

CITY OF HUDSON, WISCONSIN
FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
YEAR ENDED DECEMBER 31, 2016

**CITY OF HUDSON, WISCONSIN
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YEAR ENDED DECEMBER 31, 2016**

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FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

The City Council
City of Hudson
Hudson, Wisconsin

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Hudson, Wisconsin (City) as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Hudson, Wisconsin as of December 31, 2016, and the respective changes in the financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, Wisconsin Retirement System pension plan schedules, and schedule of funding progress, as referenced in the table of contents, be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements as a whole. The combining and individual fund statements are presented for purposes of additional analysis and are not a required part of the financial statements. This 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 information is fairly stated in all material respects in relation to the basic financial statements as a whole. We have also previously audited, in accordance with auditing standards generally accepted in the United States of America, the City's basic financial statements for the year ended December 31, 2015 which are not presented with the accompanying financial statements. In our report dated September 30, 2016, we expressed unmodified opinions on the respective financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information. That audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements as a whole. The 2015 individual fund statements are presented for purposes of additional analysis and are not a required part of the 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 2015 financial statements. The information has been subjected to the auditing procedures applied in the audit of those financial statements and certain additional

The City Council
The City of Hudson

procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2015 individual fund statements are fairly stated in all material respects in relation to the basic financial statements from which they have been derived.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Hudson, Wisconsin
June 23, 2017

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF HUDSON, WISCONSIN
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2016**

As management of the City of Hudson, Wisconsin (City), we offer the readers of the City's financial statements this narrative overview and analysis of financial activities of the City for the year ended December 31, 2016. Please consider this information in conjunction with the City's financial statements, which begin on page 18 following this narrative.

FINANCIAL HIGHLIGHTS

Key financial highlights for the year ended December 31, 2016 include the following:

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$93,059,002 (*net position*). Of this amount, \$66,248,010 represented the City's net investment in capital assets, \$5,853,285 was held for restricted purposes, and \$20,957,707 was unrestricted. The unrestricted net position may be used to meet the City's ongoing obligations to citizens and creditors.
- During the year, the City's total net position increased \$614,016. Net position related to the business-type activities of the City decreased \$600,170, while net position related to governmental activities increased \$1,214,186.
- At the end of 2016, the City's governmental funds reported combined ending fund balances of \$12,016,308, a decrease of \$1,530,580 from the previous year. This decrease was largely attributable to prior year unspent debt proceeds in the capital projects fund being spent in the current year.
- During the year, the general fund balance increased \$337,775. At the end of 2016, the unassigned general fund balance totaled \$4,693,585 or 55.5% of the general fund expenditures and other financing uses. The City has assigned \$692,768 of its general fund balance, which together with the year-end unassigned balance, represented 63.7% of general fund expenditures and other financing uses.
- The City's outstanding long-term debt and other long-term obligations increased by \$1,285,529 during the current fiscal year. The City issued \$4,995,000 of new debt during 2016, with which \$1,885,000 refunded old debt.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

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

**CITY OF HUDSON, WISCONSIN
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2016**

The *Statement of Net Position* presents information on all of the City's assets and deferred outflows of resources, less liabilities and deferred inflows of resources, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

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

Both of the government-wide financial statements distinguish those functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and service charges (*business-type activities*). The governmental activities of the City include general government, public safety, public works, health and social services, culture, recreation and education, and conservation and development. The business-type activities of the City include a water utility, a sewage treatment utility, parking facilities and ambulance services.

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

The government-wide financial statements can be found beginning on page 18 of this report.

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other governmental entities, uses fund accounting to ensure and demonstrate compliance with various finance-related legal requirements. All of the funds of the City can be divided into three categories: *governmental funds*, *proprietary funds* and *fiduciary funds*.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

**CITY OF HUDSON, WISCONSIN
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2016**

The City reports eleven (11) individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the general fund, impact fees fund, debt service fund and capital projects fund which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements in the supplementary information section.

The basic governmental fund financial statements can be found beginning on page 20 of this report.

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

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for each of the enterprise funds, which are all considered to be major funds of the City.

The basic proprietary fund financial statements can be found on page 25 of this report.

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

The basic fiduciary fund financial statements can be found beginning on page 30 of this report.

Notes to the Financial Statements

The notes to the basic financial statements provide additional detail that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found beginning on page 31 of this report.

Supplementary Information

In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information on the City's operating budget. Required supplementary information can be found beginning on page 68 of this report.

Following the basic government-wide and fund financial statements, accompanying notes, and required supplementary information, additional supplementary information has been provided as part of this report. The supplementary information includes combining statements for the nonmajor governmental funds and individual fund statements for selected funds. This supplementary information section of the report begins on page 73.

**CITY OF HUDSON, WISCONSIN
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2016**

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The City's assets and deferred outflows of resources exceeded liabilities and deferred inflows by \$93,059,002 at the close of 2016. The largest portion of this net position (71%) reflects the City's investment in capital assets, including land, land improvements, buildings, machinery and equipment, infrastructure, plant in service and construction in progress, net of related outstanding debt used to acquire the assets. These capital assets are used to provide services to citizens and are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

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

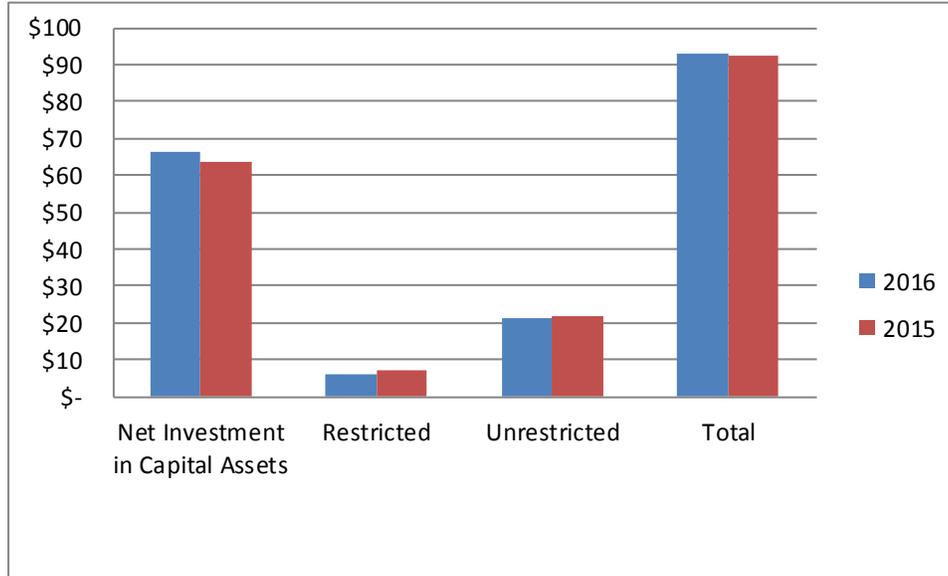
**Condensed Statement of Net Position
December 31, 2016 and 2015**

	Governmental Activities		Business-Type Activities		Totals	
	2016	2015	2016	2015	2016	2015
Current and Other Assets	\$ 21,277,020	\$ 23,035,545	\$ 16,519,252	\$ 17,911,106	\$ 37,796,272	\$ 40,946,651
Capital Assets	50,319,831	47,047,324	30,341,000	28,953,214	80,660,831	76,000,538
Internal Balances	116,411	74,264	(116,411)	(74,264)	-	-
Total Assets	<u>71,713,262</u>	<u>70,157,133</u>	<u>46,743,841</u>	<u>46,790,056</u>	<u>118,457,103</u>	<u>116,947,189</u>
Deferred Outflows of Resources	2,718,667	760,272	695,839	199,902	3,414,506	960,174
Long-Term Debt Outstanding	14,843,206	14,371,809	1,600,818	878,625	16,444,024	15,250,434
Other Long-Term Obligations	1,318,298	1,205,971	-	-	1,318,298	1,205,971
Other Liabilities	1,262,470	764,448	499,094	431,313	1,761,564	1,195,761
Total Liabilities	<u>17,423,974</u>	<u>16,342,228</u>	<u>2,099,912</u>	<u>1,309,938</u>	<u>19,523,886</u>	<u>17,652,166</u>
Deferred Inflows of Resources	9,028,803	7,810,211	259,918	-	9,288,721	7,810,211
Net Position:						
Net Investment in						
Capital Assets	36,434,998	35,169,617	29,813,012	28,270,101	66,248,010	63,439,718
Restricted	3,000,145	3,978,015	2,853,140	3,265,381	5,853,285	7,243,396
Unrestricted	8,544,009	7,617,334	12,413,698	14,144,538	20,957,707	21,761,872
Total Net Position	<u>\$ 47,979,152</u>	<u>\$ 46,764,966</u>	<u>\$ 45,079,850</u>	<u>\$ 45,680,020</u>	<u>\$ 93,059,002</u>	<u>\$ 92,444,986</u>

An additional portion of the City's net position (6%) represents resources that are subject to other restrictions as to how they may be used. The remaining \$20,957,707 of total net position (23%) may be used to meet the City's on-going obligations to its citizens and creditors. It is important to note that \$12,413,698 of the unrestricted net position is related to the City's business-type activities. Consequently, they generally may not be available to fund governmental activities.

**CITY OF HUDSON, WISCONSIN
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2016**

The following chart shows the comparison of the three components of net position for the years 2016 and 2015 (in millions):



Governmental Activities. The following condensed statement of changes in net position of the City's governmental activities for the year ended December 31, 2016, shows total net position increased \$1,214,186 (2.5%) from the prior year. The primary reason is due to the change in the pension plan asset/liability and deferred outflows and inflows.

Business-type Activities. The following condensed statement of changes in net position of the City's business-type activities for the year ended December 31, 2016, shows total net position decreased \$600,170 (-1.3%) from the prior year. The key reason for this decrease is due to increased repair and maintenance expenditures in the current year.

**CITY OF HUDSON, WISCONSIN
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2016**

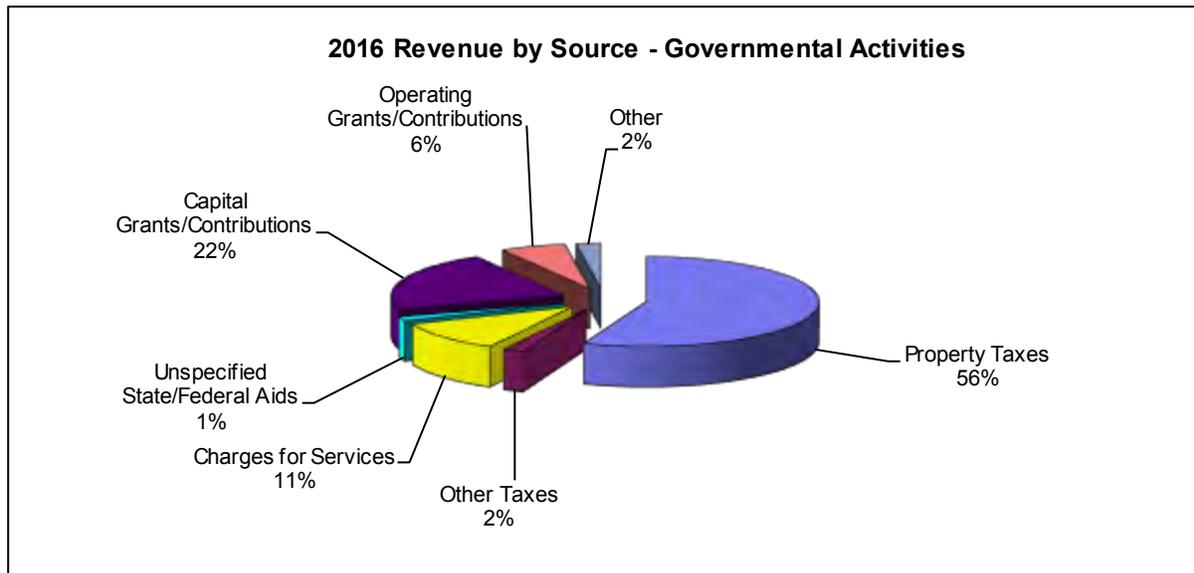
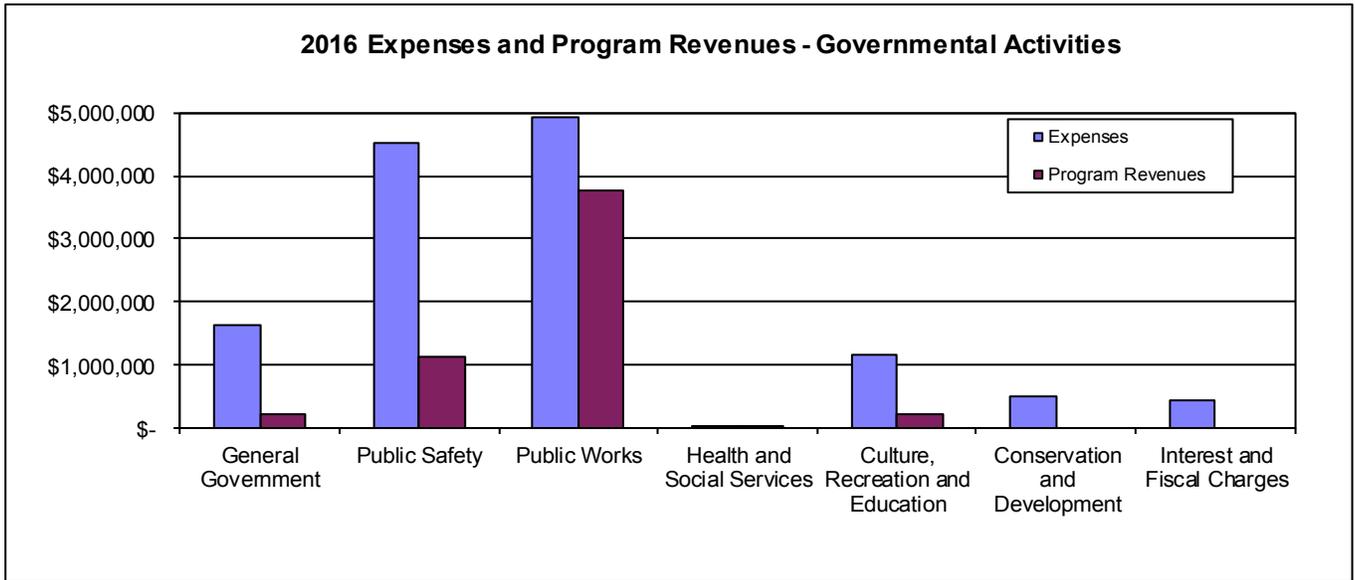
The following is a summary of the changes in the City's net position for the years ended December 31, 2016 and 2015:

