,216	17,837,732	59,120,948	1,547,551
Noncurrent Assets				
Restricted Cash and Investments	-	2,027,334	2,027,334	-
Restricted Impact Assessments	-	898,491	898,491	-
Lease Receivables	1,714,519	2,018,162	3,732,681	-
Capital Assets - Nondepreciable	18,274,268	1,236,954	19,511,222	-
Capital Assets - Depreciable, Net of Depreciation	48,863,995	45,291,120	94,155,115	80,081
Total Noncurrent Assets	68,852,782	51,472,061	120,324,843	80,081
TOTAL ASSETS	110,135,998	69,309,793	179,445,791	1,627,632
DEFERRED OUTFLOWS OF RESOURCES				
Pension Related Amounts	5,994,923	854,041	6,848,964	55,114
Other Post-Employment Related Amounts - LRLIF	137,055	33,970	171,025	957
Other Post-Employment Related Amounts - Single-Employer	142,841	35,405	178,246	997
Total Deferred Outflows of Resources	6,274,819	923,416	7,198,235	57,068
LIABILITIES				
Current Liabilities				
Accounts Payable	735,952	133,422	869,374	488
Accrued Liabilities	379,778	76,387	456,165	5,324
Due to Other Governments	5	24	29	-
Accrued Interest Payable	1,048,270	35,308	1,083,578	-
Deposits from Others	-	114,611	114,611	-
Compensated Absences	204,906	43,771	248,677	3,638
Current Portion of Lease Liability	4,514	-	4,514	-
Current Portion of Long-Term Obligations	2,705,000	729,137	3,434,137	-
Unearned Revenues:				
American Rescue Plan Act Funds	339,449	-	339,449	-
Total Current Liabilities	5,417,874	1,132,660	6,550,534	9,450
Noncurrent Liabilities				
Net Pension Liability	669,224	95,338	764,562	6,153
Other Post-Employment Benefits - LRLIF	297,136	73,649	370,785	2,075
Other Post-Employment Benefits - Single Employer	1,209,498	299,786	1,509,284	8,445
Lease Liability	1,057	-	1,057	-
Noncurrent Portion of Compensated Absences	157,318	51,353	208,671	-
Noncurrent Portion of Long-Term Obligations	45,662,488	11,901,113	57,563,601	-
Total NonCurrent Liabilities	47,996,721	12,421,239	60,417,960	16,673
TOTAL LIABILITIES	53,414,595	13,553,899	66,968,494	26,123
DEFERRED INFLOWS OF RESOURCES				
Taxes Levied for Subsequent Period	14,457,642	-	14,457,642	-
Lease Receivables	1,865,086	2,252,354	4,117,440	-
Pension Related Amounts	3,596,189	512,316	4,108,505	33,062
Other Post-Employment Related Amounts - LRLIF	162,084	40,175	202,259	1,132
Other Post-Employment Related Amounts - Single-Employer	453,683	112,450	566,133	3,168
Total Deferred Inflows of Resources	20,534,684	2,917,295	23,451,979	37,362
NET POSITION				
Net Investment in Capital Assets	26,075,659	33,897,824	59,973,483	80,081
Restricted	10,083,746	3,172,212	13,255,958	1,541,134
Unrestricted	6,302,133	16,691,979	22,994,112	-
TOTAL NET POSITION	\$ 42,461,538	\$ 53,762,015	\$ 96,223,553	1,621,215

See Accompanying Notes

CITY OF HUDSON, WISCONSIN

Statement of Activities
For the Year Ended December 31, 2024

	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Units		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	Joint Library	Community Access Board
GOVERNMENTAL ACTIVITIES									
General Government	\$ 3,196,293	\$ 122,917	\$ 5,328	\$ -	\$ (3,070,048)	\$ -	\$ (3,070,048)	\$ -	\$ -
Public Safety	7,448,593	1,517,284	212,568	-	(5,718,741)	-	(5,718,741)	-	-
Transportation Facilities	5,874,561	526,870	1,212,216	969,392	(3,166,083)	-	(3,166,083)	-	-
Sanitation	20,941	-	-	-	(20,941)	-	(20,941)	-	-
Health and Human Services	17,910	26,900	-	-	8,990	-	8,990	-	-
Culture and Recreation	1,873,696	531,903	272,774	-	(1,069,019)	-	(1,069,019)	-	-
Conservation and Development	589,701	-	-	-	(589,701)	-	(589,701)	-	-
Interest and Fiscal Charges	1,900,544	-	-	-	(1,900,544)	-	(1,900,544)	-	-
Total Governmental Activities	20,924,239	2,725,874	1,702,886	969,392	(15,526,087)	-	(15,526,087)	-	-
BUSINESS-TYPE ACTIVITIES									
Water Utility	3,402,742	4,044,057	-	274,373	-	915,688	915,688	-	-
Sewer Utility	3,103,184	3,296,955	145,671	-	-	339,442	339,442	-	-
Parking Facilities	304,384	273,409	-	-	-	(30,975)	(30,975)	-	-
Total Business-Type Activities	6,810,310	7,614,421	145,671	274,373	-	1,224,155	1,224,155	-	-
TOTAL CITY OF HUDSON	\$ 27,734,549	\$ 10,340,295	\$ 1,848,557	\$ 1,243,765	(15,526,087)	1,224,155	(14,301,932)	-	-
COMPONENT UNITS									
Joint Library	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Community Access Board	224,667	165,368	45,543	-	-	-	-	-	(13,756)
Total Component Units	\$ 224,667	\$ 165,368	\$ 45,543	\$ -	\$ -	\$ -	\$ -	\$ -	(13,756)
GENERAL REVENUES									
Taxes:									
General Property Taxes					7,943,663		7,943,663		
Debt Service					2,731,357		2,731,357		
Tax Increments					1,243,712		1,243,712		
Other Taxes					576,922		576,922		
State and Federal Aids not Restricted to Specific Functions					757,860		757,860		
Interest and Investment Earnings					1,430,872	891,373	2,322,245		80,866
Insurance Recoveries and Dividends					57,940		57,940		
Sale of Capital Asset					16,350		16,350		
Miscellaneous					444,997	106,085	551,082		116
Total General Revenues					15,203,673	997,458	16,201,131		80,982
TRANSFERS					472,735	(472,735)	-		-
CHANGE IN NET POSITION					150,321	1,748,878	1,899,199		67,236
NET POSITION - BEGINNING OF YEAR, AS PREVIOUSLY REPORTED					41,451,482	52,081,618	93,533,100	1,076,958	1,553,989
Change in Reporting Entity					1,076,958	-	1,076,958	(1,076,958)	-
Change in Accounting Principle					(217,223)	(68,481)	(285,704)	-	-
NET POSITION - BEGINNING OF YEAR, AS RESTATED					42,311,217	52,013,137	94,324,354		1,553,989
NET POSITION - END OF YEAR					\$ 42,461,538	\$ 53,762,015	\$ 96,223,553	\$ -	\$ 1,621,215

CITY OF HUDSON, WISCONSIN
Balance Sheet
Governmental Funds
As of December 31, 2024

	General Fund	Debt Service Fund	Capital Projects Fund	Tax Incremental District No. 5	Tax Incremental District No. 6	Nonmajor Governmental Funds	Total
ASSETS							
Cash and Investments	\$ 5,444,466	\$ 282,583	\$ 10,502,302	\$ 1,849,212	\$ 243,190	\$ 6,612,486	\$ 24,934,239
Receivables:							
Property Taxes	8,136,931	3,820,943	34,255	1,313,682	1,151,833	-	14,457,644
Delinquent Property Taxes	10,770	-	-	-	-	-	10,770
Special Assessments	-	-	107,625	-	-	-	107,625
Accounts	632,542	-	1,360	-	-	355,176	989,078
Leases	1,865,086	-	-	-	-	-	1,865,086
Interest	75,949	-	-	-	-	-	75,949
Due From Other Governments	-	510,000	-	-	-	27	510,027
Prepaid Items	47,239	-	-	-	-	-	47,239
Inventories	-	-	-	-	-	78	78
TOTAL ASSETS	\$ 16,212,983	\$ 4,613,526	\$ 10,645,542	\$ 3,162,894	\$ 1,395,023	\$ 6,967,767	\$ 42,997,735
LIABILITIES							
Accounts Payable	\$ 486,000	\$ -	\$ 229,797	\$ 2,000	\$ 1,999	\$ 16,156	\$ 735,952
Accrued Liabilities	336,778	-	-	-	-	43,000	379,778
Due to Other Governments	5	-	-	-	-	-	5
Unearned Revenue:							
American Rescue Plan Act Funds	-	-	-	-	-	339,449	339,449
Total Liabilities	822,783	-	229,797	2,000	1,999	398,605	1,455,184
DEFERRED INFLOWS OF RESOURCES							
Taxes Levied for Subsequent Period	8,136,930	3,820,943	34,255	1,313,681	1,151,833	-	14,457,642
Leases Receivable	1,865,086	-	-	-	-	-	1,865,086
Unavailable Revenues - Special Assessments	-	-	100,329	-	-	-	100,329
Unavailable Revenues - Others	-	510,000	-	-	-	-	510,000
Total Deferred Inflows of Resources	10,002,016	4,330,943	134,584	1,313,681	1,151,833	-	16,933,057
FUND BALANCES							
Nonspendable	58,009	-	-	-	-	78	58,087
Restricted	-	282,583	10,281,161	1,847,213	241,191	3,295,126	15,947,274
Committed	-	-	-	-	-	3,133,026	3,133,026
Assigned	548,100	-	-	-	-	140,932	689,032
Unassigned	4,782,075	-	-	-	-	-	4,782,075
Total Fund Balances	5,388,184	282,583	10,281,161	1,847,213	241,191	6,569,162	24,609,494
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 16,212,983	\$ 4,613,526	\$ 10,645,542	\$ 3,162,894	\$ 1,395,023	\$ 6,967,767	\$ 42,997,735

CITY OF HUDSON, WISCONSIN
 Reconciliation of the Balance Sheet
 Governmental Funds to the Statement of Net Position
 As of December 31, 2024

Total Fund Balances - Governmental Funds \$ 24,609,494

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:

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	\$ 154,338,101	
Governmental Accumulated Depreciation	<u>(87,199,838)</u>	67,138,263

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	510,000	
Special Assessments	<u>100,329</u>	610,329

The City's proportionate share of the Wisconsin Retirement System pension plan and Other Post-Employment Benefits are not available financial resources; therefore, they are not reported in the fund financial statements.

Deferred Outflows Related to Pension		5,994,923
Deferred Outflows Related to LRLIF		137,055
Deferred Outflows Related to OPEB Single-Employer		142,841
Deferred Inflows Related to Pension		(3,596,189)
Deferred Inflows Related to LRLIF		(162,084)
Deferred Inflows Related to OPEB Single-Employer		(453,683)

Net pension liability is not payable in the current period therefore not reported in the fund financial statements		(669,224)
--	--	-----------

Post-employment benefit liabilities are not payable in the current period therefore not reported in the fund financial statements

Net Other Post-Employment Benefits Liability - LRLIF	(297,136)
Net Other Post-Employment Benefits Liability - Single-Employer Plan	(1,209,498)

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	(46,400,000)
Lease Liability	(5,571)
Premium on Debt Issued	(1,967,488)
Accrued Interest on General Obligation Debt	(1,048,270)
Vested Employee Benefits	<u>(362,224)</u>

Total Net Position - Governmental Activities \$ 42,461,538

CITY OF HUDSON, WISCONSIN
Statement of Revenues, Expenditures and Changes in Fund Balances (Deficit)
Governmental Funds
For the Year Ended December 31, 2024