**Condensed Statement of Changes in Net Position
December 31, 2016 and 2015**

	Governmental Activities		Business-Type Activities		Totals	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program Revenues:						
Charges for Services	\$ 1,499,051	\$ 1,556,502	\$ 5,968,667	\$ 5,935,768	\$ 7,467,718	\$ 7,492,270
Operating Grants and Contributions	855,815	839,844	26,215	2,452	882,030	842,296
Capital Grants and Contributions	3,011,744	1,311,387	846,012	562,889	3,857,756	1,874,276
General Revenues:						
Property Taxes	7,806,132	7,391,407	-	-	7,806,132	7,391,407
Other Taxes	275,648	243,566	-	-	275,648	243,566
State and Federal Aids not Restricted to Specific Programs	192,348	195,382	-	-	192,348	195,382
Other	321,227	512,524	48,275	136,462	369,502	648,986
Total Revenues	13,961,965	12,050,612	6,889,169	6,637,571	20,851,134	18,688,183
Expenses:						
General Government	1,646,388	1,667,652	-	-	1,646,388	1,667,652
Public Safety	4,520,690	3,918,222	-	-	4,520,690	3,918,222
Public Works	4,940,743	4,109,936	-	-	4,940,743	4,109,936
Health and Social Services	16,960	10,876	-	-	16,960	10,876
Culture, Recreation, and Education	1,165,145	1,012,047	-	-	1,165,145	1,012,047
Conservation and Development	494,367	693,463	-	-	494,367	693,463
Interest and Fiscal Charges	454,257	448,961	-	-	454,257	448,961
Water	-	-	3,373,893	2,340,684	3,373,893	2,340,684
Sewage Treatment	-	-	2,225,123	1,865,507	2,225,123	1,865,507
Parking Facility	-	-	149,064	135,649	149,064	135,649
Ambulance Services	-	-	1,250,488	1,365,303	1,250,488	1,365,303
Total Expenses	13,238,550	11,861,157	6,998,568	5,707,143	20,237,118	17,568,300
Change in Net Position before Transfers	723,415	189,455	(109,399)	930,428	614,016	1,119,883
Transfers	490,771	453,862	(490,771)	(453,862)	-	-
Change in Net Position	1,214,186	643,317	(600,170)	476,566	614,016	1,119,883
Net Position - Beginning of Year	46,764,966	46,121,649	45,680,020	45,203,454	92,444,986	91,325,103
Net Position - End of Year	\$ 47,979,152	\$ 46,764,966	\$ 45,079,850	\$ 45,680,020	\$ 93,059,002	\$ 92,444,986

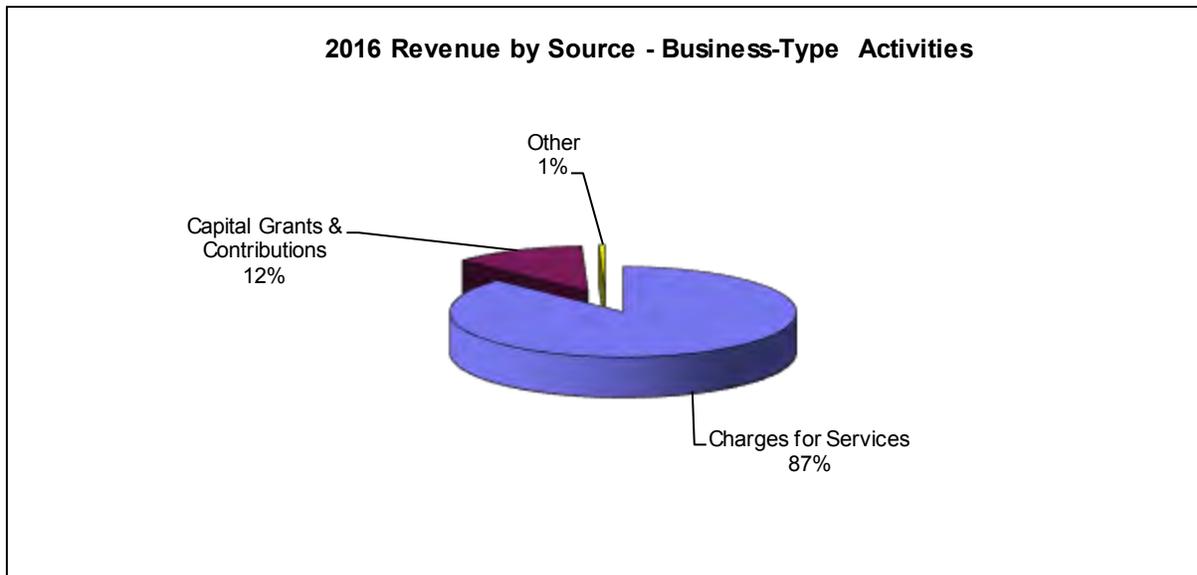
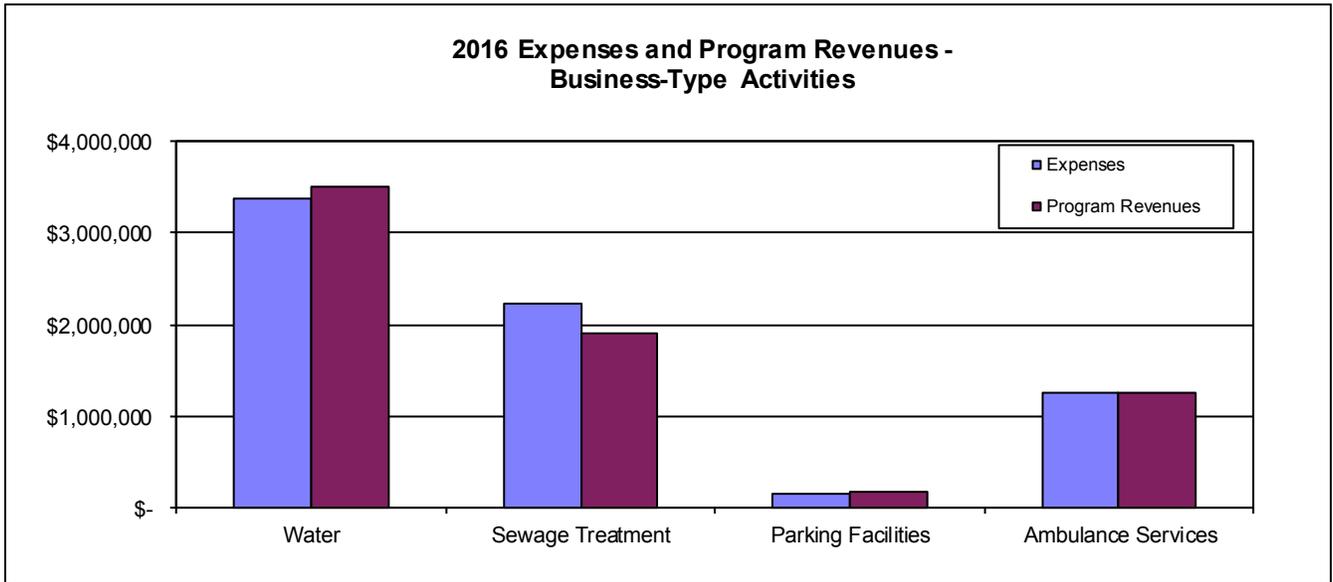
A review of the statement of activities can provide a concise picture of how the various functions/programs of the City are funded. The following charts draw data from the statement of activities.

**CITY OF HUDSON, WISCONSIN
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2016**



As shown above, the City is highly dependent on property taxes (56%) as its principal source of revenues for governmental activities. Program revenues represent 39% of governmental activities revenue.

**CITY OF HUDSON, WISCONSIN
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2016**



In the case of business-type activities, the data shows a considerably different picture from that of governmental activities. Charges for services (87%) replace property taxes as the primary revenue. Grants and contributions consist primarily of impact fees collected for the water utility and hook-up fees for sewer services.

**CITY OF HUDSON, WISCONSIN
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2016**

FINANCIAL ANALYSIS OF THE CITY'S MAJOR FUNDS

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

Governmental Funds

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

As of December 31, 2016, the City's governmental funds reported combined ending fund balances of \$12,016,308, a decrease of \$1,530,580 from the previous year, which is primarily a result of unspent debt proceeds in the capital projects fund in the prior year being spent in the current year. The governmental funds comprising this balance are shown below:

	Fund Balances at 12/31/2016					Total	Change During Year
	Nonspendable	Restricted	Committed	Assigned	Unassigned		
Major Funds:							
General Fund	\$ 157,410	\$ -	\$ -	\$ 692,768	\$ 4,693,585	\$ 5,543,763	\$ 337,775
Impact Fees Fund	-	1,465,074	-	-	-	1,465,074	(22,024)
Debt Service Fund	-	51,497	-	-	-	51,497	(58,891)
Capital Projects Fund	-	-	2,506,634	-	-	2,506,634	(1,533,051)
Nonmajor Funds:							
Sewer Collection System							
Replacement Fund	-	-	956,892	-	-	956,892	(53,950)
Parks Dedication Fees Fund	-	457,808	-	-	-	457,808	(136,087)
Police Donations Fund	-	28,197	-	-	-	28,197	12,671
Police Drug Forfeitures Fund	-	1,284	-	-	-	1,284	525
Business Park Revolving Loan Fund	-	546,484	-	-	-	546,484	1,407
Storm Water MS-4 Fund	-	235,029	-	-	-	235,029	235,029
Storm Water Fund	-	223,646	-	-	-	223,646	(313,984)
	<u>\$ 157,410</u>	<u>\$ 3,009,019</u>	<u>\$ 3,463,526</u>	<u>\$ 692,768</u>	<u>\$ 4,693,585</u>	<u>\$ 12,016,308</u>	<u>\$ (1,530,580)</u>

The general fund is the primary operating fund used to account for the governmental operations of the City. As a measure of the general fund's liquidity, it may be useful to compare both total fund balance and unassigned fund balance to measures of operating volume such as fund expenditures or fund revenues. The total year-end general fund balance represented 65.6% of total general fund expenditures and other financing uses reported on the statement of revenues, expenditures and changes in fund balances while the unassigned balance represented 55.5% of the same amount. The City has assigned \$692,768 of its general fund balance which combined with the year-end unassigned balance (\$4,693,585), represented 63.7% of that same amount.

The general fund's total fund balance increased \$337,775 during the year, which is primarily due to most expenditures ending under budget.

**CITY OF HUDSON, WISCONSIN
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2016**

The impact fees fund, a special revenue fund, had a balance of \$1,465,074 at December 31, 2016. This balance consists of the unexpended balances of various types of impact fees collected by the City to be used for specified purposes by a specified period of time. Wisconsin Statutes §66.0617(9) place deadlines on the expenditure of impact fees and require the refunding (with interest) of impact fees not expended within the 10 year time limit. In 2016, the City refunded \$26,681 of impact fees that had not been expended within the time limit.

The debt service fund had a fund balance of \$51,497 at December 31, 2016. This is a decrease of \$58,891 from prior year due to using a portion of available fund balance to pay for annual principal and interest requirements.

The capital projects fund is used by the City on an ongoing basis to account for various governmental capital outlay projects primarily financed from proceeds of long-term debt. The balance in this fund at December 31, 2016, was \$2,506,634.

The aggregated other governmental funds column includes various special revenue funds used to account for the proceeds of specific revenue sources that are restricted to expenditures for specific purposes. The accumulated fund balances of these funds decreased \$254,389 during 2016. Transactions of these funds are further detailed in the supplementary information section of this report.

**CITY OF HUDSON, WISCONSIN
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2016**

Proprietary Funds

The City's proprietary funds provide the same type of information found in the government-wide financial statements but in greater detail. As shown below, the net position of the enterprise-type proprietary funds at the end of 2016 totaled \$45,079,850, down \$600,170 from the previous year.

**Condensed Statement of Changes in Net Position for Enterprise Funds
Years Ended December 31, 2016 and 2015**

	Water Utility		Sewer Utility		Parking Utility		Ambulance Service		Totals	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Operating Revenues	\$ 2,874,183	\$ 2,902,486	\$ 1,686,282	\$ 1,470,015	\$ 176,844	\$ 172,616	\$ 1,231,358	\$ 1,290,183	\$ 5,968,667	\$ 5,835,300
Operating Expenses:										
Depreciation	1,173,578	731,232	427,382	376,466	45,902	47,587	68,104	70,303	1,714,966	1,225,588
Other	2,183,523	1,609,452	1,779,520	1,468,626	103,162	88,062	1,179,947	1,120,084	5,246,152	4,286,224
Operating Income (Loss)	(482,918)	561,802	(520,620)	(375,077)	27,780	36,967	(16,693)	99,796	(992,451)	323,488
Nonoperating										
Revenues (Expenses)	526	68,062	212,740	429,757	3,311	5,226	32,734	2,340	249,311	505,385
Net Income (Loss)										
Before Contributions and Transfers	(482,392)	629,864	(307,880)	54,680	31,091	42,193	16,041	102,136	(743,140)	828,873
Capital Contributions	633,741	101,555	-	-	-	-	-	-	633,741	101,555
Transfers to Other Funds	(433,711)	(396,802)	(57,060)	(57,060)	-	-	-	-	(490,771)	(453,862)
Changes in Net Position	(282,362)	334,617	(364,940)	(2,380)	31,091	42,193	16,041	102,136	(600,170)	476,586
Net Position - Beginning	30,867,277	30,532,660	12,002,357	12,004,737	1,695,597	1,653,404	1,114,789	1,012,653	45,680,020	45,203,454
Net Position - End of Year	<u>\$ 30,584,915</u>	<u>\$ 30,867,277</u>	<u>\$ 11,637,417</u>	<u>\$ 12,002,357</u>	<u>\$ 1,726,688</u>	<u>\$ 1,695,597</u>	<u>\$ 1,130,830</u>	<u>\$ 1,114,789</u>	<u>\$ 45,079,850</u>	<u>\$ 45,680,020</u>

The water utility had an operating loss of \$482,918 in 2016. The utility also provides services to residents of the Village of North Hudson. Utility rates have not been subject to an overall adjustment since 1996. The City submitted a rate case application in 2016 with new rates expected to go into effect during 2017.

The sewer utility incurred an operating loss of \$520,620 in 2016 and had an overall negative change in net position of \$364,940 for the year. The utility also provides services to residents of the Village of North Hudson. The City last increased its sewer user rates as of January 1, 2009 to address the operating losses in this fund. The City will increase user rates again in 2017.

The parking utility was established by the City to separately account for resources to be used in developing, maintaining and replacing parking lots and meters of the City.

The ambulance service fund is used to account for operations of the City's emergency medical services department (St. Croix EMS & Rescue). The City also provides EMS services to other local units of government on a contracted basis.

**CITY OF HUDSON, WISCONSIN
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2016**

GENERAL FUND BUDGETARY HIGHLIGHTS

As shown in the *Budgetary Comparison Schedule* for the general fund (in required supplementary information), the final 2016 general fund budget was modified by the City Council. The general fund balance increased during 2016 by \$337,775, which was a \$785,025 favorable variance from the final budget. The City ended the year with a favorable variance between actual amounts and budget amounts for both revenues and expenditures of \$7,418 (0.1%) and \$792,023 (8.9%), respectively.