	General Fund	Debt Service Fund	Capital Projects Fund	Tax Incremental District No. 5	Tax Incremental District No. 6	Nonmajor Governmental Funds	Total
REVENUES							
Taxes	\$ 7,943,677	\$ 2,731,357	-	\$ 532,831	\$ 710,881	\$ 576,908	\$ 12,495,654
Special Assessments	-	-	93,663	-	-	62,171	155,834
Intergovernmental	1,862,859	-	493,526	-	-	363,411	2,719,796
Licenses and Permits	509,399	-	-	-	-	-	509,399
Fines, Forfeitures and Penalties	75,804	-	-	-	-	9	75,813
Public Charges for Services	372,551	-	-	-	-	1,113,312	1,485,863
Intergovernmental Charges for Services	903,768	-	-	-	-	315,447	1,219,215
Miscellaneous	775,304	15,162	705,221	99,222	13,050	310,157	1,918,116
Total Revenues	12,443,362	2,746,519	1,292,410	632,053	723,931	2,741,415	20,579,690
EXPENDITURES							
General Government	2,478,096	-	-	-	-	-	2,478,096
Public Safety	6,636,955	-	-	-	-	74,463	6,711,418
Transportation Facilities	1,938,007	-	-	-	-	405,202	2,343,209
Sanitation	20,941	-	-	-	-	-	20,941
Health and Human Services	17,322	-	-	-	-	-	17,322
Culture and Recreation	483,078	-	-	-	-	1,776,844	2,259,922
Conservation and Development	551,791	-	-	-	-	-	551,791
Debt Service:							
Principal Retirement	8,773	3,950,000	-	125,000	-	-	4,083,773
Interest and Fiscal Charges	1,397	1,286,706	-	158,119	-	-	1,446,222
Capital Outlay	49,959	-	15,372,780	2,724	16,361	363,411	15,805,235
Total Expenditures	12,186,319	5,236,706	15,372,780	285,843	16,361	2,619,920	35,717,929
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	257,043	(2,490,187)	(14,080,370)	346,210	707,570	121,495	(15,138,239)
OTHER FINANCING SOURCES (USE)							
Proceeds of Long-Term Debt	-	1,771,765	17,488,235	-	-	-	19,260,000
Debt Premium	-	742,401	571,697	-	-	-	1,314,098
Sale of Capital Assets	16,350	-	-	-	-	-	16,350
Transfers In	472,735	-	-	-	-	744,366	1,217,101
Transfers Out	(744,366)	-	-	-	-	-	(744,366)
Total Other Financing Sources (Use)	(255,281)	2,514,166	18,059,932	-	-	744,366	21,063,183
NET CHANGE IN FUND BALANCES	1,762	23,979	3,979,562	346,210	707,570	865,861	5,924,944
FUND BALANCES (DEFICIT) - BEGINNING AS PREVIOUSLY REPORTED	5,386,422	258,604	6,301,599	1,501,003	(466,379)	5,330,796	18,312,045
Change in Reporting Entity	-	-	-	-	-	372,505	372,505
FUND BALANCES (DEFICIT) - BEGINNING, AS RESTATED	5,386,422	258,604	6,301,599	1,501,003	(466,379)	5,703,301	18,684,550
FUND BALANCES - ENDING	\$ 5,388,184	\$ 282,583	\$ 10,281,161	\$ 1,847,213	\$ 241,191	\$ 6,569,162	\$ 24,609,494

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, 2024

Net Changes in Fund Balances (Deficit) - Total Governmental Funds \$ 5,924,944

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	\$ 14,410,325	
Depreciation expense reported in the statement of activities	<u>(3,234,993)</u>	
Amount by which capital outlays are greater than depreciation in the current period.		11,175,332

Amounts related to the pension plan that affect the statement of activities but do not affect the fund financial statements.		228,934
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Amounts related to the other post-employment benefits that affect the statement of activities but do not affect the fund financials.		
Net OPEB Liability - LRLIF	(33,934)	
Total OPEB Liability - Single-Employer	<u>(140,152)</u>	(174,086)

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>5,785</u>	(39,215)

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 more than the amount paid.		(19,544)
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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	4,075,000	
Lease Liability	<u>8,773</u>	4,083,773

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 and Notes Payable		(19,260,000)

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.		(656,832)
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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	(1,314,098)	
Amortization of Premium	<u>201,113</u>	<u>(1,112,985)</u>

Change in Net Position - Governmental Activities		<u><u>\$ 150,321</u></u>
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CITY OF HUDSON, WISCONSIN

Statement of Net Position

Proprietary Funds

As of December 31, 2024

	<u>Water Utility</u>	<u>Sewer Utility</u>	<u>Nonmajor Fund Parking Utility</u>	<u>Total</u>
ASSETS				
Current Assets:				
Cash and Investments	\$ 8,449,772	\$ 6,752,287	\$ 235,805	\$ 15,437,864
Receivables:				
Customers	945,161	828,049	-	1,773,210
Receivables on Tax Roll	102,673	125,683	-	228,356
Other	16,530	99,304	-	115,834
Lease Receivables	234,192	-	-	234,192
Prepaid Items	157	78	-	235
Inventories	48,041	-	-	48,041
Total Current Assets	<u>9,796,526</u>	<u>7,805,401</u>	<u>235,805</u>	<u>17,837,732</u>
Noncurrent Assets:				
Restricted Cash	168	2,027,166	-	2,027,334
Restricted Impact Assessments	898,491	-	-	898,491
Lease Receivables	2,018,162	-	-	2,018,162
Nondepreciable Capital Assets	235,298	241,094	760,562	1,236,954
Depreciable Capital Assets, Net of Depreciation	28,402,660	16,446,509	441,951	45,291,120
Total Noncurrent Assets	<u>31,554,779</u>	<u>18,714,769</u>	<u>1,202,513</u>	<u>51,472,061</u>
TOTAL ASSETS	<u>41,351,305</u>	<u>26,520,170</u>	<u>1,438,318</u>	<u>69,309,793</u>
DEFERRED OUTFLOWS OF RESOURCES				
Pension Related Amounts	522,255	298,922	32,864	854,041
Other Post-Employment Related Amounts - LRLIF	20,476	13,494	-	33,970
Other Post-Employment Related Amounts - Single-Employer	21,341	13,088	976	35,405
Total Deferred Outflows of Resources	<u>564,072</u>	<u>325,504</u>	<u>33,840</u>	<u>923,416</u>
CURRENT LIABILITIES				
Accounts Payable	92,112	35,174	6,136	133,422
Accrued Liabilities	44,821	28,634	2,932	76,387
Accrued Interest	8,060	27,248	-	35,308
Due to Other Governments	-	24	-	24
Deposits from Others	114,486	-	125	114,611
Current Portion of Compensated Absences	24,370	18,829	572	43,771
Current Portion of Long-Term Obligations	126,069	603,068	-	729,137
Total Current Liabilities	<u>409,918</u>	<u>712,977</u>	<u>9,765</u>	<u>1,132,660</u>
NONCURRENT LIABILITIES				
Net Pension Liability - Wisconsin Retirement System	58,300	33,369	3,669	95,338
Other Post-Employment Benefits - LRLIF	44,393	29,256	-	73,649
Other Post-Employment Benefits - Single Employer	180,701	110,819	8,266	299,786
Noncurrent Portion of Compensated Absences	28,178	21,211	1,964	51,353
Noncurrent Portion of Long-Term Obligations	1,702,218	10,198,895	-	11,901,113
Total Noncurrent Liabilities	<u>2,013,790</u>	<u>10,393,550</u>	<u>13,899</u>	<u>12,421,239</u>
TOTAL LIABILITIES	<u>2,423,708</u>	<u>11,106,527</u>	<u>23,664</u>	<u>13,553,899</u>
DEFERRED INFLOWS OF RESOURCES				
Lease Receivables	2,252,354	-	-	2,252,354
Pension Related Amounts	313,287	179,315	19,714	512,316
Other Post-Employment Related Amounts - LRLIF	24,216	15,959	-	40,175
Other Post-Employment Related Amounts - Single-Employer	67,781	41,568	3,101	112,450
Total Deferred Inflows of Resources	<u>2,657,638</u>	<u>236,842</u>	<u>22,815</u>	<u>2,917,295</u>
NET POSITION				
Net Investment in Capital Assets	26,809,671	5,885,640	1,202,513	33,897,824
Restricted	1,049,327	2,113,404	9,481	3,172,212
Unrestricted	8,975,033	7,503,261	213,685	16,691,979
TOTAL NET POSITION	<u>\$ 36,834,031</u>	<u>\$ 15,502,305</u>	<u>\$ 1,425,679</u>	<u>\$ 53,762,015</u>

See Accompanying Notes

CITY OF HUDSON, WISCONSIN
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the Year Ended December 31, 2024

	<u>Water Utility</u>	<u>Sewer Utility</u>	<u>Nonmajor Fund Parking Utility</u>	<u>Total</u>
OPERATING REVENUES				
Charges for Services	\$ 3,586,853	\$ 3,274,015	\$ 266,423	\$ 7,127,291
Other Operating Revenues	457,204	22,940	6,986	487,130
Total Operating Revenues	<u>4,044,057</u>	<u>3,296,955</u>	<u>273,409</u>	<u>7,614,421</u>
OPERATING EXPENSES				
Operation and Maintenance	2,335,026	2,066,008	222,805	4,623,839
Depreciation	1,031,119	874,838	81,579	1,987,536
Total Operating Expenses	<u>3,366,145</u>	<u>2,940,846</u>	<u>304,384</u>	<u>6,611,375</u>
OPERATING INCOME (LOSS)	<u>677,912</u>	<u>356,109</u>	<u>(30,975)</u>	<u>1,003,046</u>
NONOPERATING REVENUES (EXPENSE)				
Investment Income	392,280	486,441	12,652	891,373
Interest Expense	(36,597)	(162,338)	-	(198,935)
Hook-up Fees	-	145,671	-	145,671
Miscellaneous	67,145	38,940	-	106,085
Total Nonoperating Revenues (Expense)	<u>422,828</u>	<u>508,714</u>	<u>12,652</u>	<u>944,194</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	1,100,740	864,823	(18,323)	1,947,240
TRANSFERS OUT	(451,135)	(21,600)	-	(472,735)
CAPITAL CONTRIBUTIONS	<u>274,373</u>	<u>-</u>	<u>-</u>	<u>274,373</u>
CHANGE IN NET POSITION	<u>923,978</u>	<u>843,223</u>	<u>(18,323)</u>	<u>1,748,878</u>
NET POSITION - BEGINNING AS PREVIOUSLY REPORTED	35,942,292	14,689,589	1,449,737	52,081,618
Change in Accounting Principle	(32,239)	(30,507)	(5,735)	(68,481)
NET POSITION - BEGINNING, AS RESTATED	<u>35,910,053</u>	<u>14,659,082</u>	<u>1,444,002</u>	<u>52,013,137</u>
NET POSITION - ENDING	<u>\$ 36,834,031</u>	<u>\$ 15,502,305</u>	<u>\$ 1,425,679</u>	<u>\$ 53,762,015</u>

CITY OF HUDSON, WISCONSIN
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2024

	<u>Water Utility</u>	<u>Sewer Utility</u>	<u>Nonmajor Fund Parking Utility</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash Received from Customers	\$ 4,041,159	\$ 3,154,265	\$ 142,428	\$ 7,337,852
Cash Received (Paid) from (to) Governmental Subsidies/Grants	(43,714)	41,838	-	(1,876)
Cash Received from Parking Forfeitures	-	-	140,706	140,706
Cash Paid to Suppliers for Goods and Services	(1,094,406)	(1,711,781)	(157,101)	(2,963,288)
Cash Paid to Employees For Wages and Benefits	<u>(1,132,449)</u>	<u>(808,613)</u>	<u>(88,801)</u>	<u>(2,029,863)</u>
Net Cash Flows From Operating Activities	<u>1,770,590</u>	<u>675,709</u>	<u>37,232</u>	<u>2,483,531</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES				
Nonoperating Revenues	67,145	38,940	-	106,085
Transfer to Other Funds	<u>(451,135)</u>	<u>(21,600)</u>	<u>-</u>	<u>(472,735)</u>
Net Cash Flows From Noncapital Financing Activities	<u>(383,990)</u>	<u>17,340</u>	<u>-</u>	<u>(366,650)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of Capital Assets	(1,998,599)	(277,207)	-	(2,275,806)
Capital Contributions	242,278	-	-	242,278
Cash Received for Hook-up Fees	-	145,671	-	145,671
Cash Received for Impact Fees	32,095	-	-	32,095
Principal Payments on Long-Term Debt	(124,581)	(594,244)	-	(718,825)
Interest and Fiscal Charges	<u>(37,806)</u>	<u>(163,837)</u>	<u>-</u>	<u>(201,643)</u>
Net Cash Flows From Capital and Related Financing Activities	<u>(1,886,613)</u>	<u>(889,617)</u>	<u>-</u>	<u>(2,776,230)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment Income	<u>392,280</u>	<u>486,441</u>	<u>12,652</u>	<u>891,373</u>
CHANGE IN CASH AND INVESTMENTS	(107,733)	289,873	49,884	232,024
CASH AND INVESTMENTS - BEGINNING	<u>9,456,164</u>	<u>8,489,580</u>	<u>185,921</u>	<u>18,131,665</u>
CASH AND INVESTMENTS - ENDING	<u>\$ 9,348,431</u>	<u>\$ 8,779,453</u>	<u>\$ 235,805</u>	<u>\$ 18,363,689</u>
RECONCILIATION OF CASH ACCOUNTS				
Cash and Investments	\$ 8,449,772	\$ 6,752,287	\$ 235,805	\$ 15,437,864
Restricted Cash and Investments	898,659	2,027,166	-	2,925,825
Total Reconciliation of Cash Accounts	<u>\$ 9,348,431</u>	<u>\$ 8,779,453</u>	<u>\$ 235,805</u>	<u>\$ 18,363,689</u>

CITY OF HUDSON, WISCONSIN
Statement of Cash Flows (Continued)
Proprietary Funds
For the Year Ended December 31, 2024

	<u>Water Utility</u>	<u>Sewer Utility</u>	<u>Nonmajor Fund Parking Utility</u>	<u>Total</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS FROM				
Operating Income (Loss)	\$ 677,912	\$ 356,109	\$ (30,975)	\$ 1,003,046
Adjustments to Reconcile Operating Income (Loss) to Net Cash Flows from Operating Activities:				
Depreciation	1,031,119	874,838	81,579	1,987,536
Meter Depreciation Charged to Sewer	110,396	(110,396)	-	-
Changes in Assets and Liabilities:				
Customer Accounts Receivable	(41,873)	(127,508)	-	(169,381)
Accounts Receivable on Tax Roll	3,412	(21,833)	-	(18,421)
Other Receivables	38,975	(15,182)	9,725	33,518
Due From Other Governments	21,840	116,477	-	138,317
Prepaid Items	(157)	(78)	-	(235)
Materials and Supplies	(2,054)	-	-	(2,054)
Deferred Outflows Related to Pension	273,083	157,368	17,503	447,954
Deferred Outflows Related to OPEB Plans	4,604	1,397	130	6,131
Accounts Payable	24,326	(319,826)	(16,899)	(312,399)
Deposits Payable	15,683	-	(295)	15,388
Accrued Liabilities	1,771	4,112	-	5,883
Due to Other Governments	(68,966)	(52,806)	-	(121,772)
Accrued Compensated Absences	11,286	(6,709)	(3,199)	1,378
Net Pension Liability	(153,804)	(88,317)	(9,763)	(251,884)
Net OPEB Liability Related to OPEB Plans	(9,925)	1,913	(825)	(8,837)
Deferred Inflows Related to Pension	(131,742)	(76,001)	(8,469)	(216,212)
Deferred Inflows Related to OPEB Plans	(35,296)	(17,849)	(1,280)	(54,425)
Net Cash Flows From Operating Activities	<u>\$ 1,770,590</u>	<u>\$ 675,709</u>	<u>\$ 37,232</u>	<u>\$ 2,483,531</u>

CITY OF HUDSON, WISCONSIN

Statement of Fiduciary Net Position

Fiduciary Fund

As of December 31, 2024

	<u>Custodial</u> <u>Tax Collection</u> <u>Fund</u>
ASSETS	
Cash and Investments	\$ 50,564
Taxes Receivable	50,006,360
Total Assets	<u>50,056,924</u>
LIABILITIES	
Due to Other Taxing Entities	<u>50,056,924</u>
NET POSITION	<u><u>\$ -</u></u>

CITY OF HUDSON, WISCONSIN
Statement of Changes in Fiduciary Net Position
Fiduciary Fund
For the Year Ended December 31, 2024

	Custodial Fund
	Tax Collection
	Fund
ADDITIONS	
Taxes Collected on Behalf of Other Taxing Entities	\$ 20,547,649
DEDUCTIONS	
Taxes Remitted to Other Taxing Entities	20,547,649
CHANGE IN NET POSITION	-
NET POSITION - BEGINNING	-
NET POSITION - ENDING	\$ -

CITY OF HUDSON, WISCONSIN

Notes to Financial Statements

December 31, 2024

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

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 is presented in the financial statements as a discretely presented component unit and does not issue stand-alone financial statements.

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.

CITY OF HUDSON, WISCONSIN

Notes to Financial Statements

December 31, 2024

Note 1 - Summary of Significant Accounting Policies (Continued)

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, except those that are fiduciary. 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, 2024

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, 2024

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 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, 2024

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 categories 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 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 2024 tax roll are recognized as revenue in 2025. Special assessments are subject to collection procedures.

CITY OF HUDSON, WISCONSIN

Notes to Financial Statements

December 31, 2024

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 \$10,000 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:

	<u>Years</u>
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, 2024

Note 1 - Summary of Significant Accounting Policies (Continued)

Assets, Liabilities and Net Position or Equity (Continued)

Compensated Absences

The City adopted GASB Statement No. 101 for the year ended December 31, 2024, which requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means.

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 statement of net position reports 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 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 reports 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, two which arise under both modified accrual and the full accrual basis of accounting, two that only arises under the modified accrual basis of accounting on the governmental funds balance sheet and three 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 receivables related to leases are 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, other post-employment benefits local retiree life insurance fund and single-employer plan are reported in the statement of net position.

Pension and Other Post-Employment Benefits

Pensions. The fiduciary net position of the Wisconsin Retirement System (WRS) has been determined using the flow of economic resources measurement focus and accrual basis of accounting. This includes for purposes of measuring the following:

- Net Pension Liability (Asset)
- Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions
- Pension Expense

Information about the fiduciary net position of the 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, 2024

Note 1 - Summary of Significant Accounting Policies (Continued)

Assets, Liabilities and Net Position or Equity (Continued)

Other Post-Employment Benefits (OPEB). The fiduciary net position of the Local Retiree Life Insurance Fund (LRLIF) has been determined using the flow of economic resources measurement focus and the accrual basis of accounting. This includes for purposes of measuring following:

- Net OPEB Liability
- Deferred Outflows of Resources and Deferred Inflows of Resources Related to Other Post-Employment Benefits
- OPEB Expense (Revenue)

Information about the fiduciary net position of the LRLIF and additions to/deductions from LRLIF's fiduciary net position have been determined on the same basis as they are reported by LRLIF. For this purpose, benefit payments (including refunds of member contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Other Post-Employment Benefits (OPEB) – Single Employer

The City's single-employer other post-employment benefit plan has 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, deferred outflows of resources and deferred inflows of resources related to other post-employment benefits – single employer plan. 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.

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 \$604,206.

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.

CITY OF HUDSON, WISCONSIN

Notes to Financial Statements

December 31, 2024

Note 1 - Summary of Significant Accounting Policies (Continued)

Assets, Liabilities and Net Position or Equity (Continued)

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 follows GASB Statements No. 87 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 a lessor is required to recognize a lease receivable and a deferred inflow of resources.

Subscription-Based Information Technology Agreements

The City follows GASB Statement No. 96 which requires recognition in the financial statements of certain subscription-based information technology agreements (SBITAs). A SBITA is any contract conveying control of the right to use another party's information technology software. This statement requires the City to report a right-to-use subscription asset and corresponding subscription liability for any SBITAs. There were no material SBITAs that were required to be recorded for the year ended December 31, 2024.

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.

CITY OF HUDSON, WISCONSIN

Notes to Financial Statements

December 31, 2024

Note 1 - Summary of Significant Accounting Policies (Continued)

Assets, Liabilities and Net Position or Equity (Continued)

Equity Classifications (Continued)

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.

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.

CITY OF HUDSON, WISCONSIN

Notes to Financial Statements

December 31, 2024

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.

The carrying amount of the City's cash and investment balances consisted of the following as of December 31, 2024:

Deposits in Financial Institutions	\$	1,650,019
Deposits in State Local Government Pooled Investment Fund		1,216,716
Investments in Federal Agency Issuances		2,785,805
Investment in Municipal Bonds and Notes		3,256,277
Investments in U.S. Treasury Securities		6,694,456
Investments in Money Market Funds		27,189,286
Certificate of Deposits		2,101,497
Petty Cash		1,909
Total Cash and Investments		<u>44,895,965</u>
Less Amount Allocated to Component Units		<u>(1,547,473)</u>
Total Cash and Investments	\$	<u>43,348,492</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, 2024, the City's deposits had a bank balance of \$2,285,672. 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.

CITY OF HUDSON, WISCONSIN

Notes to Financial Statements

December 31, 2024

Note 2 - Cash and Investments (Continued)

The following represents a summary of deposits as of December 31, 2024:

Fully Insured Deposits	\$	750,000
Uninsured and Uncollateralized		1,535,672
Total	\$	2,285,672

The difference between the bank balance and carrying value is due to outstanding checks and/or deposits in transit at December 31, 2024.

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, 2024, the City's credit quality ratings are as follows:

Investment Type	Amount	Exempt From Disclosure	AAA	Aa1	Not Rated
U.S. Treasury Securities	\$ 6,694,456	\$ 6,694,456	\$ -	\$ -	\$ -
Money Market Mutual Funds	27,189,286	-	-	-	27,189,286
Municipal Bonds and Notes	3,256,277	-	789,179	2,467,098	-
Federal Home Loan Bank	2,785,805	-	2,785,805	-	-
Certificate of Deposits	2,101,497	-	-	-	2,101,497
WI Local Government Investment Pool	1,216,716	-	-	-	1,216,716
	\$ 43,244,037	\$ 6,694,456	\$ 3,574,984	\$ 2,467,098	\$ 30,507,499

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 of investments 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, 2024

Note 2 - Cash and Investments (Continued)

As of December 31, 2024, 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	\$ 6,694,456	\$ 4,368,449	\$ -	\$ 2,326,007	\$ -
Money Market Mutual Funds	27,189,286	27,189,286			
Municipal Bonds and Notes	3,256,277	2,248,306	1,007,971	-	-
Federal Home Loan Bank	2,785,805	2,785,805	-	-	-
Certificate of Deposits	2,101,497	1,335,757	-	765,740	-
WI Local Government Investment Pool	1,216,716	1,216,716	-	-	-
	<u>\$ 43,244,037</u>	<u>\$39,144,319</u>	<u>\$ 1,007,971</u>	<u>\$ 3,091,747</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 that already indicated in the information provided above):

Highly Sensitive Investments	Fair Value at Year End
Federal Home Loan Bank	\$ 2,785,805

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, 2024

Note 2 - Cash and Investments (Continued)

	Fair Value Measurement Using		
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
U.S. Treasury Securities	\$ -	\$ 6,694,456	\$ -
Money Market Mutual Funds	-	27,189,286	-
Municipal Bonds and Notes	-	3,256,277	-
Federal Home Loan Bank	-	2,785,805	-
Certificate of Deposits	-	2,101,498	-
Total Cash and Investments	<u>\$ -</u>	<u>\$ 42,027,322</u>	<u>\$ -</u>

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, 2024 was \$1,216,716.

Note 3 - Restricted Assets

Restricted assets on December 31, 2024 totaled \$2,925,825 and consisted of cash and investments held for the following purposes:

Enterprise Funds:	
Water Utility	
Debt Service	\$ 168
Carmichael Impact Assessments	898,491
Total Water Utility	<u>898,659</u>
Sewer Utility	
Sewer Replacement Fund	<u>2,027,166</u>
Total Restricted Assets	<u>\$ 2,925,825</u>

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, 2024

Note 5 - Capital Assets

Capital asset activity for governmental activities for the year ended December 31, 2024 was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Governmental Activities				
Capital Assets not Being Depreciated				
Land	\$ 8,609,512	\$ -	\$ -	\$ 8,609,512
Construction in Progress	1,085,525	9,561,177	981,946	9,664,756
Total Capital Assets Not Being Depreciated	<u>9,695,037</u>	<u>9,561,177</u>	<u>981,946</u>	<u>18,274,268</u>
Capital Assets Being Depreciated				
Right To Use Asset	46,287	-	-	46,287
Land Improvements	4,504,666	666,934	-	5,171,600
Buildings and Improvements	14,442,792	587,131	-	15,029,923
Machinery and Equipment	7,934,989	670,449	153,437	8,452,001
Vehicles	7,142,299	1,373,872	17,839	8,498,332
Infrastructure	96,332,982	2,532,708	-	98,865,690
Total Capital Assets Being Depreciated	<u>130,404,015</u>	<u>5,831,094</u>	<u>171,276</u>	<u>136,063,833</u>
Less Accumulated Depreciation				
Right To Use Asset	(33,617)	(4,661)	-	(38,278)
Land Improvements	(2,804,843)	(185,545)	-	(2,990,388)
Buildings and Improvements	(4,047,112)	(357,183)	-	(4,404,295)
Machinery and Equipment	(4,636,237)	(627,773)	(153,437)	(5,110,573)
Vehicles	(4,855,394)	(365,419)	(17,839)	(5,202,974)
Infrastructure	(67,758,918)	(1,694,412)	-	(69,453,330)
Total Accumulated Depreciation	<u>(84,136,121)</u>	<u>(3,234,993)</u>	<u>(171,276)</u>	<u>(87,199,838)</u>
Total Capital Assets Being Depreciated, Net of Depreciation	<u>46,267,894</u>	<u>2,596,101</u>	<u>-</u>	<u>48,863,995</u>
Governmental Activities Capital Assets, Net of Accumulated Depreciation	<u>\$ 55,962,931</u>	<u>\$ 12,157,278</u>	<u>\$ 981,946</u>	<u>\$ 67,138,263</u>

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

Governmental Activities:	
General Government	\$ 238,874
Public Safety	617,228
Transportation Facilities	1,990,829
Health and Human Services	588
Culture and Recreation	<u>387,474</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 3,234,993</u>

CITY OF HUDSON, WISCONSIN

Notes to Financial Statements

December 31, 2024

Note 5 - Capital Assets (Continued)