The favorable expenditure variance is due to a number of expenditure accounts being under budget. The City's contingency/special projects was under budget by \$83,791, Criminal Investigation was under budget by \$64,154, Fire Department (including capital outlays) was under budget by \$86,196, Street Maintenance was under budget by \$145,692, and Parks were under budget by \$85,481.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of December 31, 2016 and 2015 was as shown below:

**Capital Assets, Net of Accumulated Depreciation
December 31, 2016 and 2015**

	Governmental Activities		Business-Type Activities		Totals	
	2016	2015	2016	2015	2016	2015
Not Subject to Depreciation:						
Land and Land Rights	\$ 9,057,585	\$ 9,057,585	\$ 1,027,280	\$ 1,027,280	\$ 10,084,865	\$ 10,084,865
Construction Work in Progress	16,869	197,477	1,095,322	963,975	1,112,191	1,161,452
Subject to Depreciation:						
Buildings and Improvements	6,657,931	6,657,931	-	-	6,657,931	6,657,931
Land Improvements	2,748,020	2,745,421	-	-	2,748,020	2,745,421
Equipment and Vehicles	8,136,853	6,662,638	-	-	8,136,853	6,662,638
Infrastructure	88,090,194	83,576,630	-	-	88,090,194	83,576,630
Water System Plant	-	-	34,294,021	32,792,341	34,294,021	32,792,341
Sewage Treatment Plant	-	-	12,976,828	12,305,468	12,976,828	12,305,468
Parking Utility	-	-	1,058,970	1,058,970	1,058,970	1,058,970
Ambulance Service	-	-	1,034,446	900,638	1,034,446	900,638
Subtotal	114,707,452	108,897,682	51,486,867	49,048,672	166,194,319	157,946,354
Accumulated Depreciation	64,387,621	61,850,358	21,145,867	20,095,458	85,533,488	81,945,816
	\$ 50,319,831	\$ 47,047,324	\$ 30,341,000	\$ 28,953,214	\$ 80,660,831	\$ 76,000,538

**CITY OF HUDSON, WISCONSIN
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2016**

Capital Assets (Continued)

The additions to the City's capital assets during 2016 can be summarized as follows: *(in thousands)*

• Utility Infrastructure	\$2,909.2
• City Infrastructure (including storm water)	4,629.5
• Fire Truck	575.0
• Fire Department Protective Equipment	234.8
• Ambulance	207.0
• Public Works Vehicles	287.3

Additional information related to the City's capital assets is reported in Note 3.C following the financial statements.

Long-Term Obligations

At December 31, 2016, the City had outstanding \$17,472,158 of long-term debt and other long-term obligations. A summary detail of this amount, together with the percent change from the previous year, is shown below:

**Outstanding Long-Term Obligations
December 31, 2016 and 2015**

	Governmental Activities	Business-Type Activities	Outstanding 2016	Outstanding 2015	% Change
Long-Term Debt:					
General Obligation Debt	\$ 14,527,000	\$ 890,000	\$ 15,417,000	\$ 14,073,000	9.6
Unamortized Debt Discount	(2,726)	-	(2,726)	(3,728)	-26.9
Unamortized Debt Premium	318,932	9,077	328,009	302,537	8.4
Sewer Revenue Bonds	-	411,577	411,577	608,849	-32.4
Subtotal	14,843,206	1,310,654	16,153,860	14,980,658	7.8
Other Long-Term Obligations:					
Estimated Employee Leave	376,594	95,618	472,212	431,121	9.5
Other Postemployment Benefit Liabilities	651,540	194,546	846,086	774,850	9.2
Total	<u>\$ 15,871,340</u>	<u>\$ 1,600,818</u>	<u>\$ 17,472,158</u>	<u>\$ 16,186,629</u>	

Under Wisconsin State Statutes, the outstanding general obligation long-term debt of a municipality may not exceed 5% of the equalized property value of all taxable property within the jurisdiction. The applicable debt of the City outstanding at December 31, 2016 totaled \$15,417,000, approximately 18% of the maximum legal limit of \$86,865,935.

The City issued \$4,995,000 of new debt in 2016, including \$1,885,000 of refunding general obligation debt.

Additional information related to the City's long-term debt and other postemployment benefit (OPEB) liability is reported in Note 3.E and Note 4.C, respectively, following the financial statements.

**CITY OF HUDSON, WISCONSIN
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2016**

CURRENTLY KNOWN FACTS

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

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

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City of Hudson's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the office of the Finance Officer, 505 Third Street, Hudson, Wisconsin 54016.

BASIC FINANCIAL STATEMENTS

**CITY OF HUDSON, WISCONSIN
STATEMENT OF NET POSITION
DECEMBER 31, 2016**

	Primary Government			Component Units		
	Governmental Activities	Business-Type Activities	Total	Joint Library	St Croix Business Park	Community Access Board
ASSETS						
Cash and Investments	\$ 12,810,214	\$ 12,221,464	\$ 25,031,678	\$ 376,724	\$ 1,225,107	\$ 996,207
Taxes Receivable	7,699,538	132,802	7,832,340	-	-	-
Special Assessments Receivable	109,876	-	109,876	-	-	-
Specials and Delinquents Held by County	7,987	-	7,987	-	-	-
Accounts Receivable	234,175	1,216,027	1,450,202	-	160,278	61,340
Due from Other Governmental Units	388,896	63,159	452,055	-	-	-
Prepayments	26,334	1,500	27,834	275	551	-
Inventories	-	29,204	29,204	-	-	-
Internal Balances	116,411	(116,411)	-	-	-	-
Restricted Assets:						
Cash and Investments	-	2,855,096	2,855,096	-	-	-
Capital Assets:						
Capital Assets Not Being Depreciated	9,074,454	2,122,602	11,197,056	-	1,816,791	-
Capital Assets Being Depreciated	105,632,998	49,364,265	154,997,263	1,058,353	82,725	167,860
Accumulated Depreciation	(64,387,621)	(21,145,867)	(85,533,488)	(246,584)	(38,579)	(99,109)
Total Assets	<u>71,713,262</u>	<u>46,743,841</u>	<u>118,457,103</u>	<u>1,188,768</u>	<u>3,246,873</u>	<u>1,126,298</u>
DEFERRED OUTFLOWS OF RESOURCES						
Wisconsin Retirement System Pension Plan Related	2,718,667	695,839	3,414,506	141,013	-	37,200
LIABILITIES						
Vouchers and Accounts Payable	484,568	281,696	766,264	9,554	34,805	21,944
Construction Contracts Payable	103,293	-	103,293	-	-	-
Accrued Interest Payable	118,839	18,748	137,587	-	-	-
Payroll Withholdings	79,570	-	79,570	-	-	-
Accrued Wages	81,699	32,943	114,642	7,224	-	1,785
Due to Other Governmental Units	12,338	39,240	51,578	-	-	-
Unearned Revenues	-	7,386	7,386	-	7,446	-
Special Deposits	182,459	-	182,459	-	-	-
Security Deposit	-	125	125	-	-	-
Noncurrent Liabilities:						
Wisconsin Retirement System Pension Plan	489,868	118,956	608,824	25,111	-	6,662
Amounts Due Within One Year	2,243,994	328,514	2,572,508	23,716	-	18,569
Amounts Due in More than One Year	13,627,346	1,272,304	14,899,650	32,045	-	13,146
Total Liabilities	<u>17,423,974</u>	<u>2,099,912</u>	<u>19,523,886</u>	<u>97,650</u>	<u>42,251</u>	<u>62,106</u>
DEFERRED INFLOWS OF RESOURCES						
Subsequent Year's Property Taxes	8,007,465	-	8,007,465	-	-	-
Wisconsin Retirement System Pension Plan Related	1,021,338	259,918	1,281,256	52,846	-	14,020
Total Deferred Inflows of Resources	<u>9,028,803</u>	<u>259,918</u>	<u>9,288,721</u>	<u>52,846</u>	<u>-</u>	<u>14,020</u>
NET POSITION						
Net Investment in Capital Assets	36,434,998	29,813,012	66,248,010	756,008	1,860,937	37,036
Restricted for:						
Unspent Debt Proceeds	-	393,684	393,684	-	-	-
Debt Service	42,623	344,568	387,191	-	-	-
Asset Replacement	-	1,837,946	1,837,946	-	-	-
Capital Projects	1,922,882	-	1,922,882	-	-	-
Economic Development Loan Programs	546,484	-	546,484	-	-	-
Other Purposes	488,156	276,942	765,098	423,277	1,343,685	1,050,336
Unrestricted	8,544,009	12,413,698	20,957,707	-	-	-
Total Net Position	<u>\$ 47,979,152</u>	<u>\$ 45,079,850</u>	<u>\$ 93,059,002</u>	<u>\$ 1,179,285</u>	<u>\$ 3,204,622</u>	<u>\$ 1,087,372</u>

See accompanying Notes to Basic Financial Statements.

**CITY OF HUDSON, WISCONSIN
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2016**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position					
		Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units		
					Governmental Activities	Business-Type Activities	Totals	Joint Library	St Croix Business Park	Community Access Board
Primary Government:										
Governmental Activities:										
General Government	\$ 1,646,388	\$ 238,688	\$ -	\$ -	\$ (1,407,700)	\$ -	\$ (1,407,700)	\$ -	\$ -	\$ -
Public Safety	4,520,690	782,629	81,212	280,274	(3,376,575)	-	(3,376,575)	-	-	-
Public Works	4,940,743	368,743	662,717	2,731,470	(1,177,813)	-	(1,177,813)	-	-	-
Health and Social Services	16,960	5,313	-	-	(11,647)	-	(11,647)	-	-	-
Culture, Recreation and Education	1,165,145	103,678	111,886	-	(949,581)	-	(949,581)	-	-	-
Conservation and Development	494,367	-	-	-	(494,367)	-	(494,367)	-	-	-
Interest and Fiscal Charges	454,257	-	-	-	(454,257)	-	(454,257)	-	-	-
Total Governmental Activities	<u>13,238,550</u>	<u>1,499,051</u>	<u>855,815</u>	<u>3,011,744</u>	<u>(7,871,940)</u>	<u>-</u>	<u>(7,871,940)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Business-Type Activities:										
Water	3,373,893	2,874,183	-	633,741	-	134,031	134,031	-	-	-
Sewage Treatment	2,225,123	1,686,282	-	212,271	-	(326,570)	(326,570)	-	-	-
Parking Facilities	149,064	176,844	50	-	-	27,830	27,830	-	-	-
Ambulance Services	1,250,488	1,231,358	26,165	-	-	7,035	7,035	-	-	-
Total Business-Type Activities	<u>6,998,568</u>	<u>5,968,667</u>	<u>26,215</u>	<u>846,012</u>	<u>-</u>	<u>(157,674)</u>	<u>(157,674)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Primary Government	<u>\$ 20,237,118</u>	<u>\$ 7,467,718</u>	<u>\$ 882,030</u>	<u>\$ 3,857,756</u>	<u>(7,871,940)</u>	<u>(157,674)</u>	<u>(8,029,614)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Component Units:										
Joint Library	\$ 921,988	\$ 493,616	\$ 356,031	\$ -	-	-	-	(72,341)	-	-
St Croix Business Park	39,329	-	-	-	-	-	-	-	(39,329)	-
Community Access Board	185,742	236,518	-	-	-	-	-	-	-	50,776
Total Component Units	<u>\$ 1,147,059</u>	<u>\$ 730,134</u>	<u>\$ 356,031</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(72,341)</u>	<u>(39,329)</u>	<u>50,776</u>
General Revenues:										
Taxes:										
Property Taxes, Levied for General Purposes	-	-	-	-	5,684,407	-	5,684,407	-	-	-
Property Taxes, Levied for Debt Purposes	-	-	-	-	2,121,725	-	2,121,725	-	-	-
Other Taxes	-	-	-	-	275,648	-	275,648	-	-	-
State and Federal Aids not Restricted to Specific Functions	-	-	-	-	192,348	-	192,348	-	-	-
Interest and Investment Earnings	-	-	-	-	52,816	40,275	93,091	1,422	3,604	2,055
Sale of Property	-	-	-	-	-	8,000	8,000	-	-	400
Miscellaneous	-	-	-	-	268,411	-	268,411	2,804	482,211	-
Transfers	-	-	-	-	490,771	(490,771)	-	-	-	-
Total General Revenues and Transfers	-	-	-	-	<u>9,086,126</u>	<u>(442,496)</u>	<u>8,643,630</u>	<u>4,226</u>	<u>485,815</u>	<u>2,455</u>
Change in Net Position	-	-	-	-	1,214,186	(600,170)	614,016	(68,115)	446,486	53,231
Net Position - Beginning of Year	-	-	-	-	46,764,966	45,680,020	92,444,986	1,247,400	2,758,136	1,034,141
Net Position - End of Year	-	-	-	-	<u>\$ 47,979,152</u>	<u>\$ 45,079,850</u>	<u>\$ 93,059,002</u>	<u>\$ 1,179,285</u>	<u>\$ 3,204,622</u>	<u>\$ 1,087,372</u>

See accompanying Notes to Basic Financial Statements.

**CITY OF HUDSON, WISCONSIN
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2016**

	Major Funds				Other Nonmajor Governmental Funds	Totals
	General Fund	Impact Fees Fund	Debt Service Fund	Capital Projects Fund		
ASSETS						
Treasurer's Cash and Investments	\$ 6,051,124	\$ 1,466,141	\$ 46,497	\$ 2,765,787	\$ 2,480,665	\$ 12,810,214
Taxes Receivable	5,461,729	-	2,196,954	40,855	-	7,699,538
Special Assessments Receivable	-	-	-	109,876	-	109,876
Specials and Delinquents Held by County	-	-	-	7,987	-	7,987
Accounts Receivable	136,558	-	5,000	325	92,292	234,175
Due from Other Governments	113,496	-	275,000	-	400	388,896
Advances to Other Funds	116,411	-	-	-	-	116,411
Prepayments	26,334	-	-	-	-	26,334
Total Assets	\$ 11,905,652	\$ 1,466,141	\$ 2,523,451	\$ 2,924,830	\$ 2,573,357	\$ 21,393,431
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
Liabilities:						
Vouchers and Accounts Payable	\$ 196,759	\$ -	\$ -	\$ 164,172	\$ 123,637	\$ 484,568
Construction Contracts Payable	-	-	-	103,293	-	103,293
Payroll Withholdings	79,570	-	-	-	-	79,570
Accrued Wages	81,319	-	-	-	380	81,699
Due Other Governmental Units	12,338	-	-	-	-	12,338
Special Deposits	181,392	1,067	-	-	-	182,459
Total Liabilities	551,378	1,067	-	267,465	124,017	943,927
Deferred Inflows of Resources:						
Subsequent Year's Property Taxes	5,810,511	-	2,196,954	-	-	8,007,465
Unavailable Revenues - Special Assessments	-	-	-	150,731	-	150,731
Unavailable Revenues - Other	-	-	275,000	-	-	275,000
Total Deferred Inflows of Resources	5,810,511	-	2,471,954	150,731	-	8,433,196
Fund Balances:						
Nonspendable	157,410	-	-	-	-	157,410
Restricted	-	1,465,074	51,497	-	1,492,448	3,009,019
Committed	-	-	-	2,506,634	956,892	3,463,526
Assigned	692,768	-	-	-	-	692,768
Unassigned	4,693,585	-	-	-	-	4,693,585
Total Fund Balances	5,543,763	1,465,074	51,497	2,506,634	2,449,340	12,016,308
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 11,905,652	\$ 1,466,141	\$ 2,523,451	\$ 2,924,830	\$ 2,573,357	\$ 21,393,431

See accompanying Notes to Basic Financial Statements.