Capital asset activity for the business-type activities for the year ended December 31, 2024 was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Water Utility				
Capital Assets not Being Depreciated				
Land and Land Rights	\$ 136,862	\$ -	\$ -	\$ 136,862
Construction in Progress	-	98,436	-	98,436
Total Capital Assets Not Being Depreciated	<u>136,862</u>	<u>98,436</u>	<u>-</u>	<u>235,298</u>
Capital Assets Being Depreciated				
Source of Supply	1,873,394	-	-	1,873,394
Pumping Plant	2,445,986	-	-	2,445,986
Water Treatment	8,483,338	-	-	8,483,338
Transmission and Distribution	30,581,639	1,826,807	396,132	32,012,314
General Assets	2,412,495	73,356	-	2,485,851
Total Capital Assets Being Depreciated	<u>45,796,852</u>	<u>1,900,163</u>	<u>396,132</u>	<u>47,300,883</u>
Less Accumulated Depreciation				
Source of Supply	(955,309)	(51,775)	-	(1,007,084)
Pumping Plant	(2,275,247)	(40,705)	-	(2,315,952)
Water Treatment	(4,120,232)	(275,132)	-	(4,395,364)
Transmission and Distribution	(9,396,456)	(683,637)	(396,132)	(9,683,961)
General Assets	(1,405,596)	(90,266)	-	(1,495,862)
Total Accumulated Depreciation	<u>(18,152,840)</u>	<u>(1,141,515)</u>	<u>(396,132)</u>	<u>(18,898,223)</u>
Total Capital Assets Being Depreciated, Net of Depreciation	<u>27,644,012</u>	<u>758,648</u>	<u>-</u>	<u>28,402,660</u>
Water Utility Capital Assets Net of Accumulated Depreciation	<u>\$ 27,780,874</u>	<u>\$ 857,084</u>	<u>\$ -</u>	<u>\$ 28,637,958</u>

CITY OF HUDSON, WISCONSIN

Notes to Financial Statements

December 31, 2024

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	-	111,238	-	111,238
Total Capital Assets Not Being Depreciated	129,856	111,238	-	241,094
Capital Assets Being Depreciated				
Collection System	1,550,206	154,430	38,608	1,666,028
Pumping System	178,049	-	-	178,049
Treatment and Disposal plant	24,595,169	-	-	24,595,169
General Plant	1,650,912	11,539	4,449	1,658,002
Total Capital Assets Being Depreciated	27,974,336	165,969	43,057	28,097,248
Less Accumulated Depreciation				
Collection System	(328,052)	(32,884)	(38,608)	(322,328)
Pumping System	(63,001)	(15,882)	-	(78,883)
Treatment and Disposal plant	(9,833,749)	(637,676)	-	(10,471,425)
General Plant	(704,552)	(78,000)	(4,449)	(778,103)
Total Accumulated Depreciation	(10,929,354)	(764,442)	(43,057)	(11,650,739)
Total Capital Assets Being Depreciated, Net of Depreciation	17,044,982	(598,473)	-	16,446,509
Sewer Utility Capital Assets Net of Accumulated Depreciation	\$ 17,174,838	\$ (487,235)	\$ -	\$ 16,687,603
	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	(704,922)	(42,426)	-	(747,348)
Equipment	(208,287)	(39,153)	-	(247,440)
Total Accumulated Depreciation	(913,209)	(81,579)	-	(994,788)
Total Capital Assets Being Depreciated, Net of Depreciation	523,530	(81,579)	-	441,951
Parking Utility Capital Assets Net of Accumulated Depreciation	\$ 1,284,092	\$ (81,579)	\$ -	\$ 1,202,513

CITY OF HUDSON, WISCONSIN

Notes to Financial Statements

December 31, 2024

Note 5 - Capital Assets (Continued)

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Total Business-Type Activities:				
Capital Assets Not Being Depreciated	\$ 1,027,280	\$ 209,674	\$ -	\$ 1,236,954
Capital Assets Being Depreciated	75,207,927	2,066,132	439,189	76,834,870
Total Business-Type Capital Assets	<u>76,235,207</u>	<u>2,275,806</u>	<u>439,189</u>	<u>78,071,824</u>
Less Accumulated Depreciation	<u>(29,995,403)</u>	<u>(1,987,536)</u>	<u>(439,189)</u>	<u>(31,543,750)</u>
Business-Type Activities Capital Assets, Net of Accumulated Depreciation	<u>\$ 46,239,804</u>	<u>\$ 288,270</u>	<u>\$ -</u>	<u>\$ 46,528,074</u>

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

Business-Type Activities:	
Water Utility Depreciation Charged to Accumulated Depreciation	\$ 1,141,515
Less: Share of Meter Depreciation	<u>(110,396)</u>
Total Water Utility Depreciation Expense	<u>1,031,119</u>
Sewer Utility Depreciation Charged to Accumulated Depreciation	764,442
Plus: Share of Meter Depreciation	110,396
Total Sewer Utility Depreciation Expense	<u>874,838</u>
Parking Utility	<u>81,579</u>
Total Depreciation Expense - Business-Type Activities	<u>\$ 1,987,536</u>

Note 6 - Interfund Transfers

Interfund transfers for the year ended December 31, 2024 were as follows:

<u>Fund Transferred To</u>	<u>Fund Transferred From</u>	<u>Amount</u>	<u>Principal Purpose</u>
General Fund	Water Utility	\$ 451,135	Property Tax Equivalent
General Fund	Sewer Utility	21,600	Property Tax Equivalent
Library Fund	General Fund	744,366	Budgeted Operating Contribution
		<u>\$ 1,217,101</u>	

CITY OF HUDSON, WISCONSIN

Notes to Financial Statements

December 31, 2024

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, 2024:

	<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	\$ 27,115,000	\$ 10,025,000	\$ 3,255,000	\$ 33,885,000	\$ 1,265,000
G.O. Promissory Notes	4,100,000	9,235,000	820,000	12,515,000	1,440,000
Total General Obligation Debt	<u>31,215,000</u>	<u>19,260,000</u>	<u>4,075,000</u>	<u>46,400,000</u>	<u>2,705,000</u>
Adjustments For					
Debt Premium	854,503	1,314,098	201,113	1,967,488	-
Lease Liability	14,344	-	8,773	5,571	4,514
Compensated Absences*	342,680	19,544	-	362,224	204,906
Total Governmental Activity Long-Term Obligations	<u>\$ 32,426,527</u>	<u>\$ 20,593,642</u>	<u>\$ 4,284,886</u>	<u>\$ 48,735,283</u>	<u>\$ 2,914,420</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	\$ 620,000	\$ -	\$ 40,000	\$ 580,000	\$ 40,000
Mortgage Revenue Bonds					
Water Utility	1,329,607	-	84,581	1,245,026	86,069
Sewer Utility	11,396,207	-	594,244	10,801,963	603,068
Compensated Absences*	93,746	1,378	-	95,124	43,771
Debt Premium	3,918	-	657	3,261	-
Long-Term Obligations	<u>\$ 13,443,478</u>	<u>\$ 1,378</u>	<u>\$ 719,482</u>	<u>\$ 12,725,374</u>	<u>\$ 772,908</u>

*Compensated absences is reported net of current year activity.

Total interest paid during the year on long-term debt totaled \$1,647,865.

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

	<u>Dates of Issuance</u>	<u>Final Maturities</u>	<u>Interest Rates</u>	<u>Original Indebtedness</u>	<u>Balances 12/31/24</u>
Governmental Activities Long-Term Obligations					
G.O. Bonds - 2015A	06/09/15	04/01/35	3.00 - 3.50%	\$ 2,115,000	\$ 1,325,000
G.O. Bonds - 2016A	04/12/16	04/01/36	2.00 - 3.00%	3,110,000	1,450,000
G.O. Bonds - 2017A	05/15/17	12/01/32	2.00 - 3.00%	2,495,000	1,465,000
G.O. Bonds - 2019A	04/29/19	12/31/39	3.00%	5,960,000	5,030,000
G.O. Bonds - 2021B	05/06/21	04/01/41	1.00 - 2.00%	3,850,000	3,350,000
G.O. Bonds - 2022A	12/01/22	10/01/42	4.00 - 5.00%	3,860,000	3,555,000
G.O. Bonds - 2023A	05/22/23	12/31/43	4.00%	4,770,000	4,600,000
G.O. Bonds - 2023B	05/22/23	12/31/33	3.125 - 5.00%	3,440,000	3,085,000
G.O. Promissory Notes - 2015B	06/09/15	04/01/25	1.50 - 3.00%	1,885,000	205,000
G.O. Promissory Notes - 2017B	06/01/17	06/01/27	3.00%	2,470,000	910,000
G.O. Promissory Notes - 2019B	04/29/19	12/31/29	3.00 - 4.00%	2,200,000	1,075,000
G.O. Promissory Notes - 2021C	05/06/21	04/01/31	1.15 - 3.00%	2,470,000	1,090,000
2024 Taxable Note Anticipation Note	03/07/24	03/01/29	5.74%	3,490,000	3,490,000
2024B General Obligation Bonds	03/07/24	03/01/44	4.00 - 5.00%	10,025,000	10,025,000
2024A General Obligation Bonds	03/07/24	03/01/34	4.00 - 5.00%	5,745,000	5,745,000
Total Governmental Activities Long-Term Obligations					<u>\$ 46,400,000</u>

CITY OF HUDSON, WISCONSIN

Notes to Financial Statements

December 31, 2024

Note 7 - Long-Term Obligations (Continued)

	<u>Dates of Issuance</u>	<u>Final Maturities</u>	<u>Interest Rates</u>	<u>Original Indebtedness</u>	<u>Balances 12/31/24</u>
Business Type Activities					
Long-Term Obligations					
G.O Bonds - Water	04/12/16	04/01/36	2.00-3.00%	\$ 3,110,000	\$ 580,000
Mortgage Revenue Bond - Water	12/13/17	05/01/37	1.760%	1,653,550	1,245,026
Mortgage Revenue Bond - Sewer	01/27/21	05/01/40	1.485%	12,616,740	10,801,963
Total Business Type Activities Long-Term Obligations					<u>\$ 12,626,989</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>
2025	\$ 2,705,000	\$ 2,143,351	\$ 729,137	\$ 191,035	\$ 3,434,137	\$ 2,334,386
2026	2,785,000	1,697,134	744,608	179,285	3,529,608	1,876,419
2027	2,765,000	1,586,059	755,238	167,674	3,520,238	1,753,733
2028	2,510,000	1,488,534	766,030	155,899	3,276,030	1,644,433
2029	6,105,000	1,392,534	776,987	143,959	6,881,987	1,536,493
2030-2034	12,100,000	4,603,671	4,080,223	532,189	16,180,223	5,135,860
2035-2039	9,940,000	2,541,181	4,022,459	203,174	13,962,459	2,744,355
2040-2044	7,490,000	790,031	752,307	5,586	8,242,307	795,617
	<u>\$ 46,400,000</u>	<u>\$ 16,242,495</u>	<u>\$ 12,626,989</u>	<u>\$ 1,578,801</u>	<u>\$ 59,026,989</u>	<u>\$ 17,821,296</u>

Legal Margin For Debt

The 2024 equalized valuation of the City as certified by the Wisconsin Department of Revenue is \$3,366,869,100. The legal debt limit and margin of indebtedness as of December 31, 2024, in accordance with Section 67.03 of the Wisconsin Statutes follows:

Equalized valuation of the City	\$ 3,366,869,100
Statutory limitation percentage	<u>5%</u>
General obligation debt limitation, per Section 67.03 of the Wisconsin Statutes	168,343,455
Net outstanding general obligation debt applicable to debt limitation	<u>46,980,000</u>
Legal margin for new debt	<u>\$ 121,363,455</u>

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 \$12,135,436. Principal and interest paid for the current year and total Sewerage System net revenues were \$758,081 and \$1,717,388, respectively. The Sewerage System did meet the Clean Water Fund Loan revenue requirements in 2024.

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 \$1,392,805. Principal and interest paid for the current year and total water system net revenues were \$107,237 and \$2,101,311, respectively. The Water System did meet the Safe Drinking Water Loans and Revenue Bonds revenue requirements in 2024.