**CITY OF HUDSON, WISCONSIN
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO NET POSITION OF
GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2016**

Total Fund Balances - Governmental Funds \$ 12,016,308

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:

Land, Easements and Right-of-Way	\$ 9,057,585	
Construction Work in Progress	16,869	
Land Improvements	2,748,020	
Buildings and Improvements	6,657,931	
Machinery/Equipment	8,136,853	
Infrastructure	88,090,194	
Accumulated Depreciation	<u>(64,387,621)</u>	50,319,831

Some receivables, including special assessments, are reported as deferred inflows of resources in the fund financial statements but are recognized as revenue when earned in the government-wide statements 425,731

Net Wisconsin Retirement System pension plan asset/liability and related deferred outflows and inflows of resources are recorded only on the Statement of Net Position. Balances at year-end are:

Net Pension Plan Asset (Liability)	(489,868)	
Deferred Outflows of Resources	2,718,667	
Deferred Inflows of Resources	<u>(1,021,338)</u>	1,207,461

Some liabilities are not due and payable in the current period and therefore are not reported in the funds. These liabilities consist of:

General Obligation Debt Payable	14,527,000	
Accrued Interest on Long-Term Debt	118,839	
Employee Leave Liability	376,594	
Postemployment Benefits (OPEB) Liability	<u>651,540</u>	(15,673,973)

Debt discounts and premiums are amortized over the lives of the related debt in the statement of net position. In the governmental funds these costs are considered expenditures/other financing uses when incurred.

Unamortized Debt Premium	(318,932)	
Unamortized Debt Discount	<u>2,726</u>	<u>(316,206)</u>

Net Position of Governmental Activities \$ 47,979,152

See accompanying Notes to Basic Financial Statements.

CITY OF HUDSON, WISCONSIN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2016

	Major Funds				Other Nonmajor Governmental Funds	Totals
	General Fund	Impact Fees Fund	Debt Service Fund	Capital Projects Fund		
REVENUES:						
Taxes	\$ 5,960,055	\$ -	\$ 2,121,725	\$ -	\$ -	\$ 8,081,780
Special Assessments	-	-	-	95,897	-	95,897
Intergovernmental	929,578	-	-	16,269	20,996	966,843
Licenses and Permits	363,306	-	-	-	-	363,306
Fines and Forfeits	108,404	-	-	-	2,787	111,191
Public Charges for Services	119,781	-	-	-	367,109	486,890
Intergovernmental Charges for Services	537,664	-	-	503,333	-	1,040,997
Miscellaneous:						
Interest	16,326	4,657	2,359	19,238	6,423	49,003
Rent	151,145	-	-	-	-	151,145
Donations	2,060	-	-	-	-	2,060
Other	99,468	-	-	-	102,863	202,331
Total Revenues	<u>8,287,787</u>	<u>4,657</u>	<u>2,124,084</u>	<u>634,737</u>	<u>500,178</u>	<u>11,551,443</u>
EXPENDITURES:						
General Government	1,494,845	-	-	-	-	1,494,845
Public Safety	4,063,561	-	-	-	99,149	4,162,710
Transportation Facilities	1,251,634	-	-	-	301,789	1,553,423
Sanitation	23,342	-	-	-	115,651	138,993
Health and Social Services	16,372	-	-	-	-	16,372
Culture, Recreation and Education	979,967	-	-	-	226,268	1,206,235
Conservation and Development:						
General Operations	316,800	-	-	-	-	316,800
Refunds	-	26,681	-	-	-	26,681
Capital Outlay	-	-	-	4,688,711	-	4,688,711
Debt Service:						
Principal Retirement	-	-	1,781,000	-	-	1,781,000
Current Refunding Payment	-	-	1,870,000	-	-	1,870,000
Interest and Fiscal Charges	-	-	460,988	-	-	460,988
Debt Issuance Costs	-	-	-	40,661	-	40,661
Total Expenditures	<u>8,146,521</u>	<u>26,681</u>	<u>4,111,988</u>	<u>4,729,372</u>	<u>742,857</u>	<u>17,757,419</u>

See accompanying Notes to Basic Financial Statements.

**CITY OF HUDSON, WISCONSIN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS (CONTINUED)
YEAR ENDED DECEMBER 31, 2016**

	Major Funds				Other Nonmajor Governmental Funds	Totals
	General Fund	Impact Fees Fund	Debt Service Fund	Capital Projects Fund		
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ 141,266</u>	<u>\$ (22,024)</u>	<u>\$ (1,987,904)</u>	<u>\$ (4,094,635)</u>	<u>\$ (242,679)</u>	<u>\$ (6,205,976)</u>
OTHER FINANCING SOURCES (USES):						
Long-Term Debt Issued	-	-	1,885,000	2,220,000	-	4,105,000
Debt Premium	-	-	32,303	31,584	-	63,887
Proceeds from Sale of Property	15,738	-	-	-	-	15,738
Transfers In	490,771	-	11,710	310,000	309,000	1,121,481
Transfers Out	(310,000)	-	-	-	(320,710)	(630,710)
Total Other Financing Sources (Uses)	<u>196,509</u>	<u>-</u>	<u>1,929,013</u>	<u>2,561,584</u>	<u>(11,710)</u>	<u>4,675,396</u>
NET CHANGE IN FUND BALANCES	337,775	(22,024)	(58,891)	(1,533,051)	(254,389)	(1,530,580)
Fund Balances, January 1	<u>5,205,988</u>	<u>1,487,098</u>	<u>110,388</u>	<u>4,039,685</u>	<u>2,703,729</u>	<u>13,546,888</u>
FUND BALANCES, DECEMBER 31	<u>\$ 5,543,763</u>	<u>\$ 1,465,074</u>	<u>\$ 51,497</u>	<u>\$ 2,506,634</u>	<u>\$ 2,449,340</u>	<u>\$ 12,016,308</u>

See accompanying Notes to Basic Financial Statements.

CITY OF HUDSON, WISCONSIN
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2016

Net Change in Fund Balances - Total Governmental Funds \$ (1,530,580)

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period these amounts are:

Capital Outlays Reported in Governmental Fund Statements	\$ 4,274,234	
Capital Additions Contributed	1,945,759	
Depreciation Expense Reported in the Statement of Activities	<u>(2,924,135)</u>	3,295,858

In the statement of activities, only the gain or loss on the sale or disposal of capital assets is reported, whereas in the governmental funds, the proceeds from sales increase financial resources. Thus, the change in net position differs from the change in fund balances by the book value of capital assets disposed of during the year. (23,351)

Pension expenditures in the governmental funds are measured by current year employee contributions. Pension expenses on the statement of activities are measured by the change in net pension asset/liability and related deferred outflows and inflows of resources. (279,610)

Receivables 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. 314,303

Long-term 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. Long-term debt incurred in the current year is:

General Obligation Bonds and Notes (4,105,000)

Debt discounts and premiums are reported as an other financing use in governmental funds but are amortized over the lives of the related debt in the government wide statements. (63,887)

Repayment of long-term debt and related obligations is reported as an expenditure in governmental funds but the repayment reduces long-term liabilities in the statement of net position. In the current year these amounts consist of:

General Obligation Bonds and Notes Principal Retirement 3,651,000

Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

Net Change in Accrued Interest Payable	902	
Amortization of Debt Premium	47,492	
Amortization of Debt Discount	(1,002)	
Net Change in Accrued Employee Leave	(38,487)	
Net Change in OPEB Liability	<u>(53,452)</u>	<u>(44,547)</u>

Change in Net Position of Governmental Activities \$ 1,214,186

See accompanying Notes to Basic Financial Statements.

**CITY OF HUDSON, WISCONSIN
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2016**

	Business-Type Activities - Enterprise Funds				Totals
	Water Utility	Sewer Utility	Parking Utility	Ambulance Service	
ASSETS					
Current Assets:					
Cash and Investments	\$ 7,144,491	\$ 4,183,030	\$ 318,477	\$ 575,466	\$ 12,221,464
Accounts Receivable:					
Customer/Patient	603,145	357,007	-	343,896	1,304,048
Accounts Receivable on Tax Roll	68,669	52,721	11,412	-	132,802
Allowance for Doubtful Accounts	-	-	-	(194,234)	(194,234)
Other	32,734	29,073	44,406	-	106,213
Due from Other Governmental Units	20,494	42,665	-	-	63,159
Prepayments	-	-	-	1,500	1,500
Inventories	29,204	-	-	-	29,204
Total Current Assets	<u>7,898,737</u>	<u>4,664,496</u>	<u>374,295</u>	<u>726,628</u>	<u>13,664,156</u>
Restricted Assets:					
Cash and Investments:					
Debt Service/Asset Replacement	393,684	2,184,470	-	-	2,578,154
Carmichael Impact Assessments	276,942	-	-	-	276,942
Total Restricted Assets	<u>670,626</u>	<u>2,184,470</u>	<u>-</u>	<u>-</u>	<u>2,855,096</u>
Capital Assets:					
Property and Plant in Service	34,430,883	13,106,684	1,819,532	1,034,446	50,391,545
Accumulated Provision for Depreciation	12,401,729	7,786,008	465,880	492,250	21,145,867
Net Utility Plant in Service	22,029,154	5,320,676	1,353,652	542,196	29,245,678
Construction Work in Progress	1,095,322	-	-	-	1,095,322
Total Capital Assets	<u>23,124,476</u>	<u>5,320,676</u>	<u>1,353,652</u>	<u>542,196</u>	<u>30,341,000</u>
 Total Assets	 <u>31,693,839</u>	 <u>12,169,642</u>	 <u>1,727,947</u>	 <u>1,268,824</u>	 <u>46,860,252</u>
DEFERRED OUTFLOWS OF RESOURCES					
Wisconsin Retirement System Pension Plan Related	292,157	223,071	13,465	167,146	695,839

See accompanying Notes to Basic Financial Statements.

**CITY OF HUDSON, WISCONSIN
STATEMENT OF NET POSITION (CONTINUED)
PROPRIETARY FUNDS
DECEMBER 31, 2016**

	Business-Type Activities - Enterprise Funds				Totals
	Water Utility	Sewer Utility	Parking Utility	Ambulance Service	
LIABILITIES					
Current Liabilities:					
Vouchers and Accounts Payable	\$ 148,415	\$ 108,110	\$ 6,243	\$ 18,928	\$ 281,696
Due to Other Governmental Units	14,598	24,642	-	-	39,240
Accrued Employee Liabilities	59,022	21,786	-	14,810	95,618
Accrued Wages	13,646	10,281	1,197	7,819	32,943
Advances from Other Funds	-	-	-	57,764	57,764
Unearned Revenue	-	-	-	7,386	7,386
Security Deposit	-	-	125	-	125
Total Current Liabilities	<u>235,681</u>	<u>164,819</u>	<u>7,565</u>	<u>106,707</u>	<u>514,772</u>
Current Liabilities Payable from Restricted Assets:					
Accrued Interest Payable	16,792	1,956	-	-	18,748
Current Portion of Long-Term Debt	30,000	-	-	-	30,000
Current Portion of Revenue Bonds	-	202,896	-	-	202,896
Total Current Liabilities Payable from Restricted Assets	<u>46,792</u>	<u>204,852</u>	<u>-</u>	<u>-</u>	<u>251,644</u>
Long-Term Liabilities (Less Current Portion):					
Advances from Other Funds	-	-	-	58,647	58,647
Other Postemployment Benefits Payable	93,990	53,246	-	47,310	194,546
Wisconsin Retirement System Pension Plan Liability	47,017	39,845	2,306	29,788	118,956
Long-Term Debt	869,077	-	-	-	869,077
Mortgage Revenue Bonds	-	208,681	-	-	208,681
Total Long-Term Liabilities	<u>1,010,084</u>	<u>301,772</u>	<u>2,306</u>	<u>135,745</u>	<u>1,449,907</u>
Total Liabilities	<u>1,292,557</u>	<u>671,443</u>	<u>9,871</u>	<u>242,452</u>	<u>2,216,323</u>
DEFERRED INFLOWS OF RESOURCES					
Wisconsin Retirement System Pension Plan Related	108,524	83,853	4,853	62,688	259,918
NET POSITION					
Net Investment in Capital Assets	23,124,476	4,909,099	1,353,652	425,785	29,813,012
Restricted for:					
Unspent Debt Proceeds	393,684	-	-	-	393,684
Debt Service	-	344,568	-	-	344,568
Impact Assessments	276,942	-	-	-	276,942
Asset Replacement	-	1,837,946	-	-	1,837,946
Unrestricted	6,789,813	4,545,804	373,036	705,045	12,413,698
Total Net Position	<u>\$ 30,584,915</u>	<u>\$ 11,637,417</u>	<u>\$ 1,726,688</u>	<u>\$ 1,130,830</u>	<u>\$ 45,079,850</u>

See accompanying Notes to Basic Financial Statements.

CITY OF HUDSON, WISCONSIN
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2016

	Business-Type Activities - Enterprise Funds				Totals
	Water Utility	Sewer Utility	Parking Utility	Ambulance Service	
OPERATING REVENUES:					
Charges for Services	\$ 2,437,139	\$ 1,516,125	\$ 165,824	\$ 855,153	\$ 4,974,241
Intergovernmental Contracts	-	-	-	369,482	369,482
Grants and Subsidies	-	-	-	6,723	6,723
Other	437,044	170,157	11,020	-	618,221
Total Operating Revenues	<u>2,874,183</u>	<u>1,686,282</u>	<u>176,844</u>	<u>1,231,358</u>	<u>5,968,667</u>
OPERATING EXPENSES:					
Operation and Maintenance	2,183,523	1,779,520	103,162	1,179,947	5,246,152
Depreciation	1,173,578	427,382	45,902	68,104	1,714,966
Total Operating Expenses	<u>3,357,101</u>	<u>2,206,902</u>	<u>149,064</u>	<u>1,248,051</u>	<u>6,961,118</u>
OPERATING INCOME (LOSS)	<u>(482,918)</u>	<u>(520,620)</u>	<u>27,780</u>	<u>(16,693)</u>	<u>(992,451)</u>
NONOPERATING REVENUES (EXPENSES):					
Investment Earnings	17,318	18,690	3,261	1,006	40,275
Hook-up Fees	-	212,271	-	-	212,271
Donations/Other	-	-	50	26,165	26,215
Interest Expense	(16,792)	(13,609)	-	(2,437)	(32,838)
Gain/Loss on Sale of Capital Assets	-	(4,612)	-	8,000	3,388
Total Nonoperating Revenues (Expenses)	<u>526</u>	<u>212,740</u>	<u>3,311</u>	<u>32,734</u>	<u>249,311</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	<u>(482,392)</u>	<u>(307,880)</u>	<u>31,091</u>	<u>16,041</u>	<u>(743,140)</u>
CAPITAL CONTRIBUTIONS:					
Plant Contributed by Developers	621,300	-	-	-	621,300
Impact Fees Applied	12,441	-	-	-	12,441
Total Capital Contributions	<u>633,741</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>633,741</u>
TRANSFERS:					
Transfer to General Fund	<u>(433,711)</u>	<u>(57,060)</u>	<u>-</u>	<u>-</u>	<u>(490,771)</u>
CHANGE IN NET POSITION	<u>(282,362)</u>	<u>(364,940)</u>	<u>31,091</u>	<u>16,041</u>	<u>(600,170)</u>
Net Position, January 1	<u>30,867,277</u>	<u>12,002,357</u>	<u>1,695,597</u>	<u>1,114,789</u>	<u>45,680,020</u>
NET POSITION, DECEMBER 31	<u>\$ 30,584,915</u>	<u>\$ 11,637,417</u>	<u>\$ 1,726,688</u>	<u>\$ 1,130,830</u>	<u>\$ 45,079,850</u>

See accompanying Notes to Basic Financial Statements.

**CITY OF HUDSON, WISCONSIN
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2016**

	Business-Type Activities-Enterprise Funds				Total
	Water Utility	Sewer Utility	Parking Utility	Ambulance Service	
CASH FLOWS FROM OPERATING ACTIVITIES:					
Cash Received from Customers	\$ 1,951,797	\$ 1,716,851	\$ 137,474	\$ 928,862	\$ 4,734,984
Cash Received for Public Fire Protection	712,046	-	-	-	712,046
Cash Received (Paid) for Sewer Share of Meter Related Expense	161,180	(161,180)	-	-	-
Cash Received from Government Subsidies/ Contracts/Grants	-	7,239	-	376,868	384,107
Cash Received from Parking Forfeitures	-	-	51,980	-	51,980
Cash Paid for City/Village Surcharges	-	(86,387)	-	-	(86,387)
Cash Payments to Suppliers for Goods and Services	(1,192,223)	(939,485)	(44,175)	(391,541)	(2,567,424)
Cash Payments for Employee Services	(888,907)	(676,151)	(54,104)	(834,426)	(2,453,588)
Net Cash Provided by (Used for) Operating Activities	<u>743,893</u>	<u>(139,113)</u>	<u>91,175</u>	<u>79,763</u>	<u>775,718</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Cash Donations Received	-	-	-	26,165	26,165
Cash Payments of Tax Equivalent to General Fund	(433,711)	(57,060)	-	-	(490,771)
Net Cash Provided by (Used for) Noncapital Financing Activities	<u>(433,711)</u>	<u>(57,060)</u>	<u>-</u>	<u>26,165</u>	<u>(464,606)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Cash Payments for Capital Assets	(1,606,592)	(657,022)	-	(223,678)	(2,487,292)
Cash Paid for Removal of Capital Assets	(2,463)	-	-	-	(2,463)
Cash Received for Salvage of Capital Assets	3,691	-	-	8,000	11,691
Cash Received for Hook-up Fees	-	212,271	-	-	212,271
Cash Received for Impact Fees	12,441	-	-	-	12,441
Cash Received on Interfund Advance	-	-	-	103,500	103,500
Cash Paid for Principal on Interfund Advance	-	-	-	(61,353)	(61,353)
Cash Paid for Interest on Interfund Advance	-	-	-	(2,437)	(2,437)
Cash Received from Issuance of Debt	899,077	-	-	-	899,077
Principal Paid on Long-Term Debt	-	(197,272)	-	-	(197,272)
Interest Paid on Long-Term Debt	-	(14,546)	-	-	(14,546)
Net Cash Used for Capital and Related Financing Activities	<u>(693,846)</u>	<u>(656,569)</u>	<u>-</u>	<u>(175,968)</u>	<u>(1,526,383)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:					
Earnings on Investments	17,318	18,690	3,261	1,006	40,275
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>(366,346)</u>	<u>(834,052)</u>	<u>94,436</u>	<u>(69,034)</u>	<u>(1,174,996)</u>
CASH AND CASH EQUIVALENTS, JANUARY 1	<u>8,181,463</u>	<u>7,201,552</u>	<u>224,041</u>	<u>644,500</u>	<u>16,251,556</u>
CASH AND CASH EQUIVALENTS, DECEMBER 31	<u>\$ 7,815,117</u>	<u>\$ 6,367,500</u>	<u>\$ 318,477</u>	<u>\$ 575,466</u>	<u>\$ 15,076,560</u>

See accompanying Notes to Basic Financial Statements.

**CITY OF HUDSON, WISCONSIN
STATEMENT OF CASH FLOWS (CONTINUED)
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2016**

	Business-Type Activities-Enterprise Funds				Total
	Water Utility	Sewer Utility	Parking Utility	Ambulance Service	
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:					
Operating Income (Loss)	\$ (482,918)	\$ (520,620)	\$ 27,780	\$ (16,693)	\$ (992,451)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:					
Change in Pension Plan	31,773	22,289	2,488	17,488	74,038
Depreciation	1,173,578	427,382	45,902	68,104	1,714,966
(Increase) Decrease in Assets:					
Customer/Patient Accounts Receivable	(31,867)	(28,766)	3,268	(20,620)	(77,985)
Accounts Receivable on Tax Roll	222	833	-	-	1,055
Other Accounts Receivable	2,380	(5,335)	9,354	-	6,399
Allowance for Uncollectible Accounts	-	-	-	104,422	104,422
Due from Other Governments	6,903	(15,769)	-	-	(8,866)
Prepayments	-	-	-	600	600
Inventories	182	-	-	-	182
Increase (Decrease) in Liabilities:					
Accounts Payable	59,495	(28,671)	1,752	(82,615)	(50,039)
Special Deposits	(26,798)	-	-	-	(26,798)
Accrued Wages	4,780	3,205	643	-	8,628
Accrued Employee Liabilities	8,972	5,881	-	8,414	23,267
Unearned Revenues	-	-	-	663	663
Due to Other Governmental Units	(2,809)	458	(12)	-	(2,363)
Net Cash Provided by (Used for) Operating Activities	\$ 743,893	\$ (139,113)	\$ 91,175	\$ 79,763	\$ 775,718
RECONCILIATION OF CASH AND INVESTMENTS TO CASH AND CASH EQUIVALENTS:					
Cash and Investments per Statement of Net Position:					
Cash and Investments	\$ 7,144,491	\$ 4,183,030	\$ 318,477	\$ 575,466	\$ 12,221,464
Cash and Investments - Restricted	670,626	2,184,470	-	-	2,855,096
Cash and Cash Equivalents	\$ 7,815,117	\$ 6,367,500	\$ 318,477	\$ 575,466	\$ 15,076,560
NONCASH INVESTING, CAPITAL AND RELATED FINANCING ACTIVITIES:					
Capital Assets Financed through Customers and Developers	\$ 621,300	\$ -	\$ -	\$ -	\$ 621,300

See accompanying Notes to Basic Financial Statements.

**CITY OF HUDSON, WISCONSIN
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2016**

	Agency Funds
ASSETS	
Cash and Investments	\$ 1,104,432
Taxes Receivable	23,246,774
Total Assets	\$ 24,351,206
LIABILITIES	
Accounts Payable	\$ 13,106
Due Other Governmental Units:	
County / State	6,502,117
School District	17,180,023
Technical College	655,960
Total Liabilities	\$ 24,351,206

See accompanying Notes to Basic Financial Statements.

**CITY OF HUDSON, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Hudson (the "City") have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting principles and policies utilized by the City are described below:

A. Reporting Entity

The City of Hudson is a Wisconsin municipal corporation incorporated under the State of Wisconsin statutes. The City is governed by a mayor/council form of government. The council consists of six members elected from six wards within the City. The financial reporting of the City is defined by the GASB to consist of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that the exclusion would cause the reporting entity's financial statements to be misleading or incomplete. 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 Unit – St. Croix Business Park. Effective November 1996, the City became fiscal agent for the St. Croix Business Park Corporation (Business Park). The Business Park is a nonprofit corporation established for the purpose of owning and developing industrial property in the City of Hudson. It has no members and is governed by a three member board of directors. Originally, the City was jointly involved in the Business Park with Xcel Energy (formerly Northern States Power Company), in which the City reported the Business Park as a related entity. In February 2015, Xcel Energy abandoned its interest in the Business Park. The City now appoints two of the three directors and the third director is then appointed by the other two directors. The directors will serve an indefinite term or until replaced by their appointing body. Starting in 2015, the City reports the Business Park activity as a discretely presented component unit.

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

**CITY OF HUDSON, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Reporting Entity (Continued)

Discretely Presented Component Unit – Joint Library (Continued). Employees of the joint library are employees of the City of Hudson and reported under the City's federal and state employer identification numbers.

Discretely Presented Component Unit – 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 non-exclusive 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.

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.

B. Government-Wide and Fund Financial Statements

The City's basic financial statements include both government-wide (reporting the City as a whole) and fund financial statements (reporting the City's major funds) as described below:

Government-Wide Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report financial information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. 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 support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable. The joint library and St Croix Business Park component units are considered to be major component units, while the community access board is not considered to be major.

CITY OF HUDSON, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Government-Wide and Fund Financial Statements (Continued)

Government-Wide Statements (Continued)

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

Fund Financial Statements

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

The City reports the following major governmental funds:

General Fund – The General Fund is the operating fund of the City. It is used to account for all financial resources of the City, except those required to be accounted for in another fund.

Impact Fees Fund – The Impact Fees Fund, a special revenue fund, is used to account for impact fees collected by the City. The City adopted an ordinance in accordance with Section 66.0617 of the Wisconsin Statutes to impose impact fees on new development to help pay for costs necessary because of land development. Identified costs to be funded by the impact fee consist of storm sewers and sanitary sewers.

Debt Service Fund – The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs of governmental funds.

Capital Projects Fund – The Capital Projects Fund is used to account for 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.

All remaining governmental funds are aggregated and reported as nonmajor funds.

CITY OF HUDSON, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Government-Wide and Fund Financial Statements (Continued)

Fund Financial Statements (Continued)

The City reports the following major enterprise funds:

Water Utility – The Water Utility Fund is used to account for the operations of the City's water utility. Utility operations are subject to regulation by the Wisconsin Public Service Commission.

Sewer Utility – The Sewer Utility Fund is used to account for the operations of the City's wastewater treatment facilities.

Parking Utility – The Parking Utility Fund is used to account for activities relating to the City's parking meters and parking lots.

Ambulance Service – The Ambulance Service Fund is used to account operations of the City's ambulance service.

The City had no other enterprise funds to report as nonmajor funds.

Additionally, the City reports the following fiduciary fund:

Tax Agency Fund – The Tax Agency Fund is used to record the tax roll, including related collections and disbursements of such, for the City and underlying taxing jurisdictions within the City.

C. Measurement Focus and Basis of Accounting

The government-wide financial statements, the proprietary fund financial statements and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, deferred outflows, liabilities, and deferred inflows resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Nonexchange transactions, in which the City gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants, entitlements and donations. Property taxes are recognized as revenues in the year for which they are levied. Taxes receivable for the following year are recorded as receivables and deferred inflows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider are met. Special assessments are recorded as revenue when earned.

**CITY OF HUDSON, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus and Basis of Accounting (Continued)

Governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized as soon as they are both measurable and available. Revenues are deemed 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 generally considers revenues reported in the governmental funds to be available if they are collected within sixty days after the end of the current fiscal period. State and federal aids under cost reimbursement programs are generally recognized when earned if expected to be collected in the subsequent year. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, miscellaneous taxes, public charges for services and interest associated with the current fiscal period are all considered to be susceptible to accrual. Special assessments are generally recognized as revenue in the governmental funds in the year they are due or when collected, if prior to their due date. All other revenue items are generally considered to be measurable and available only when cash is received by the government.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in financial statements and accompanying notes. Actual results could differ from those estimates.

**CITY OF HUDSON, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity

1. Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from date of acquisition. Cash and investment balances for individual funds are pooled unless maintained in segregated accounts.

Investment of City funds is restricted by state statutes. The City has adopted a policy compliant with, but even more restrictive, than state statutes. Available investments are limited to:

- a. Time deposits in any credit union, bank, savings bank or trust company maturing in three years or less.
- b. Bonds or securities issued or guaranteed by the federal government.
- c. Bonds or securities of any county, city, drainage district, technical college district, village, town, or school district of the state.
- d. Any security maturing in seven years or less and having the highest or second highest rating category of a nationally recognized rating agency.
- e. Securities of an open-end management investment company or investment trust, subject to various conditions and investment options.
- f. Bonds or securities issued under the authority of the municipality.
- g. The local government investment pool.
- h. Repurchase agreements with public depositories, with certain conditions.

Additional restrictions may arise from local charters, ordinances, resolutions and grant resolutions.

Investment of most trust funds is regulated by Chapter 881 of the Wisconsin Statutes. Investment of library trust funds is regulated by Chapter 112. Those sections give broad authority to use such funds to acquire various kinds of investments including stocks, bonds and debentures.

Investments of the City are stated at fair value or amortized cost.

CITY OF HUDSON, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. **Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity (Continued)**

2. **Receivables and Payables**

Property Taxes. Property taxes are levied prior to the end of the calendar year and are due and collectible in the following year. Property taxes attach an enforceable lien as of January 1. The resulting tax roll is recorded as receivable by the City at year end with amounts due other governmental units recorded as liabilities in the agency fund. Since City property taxes are not considered available until January 1 of the year following the levy, they are recorded as deferred inflows of resources in the funds budgeted therefore.

Real property taxes are payable in full on or before January 31 or, alternatively, if over \$100, can be paid in two equal installments with the first installment payable on or before January 31 and the second installment payable on or before July 31. Personal property taxes and special assessments, special charges (including delinquent utility billings) and special taxes placed on the tax roll are payable in full on or before January 31. All uncollected items on the current tax roll, except delinquent personal property taxes, are turned over to the St. Croix County Treasurer for collection in February. St. Croix County subsequently settles in full with the City in August of the same year, except for uncollected delinquent special assessments and special charges. Delinquent personal property taxes are retained by the City for collection. A portion of the general fund balance is nonspendable for the City's investment in delinquent taxes.

Special Assessments. Assessments against property owners for public improvements are generally not subject to full settlement in the year levied. City policy requires payment if \$500 or less, in which most fall into this range. Unavailable 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 2016 tax roll are recognized as revenue in 2017.) Special assessments recorded in proprietary funds are recorded as revenue at the time the assessments are subject to collection procedures.

Accounts Receivable. Accounts receivable in the ambulance service and parking utility enterprise funds are offset by an allowance for uncollectible amounts. Accounts receivable in the General Fund for municipal court citations are also offset by an allowance for uncollectible amounts. All other accounts receivable are considered to be collectible in full.

**CITY OF HUDSON, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity (Continued)

2. Receivables and Payables (Continued)

Loans Receivable. The City has received federal and state grant funds for economic development loan programs to various businesses and individuals. The City records a loan receivable when the loan has been made and funds have been disbursed. It is the City's policy to record deferred inflows of resources equal to the receivable balance. As loans are repaid, revenue is recognized. When new loans are made from the repayments, expenditures are recorded. Interest received from loan repayments is recognized as revenue when received in cash. Any unspent loan repayments at year end are presented as restricted fund balance in the fund financial statements.

Interfund Balances. Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statement as "internal balances". Advances between funds, as reported in the fund financial statements, are classified as nonspendable fund balance account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

3. Inventories and Prepaid Items

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds, if material, are recorded as expenditures when consumed rather than when purchased.

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

4. Restricted Assets

Mandatory segregations of assets are presented as restricted assets. Such segregations are required by bond agreements and other external parties. Current liabilities payable from these restricted assets are so classified.

**CITY OF HUDSON, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity (Continued)

5. Capital Assets

Government-Wide Statements. Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), 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 initial, individual costs as shown below and an estimated useful life of two years or greater. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities, if material, is included as part of the capitalized value of the assets constructed.

Capitalization thresholds (the dollar valued above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the government-wide statements are as follows:

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Land Improvements	\$ 1,000	Straight-line	20-50 Years
Buildings and Improvements	1,000	Straight-line	20-50 Years
Machinery and Equipment	1,000	Straight-line	3-10 Years
Utility Systems	1,000	Straight-line	4-100 Years
Infrastructure	1,000	Straight-line	20-50 Years

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

6. Deferred Outflows of Resources

The City reports decreases in net position or fund equity that relate to future periods as deferred outflows of resources in a separate section of its government-wide and proprietary funds statements of net position or governmental fund balance sheet. The City reports deferred outflows of resources for pension related items.