CITY OF HUDSON, WISCONSIN

Notes to Financial Statements

December 31, 2024

Note 8 - Fund Equity

Fund Financial Statements

At December 31, 2024 the governmental fund balances are as follows:

	<u>Total</u>	<u>Nonspendable</u>	<u>Restricted</u>	<u>Committed</u>	<u>Assigned</u>	<u>Unassigned</u>
Major Funds						
General Fund:						
Delinquent Taxes	\$ 10,770	\$ 10,770	\$ -	\$ -	\$ -	\$ -
Prepaid Items	47,239	47,239	-	-	-	-
Police Equipment	38,556	-	-	-	38,556	-
Fire Equipment	42,273	-	-	-	42,273	-
Energy Savings	8,323	-	-	-	8,323	-
BOGO Tree Funds	4,539	-	-	-	4,539	-
Health Insurance Reserve	454,409	-	-	-	454,409	-
Unassigned	4,782,075	-	-	-	-	4,782,075
Debt Service Fund	282,583	-	282,583	-	-	-
Capital Projects Fund	10,281,161	-	10,281,161	-	-	-
TID No. 5	1,847,213	-	1,847,213	-	-	-
TID No. 6	241,191	-	241,191	-	-	-
NonMajor Funds:						
Special Revenue Funds:						
Impact Fees Fund	1,555,192	-	1,555,192	-	-	-
Room Tax Fund	423,661	-	-	423,661	-	-
American Rescue Plan Act (ARPA) Fund	75,236	-	-	-	75,236	-
Sewer Collection System Replacement	1,449,857	-	-	1,449,857	-	-
Library Fund	385,318	78	-	385,240	-	-
Park Dedication Fees	853,160	-	853,160	-	-	-
Police Donations	74,515	-	74,515	-	-	-
Police Evidence	137,093	-	137,093	-	-	-
Police Drug Forfeitures	3,875	-	3,875	-	-	-
Fire Donations	3,769	-	3,769	-	-	-
Business Park Revolving Loan Fund	667,522	-	667,522	-	-	-
Storm Water MS-4	183,471	-	-	183,471	-	-
Storm Water	690,797	-	-	690,797	-	-
Special Assessments	65,696	-	-	-	65,696	-
Total Governmental Fund Balances As of December 31, 2024	<u>\$ 24,609,494</u>	<u>\$ 58,087</u>	<u>\$ 15,947,274</u>	<u>\$ 3,133,026</u>	<u>\$ 689,032</u>	<u>\$ 4,782,075</u>

CITY OF HUDSON, WISCONSIN

Notes to Financial Statements

December 31, 2024

Note 8 - Fund Equity (Continued)

Government-Wide Financial Statements

At December 31, 2024 net position was as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Net Investment in Capital Assets			
Net Capital Assets	\$ 67,138,263	\$ 46,528,074	\$ 113,666,337
Less: Related Long-Term Debt	(46,400,000)	(12,626,989)	(59,026,989)
Less: Premium on Capital Debt	(1,967,488)	(3,261)	(1,970,749)
Less: Lease Liability	(5,571)	-	(5,571)
Plus: Unspent Bond Proceeds	7,310,455	-	7,310,455
Total Net Investment in Capital Assets	<u>26,075,659</u>	<u>33,897,824</u>	<u>59,973,483</u>
Restricted			
Impact Fees	1,555,192	-	1,555,192
Park Fees	853,160	-	853,160
Police Evidence, Fees, and Donations	215,483	-	215,483
Fire Donations	3,769	-	3,769
Community Development Loans	667,522	-	667,522
Capital Projects	5,059,110	-	5,059,110
Debt Service	-	168	168
Special Assessments	-	898,491	898,491
Asset Replacement	-	2,027,166	2,027,166
Pension Benefits	1,729,510	246,387	1,975,897
Total Restricted	<u>10,083,746</u>	<u>3,172,212</u>	<u>13,255,958</u>
Unrestricted	<u>6,302,133</u>	<u>16,691,979</u>	<u>22,994,112</u>
Total Government-Wide Activities Net Position	<u>\$ 42,461,538</u>	<u>\$ 53,762,015</u>	<u>\$ 96,223,553</u>

Note 9 - 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>.

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

CITY OF HUDSON, WISCONSIN

Notes to Financial Statements

December 31, 2024

Note 9 - Defined Benefit Pension Plan (Continued)

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>
2014	4.7%	25.0%
2015	2.9	2.0
2016	0.5	(5.0)
2017	2.0	4.0
2018	2.4	17.0
2019	0.0	(10.0)
2020	1.7	21.0
2021	5.1	13.0
2022	7.4	15.0
2023	1.6	(21.0)

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, Executives and Elected Officials. Starting on January 1, 2016, the Executives and Elected Officials category was merged into the General Employee Category. Required contributions for protective employees are the same rate as general employees. Employers are required to contribute the remainder of the actuarially determined contribution rate. The employer may not pay the employee required contribution unless provided for by an existing collective bargaining agreement.

CITY OF HUDSON, WISCONSIN

Notes to Financial Statements

December 31, 2024

Note 9 - Defined Benefit Pension Plan (Continued)

During the reporting period, the WRS recognized \$774,785 in contributions from the City.

Contribution rates as of December 31, 2024 are:

Employee Category	Employee	Employer
General (including teachers, executives, and elected officials)	6.90%	6.90%
Protective with Social Security	6.90%	14.30%
Protective without Social Security	6.90%	19.10%

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

At December 31, 2024, the City reported a liability of \$770,715 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2022, rolled forward to December 31, 2023. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The City's proportion of the net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2023, the City's proportion was 0.05183698%, which was an increase of 0.00137602% from its proportion measured as of December 31, 2023.

For the year ended December 31, 2024, the City recognized pension expense of \$525,605.

At December 31, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between projected and actual experiences	\$ 3,107,516	\$ 4,115,924
Changes in assumptions	2,685,817	-
Net differences between projected and actual earnings on pension plan investments	335,932	25,643
Changes in proportion and differences between employer contributions and proportionate share of contributions	28	-
Employer contributions subsequent to the measurement date	774,785	-
Total	6,904,078	4,141,567
Less Amounts Allocated to Component Units	(55,114)	(33,062)
Total Primary Government	\$ 6,848,964	\$ 4,108,505

CITY OF HUDSON, WISCONSIN

Notes to Financial Statements

December 31, 2024

Note 9 - Defined Benefit Pension Plan (Continued)

The \$774,785 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, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>	<u>Net Deferred Outflows (Inflows) of Resources</u>
2025	\$ 403,704
2026	424,188
2027	1,679,124
2028	<u>(519,290)</u>
	<u>\$ 1,987,726</u>

Actuarial Assumptions. The total pension liability in the December 31, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date:	December 31, 2022
Measurement Date of Net Pension Liability (Asset):	December 31, 2023
Experience Study:	January 1, 2018 – December 31, 2020 Published November 19, 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 WRS 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 postretirement 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. The total pension liability for December 31, 2023 is based upon a roll-forward of the liability calculated from the December 31, 2022 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, 2024

Note 9 - Defined Benefit Pension Plan (Continued)

The target allocation and best estimates of geometric 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, 2023**

Core Fund Asset Class	Asset Allocation %	Long-Term Expected Nominal Rate of Return %	Long-Term Expected Real Rate of Return % ²
Public Equity	40%	7.3%	4.5%
Public Fixed Income	27	5.8	3.0
Inflation Sensitive	19	4.4	1.7
Real Estate	8	5.8	3.0
Private Equity/Debt	18	9.6	6.7
Leverage ³	(12)	3.7	1.0
Total Core Fund	100%	7.4%	4.6%
<u>Variable Fund Asset Class</u>			
U.S. Equities	70%	6.8%	4.0%
International Equities	30	7.6	4.8
Total Variable Fund	100%	7.3%	4.5%

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 12% 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 for the current and prior year. The discount rate is based on the expected rate of return on pension plan investments of 6.8% and a municipal bond rate of 3.77% (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, 2023. 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, 2024

Note 9 - 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:

	<u>1% Decrease to Discount Rate (5.8%)</u>	<u>Current Discount Rate (6.8%)</u>	<u>1% Increase to Discount Rate (7.8%)</u>
City's Proportionate Share of the Net Pension Liability (Asset)	\$ 7,449,335	\$ 770,715	\$ (3,902,598)

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. The amount due to WRS as of December 31, 2024 is \$52,492 for December payroll.

Note 10 - Post-Employment Benefits Other Than Pension Benefits - LRLIF

General Information About the Other Post-Employment Benefits 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, 2024 are:

<u>Coverage Type</u>	<u>Employee</u>
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, 2024

Note 10 - 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, 2023 are as listed below:

**Life Insurance
Member Contribution Rates *
For the Year Ended December 31, 2023**

<u>Attained Age</u>	<u>Basic/Supplemental</u>
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 LRLIF recognized \$1,776 in contributions from the employer.

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

At December 31, 2024, the City reported a liability of \$372,860 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of December 31, 2023, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of January 1, 2023 rolled forward to December 31, 2023. 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, 2023, the City's proportion was 0.08104500%, which was an increase of 0.002738% from its proportion measured as of December 31, 2022.

For the year ended December 31, 2024, the City recognized OPEB expense of \$26,558.

CITY OF HUDSON, WISCONSIN

Notes to Financial Statements

December 31, 2024

Note 10 - Post-Employment Benefits Other Than Pension Benefits - LRLIF (Continued)

At December 31, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between projected and actual experiences	\$ 5,037	\$ 32,999
Changes in assumptions	116,633	146,824
Changes in proportion and differences between employer contributions and proportionate share of contributions	48,536	23,568
Employer contributions subsequent to the measurement date	<u>1,776</u>	<u>-</u>
Total	171,982	203,391
Less Amounts Allocated to Component Units	<u>(957)</u>	<u>(1,132)</u>
Total Primary Government	<u>\$ 171,025</u>	<u>\$ 202,259</u>

The \$1,776 reported as deferred outflows related to OPEB resulting from the City's contributions subsequent to the measurement date will be recognized as an adjustment of the net OPEB liability in the year ending December 31, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense (revenue) as follows:

<u>Year Ending December 31,</u>	<u>Net Deferred Outflows (Inflows) of Resources</u>
2025	\$ (5,673)
2026	3,352
2027	(6,638)
2028	(15,181)
2029	(15,050)
Thereafter	6,005
	<u>\$ (33,185)</u>

CITY OF HUDSON, WISCONSIN

Notes to Financial Statements
December 31, 2024

Note 10 - Post-Employment Benefits Other Than Pension Benefits - LRLIF (Continued)

Actuarial Assumptions. The total OPEB liability in the January 1, 2023, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date:	January 1, 2023
Measurement Date of Net OPEB Liability:	December 31, 2023
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*:	3.26%
Long-Term Expected Rate of Return:	4.25%
Discount Rate:	3.32%
Salary Increases:	
Wage Inflation	3.00%
Seniority/Merit	0.1% - 5.6%
Mortality:	2020 WRS Experience Mortality Table

*Based on the Bond Buyers GO index.

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. The total OPEB liability for December 31, 2023 is based upon a roll-forward of the liability calculated from the January 1, 2023 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.

**Local OPEB Life Insurance
Asset Allocation Targets and Expected Returns
As of December 31, 2023**

Asset Class	Index	Target Allocation	Long-Term Expected Geometric Real Rate of Return %
U.S. Intermediate Credit Bonds	Bloomberg U.S. Interm Credit	40%	2.32%
U.S. Mortgages	Bloomberg U.S. MBS	60	2.52
Inflation			2.30
Long-Term Expected Rate of Return			4.25

CITY OF HUDSON, WISCONSIN

Notes to Financial Statements

December 31, 2024

Note 10 - Post-Employment Benefits Other Than Pension Benefits - LRLIF (Continued)

Single Discount Rate. A single discount rate of 3.32% was used to measure the total OPEB liability for the current year, as opposed to a discount rate of 3.76% for the prior year. The change in the discount rate was primarily caused by the decrease in the municipal bond rate from 3.72% as of December 31, 2022 to 3.26% as of December 31, 2023. 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 3.32 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 (2.32 percent) or 1-percentage-point higher (4.32 percent) than the current rate:

	1% Decrease to Discount Rate (2.32%)	Current Discount Rate (3.32%)	1% Increase to Discount Rate (4.32%)
City's Proportionate Share of the Net OPEB Liability	\$ 500,989	\$ 372,860	\$ 275,056

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 as of December 31, 2024.

CITY OF HUDSON, WISCONSIN

Notes to Financial Statements

December 31, 2024

Note 11 - 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.

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, 2024, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	9
Active employees	85
	94
	94

Contributions. The City funds its other postemployment benefit on a pay-as-you go basis. For fiscal year 2024, the City contributed an estimated \$48,091 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, 2024, with a measurement date of January 1, 2024. At December 31, 2024, the City reported a total OPEB liability of \$1,517,729, with \$1,509,284 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, 2023	\$ 1,335,868
Changes for the Year:	
Service Cost	146,254
Interest	58,437
Differences Between Expected and Actual Experiences	(36,672)
Changes of Assumptions or Other Input	56,662
Benefit Payments	(42,820)
Net Changes	181,861
Balance at December 31, 2024	1,517,729
Less: Allocation to Component Units	8,445
Balance at December 31, 2024 - Primary Government	\$ 1,509,284

CITY OF HUDSON, WISCONSIN

Notes to Financial Statements

December 31, 2024

Note 11 - 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, 2024
Actuarial Valuation Date	January 1, 2024
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	3.70%
20-Year Municipal Bond Yield	3.70%
Inflation Rate	2.50%
Salary Increases	3.4% - 7.8%
Medical Trend Rates	6.50% in 2024 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 3.70%. The discount rate is based upon all years of projected payments discounted at a municipal bond rate of 3.70%.

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 (2.70%)	Current Discount Rate (3.70%)	1% Increase (4.70%)
Total OPEB Liability	\$ 1,643,174	\$ 1,517,729	\$ 1,401,328

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 (5.50% decreasing to 4.00%)	Healthcare Cost Trend Rates (6.50% decreasing to 5.00%)	1% Increase (7.50% decreasing to 6.00%)
Total OPEB Liability	\$ 1,402,401	\$ 1,517,729	\$ 1,654,448

CITY OF HUDSON, WISCONSIN

Notes to Financial Statements

December 31, 2024

Note 11 - 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, 2024, the City recognized OPEB expense of \$112,712. At December 31, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between OPEB plan - projected and actual experiences	\$ -	\$ 336,203
Changes in assumptions	131,152	233,098
Employer contributions subsequent to the measurement date	48,091	-
Total	<u>179,243</u>	<u>569,301</u>
Less Amounts Allocated to Component Units	(997)	(3,168)
Total Primary Government	<u>\$ 178,246</u>	<u>\$ 566,133</u>

The \$48,091 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, 2025.

The plan does not issue separate financial statements.

Note 12 - 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, 2024, the City has recognized a right to use asset of \$46,287 and a lease liability of \$5,571 related to this lease. During the current fiscal year, the City recorded \$4,661 as depreciation expense and \$38,278 as total accumulated depreciation related to its right to use asset.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amount Due Within One Year</u>
Lease Obligations					
Lease Liability	<u>\$ 14,344</u>	<u>\$ -</u>	<u>\$ 8,773</u>	<u>\$ 5,571</u>	<u>\$ 4,514</u>

Interest paid on lease liability obligation during the year ended December 31, 2024, was \$1,397.

CITY OF HUDSON, WISCONSIN

Notes to Financial Statements

December 31, 2024

Note 12 - Leases (Continued)

The remaining obligations associated with the lease at December 31, 2024, are as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 4,514	\$ 244	\$ 4,758
2026	1,057	134	1,191
Total	<u>\$ 5,571</u>	<u>\$ 378</u>	<u>\$ 5,949</u>

Lessor

At December 31, 2024, the City had nine 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 its statement of net position. The City entered into a lease with Progress Rail Services during 2024.

The City leases space to an entity. This lease has an initial lease term of five years with two additional five-year terms. The initial monthly payment was \$18,519 and increases 3.0% every five years.

<u>Leases Receivable</u>	<u>Beginning Balances</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balances</u>
Progress Rail Lease	<u>\$ -</u>	<u>\$ 1,976,568</u>	<u>\$ 111,482</u>	<u>\$ 1,865,086</u>

Remaining amounts to be received associated with these leases at December 31, 2024 are as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 150,567	\$ 78,333	\$ 228,900
2026	157,265	71,635	228,900
2027	164,260	64,640	228,900
2028	171,567	57,333	228,900
2029	179,771	49,701	229,472
2030-2034	<u>1,041,655</u>	<u>117,518</u>	<u>1,159,173</u>
Total	<u>\$ 1,865,086</u>	<u>\$ 439,160</u>	<u>\$ 2,304,246</u>

CITY OF HUDSON, WISCONSIN

Notes to Financial Statements

December 31, 2024

Note 12 - Leases (Continued)

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, 2024, the water utility recognized \$276,759 in lease revenue related to these agreements. At December 31, 2024, the utility recorded \$2,252,354 in lease receivables and deferred inflows of resources for these arrangements.

Leases Receivable	Beginning Balances	Additions	Reductions	Ending Balances
AT&T Deer Path Tower Lease	\$ 1,156,738	\$ -	\$ 12,471	\$ 1,144,267
T Mobile Carmichael Tower Lease	83,799	-	46,807	36,992
T Mobile Hanley Rd Tower Lease	316,049	-	26,151	289,898
T Mobile WI St. Tower Lease	120,835	-	41,801	79,034
Verizon Carmichael Tower Lease	256,106	-	28,473	227,633
Verizon Deer Path Tower Lease	118,208	-	31,726	86,482
Verizon Hanley Road Tower Lease	406,655	-	32,537	374,118
Washington County Hanley Rd. Tower Lease	28,235	-	14,305	13,930
Total	<u>\$ 2,486,625</u>	<u>\$ -</u>	<u>\$ 234,271</u>	<u>\$ 2,252,354</u>

Remaining amounts to be received associated with these leases at December 31, 2024 are as follows:

Year Ending December 31,	Principal	Interest	Total
2025	\$ 234,192	\$ 38,804	\$ 272,996
2026	181,628	35,649	217,277
2027	131,716	33,109	164,825
2028	121,750	31,174	152,924
2029	127,782	29,222	157,004
2030-2034	521,122	115,262	636,384
2035-2039	178,237	87,694	265,931
2040-2044	242,073	66,214	308,287
2045-2049	319,919	37,470	357,389
2050-2052	193,935	5,264	199,199
Total	<u>\$ 2,252,354</u>	<u>\$ 479,862</u>	<u>\$ 2,732,216</u>

CITY OF HUDSON, WISCONSIN

Notes to Financial Statements

December 31, 2024

Note 13 - 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

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, 2024, the City abated property taxes of \$972,383 under this program which include the following tax abatement agreements:

- A property tax abatement of \$683,387 to two developers within Tax Incremental District No. 5
- A property tax abatement of \$288,996 to three developers within Tax Incremental District No. 6

Note 14 - 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 for 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, 2024. 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, 2024 totaled \$667,522.

Note 15 - 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.

CITY OF HUDSON, WISCONSIN

Notes to Financial Statements

December 31, 2024

Note 16 - 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 2024 were \$4,163. Future annual expenditures are expected to be similar to current year expenditures.

Note 17 - Discretely Presented Component Unit

Community Access Board

Capital asset activity for the Community Access Board for the year ended December 31, 2024, was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Capital Assets Being Depreciated				
Machinery and Equipment	\$ 317,727	\$ -	\$ -	\$ 317,727
Less Accumulated Depreciation				
Machinery and Equipment	(219,625)	(18,021)	-	(237,646)
Net Capital Assets				
Community Access Board	<u>\$ 98,102</u>	<u>\$ (18,021)</u>	<u>\$ -</u>	<u>\$ 80,081</u>

Depreciation expense charge to the Community Access Board was \$18,021

The long-term obligations activity for the Community Access Board component unit for the year ended December 31, 2024, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amount Due Within One Year</u>
Compensated Absences	\$ 1,996	\$ 1,642	\$ -	\$ 3,638	\$ 3,638

*Compensated absences is reported net of current year activity.

Note 18 - 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, 2024

Note 19 - 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, 2024, are not likely to have a material adverse impact on the City's financial position.

Note 20 – Change in Accounting Principle and Reporting Entity

During the 2024 audit, the City adopted – GASB Statement No. 101 – Compensated Absences, which resulted in a change in accounting principal. Additionally, the joint library was previously presented as a component unit of the City, but due to a change in control of the joint library the City has assumed 100% control and the City will report the Library fund as a governmental fund, which resulted in a change in reporting entity. A summary of the changes in reporting entity and accounting principle are summarized below.

	<u>Government-Wide</u>	<u>Component Unit Joint Library</u>	<u>Library Fund</u>
Beginning Net Position/Fund Balance - December 31, 2023	\$ 41,451,482	\$ 1,076,958	\$ -
Change in Reporting Entity	1,076,958	(1,076,958)	372,505
Change in Accounting Principle	(217,223)	-	-
Beginning Net Position/Fund Balance - December 31, 2023, As Restated	<u>\$ 42,311,217</u>	<u>\$ -</u>	<u>\$ 372,505</u>

	<u>Water Utility</u>	<u>Sewer Utility</u>	<u>Nonmajor Fund Parking Utility</u>	<u>Business-Type Activities</u>
Beginning Net Position - December 31, 2023	\$ 35,942,292	\$ 14,689,589	\$ 1,449,737	\$ 52,081,618
Change in Accounting Principle	(32,239)	(30,507)	(5,735)	(68,481)
Beginning Net Position - December 31, 2023, As Restated	<u>\$ 35,910,053</u>	<u>\$ 14,659,082</u>	<u>\$ 1,444,002</u>	<u>\$ 52,013,137</u>

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
12/31/2023	0.05183698%	\$ 770,715	\$ 7,475,254	10.31%	98.85%
12/31/2022	0.05046096%	2,673,272	7,138,788	37.45%	95.72%
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
12/31/2024	\$ 774,785	\$ 774,785	\$ -	\$ 7,865,986	9.85%
12/31/2023	697,307	697,307	-	7,475,254	9.33%
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*

	2024	2023	2022	2021	2020	2019	2018
Total OPEB Liability							
Service Cost	\$ 146,254	\$ 127,026	\$ 164,860	\$ 153,479	\$ 130,844	\$ 145,836	\$ 152,610
Interest	58,437	29,904	29,197	36,984	68,322	57,878	53,756
Differences Between Expected and Actual Experience	(36,672)	-	(142,028)	-	(458,515)	-	-
Changes of Assumptions or Other Input	56,662	(173,557)	63,308	64,518	(174,127)	(50,609)	-
Benefit Payments	(42,820)	(31,236)	(52,954)	(110,134)	(113,301)	(75,082)	(74,355)
Net Change in Total OPEB Liability	<u>181,861</u>	<u>(47,863)</u>	<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>1,335,868</u>	<u>1,383,731</u>	<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>\$ 1,517,729</u>	<u>\$ 1,335,868</u>	<u>\$ 1,383,731</u>	<u>\$ 1,321,348</u>	<u>\$ 1,176,501</u>	<u>\$ 1,723,278</u>	<u>\$ 1,645,255</u>
Covered-Employee Payroll	\$ 6,777,020	\$ 6,527,616	\$ 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	22.40%	20.46%	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
12/31/2023	0.08104500%	\$ 372,860	\$ 4,897,000	7.61%	33.90%
12/31/2022	0.07830700%	298,336	4,700,000	6.35%	38.81%
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
12/31/2024	\$ 1,776	\$ 1,776	\$ -	\$ 4,879,000	0.04%
12/31/2023	1,670	1,670	-	4,897,000	0.03%
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, 2024

	<u>Original and Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES			
Taxes	\$ 7,943,665	\$ 7,943,677	\$ 12
Intergovernmental	1,616,935	1,862,859	245,924
Licenses and Permits	526,080	509,399	(16,681)
Fines, Forfeitures and Penalties	125,900	75,804	(50,096)
Public Charges for Services	377,900	372,551	(5,349)
Intergovernmental Charges for Services	868,026	903,768	35,742
Miscellaneous	256,037	775,304	519,267
Total Revenues	<u>11,714,543</u>	<u>12,443,362</u>	<u>728,819</u>
EXPENDITURES			
General Government	2,105,704	2,478,096	(372,392)
Public Safety	6,172,765	6,636,955	(464,190)
Transportation Facilities	1,973,583	1,938,007	35,576
Sanitation	14,706	20,941	(6,235)
Health and Human Services	13,300	17,322	(4,022)
Culture and Recreation	473,575	483,078	(9,503)
Conservation and Development	662,610	551,791	110,819
Debt Service			
Principal	8,773	8,773	-
Interest and Fiscal Charges	1,397	1,397	-
Capital Outlay	42,500	49,959	(7,459)
Total Expenditures	<u>11,468,913</u>	<u>12,186,319</u>	<u>(717,406)</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>245,630</u>	<u>257,043</u>	<u>11,413</u>
OTHER FINANCING SOURCES (USE)			
Sale of Capital Assets	-	16,350	16,350
Transfers In	560,000	472,735	(87,265)
Transfers Out	(805,630)	(744,366)	61,264
Total Other Financing Sources (Use)	<u>(245,630)</u>	<u>(255,281)</u>	<u>(9,651)</u>
NET CHANGE IN FUND BALANCE	-	1,762	1,762
FUND BALANCE - BEGINNING	<u>5,386,422</u>	<u>5,386,422</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ 5,386,422</u>	<u>\$ 5,388,184</u>	<u>\$ 1,762</u>

CITY OF HUDSON, WISCONSIN
Notes to Required Supplementary Information
December 31, 2024

Budgetary Process

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

- 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 general fund had an excess of actual expenditures over budget for the year ended December 31, 2024:

General Fund	Excess Expenditures
General Government	\$ 372,392
Public Safety	464,190
Sanitation	6,235
Health and Human Services	4,022
Culture and Recreation	9,503
Capital Outlay	7,459

CITY OF HUDSON, WISCONSIN
Notes to Required Supplementary Information
December 31, 2024

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. The discount rate was changed from 4.00% to 3.70%.