**CITY OF HUDSON, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity (Continued)

7. Deferred Inflows of Resources

The City's governmental activities and governmental fund financial statements report a separate section for deferred inflows of resources. This separate financial statement element reflects an increase in net position or fund equity that applies to a future period. The City will not recognize the related revenue until a future event occurs. The City has two types of items which occur related to revenue recognition. The first occurs because property tax receivables are recorded in the current year, but the revenue will be recorded in the subsequent year. The second type of deferred inflow of resources occurs because governmental fund revenues are not recognized until available (collected not later than 60 days after the end of the City's year) under the modified accrual basis of accounting. The City reports deferred inflows of resources for pension related items.

8. Compensated Absences

It is the City's policy to permit employees to accumulate paid leave benefits. Liabilities for accumulated employee leave benefits are not accrued in the City's governmental fund financial statements but are recorded as expenditures when paid. Such liabilities are accrued in the government-wide and proprietary fund financial statements when earned. The City's policies and estimated liabilities at year end are further discussed in Note 4.B.

9. Other Postemployment Benefits Payable

The City provides certain contributions toward postemployment health care benefits. The City funds the liability on a pay-as-you-go basis. The liability was actuarially determined in accordance with GASB 45.

10. Wisconsin Retirement System Pension Plan Benefits

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

**CITY OF HUDSON, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity (Continued)

11. Long-Term Obligations/Conduit Debt

In the government-wide financial statements and proprietary 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. In the governmental fund financial statements, 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. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

The City had approved the issuance of industrial revenue bonds (IRB's) for the benefit of private business enterprises in prior years. IRB's are secured by mortgages or revenue agreements on the associated projects, and do not constitute indebtedness of the City. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. The City had IRB's outstanding at December 31, 2016 for the Hudson Hockey Association totaling \$1,019,123.

12. Defining Operating Revenues and Expenses

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 water utility, sewer utility, ambulance service, and parking funds are charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

13. Use of Restricted Resources

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 BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity (Continued)

14. Equity Classifications

Fund equity, representing the difference between assets and deferred outflows of resources, less liabilities, and deferred inflows of resources, is classified as follows in the City's financial statements:

Government-Wide and Proprietary Fund Statements. Fund equity is classified as net position in the government-wide and proprietary fund financial statements and is displayed in three components. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement for those assets. Net position is reported as restricted when there are limitations imposed on its use through external restrictions imposed by creditors, grantors or laws or regulations of other governments. All other net position is displayed as unrestricted.

Fund Financial Statements. In the fund financial statements, governmental funds report components of fund balance to provide information about fund balance availability for appropriation. Nonspendable fund balance represents amounts that are inherently nonspendable or assets that are legally or contractually required to be maintained intact. Restricted fund balance represents amounts available for appropriation but intended for a specific use and is legally restricted by outside parties. Committed fund balance represents constraints on spending that the government imposes upon itself by high-level formal action prior to the close of the fiscal period. Assigned fund balance represents resources intended for spending for a purpose set by the government body itself or by some person or body delegated to exercise such authority in accordance with policy established by the Council. Unassigned fund balance is the residual classification for the City's general fund and includes all spendable amounts not contained in the other classifications. The City has established a policy that the general fund minimum unassigned fund balance should be between 22.5 and 27.5 percent of general fund expenditures.

Committed fund balance is required to be established, modified, or rescinded by resolution of the City Council prior to each year end. Based on resolution of the City Council, the City Administrator has the authority to establish or modify assigned fund balance. When restricted and unrestricted fund balance is available for expenditure, it is the City's practice to first use restricted fund balance. When committed, assigned, and unassigned fund balance is available for expenditure, it is the City's practice to use committed, assigned and finally unassigned fund balance.

**CITY OF HUDSON, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 2 RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Due to the differences in the measurement focus and basis of accounting used in governmental fund financial statements and the government-wide financial statements, certain financial transactions are treated differently. Reconciliations of governmental fund balances and changes thereto to the net position and revenues/expenses shown in government-wide financial statements are presented in page 21 and page 24, respectively.

NOTE 3 DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

The City's cash and investments balances at December 31, 2016 are shown in the financial statements as follows:

Governmental Funds	\$ 12,810,214
Proprietary Funds	15,076,560
Fiduciary Funds	1,104,432
	<u>\$ 28,991,206</u>

The above cash and investment balances consisted of the following:

Deposits in Financial Institutions	\$ 6,003,631
Deposits in State Local Government Pooled-Investment Fund	3,556,934
Investments in Federal Agency Issuances	21,958,318
Investments in Money Market Account	69,011
Petty Cash	1,350
Total Cash and Investments	<u>31,589,244</u>
Less Amount Allocated to Component Units	<u>(2,598,038)</u>
	<u>\$ 28,991,206</u>

Deposits at Financial Institutions

The City's balances at individual financial institutions were subject to coverage under federal depository insurance and amounts appropriated by Sections 20.144(1)(a) and 34.08 of the Wisconsin Statutes (State Guarantee Fund). Federal depository insurance provides for coverage of up to \$250,000 for time and savings deposits and up to an additional \$250,000 for demand accounts. In addition, funds held for others (such as trust funds) are subject to coverage under the name of the party for whom the funds are held. Coverage under the State Guarantee Fund may not exceed \$400,000 above the amount of coverage under federal depository insurance at any institution and is limited by the availability of the appropriations authorized therein. (Due to the relatively small size of the State Guarantee Fund in relation to the total coverage, total recovery of losses may not be available.) Also, Section 34.07 of the Wisconsin Statutes authorizes the City to collateralize its deposits that exceed the amount of coverage provided by federal depository insurance and the State Guarantee Fund.

**CITY OF HUDSON, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Deposits and Investments (Continued)

Deposits at Financial Institutions (Continued)

Custodial credit risk for deposits is the risk that, in the event of bank failure, the City's deposits may not be returned. At December 31, 2016, the City's deposits were not exposed to significant custodial credit risk. However, the St Croix Business Park had deposits of \$191,023 that were not collateralized.

Investments

The City's investments at December 31, 2016 consisted of deposits in the State of Wisconsin Local Government Investment Pool (an external investment pool), U.S. government agencies and instrumentalities obligations, and a money market fund associated with its investments in federal securities.

Deposits in State Local Government Pooled-Investment Fund. The State of Wisconsin offers a Local Government Investment Pool (LGIP) to local government units to enable them to voluntarily invest idle funds in State Investment Fund. Local funds are pooled with state funds and invested by the State Investment Board. There is no minimum or maximum amount that can be invested by a local governmental unit. Interest is earned on a daily basis and withdrawals are generally available on the day of request. Deposits in the LGIP are not covered by federal depository insurance but are subject to coverage under the State Guarantee Fund. Also, the State of Wisconsin Investment Board has obtained a surety bond to protect deposits in the LGIP against defaults in principal payments on the LGIP's investments (subject to certain limitations). The average monthly weighted average maturity of the State Investment Fund's investments for 2016 was 70 days.

U.S. Government Agencies and Instrumentalities Obligations. The City's investments in these obligations at December 31, 2016 are summarized as follows:

Description	Totals	Investment Maturities (in years)			S & P Rating
		<1	1 to 5	5 to 10	
Debt Instruments:					
FNMA	\$ 7,131,191	\$ -	\$ 7,131,191	\$ -	AA+/AAA
FHLMC	7,090,233	250,472	6,839,761	-	AA+/AAA
FHLB	1,823,922	-	1,097,293	726,629	AA+/AAA
FFCB	1,779,505	-	1,289,091	490,414	AA+/AAA
FAMCA	347,689	-	347,689	-	AA+/AAA
Loan/mortgage pools -					
GNSF	3,441	-	-	3,441	AA+/AAA
Municipal Bonds and Notes	3,782,337	753,612	2,253,762	774,963	AA-/AA
	<u>\$ 21,958,318</u>	<u>\$ 1,004,084</u>	<u>\$ 18,958,787</u>	<u>\$ 1,995,447</u>	

The above obligations may be subject to call prior to the stated maturity date. It is the City's general policy to hold the obligations until maturity or call. Obligations of the GNSF are directly guaranteed by the federal government. The other listed obligations are guaranteed by the issuing agency/instrumentality.

**CITY OF HUDSON, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Deposits and Investments (Continued)

Investments (Continued)

U.S. Government Agencies and Instrumentalities Obligations (Continued). Credit risk for investments is the risk that an issuer or other counterparty to an investment will not fulfill its obligation to the holder of the investment. The City's investment policy, which is more restrictive than provisions of the Wisconsin Statutes, is previously discussed in Note 1.D.1. The City has no formal policy relating to custodial credit risk.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Generally, the fair values of investments with maturity dates further into the future are more sensitive to changes in market interest rates. The short weighted average maturity of the investments in the LGIP mitigates this risk to the City somewhat; however, as shown in the maturity tables above, some interest rate risk exists within the City's investments.

Fair Value Measurements

The City uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures.

The City follows an accounting standard that defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs used to measure fair value, and requires expanded disclosures about fair value measurements. In accordance with this standard, the City has categorized its investments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

Financial assets and liabilities recorded on the combined statements of financial position are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Financial assets and liabilities are valued using inputs that are unadjusted quoted prices in active markets accessible at the measurement date of identical financial assets and liabilities.

Level 2 – Financial assets and liabilities are valued based on quoted prices for similar assets, or inputs that are observable, either directly or indirectly for substantially the full term through corroboration with observable market data.

Level 3 – Financial assets and liabilities are valued using pricing inputs which are unobservable for the asset, inputs that reflect the reporting entity's own assumptions about the assumptions market participants and would use in pricing the asset.

**CITY OF HUDSON, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Deposits and Investments (Continued)

Fair Value Measurements (Continued)

The City's investments are measured as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
U.S. Treasury Securities	\$ 18,172,540	\$ -	\$ -	\$ 18,172,540
Mortgage-backed Securities	3,441	-	-	3,441
Corporate Bonds	3,782,337	-	-	3,782,337
Total	<u>\$ 21,958,318</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,958,318</u>
Investments Measured at Amortized Cost - State LGIP Funds				3,556,934
Total Investments				<u>\$ 25,515,252</u>

B. Receivables/Deferred Inflows of Resources

1. Other Receivables

Other accounts receivable at December 31, 2016 are further detailed as follows:

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Enterprise Funds</u>	<u>Totals</u>
Special Assessments	\$ -	\$ -	\$ 117,863	\$ -	\$ -	\$ 117,863
Accounts Receivable:						
General	136,558	5,000	325	92,292	106,213	340,388
Customers:						
Water	-	-	-	-	603,145	603,145
Sewer	-	-	-	-	357,007	357,007
Ambulance (net)	-	-	-	-	149,662	149,662
	<u>136,558</u>	<u>5,000</u>	<u>325</u>	<u>92,292</u>	<u>1,216,027</u>	<u>1,450,202</u>
Due From Other Governments	113,496	275,000	-	400	63,159	452,055
Totals	<u>\$ 250,054</u>	<u>\$ 280,000</u>	<u>\$ 118,188</u>	<u>\$ 92,692</u>	<u>\$ 1,279,186</u>	<u>\$ 2,020,120</u>

Accounts receivable of the ambulance service enterprise fund is reported net of an allowance for uncollectible accounts. Such allowance totaled \$194,234 at December 31, 2016. Accounts receivable in the general fund for municipal court citations are also reported net of an allowance for uncollectible accounts, which the receivable of \$143,961 is offset by an allowance of \$114,841 at December 31, 2016.

**CITY OF HUDSON, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

B. Receivables/Deferred Inflows of Resources (Continued)

2. Deferred Inflows of Resources

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

	Unavailable	Unearned	Total
2016 Tax Roll Items:			
Property Taxes	\$ -	\$ 8,007,465	\$ 8,007,465
Special Assessments	40,855	-	40,855
Special Assessments - Future Years	109,876	-	109,876
Other	275,000	-	275,000
Total Unavailable/Unearned Revenue for Governmental Funds	<u>\$ 425,731</u>	<u>\$ 8,007,465</u>	<u>\$ 8,433,196</u>

**CITY OF HUDSON, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Capital Assets

Capital assets activity for the year ended December 31, 2016 is shown below:

Governmental Activities

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets Not Being Depreciated:				
Land, Easements and Right-of-Way	\$ 9,057,585	\$ -	\$ -	\$ 9,057,585
Construction Work in Progress	197,477	1,941,896	2,122,504	16,869
Total Capital Assets Not Being Depreciated	<u>9,255,062</u>	<u>1,941,896</u>	<u>2,122,504</u>	<u>9,074,454</u>
Capital Assets Being Depreciated:				
Land Improvements	2,745,421	2,599	-	2,748,020
Buildings and Improvements	6,657,931	-	-	6,657,931
Machinery and Equipment	3,037,101	800,718	26,062	3,811,757
Licensed Vehicles	3,625,537	967,781	268,222	4,325,096
Infrastructure	83,576,630	4,629,503	115,939	88,090,194
Total Capital Assets Being Depreciated	<u>99,642,620</u>	<u>6,400,601</u>	<u>410,223</u>	<u>105,632,998</u>
 Total Capital Assets	 <u>108,897,682</u>	 <u>8,342,497</u>	 <u>2,532,727</u>	 <u>114,707,452</u>
Accumulated Depreciation:				
Land Improvements	1,724,845	107,751	-	1,832,596
Buildings and Improvements	2,128,156	149,424	-	2,277,580
Machinery and Equipment	1,700,328	244,348	25,741	1,918,935
Licensed Vehicles	3,101,069	177,479	245,192	3,033,356
Infrastructure	53,195,960	2,245,133	115,939	55,325,154
Total Accumulated Depreciation	<u>61,850,358</u>	<u>2,924,135</u>	<u>386,872</u>	<u>64,387,621</u>
 Net Capital Assets - Governmental Activities	 <u>\$ 47,047,324</u>	 <u>\$ 5,418,362</u>	 <u>\$ 2,145,855</u>	 <u>\$ 50,319,831</u>

Depreciation was charged to governmental functions as follows:

General Government	\$ 110,488
Public Safety	196,302
Transportation	2,447,713
Sanitation	588
Culture, Recreation and Education	168,884
Conservation and Development	160
	<u>\$ 2,924,135</u>