SUPPLEMENTARY INFORMATION

CITY OF HUDSON, WISCONSIN

Combining Balance Sheet
 Nonmajor Governmental Funds
 As of December 31, 2024

	Impact Fees Fund	Room Tax	American Rescue Plan Act (ARPA) Fund	Library Fund	Sewer Collection System	Park Dedication	Police Donations
ASSETS							
Cash and Investments	\$ 1,555,192	\$ 203,265	\$ 416,075	\$ 427,642	\$ 1,449,857	\$ 853,160	\$ 74,515
Accounts Receivable	-	220,396	-	-	-	-	-
Due from Other Governments	-	-	-	-	-	-	-
Prepaid Items	-	-	-	78	-	-	-
TOTAL ASSETS	\$ 1,555,192	\$ 423,661	\$ 416,075	\$ 427,720	\$ 1,449,857	\$ 853,160	\$ 74,515
LIABILITIES							
Accounts Payable	\$ -	\$ -	\$ 1,390	\$ 4,269	\$ -	\$ -	\$ -
Accrued Liabilities	-	-	-	38,133	-	-	-
Unearned Revenue	-	-	-	-	-	-	-
American Rescue Plan Act Funds	-	-	339,449	-	-	-	-
Total Liabilities	-	-	\$ 340,839	\$ 42,402	-	-	-
FUND BALANCES							
Nonspendable	-	-	-	78	-	-	-
Restricted	1,555,192	-	-	-	-	853,160	74,515
Assigned	-	-	75,236	-	-	-	-
Committed	-	423,661	-	385,240	1,449,857	-	-
Total Fund Balances	1,555,192	423,661	75,236	385,318	1,449,857	853,160	74,515
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,555,192	\$ 423,661	\$ 416,075	\$ 427,720	\$ 1,449,857	\$ 853,160	\$ 74,515

CITY OF HUDSON, WISCONSIN
 Combining Balance Sheet
 Nonmajor Governmental Funds
 As of December 31, 2024

	Police Evidence	Police Drug Forfeitures	Fire Donations	Business Park Revolving	Storm Water MS-4 Fund	Storm Water Fund	Special Assessments	Total Nonmajor Governmental Funds
ASSETS								
Cash and Investments	\$ 137,093	\$ 3,875	\$ 3,769	\$ 667,522	\$ 183,471	\$ 571,354	\$ 65,696	\$ 6,612,486
Accounts Receivable	-	-	-	-	-	134,780	-	355,176
Due from Other Governments	-	-	-	-	-	27	-	27
Prepaid Items	-	-	-	-	-	-	-	78
TOTAL ASSETS	\$ 137,093	\$ 3,875	\$ 3,769	\$ 667,522	\$ 183,471	\$ 706,161	\$ 65,696	\$ 6,967,767
LIABILITIES								
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,497	\$ -	\$ 16,156
Accrued Liabilities	-	-	-	-	-	4,867	-	43,000
Unearned Revenue	-	-	-	-	-	-	-	-
American Rescue Plan Act Funds	-	-	-	-	-	-	-	339,449
Total Liabilities	-	-	-	-	-	15,364	-	398,605
FUND BALANCES								
Nonspendable	-	-	-	-	-	-	-	78
Restricted	137,093	3,875	3,769	667,522	-	-	-	3,295,126
Assigned	-	-	-	-	-	-	65,696	140,932
Committed	-	-	-	-	183,471	690,797	-	3,133,026
Total Fund Balances	137,093	3,875	3,769	667,522	183,471	690,797	65,696	6,569,162
TOTAL LIABILITIES AND FUND BALANCES	\$ 137,093	\$ 3,875	\$ 3,769	\$ 667,522	\$ 183,471	\$ 706,161	\$ 65,696	\$ 6,967,767

CITY OF HUDSON, WISCONSIN
 Combining Statement of Revenues, Expenditures and Changes in Fund Balances
 Nonmajor Governmental Funds
 For the Year Ended December 31, 2024

	Impact Fees Fund	Room Tax Fund	American Rescue Plant Act (ARPA) Fund	Library Fund	Sewer Collection System	Parks Dedication Fees	Police Donations
REVENUES							
Taxes	\$ -	\$ 576,908	\$ -	\$ -	\$ -	\$ -	\$ -
Special Assessments	-	-	-	-	-	-	-
Intergovernmental	-	-	363,411	-	-	-	-
Fines, Forfeitures and Penalties	-	-	-	-	-	-	-
Charges for Services	-	-	-	528,992	-	57,450	-
Investment Income	83,446	1,441	-	22,946	77,794	45,777	3,998
Donations	-	-	-	80,075	-	-	38,972
Miscellaneous	-	-	-	2,911	-	150	566
Total Revenues	83,446	578,349	363,411	634,924	77,794	103,377	43,536
EXPENDITURES							
Current:							
Public Safety	-	-	-	-	-	-	33,760
Transportation Facilities	-	-	-	-	-	-	-
Culture, Recreation, and Education	-	237,040	-	1,366,477	-	167,212	-
Capital Outlay	-	-	363,411	-	-	-	-
Total Expenditures	-	237,040	363,411	1,366,477	-	167,212	33,760
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	83,446	341,309	-	(731,553)	77,794	(63,835)	9,776
OTHER FINANCING SOURCE							
Transfers In	-	-	-	744,366	-	-	-
NET CHANGE IN FUND BALANCES	83,446	341,309	-	12,813	77,794	(63,835)	9,776
FUND BALANCES - BEGINNING AS PREVIOUSLY REPORTED	1,471,746	82,352	75,236	-	1,372,063	916,995	64,739
Change in Reporting Entity	-	-	-	372,505	-	-	-
FUND BALANCES - BEGINNING AS RESTATED	1,471,746	82,352	75,236	372,505	1,372,063	916,995	64,739
FUND BALANCES - ENDING	\$ 1,555,192	\$ 423,661	\$ 75,236	\$ 385,318	\$ 1,449,857	\$ 853,160	\$ 74,515

CITY OF HUDSON, WISCONSIN
 Combining Statement of Revenues, Expenditures and Changes in Fund Balances
 Nonmajor Governmental Funds
 For the Year Ended December 31, 2024

	Police Evidence	Police Drug Forfeitures	Fire Donations	Business Park Revolving Loan Fund	Storm Water MS-4 Fund	Storm Water Fund	Special Assessments	Total Nonmajor Governmental Funds
REVENUES								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 576,908
Special Assessments	-	-	-	-	-	-	62,171	62,171
Intergovernmental	-	-	-	-	-	-	-	363,411
Fines, Forfeitures and Penalties	-	9	-	-	-	-	-	9
Charges for Services	-	-	-	-	9,844	526,870	3,525	1,113,312
Investment Income	-	1	202	35,816	-	30,657	-	315,447
Donations	-	-	9,682	-	-	-	-	128,729
Miscellaneous	177,796	-	-	-	-	5	-	181,428
Total Revenues	177,796	10	9,884	35,816	9,844	557,532	65,696	2,741,415
EXPENDITURES								
Current:								
Public Safety	40,703	-	-	-	-	-	-	74,463
Transportation Facilities	-	-	-	-	-	405,202	-	405,202
Culture, Recreation, and Education	-	-	6,115	-	-	-	-	1,776,844
Capital Outlay	-	-	-	-	-	-	-	363,411
Total Expenditures	40,703	-	6,115	-	-	405,202	-	2,619,920
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	137,093	10	3,769	35,816	9,844	152,330	65,696	121,495
OTHER FINANCING USE								
Transfers In	-	-	-	-	-	-	-	744,366
NET CHANGE IN FUND BALANCES	137,093	10	3,769	35,816	9,844	152,330	65,696	865,861
FUND BALANCES - BEGINNING AS PREVIOUSLY REPORTED								
Change in Reporting Entity	-	3,865	-	631,706	173,627	538,467	-	5,330,796
FUND BALANCES - BEGINNING AS RESTATED								
	-	3,865	-	631,706	173,627	538,467	-	5,703,301
FUND BALANCES - ENDING	\$ 137,093	\$ 3,875	\$ 3,769	\$ 667,522	\$ 183,471	\$ 690,797	\$ 65,696	\$ 6,569,162

OTHER INFORMATION

CITY OF HUDSON, WISCONSIN
Detailed Schedule of Budgetary Comparison Revenues and Other Financing Sources
General Fund
For the Year Ended December 31, 2024

	Original and Final Budget	Actual Amounts	Variance Favorable (Unfavorable)
TAXES			
General Property Taxes	\$ 7,943,665	\$ 7,943,663	\$ (2)
Interest on Taxes	-	14	14
Total Taxes	<u>7,943,665</u>	<u>7,943,677</u>	<u>12</u>
INTERGOVERNMENTAL			
Federal Aids			
Law Enforcement	-	1,283	1,283
Fire Department	-	31,170	31,170
Transportation	-	112,455	112,455
State Aids			
Shared Taxes	576,549	577,747	1,198
Aid for Exempt Computers	30,502	30,502	-
Fire Insurance Dues	110,000	122,709	12,709
Aid for Police Training	4,000	8,434	4,434
General Transportation Aids	816,024	818,948	2,924
State Transportation	-	59,811	59,811
Personal Property Aid	79,860	79,860	-
Fire Suppression	-	10,000	10,000
Other State Payments	-	9,940	9,940
Total Intergovernmental	<u>1,616,935</u>	<u>1,862,859</u>	<u>245,924</u>
LICENSES AND PERMITS			
Liquor and Malt Beverage Licenses	40,000	23,030	(16,970)
Other Business and Occupational Licenses	19,930	25,619	5,689
Dog and Cat Licenses	5,000	5,545	545
Cigarette Licenses	2,400	3,340	940
Building Permits	415,000	387,361	(27,639)
Other Permits	13,750	27,005	13,255
Filing Fees	30,000	37,499	7,499
Total Licenses and Permits	<u>526,080</u>	<u>509,399</u>	<u>(16,681)</u>
FINES, FORFEITURES AND PENALTIES			
Court Penalties and Fees	<u>125,900</u>	<u>75,804</u>	<u>(50,096)</u>
PUBLIC CHARGES FOR SERVICES			
Publication Fees	300	1,050	750
Maps, Copies, and Photos	200	1,451	1,251
Tax Exempt Property Fees	-	325	325
Assessment Search Fees	6,000	1,225	(4,775)
Administrations Charges to Business Park	12,500	-	(12,500)
Police Special OT	2,500	1,602	(898)
Public Education Fees	400	-	(400)
Maintenance Charges	200,000	231,649	31,649
Weed and Nuisance Control	1,000	-	(1,000)
Parks and Recreation	30,000	41,949	11,949
Boat Launching	110,000	78,120	(31,880)
Sal Boat Mooring	15,000	15,180	180
Total Public Charges for Services	<u>377,900</u>	<u>372,551</u>	<u>(5,349)</u>

CITY OF HUDSON, WISCONSIN
Detailed Schedule of Budgetary Comparison Revenues and Other Financing Sources - Continued
General Fund
For the Year Ended December 31, 2024

	Original and Final Budget	Actual Amounts	Variance Favorable (Unfavorable)
INTERGOVERNMENTAL CHARGES FOR SERVICES			
Fire Protection - Contracts	640,126	640,128	2
School Liason Officer	200,000	235,431	35,431
Police Labor Reimbursement	2,000	1,309	(691)
Other Charges	2,000	3,500	1,500
Library - Administrative Charge	15,500	15,000	(500)
Cable TV Administrative Charge	8,400	8,400	-
Total Intergovernmental Charges for Services	<u>868,026</u>	<u>903,768</u>	<u>35,742</u>
MISCELLANEOUS			
Investment Income	100,000	304,894	204,894
MB Occupancy Costs	114,937	343,936	228,999
Rent of City Building and Property	1,200	1,200	-
Rent Charge to Ambulance Service	1,200	1,200	-
Insurance Recoveries and Dividends	2,000	60,807	58,807
Donations	-	6,000	6,000
Sale of Assets	4,000	-	(4,000)
Other Miscellaneous Revenue	32,700	57,267	24,567
Total Miscellaneous	<u>256,037</u>	<u>775,304</u>	<u>519,267</u>
OTHER FINANCING SOURCES			
Sale of Capital Assets	-	16,350	16,350
Transfers In	560,000	472,735	(87,265)
Total Other Financing Sources	<u>560,000</u>	<u>489,085</u>	<u>(70,915)</u>
TOTAL REVENUES AND OTHER FINANCING SOURCES	<u>\$ 12,274,543</u>	<u>\$ 12,932,447</u>	<u>\$ 657,904</u>

CITY OF HUDSON, WISCONSIN
Detailed Schedule of Budgetary Comparison Expenditures and Other Financing Use
General Fund
For the Year Ended December 31, 2024

	Original and Final Budget	Actual Amounts	Variance Favorable (Unfavorable)
GENERAL GOVERNMENT			
Mayor and Council	\$ 68,731	\$ 81,385	\$ (12,654)
Municipal Court	139,984	120,569	19,415
City Attorney and Other Legal	80,000	173,130	(93,130)
Clerk-Treasurer	570,048	598,861	(28,813)
Administrator	191,608	292,804	(101,196)
Labor Negotiator and Drug Test	8,000	20,614	(12,614)
Information Techonology	213,500	292,964	(79,464)
Elections	59,353	39,359	19,994
Assessment of Property	73,750	89,915	(16,165)
Insurance	309,445	310,979	(1,534)
City Hall	153,561	212,648	(59,087)
Municipal Building	237,724	244,868	(7,144)
Total General Government	<u>2,105,704</u>	<u>2,478,096</u>	<u>(372,392)</u>
PUBLIC SAFETY			
Police Administration	808,471	864,943	(56,472)
Police Patrol	3,163,746	3,750,390	(586,644)
Criminal Investigation	608,892	299,375	309,517
School Officer	281,591	272,102	9,489
Police and Fire Commission	2,500	-	2,500
Fire Department	499,180	607,894	(108,714)
Fire Department Training	70,249	76,159	(5,910)
Fire Department Officers	32,985	33,151	(166)
Fire Deferred Compensation Wages	22,683	16,520	6,163
Fire Mechanic Wages	10,647	10,983	(336)
Fire Administration	412,996	431,649	(18,653)
Building Inspection	256,025	268,535	(12,510)
Emergency Government - Sirens	2,200	2,589	(389)
Disaster Control	-	2,665	(2,665)
Dams	600	-	600
Total Public Safety	<u>6,172,765</u>	<u>6,636,955</u>	<u>(464,190)</u>
TRANSPORTATION FACILITIES			
Director of Public Works	416,618	417,723	(1,105)
Machinery and Equipment	202,663	221,133	(18,470)
Garage - Storage Sheds	34,700	78,890	(44,190)
West Garage	9,500	7,519	1,981
Street Maintenance	1,110,102	993,567	116,535
Highways 94 and 35	35,000	15,834	19,166
Street Lighting	137,500	158,484	(20,984)
Street Signs and Markings	17,000	14,738	2,262
Stop and Go Lights	10,500	30,119	(19,619)
Total Transportation Facilities	<u>1,973,583</u>	<u>1,938,007</u>	<u>35,576</u>

CITY OF HUDSON, WISCONSIN
Detailed Schedule of Budgetary Comparison Expenditures and Other Financing Use - Continued
General Fund
For the Year Ended December 31, 2024

	Original and Final Budget	Actual Amounts	Variance Favorable (Unfavorable)
SANITATION			
Landfill	2,500	4,163	(1,663)
Weed Control	6,500	10,746	(4,246)
Recycling Coordinator	5,706	6,032	(326)
Total Sanitation	<u>14,706</u>	<u>20,941</u>	<u>(6,235)</u>
HEALTH AND HUMAN SERVICES			
Sealer of Weights and Measurers	6,000	6,750	(750)
Animal Control	7,300	10,572	(3,272)
Total Health and Human Services	<u>13,300</u>	<u>17,322</u>	<u>(4,022)</u>
CULTURE AND RECREATION			
Parks:			
Park Administration	126,941	130,841	(3,900)
Park Maintenance	246,253	277,808	(31,555)
Lakefront Park	43,292	37,122	6,170
Grandview Park	57,089	37,307	19,782
Total Culture and Recreation	<u>473,575</u>	<u>483,078</u>	<u>(9,503)</u>
CONSERVATION AND DEVELOPMENT			
Shade Tree Control	149,601	151,929	(2,328)
Community Development	513,009	399,862	113,147
Total Conservation and Development	<u>662,610</u>	<u>551,791</u>	<u>110,819</u>
CAPITAL OUTLAY			
Fire Department	42,500	49,959	(7,459)
DEBT SERVICE			
Principal	8,773	8,773	-
Interest and Fiscal Charges	1,397	1,397	-
Total Debt Service	<u>10,170</u>	<u>10,170</u>	<u>-</u>
OTHER FINANCING USE			
Transfers Out	805,630	744,366	61,264
TOTAL EXPENDITURES AND OTHER FINANCING USE	<u>\$ 12,274,543</u>	<u>\$ 12,930,685</u>	<u>\$ (656,142)</u>

FORM OF LEGAL OPINION

(See following pages)

FRYBERGER

— LAW FIRM —

May 26, 2026

City of Hudson
505 3rd Street
Hudson, WI 54016

[PURCHASER]

Re: *City of Hudson, Wisconsin*
\$_____ *General Obligation Promissory Notes, Series 2026A*

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 the above-referenced bonds dated the date hereof (the “Notes”). The Notes are issued pursuant to Chapter 67, Wisconsin Statutes.

A. Scope of Examination. For the purpose of rendering this opinion letter, we have examined the following:

1. a resolution of the Issuer adopted on May 4, 2026, authorizing the issuance and delivery of the Notes (the “Resolution”);
2. the Tax Exemption Certificate of the Issuer dated the date hereof setting forth and certifying as to certain matters, including but not limited to the use and investment of the proceeds of the Notes (the “Tax Certificate”);
3. applicable law and certified copies of certain proceedings taken, and certain affidavits and certificates furnished by the Issuer and others with respect to the authorization, sale and issuance of the Notes; and
4. such other documents and other materials we considered necessary in order to render this opinion.

B. Reliance. As to questions of fact material to our opinion, we have relied upon certified proceedings, documents and certifications furnished to us by public officials and officers of the Issuer and others without undertaking to verify such facts by independent investigation. We have also relied, without independent investigation, upon representations and certifications made by the Issuer in the Tax Certificate and the representations and certifications made by the Issuer, agents of the Issuer and others in connection with the

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SUPERIOR
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Superior, WI 54880
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FRYBERGER LAW FIRM

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issuance of the Notes as to: (a) the nature, cost, use and useful economic life of the facilities and/or improvements financed by the Notes, (b) the application to be made of the proceeds of the Notes, (c) the investment of such proceeds and (d) other matters material to the tax-exempt status of the interest borne by the Notes, including the anticipated sources of repayment of the Notes.

C. Assumptions.

1. In rendering the opinions contained in Section D below, we have assumed: (a) the legal capacity for all purposes relevant hereto of all natural persons, (b) with respect to all parties to agreements or instruments relevant hereto other than the Issuer, that such parties had the requisite power and authority (corporate or otherwise) to execute, deliver and perform such agreements or instruments, (c) that such agreements or instruments are the valid, binding and enforceable obligations of each such party, other than the Issuer, (d) the authenticity of all documents submitted to us as originals and the authenticity of the originals, (e) the conformity to original documents of all documents submitted to us as certified or photostatic copies, (f) the genuineness of the signatures on all documents submitted to us, and (g) the accuracy of the facts and representations stated in all documents submitted to us.

2. In rendering the opinions contained in paragraphs 3 and 4 of Section D below, we have assumed that the proceeds of the Notes will be applied in accordance with the provisions of the Resolution and the representations made by the Issuer in the Tax Certificate and that the Issuer will make or cause to be made any necessary calculations and pay to the United States any amounts required under Section 148 of the Internal Revenue Code of 1986, as amended (the "Code").

3. For the purpose of rendering the opinion set forth in paragraph 3 of Section D, below, we have also assumed compliance by the Issuer with requirements of the Code that must be satisfied subsequent to the issuance of the Notes. The Issuer has covenanted to comply with each such requirement.

D. Opinions. Based upon such examination, assumptions and reliance, on the basis of federal and State of Wisconsin (the "State") laws, regulations, rulings and decisions in effect on the date hereof, but excluding any pending legislation which may have a retroactive date prior to the date hereof, and subject to certain limitations set forth in Section E below, 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 taxable property in the territory of the Issuer is subject to ad valorem taxation without limitation as to rate or amount to pay the principal of and interest on the Notes. 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.

3. The Notes, as of their date of issuance, bear interest which is excluded from 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 imposed on individuals; however, interest on the Notes may affect the federal alternative minimum tax imposed on certain corporations.

4. Based solely on factual representations by the Issuer, the Notes have been designated by the Issuer as “qualified tax-exempt obligations” under and within the meaning of Section 265(b)(3)(b) of the Code.

E. Qualifications and Limitations. The opinions expressed in Section D above are subject to the following:

1. We express no opinion as to federal or state tax consequences arising from ownership of the Notes other than as set forth in Section D hereof.

2. The rights of the owners and enforceability of the Notes are subject to and may be limited by (a) state and federal laws, rulings, decisions and principles of equity affecting remedies, including (without limitation) concepts of materiality, reasonableness, good faith and fair dealing, and other similar doctrines affecting the enforceability of agreements generally (regardless of whether considered in a proceeding in equity or at law); (b) the effect of any applicable bankruptcy, moratorium, insolvency, reorganization, fraudulent conveyance or other similar laws affecting the enforcement of creditors’ or secured creditors’ rights or laws relating to creditors’ or secured creditors’ rights against public instrumentalities heretofore or hereafter enacted to the extent constitutionally applicable; (c) the exercise of judicial discretion in appropriate cases; and (d) federal and state securities laws and public policy relating thereto.

3. Failure by the Issuer to comply with applicable requirements of the Code could cause the interest on the Notes to be includable in the gross income of the owners thereof for federal income taxation, either prospectively or retroactively to the date hereof.

4. Our opinions expressed in Section D above are limited to the law of the State and the federal law of the United States of America, and we assume no responsibility as to the applicability to this transaction, or the effect thereon, of the law of any other jurisdiction.

5. Except as expressly stated in this opinion, we express no opinion as to compliance with any federal securities laws or any state securities or Blue Sky laws.

FRYBERGER LAW FIRM

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6. This opinion is rendered as of the date set forth above and we express no opinion as to circumstances or events which may occur subsequent to such date.

7. The foregoing opinions are being furnished to you solely for your benefit and may not be relied upon by, nor may copies be delivered to, any other person without our prior written consent.

8. We have not been engaged or undertaken to review the accuracy, completeness or sufficiency of any offering material relating to the Notes, and we express no opinion relating thereto.

Respectfully submitted,

Fryberger, Buchanan, Smith & Frederick, P.A.

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 2026A, dated May 26, 2026 (the “Obligations”). The Obligations are being issued pursuant to a Resolution of the Issuer dated May 4, 2026 (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 Disclosure Certificate, 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.

“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 April __, 2026, and the Final Official Statement dated May ____, 2026, delivered in connection with the original issuance and sale of the Obligations, together with 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, 2025, 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 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 of 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 May 26, 2026.

CITY OF HUDSON, WISCONSIN

By _____
Rich O'Connor, Mayor

By _____
Becky Measner, City Clerk

NOTICE OF SALE

**\$8,215,000* GENERAL OBLIGATION PROMISSORY NOTES, SERIES 2026A
CITY OF HUDSON, WISCONSIN**

Bids for the purchase of \$8,215,000* General Obligation Promissory Notes, Series 2026A (the "Notes") of the City of Hudson, Wisconsin (the "City") will be received at the offices of Ehlers and Associates, Inc. ("Ehlers"), 3001 Broadway Street, Suite 320, Minneapolis, Minnesota 55413, municipal advisors to the City, until 10:00 A.M., Central Time, and **ELECTRONIC PROPOSALS** will be received via **PARITY**, in the manner described below, until 10:00 A.M., Central Time, on May 4, 2026, 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 6:00 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 City's 2026-27 capital projects. 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 May 26, 2026, 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>
11/01/2027	\$145,000	11/01/2034	\$370,000	11/01/2041	\$480,000
11/01/2028	195,000	11/01/2035	380,000	11/01/2042	500,000
11/01/2029	265,000	11/01/2036	395,000	11/01/2043	540,000
11/01/2030	325,000	11/01/2037	410,000	11/01/2044	570,000
11/01/2031	335,000	11/01/2038	425,000	11/01/2045	620,000
11/01/2032	345,000	11/01/2039	440,000	05/01/2046	660,000
11/01/2033	355,000	11/01/2040	460,000		

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 May 1 and November 1 of each year, commencing May 1, 2027, 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, Minneapolis, 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 November 1, 2035 shall be subject to optional redemption prior to maturity on November 1, 2034 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 May 26, 2026, 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 Bonds 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 EXEMPTION" 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 \$8,112,312.50 plus accrued interest on the principal sum of \$8,215,000 from date of original issue of the Notes to date of delivery. **The maximum proposal allowed will be \$9,036,500.** 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 10:00 A.M., Central Time, but no bid will be received after the time for receiving bids specified above. To the extent any instructions or directions set forth in **PARITY** conflict with this Notice of Sale, the terms of this Notice of Sale shall control. For further information about **PARITY**, potential bidders may contact 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 \$164,300 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.

QUALIFIED TAX-EXEMPT OBLIGATIONS

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

CONTINUING DISCLOSURE

In order to assist the 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 3001 Broadway Street, Suite 320, Minneapolis, Minnesota 55413, 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")

May 4, 2026

RE: **\$8,215,000* General Obligation Promissory Notes, Series 2026A (the "Notes")**
DATED: **May 26, 2026**

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 \$8,112,312.50, **nor more than \$9,036,500**) plus accrued interest to date of delivery for fully registered Notes bearing interest rates and maturing in the stated years as follows:

_____ % due	11/01/2027	_____ % due	11/01/2034	_____ % due	11/01/2041
_____ % due	11/01/2028	_____ % due	11/01/2035	_____ % due	11/01/2042
_____ % due	11/01/2029	_____ % due	11/01/2036	_____ % due	11/01/2043
_____ % due	11/01/2030	_____ % due	11/01/2037	_____ % due	11/01/2044
_____ % due	11/01/2031	_____ % due	11/01/2038	_____ % due	11/01/2045
_____ % due	11/01/2032	_____ % due	11/01/2039	_____ % due	05/01/2046
_____ % due	11/01/2033	_____ % due	11/01/2040		

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 \$164,300 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 May 26, 2026.

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 May 26, 2026 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 May 4, 2026.

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