**CITY OF HUDSON, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Capital Assets (Continued)

Business-Type Activities

	Beginning Balance	Increases	Decreases	Ending Balance
Water Utility:				
Capital Assets Not Being Depreciated:				
Land and Land Rights	\$ 136,862	\$ -	\$ -	\$ 136,862
Construction in Progress	939,697	155,625	-	1,095,322
Total Capital Assets Not Being Depreciated	<u>1,076,559</u>	<u>155,625</u>	<u>-</u>	<u>1,232,184</u>
Capital Assets Being Depreciated:				
Source of Supply	1,342,566	-	-	1,342,566
Pumping Plant	2,242,884	-	-	2,242,884
Water Treatment	5,045,942	90,369	-	5,136,311
Transmission and Distribution	23,198,836	1,871,384	545,588	24,524,632
General Assets	962,113	110,515	25,000	1,047,628
Total Capital Assets Being Depreciated	<u>32,792,341</u>	<u>2,072,268</u>	<u>570,588</u>	<u>34,294,021</u>
Total Capital Assets	<u>33,868,900</u>	<u>2,227,893</u>	<u>570,588</u>	<u>35,526,205</u>
Accumulated Depreciation:				
Source of Supply	590,071	34,160	-	624,231
Pumping Plant	1,759,252	88,565	-	1,847,817
Water Treatment	2,193,460	167,143	-	2,360,603
Transmission and Distribution	6,306,869	863,090	544,359	6,625,600
General Assets	947,858	20,620	25,000	943,478
Total Accumulated Depreciation	<u>11,797,510</u>	<u>1,173,578</u>	<u>569,359</u>	<u>12,401,729</u>
Net Capital Assets - Water Utility	<u>22,071,390</u>	<u>1,054,315</u>	<u>1,229</u>	<u>23,124,476</u>
Sewer Utility:				
Capital Assets Not Being Depreciated:				
Land	\$ 129,856	\$ -	\$ -	\$ 129,856
Construction in Progress	24,278	517,276	541,554	-
Total Capital Assets Not Being Depreciated	<u>154,134</u>	<u>517,276</u>	<u>541,554</u>	<u>129,856</u>
Capital Assets Being Depreciated:				
Collection System	680,920	-	-	680,920
Pumping System	12,400	11,377	-	23,777
Treatment and Disposal Plant	10,772,799	552,445	9,940	11,315,304
General Plant	839,349	117,478	-	956,827
Total Capital Assets Being Depreciated	<u>12,305,468</u>	<u>681,300</u>	<u>9,940</u>	<u>12,976,828</u>
Total Capital Assets	<u>12,459,602</u>	<u>1,198,576</u>	<u>551,494</u>	<u>13,106,684</u>
Accumulated Depreciation:				
Collection System	225,105	7,677	-	232,782
Pumping System	12,400	228	-	12,628
Treatment and Disposal Plant	6,595,736	373,309	5,328	6,963,717
General Plant	530,713	46,168	-	576,881
Total Accumulated Depreciation	<u>7,363,954</u>	<u>427,382</u>	<u>5,328</u>	<u>7,786,008</u>
Net Capital Assets - Sewer Utility	<u>5,095,648</u>	<u>771,194</u>	<u>546,166</u>	<u>5,320,676</u>

CITY OF HUDSON, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Capital Assets (Continued)

Business-Type Activities (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Parking Utility:				
Capital Assets Not Being Depreciated:				
Parking Lots	\$ 760,562	\$ -	\$ -	\$ 760,562
Capital Assets Being Depreciated:				
Improvements to Lots	991,691	-	-	991,691
Equipment	67,279	-	-	67,279
Total Capital Assets Being Depreciated	<u>1,058,970</u>	<u>-</u>	<u>-</u>	<u>1,058,970</u>
Total Capital Assets	<u>1,819,532</u>	<u>-</u>	<u>-</u>	<u>1,819,532</u>
Accumulated Depreciation:				
Improvements to Lots	363,625	42,719	-	406,344
Equipment	56,353	3,183	-	59,536
Total Accumulated Depreciation	<u>419,978</u>	<u>45,902</u>	<u>-</u>	<u>465,880</u>
Net Capital Assets - Parking Utility	<u>1,399,554</u>	<u>(45,902)</u>	<u>-</u>	<u>1,353,652</u>
Ambulance Service:				
Capital Assets Being Depreciated:				
Vehicles	594,496	207,000	89,870	711,626
Other Equipment	306,142	16,678	-	322,820
Total Capital Assets	<u>900,638</u>	<u>223,678</u>	<u>89,870</u>	<u>1,034,446</u>
Total Accumulated Depreciation	<u>514,016</u>	<u>68,104</u>	<u>89,870</u>	<u>492,250</u>
Net Capital Assets - Ambulance Service	<u>386,622</u>	<u>155,574</u>	<u>-</u>	<u>542,196</u>
Totals - Business-Type Activities:				
Capital Assets Not Being Depreciated	1,991,255	672,901	541,554	2,122,602
Capital Assets Being Depreciated	<u>47,057,417</u>	<u>2,977,246</u>	<u>670,398</u>	<u>49,364,265</u>
Total Capital Assets	49,048,672	3,650,147	1,211,952	51,486,867
Less Accumulated Depreciation	<u>20,095,458</u>	<u>1,714,966</u>	<u>664,557</u>	<u>21,145,867</u>
Net Capital Assets - Business-Type Activities	<u>\$ 28,953,214</u>	<u>\$ 1,935,181</u>	<u>\$ 547,395</u>	<u>\$ 30,341,000</u>

Depreciation was charged to the following business-type activities:

Water	\$ 1,173,578
Sewer	427,382
Parking	45,902
Ambulance	68,104
	<u>\$ 1,714,966</u>

**CITY OF HUDSON, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

D. Interfund Receivables, Payables and Transfers

Advances to/from Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Ambulance Service Fund	\$ 116,411	Financing for purchase of ambulance(s)

On July 18, 2011, the City Council approved advancing \$135,000 from the general fund to the ambulance service fund to finance the purchase of a new ambulance. The advance was to be repaid in monthly installments of \$2,426 from September 2011 through August 2016 at 3.00% interest. This advance was paid in full during 2016. On September 4, 2012, the City Council approved advancing \$150,000 from the general fund to the ambulance service fund to finance the purchase of another new ambulance. The advance is to be repaid in monthly installments of \$2,695 from October 2012 through September 2017 at 3.00% interest. On August 1, 2016, the City Council approved advancing \$103,500 from the general fund as 50% of the financing of a new ambulance. The advance is to be repaid in monthly installments of \$3,010 from September 2016 through August 2019. During 2016, the ambulance paid the general fund combined principal of \$61,353 on these loans.

Interfund Transfers

<u>Fund Transferred From</u>	<u>Fund Transferred To</u>	<u>Amount</u>	<u>Purpose</u>
Storm Water Fund	Storm Water MS-4 Fund	\$ 309,000	Portion of project costs
Storm Water Fund	Debt Service Fund	11,710	Portion of debt requirements
General Fund	Capital Projects Fund	310,000	City share of capital purchase
Water Utility Fund	General Fund	433,711	Property tax equivalent
Sewer Utility Fund	General Fund	57,060	Property tax equivalent
		<u>\$ 1,121,481</u>	

**CITY OF HUDSON, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-Term Obligations

Changes in Long-Term Obligations

The following is a summary of changes in long-term obligations of the City for the year ended December 31, 2016:

	Balance 1/1/16	Additions	Reductions	Balance 12/31/16	Amounts Due Within One Year
Long-Term Debt:					
Governmental Activities:					
General Obligation Bonds	\$ 5,250,000	\$ 2,220,000	\$ 210,000	\$ 7,260,000	\$ 295,000
General Obligation Notes	8,823,000	1,885,000	3,441,000	7,267,000	1,572,400
Unamortized Debt Premium	302,537	63,887	47,492	318,932	-
Unamortized Debt Discount	(3,728)	-	(1,002)	(2,726)	-
Total Governmental Activities	<u>14,371,809</u>	<u>4,168,887</u>	<u>3,697,490</u>	<u>14,843,206</u>	<u>1,867,400</u>
Business-Type Activities:					
General Obligation Bonds:					
Water Utility	-	890,000	-	890,000	30,000
Mortgage Revenue Bonds:					
Sewer Utility	608,849	-	197,272	411,577	202,896
Unamortized Debt Premium	-	9,077	-	9,077	-
Total Business-Type Activities	<u>608,849</u>	<u>899,077</u>	<u>197,272</u>	<u>1,310,654</u>	<u>232,896</u>
Total Long-Term Debt	<u>\$ 14,980,658</u>	<u>\$ 5,067,964</u>	<u>\$ 3,894,762</u>	<u>\$ 16,153,860</u>	<u>\$ 2,100,296</u>
Other Long-Term Obligations:					
Governmental Activities:					
Employee Leave Liability	\$ 338,107	\$ 376,594	\$ 338,107	\$ 376,594	\$ 376,594
Other Postemployment Benefits Payable	598,088	133,942	80,490	651,540	-
Total Governmental Activities	<u>936,195</u>	<u>510,536</u>	<u>418,597</u>	<u>1,028,134</u>	<u>376,594</u>
Business-Type Activities:					
Employee Leave Liability	93,014	95,618	93,014	95,618	95,618
Other Postemployment Benefits Payable	176,762	44,565	26,781	194,546	-
Total Business-Type Activities	<u>269,776</u>	<u>140,183</u>	<u>119,795</u>	<u>290,164</u>	<u>95,618</u>
Total Other Long-Term Obligations	<u>\$ 1,205,971</u>	<u>\$ 650,719</u>	<u>\$ 538,392</u>	<u>\$ 1,318,298</u>	<u>\$ 472,212</u>

The City's estimated liabilities for employee vacation and sick leave and for post-employment benefits are discussed in Notes 4.B and 4.C, respectively.

**CITY OF HUDSON, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-Term Obligations (Continued)

General Obligation Debt

Annual Requirements for Retirement. Individual general obligation long-term debt issued outstanding at December 31, 2016 and annual requirements for their retirement as of that date are shown below:

		Outstanding 12/31/16	Scheduled Future Payments							
			2017	2018	2019	2020	2021	2022-2026	2027-2031	2032-2036
Bond Issues:										
\$2,115,000 Series 2015A, dated 6/9/15, due 4/1/35, interest at 3.00 to 3.50%	Principal (10/1)	\$ 2,035,000	\$ 80,000	\$ 80,000	\$ 85,000	\$ 85,000	\$ 85,000	\$ 510,000	\$ 575,000	\$ 535,000
	Interest (4/1, 10/1)	714,123	63,830	61,430	59,030	56,480	53,930	227,650	146,560	45,213
\$3,490,000 Series 2013A, dated 10/9/13, due 10/1/33, interest at 3.00 to 4.00%	Principal (10/1)	3,005,000	135,000	140,000	145,000	145,000	150,000	830,000	1,000,000	460,000
	Interest (4/1, 10/1)	1,106,036	107,170	103,120	98,920	94,570	90,220	375,600	208,636	27,800
\$3,110,000 Series 2016A, dated 4/12/16, due 4/1/36, interest at 2.00 to 3.00%	Principal (10/1)	3,110,000	110,000	125,000	140,000	140,000	140,000	725,000	805,000	925,000
	Interest (4/1, 10/1)	920,188	119,387	77,946	74,196	69,996	65,796	265,530	174,580	72,757
Promissory Note Issues:										
\$1,885,000 Series 2015B, dated 6/9/15, due 4/1/25, interest at 1.50 to 3.00%	Principal (10/1)	1,670,000	170,000	170,000	175,000	180,000	185,000	790,000	-	-
	Interest (4/1, 10/1)	231,505	41,508	38,958	35,558	32,058	27,558	55,865	-	-
\$713,000 Series 2015C, dated 9/8/15, due 6/1/18, interest at 1.544%	Principal (6/1)	472,000	238,000	234,000	-	-	-	-	-	-
	Interest (6/1)	10,901	7,288	3,613	-	-	-	-	-	-
\$2,860,000 Series 2013B, dated 10/9/13, due 10/1/23, interest at 2.00 to 2.750%	Principal (10/1)	1,395,000	185,000	190,000	195,000	195,000	205,000	425,000	-	-
	Interest (4/1, 10/1)	140,162	32,190	28,490	24,690	20,790	16,402	17,600	-	-
\$3,530,000 dated 5/25/11, due 5/1/21 interest at 1.00 to 3.00%	Principal (11/1)	1,845,000	320,000	360,000	365,000	390,000	410,000	-	-	-
	Interest (5/1, 11/1)	151,820	48,390	41,350	32,710	23,220	6,150	-	-	-
\$1,885,000 Series 2016B, dated 10/25/16, due 6/1/19, interest at 0.995%	Principal (6/1)	1,885,000	659,400	636,500	589,100	-	-	-	-	-
	Interest (6/1)	29,310	11,253	12,195	5,862	-	-	-	-	-
Total Future Requirements:										
	Principal	15,417,000	1,897,400	1,935,500	1,694,100	1,135,000	1,175,000	3,280,000	2,380,000	1,920,000
	Interest	3,304,045	431,016	367,102	330,966	297,114	260,056	942,245	529,776	145,770
Totals		\$ 18,721,045	\$ 2,328,416	\$ 2,302,602	\$ 2,025,066	\$ 1,432,114	\$ 1,435,056	\$ 4,222,245	\$ 2,909,776	\$ 2,065,770

**CITY OF HUDSON, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-Term Obligations (Continued)

General Obligation Debt (Continued)

General Obligation Debt Limitation. Section 67.03 of the Wisconsin Statutes provides that the amount of indebtedness of a municipality shall not exceed 5% of the equalized valuation of the taxable property in the municipality. The City's legal debt limit and unused borrowing capacity at December 31, 2016 were computed as follows:

Equalized Valuation (Certified August 2016)	<u>\$ 1,737,318,700</u>
Legal Debt Capacity (5% of Equalized Value)	\$ 86,865,935
Total General Obligation Debt Subject to Limitation	<u>15,417,000</u>
Unused Borrowing Capacity at 12/31/2016	<u>\$ 71,448,935</u>

Current Year Borrowing

On April 12, 2016, the City issued Series 2016A General Obligation Street Improvement Bonds in the amount of \$3,110,000. The bonds bear interest at 2.00 to 3.00 percent and mature April 1, 2036. The bonds will be used to finance the Vine Street reconstruction project, including water, sewer, storm, and street upgrades.

On October 25, 2016, the City issued Series 2016B General Obligation Promissory Notes in the amount of \$1,885,000. The notes bear interest at 0.995 percent and mature June 1, 2019. The notes were used for the current refunding of Series 2009A Notes. This refunding transaction resulted in an economic gain of \$71,224 and future debt service savings of \$78,895.

Subsequent Year Borrowing

On May 15, 2017, the City issued Series 2017A General Obligation Corporate Purpose Bonds in the amount of \$2,495,000. The bonds bear interest at 2.00 to 3.00 percent and mature December 1, 2032. The bonds will be used to finance street projects and the acquisition of a new fire truck.

On May 15, 2017, the City issued Series 2017B General Obligation Promissory Notes in the amount of \$2,470,000. The bonds bear interest at 3.00 percent and mature June 1, 2027. The bonds will be used to finance capital projects and capital equipment purchases.

**CITY OF HUDSON, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-Term Obligations (Continued)

Mortgage Revenue Bonds

Repayment Requirements. Outstanding mortgage revenue bonds totaled \$411,577 at December 31, 2016. The City's full faith and credit do not back the mortgage revenue bonds which are instead backed only by the assets and revenues of the issuing enterprise funds. Outstanding mortgage revenue bonds at December 31, 2016 and annual requirements for their retirement at that date are shown below:

	Year	Principal	Interest	Total
Sewer Utility:				
Revenue Bonds dated 10/28/98,	2017	\$ 202,896	\$ 8,842	\$ 211,738
\$4,482,500 authorized, \$4,109,172	2018	208,681	2,975	211,656
issued through 12/31/00, due		<u>\$ 411,577</u>	<u>\$ 11,817</u>	<u>\$ 423,394</u>
5/1/18, interest at 2.851% (Clean Water Fund loan - treatment plant)				

Bond Ordinance Requirements. The City resolutions authorizing the 1998 sewer mortgage revenue bond issues require the segregation of sewer utility enterprise fund revenues into the following separate accounts:

"Sewerage System Operation and Maintenance Fund" to provide for the reasonable and proper operation and maintenance of the utility.

"Sewerage System Bond and Interest Special Redemption Fund" (herein referred to as the "Special Redemption Fund") to be applied to the payment of the principal and interest on bonds.

"Sewerage System Depreciation Fund" to provide a proper and adequate depreciation account for the system.

The percentage of allocation to the above funds is subject to amendment by the Common Council provided that the proportion applicable to the Special Redemption Fund shall at all times be sufficient for its purposes. The City is maintaining these funds.

In addition to the above accounts, the resolutions also call for segregation of funds into a "Surplus Fund". This account has not been separately established within the utility records, but is included as a part of the operation and maintenance fund called for above.

In addition to the reserve account, the City had a balance of \$156,524 in the depreciation account at December 31, 2016. During 2000, the City passed a resolution to finance all debt service of the sewer utility (not specifically funded by other sources) from the future facility account maintained in the utility. All sewer hook-up fees received by the utility are set aside into this account. The account is to be jointly used to fund debt service of the utility and provide funding for future plant expansion and replacement. The balance of the account at December 31, 2016 was \$4,373,030, of which \$190,000 was restricted for funding the redemption account.

**CITY OF HUDSON, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

F. Governmental Fund Balances

The governmental fund balances reported on the fund financial statements at December 31, 2016 consisted of the following:

	Total	Nonspendable	Restricted	Committed	Assigned	Unassigned
Major Funds:						
General Fund	\$ 5,543,763	\$ -	\$ -	\$ -	\$ -	\$ -
Delinquent Taxes	-	14,665	-	-	-	-
Prepayments	-	26,334	-	-	-	-
Advances to Other Funds	-	116,411	-	-	-	-
Police Equipment	-	-	-	-	18,143	-
Fire Equipment	-	-	-	-	41,046	-
Energy Savings	-	-	-	-	7,033	-
Room Tax	-	-	-	-	146,178	-
BOGO Tree Funds	-	-	-	-	1,470	-
Health Insurance Reserve	-	-	-	-	478,898	-
Unassigned	-	-	-	-	-	4,693,585
Impact Fees Fund	1,465,074	-	1,465,074	-	-	-
Debt Service Fund	51,497	-	51,497	-	-	-
Capital Projects Fund	2,506,634	-	-	2,506,634	-	-
Nonmajor Funds:						
Special Revenue Funds:						
Sewer Collection System						
Replacement Fund	956,892	-	-	956,892	-	-
Storm Water MS-4 Fund	235,029	-	235,029	-	-	-
Storm Water Fund	223,646	-	223,646	-	-	-
Parks Dedication Fees Fund	457,808	-	457,808	-	-	-
Police Donations Fund	28,197	-	28,197	-	-	-
Police Drug Forfeitures Fund	1,284	-	1,284	-	-	-
Business Park Revolving Loan Fund	546,484	-	546,484	-	-	-
Total Governmental Fund Balances at December 31, 2016	<u>\$ 12,016,308</u>	<u>\$ 157,410</u>	<u>\$ 3,009,019</u>	<u>\$ 3,463,526</u>	<u>\$ 692,768</u>	<u>\$ 4,693,585</u>

G. Business Park Revolving Loan Fund

The City was awarded a grant by the Wisconsin Department of Commerce under the Major Economic Development (MED) program in 2003 in the amount of \$850,000. The funds were to be used to assist in financing site acquisition costs from the St. Croix Business Park for a major business to locate within the business park. Upon closing of the sale, St. Croix Business Park was to pay \$425,000 of the funds to the City to establish a separate revolving loan fund under the 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, 2016. Outstanding balances on the loans would be shown as long-term receivables in the business park revolving loan special revenue fund and would be equally offset by a deferred inflow of resources. The balance in the fund at December 31, 2016 totaled \$546,484.

**CITY OF HUDSON, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 4 OTHER INFORMATION

A. Wisconsin Retirement System Pension Plan Benefits

Plan Description. The WRS is a cost-sharing multiple-employer defined benefit pension plan. WRS benefits and other plan provisions are established by Chapter 40 of the Wisconsin Statutes. Benefit terms may only be modified by the legislature. The retirement system is administered by the Wisconsin Department of Employee Trust Funds (ETF). The system provides coverage to all eligible State of Wisconsin, local government and other public employees. All employees, initially employed by a participating WRS employer on or after July 1, 2011, and expected to work at least 1200 hours a year and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS. The WRS issues an annual financial report which may be obtained by writing to the Department of Employee Trust Funds, P.O. Box 7931, Madison, WI 53707-7931.

Vesting. For employees beginning participation on or after January 1, 1990, and no longer actively employed on or after April 24, 1998, creditable service in each of five years is required for eligibility for a retirement annuity. Participants employed prior to 1990 and on or after April 24, 1998, and prior to July 1, 2011, are immediately vested. Participants who initially became WRS eligible on or after July 1, 2011, must have five years of creditable service to be vested.

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

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

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

The WRS also provides death and disability benefits for employees.

**CITY OF HUDSON, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 4 OTHER INFORMATION (CONTINUED)

A. Wisconsin Retirement System Pension Plan Benefits (Continued)

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

During the fiscal reporting period January 1, 2016 through December 31, 2016, the WRS recognized \$398,730 in contributions from the employer.

Contribution rates for 2016 are:

	<u>Employee</u>	<u>Employer</u>
General (including Teachers)	6.60%	6.60%
Executives and Elected Officials	6.60%	6.60%
Protective with Social Security	6.60%	9.49%
Protective without Social Security	6.60%	13.29%

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>
2006	0.8%	3.0%
2007	3.0	10.0
2008	6.6	0.0
2009	(2.1)	(42.0)
2010	(1.3)	22.0
2011	(1.2)	11.0
2012	(7.0)	(7.0)
2013	(9.6)	9.0
2014	4.7	25.0
2015	2.9	2.0

**CITY OF HUDSON, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 4 OTHER INFORMATION (CONTINUED)

A. Wisconsin Retirement System Pension Plan Benefits (Continued)

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

At December 31, 2016, the City reported a liability of \$640,597 for its proportionate share of the net pension liability, with \$608,824 relating to the primary government and \$31,773 relating to the City's component units. The net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014 rolled forward to December 31, 2015. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers. At December 31, 2015, the City's proportion was 0.03942175 percent, which was an increase of 0.00010091 from its proportion measured as of December 31, 2014.

For the year ended December 31, 2016, the City recognized pension expense of \$776,587 and \$38,519 of pension expense was allocated to component units. At December 31, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 108,371	\$ 1,348,122
Changes of Assumptions	448,189	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	2,622,782	-
Changes in Proportion and Differences Between City Contributions and Proportionate Share of Contributions	14,647	-
City Contributions Subsequent to the Measurement Date	398,730	-
Total	3,592,719	1,348,122
Less Amount Allocated to Component Units	(178,213)	(66,866)
Total Primary Government	\$ 3,414,506	\$ 1,281,256

\$398,730 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended December 31, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**CITY OF HUDSON, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 4 OTHER INFORMATION (CONTINUED)

A. Wisconsin Retirement System Pension Plan Benefits (Continued)

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

<u>Year Ended December 31:</u>	<u>Pension Expense Amount</u>
2016	\$ 503,477
2017	503,477
2018	503,477
2019	364,179
2020	(28,743)
Thereafter	-

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

Actuarial Valuation Date:	December 31, 2014
Measurement Date of Net Pension Liability (Asset):	December 31, 2015
Actuarial Cost Method:	Entry Age
Asset Valuation Method:	5-Year Smoothed Value
Long-Term Expected Rate of Return:	7.2%
Discount Rate:	7.2%
Inflation:	2.0% to 2.7% - approximate
Salary Increases:	3.2% to 8.8% including inflation WRS experience projected to
Mortality:	2017 with scale BB
Post-retirement Adjustments*:	5.0%

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

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

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

**CITY OF HUDSON, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 4 OTHER INFORMATION (CONTINUED)

A. Wisconsin Retirement System Pension Plan Benefits (Continued)

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

Asset Class	Core Asset Allocation		Variable Asset Allocation	
	Target Allocation	Long-Term Expected Real Rate of Return	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	21%	5.3%	70%	5.3%
International Equity	23%	5.7%	30%	5.7%
Fixed Income	36%	1.7%	N/A	N/A
Inflation Sensitive Assets	20%	2.3%	N/A	N/A
Real Estate	7%	4.2%	N/A	N/A
Private Equity/Debt	7%	6.9%	N/A	N/A
Multi-Asset	6%	3.9%	N/A	N/A
Cash	-20%	0.9%	N/A	N/A
Totals	100%		100%	

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

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

	1% Decrease (6.20%)	Current Discount Rate (7.20%)	1% Increase (8.20%)
City's Proportionate Share of the Net Pension Liability (Asset)	\$ 4,493,151	\$ 640,597	\$ (2,368,319)

CITY OF HUDSON, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 4 OTHER INFORMATION (CONTINUED)

A. Wisconsin Retirement System Pension Plan Benefits (Continued)

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

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in separately issued financial statements available at <http://legis.wisconsin.gov/lab/> and reference report number 16-10.

B. Employee Leave Liabilities

Vacation. City employees are granted vacation in varying amounts based on length of service. Vacation earned in one calendar year is available for use on January 1 of the subsequent year. Unrecorded vacation accruals generally do not exceed the amount earned for one year. An employee may, with the employer's written permission, carry over unused vacation credit (limited, depending on department) to the first six months of the following year. The estimated liabilities for accumulated vacation leave at December 31, 2016 were \$290,916 for governmental funds, \$95,618 for enterprise funds, \$22,809 for the Joint Library component unit, and \$18,569 for the Community Access Board component unit.

Compensatory Time. It is the City's policy that police employees may accumulate compensatory time. Two librarians are also allowed to accumulate compensatory time. Accumulated compensatory time payable at December 31, 2016 totaled \$86,585. This amount includes \$85,678 reflected as a liability in the government-wide financial statements for governmental activities and \$907 reflected in the Joint Library component unit.

Sick Leave. The City allows employees to accumulate sick leave for use in subsequent years. The City does not pay employees for accumulated sick leave upon termination of employment, but allows for a portion of accumulated sick leave to be used as a credit for post-employment health insurance upon retirement. The liability for this benefit is included in the City's other postemployment benefits (OPEB).

C. Other Postemployment Benefit Plan

The City implemented the requirements of Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*. The City engaged an actuary to determine its liability for postemployment healthcare benefits other than pensions.

**CITY OF HUDSON, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 4 OTHER INFORMATION (CONTINUED)

C. Other Postemployment Benefit Plan (Continued)

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 post-employment 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.

Funding Policy

The City funds its OPEB obligation on a pay as you go basis (PAYGO). For fiscal year 2016, the City contributed an estimated \$112,182 to the plan under this basis.

Annual OPEB Cost and Net OPEB Obligation

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

Annual Required Contribution	\$ 200,326
Interest on Net OPEB Obligation	32,670
Adjustment to Annual Required Contribution	<u>(46,317)</u>
Annual OPEB Cost (Expense)	186,679
Employer Contributions under PAYGO Basis	<u>(112,182)</u>
Increase in Net OPEB Obligation	74,497
Net OPEB Obligation - Beginning of Year	<u>816,780</u>
Net OPEB Obligation - End of Year	891,277
Less Amount Allocated to Component Units	<u>(45,191)</u>
Net OPEB Obligation - End of Year - Primary Government	<u><u>\$ 846,086</u></u>

**CITY OF HUDSON, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 4 OTHER INFORMATION (CONTINUED)

C. Other Postemployment Benefit Plan (Continued)

Annual OPEB Cost and Net OPEB Obligation (Continued)

The City's annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation for 2016 and the two preceding years:

Fiscal Year Ended	Annual OPEB Cost	Employer Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/2016	\$ 186,679	\$ 112,182	60.1%	\$ 891,277
12/31/2015	188,129	101,401	53.9	816,780
12/31/2014	175,686	50,158	28.5	730,052

Funded Status and Funding Progress

As of January 1, 2015, the most recent actuarial valuation date, the City's unfunded actuarial accrued liability (UAAL) was \$1,379,241 or 31.7% of covered payroll in the amount of \$4,350,546.

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

Actuarial Methods and Assumptions

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

In the January 1, 2015 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.0% interest discount rate and salary increases of 2.0-4.0%. The initial healthcare trend rate was 7.25% in 2015 grading to 5.0% over nine years. The UAAL amortization period remaining at December 31, 2016 is less than 30 years.

**CITY OF HUDSON, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 4 OTHER INFORMATION (CONTINUED)

D. 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.

E. Landfill Postclosure Care Costs

City-Owned Site. 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 2016 were \$2,666. Future annual expenditures are expected to be similar to current year expenditures.

**CITY OF HUDSON, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 4 OTHER INFORMATION (CONTINUED)

F. Discretely Presented Component Units

St Croix Business Park

Capital assets activity for the St Croix Business Park for the year ended December 31, 2016, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets Not Being Depreciated:				
Land	\$ 1,785,813	\$ 30,978	\$ -	\$ 1,816,791
Capital Assets Being Depreciated:				
Land Improvements	108,485	-	25,760	82,725
Total Capital Assets	<u>1,894,298</u>	<u>30,978</u>	<u>25,760</u>	<u>1,899,516</u>
Accumulated Depreciation:				
Land Improvements	<u>34,449</u>	<u>4,130</u>	<u>-</u>	<u>38,579</u>
Net Capital Assets - Joint Library	<u>\$ 1,859,849</u>	<u>\$ 26,848</u>	<u>\$ 25,760</u>	<u>\$ 1,860,937</u>

Depreciation expense charged to the Business Park was \$4,130.

Joint Library

Capital assets activity for the Joint Library for the year ended December 31, 2016, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets Being Depreciated:				
Buildings and Improvements	\$ 523,386	\$ -	\$ -	\$ 523,386
Machinery and Equipment	591,341	-	56,374	534,967
Total Capital Assets	<u>1,114,727</u>	<u>-</u>	<u>56,374</u>	<u>1,058,353</u>
Accumulated Depreciation:				
Buildings and Improvements	111,616	20,371	-	131,987
Machinery and Equipment	<u>96,656</u>	<u>74,315</u>	<u>56,374</u>	<u>114,597</u>
Total Accumulated Depreciation	<u>208,272</u>	<u>94,686</u>	<u>56,374</u>	<u>246,584</u>
Net Capital Assets - Joint Library	<u>\$ 906,455</u>	<u>\$ (94,686)</u>	<u>\$ -</u>	<u>\$ 811,769</u>

Depreciation expense charged to the Joint Library was \$94,686.

**CITY OF HUDSON, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 4 OTHER INFORMATION (CONTINUED)

F. Discretely Presented Component Units (Continued)

Joint Library (Continued)

The long-term obligations activity for the Joint Library component unit for the year ended December 31, 2016, was as follows:

	Balance 1/1/16	Additions	Reductions	Balance 12/31/16	Amounts Due Within One Year
Employee Leave Liability	\$ 20,878	\$ 23,716	\$ 20,878	\$ 23,716	\$ 23,716
Other Postemployment Benefits Payable	29,702	5,871	3,528	32,045	-
Total Long-Term Obligations	<u>\$ 50,580</u>	<u>\$ 29,587</u>	<u>\$ 24,406</u>	<u>\$ 55,761</u>	<u>\$ 23,716</u>

Community Access Board

Capital assets activity for the Community Access Board for the year ended December 31, 2016, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Machinery and Equipment	\$ 145,197	\$ 22,663	\$ -	\$ 167,860
Accumulated Depreciation:	88,348	10,761	-	99,109
Net Capital Assets - Community Access Board	<u>\$ 56,849</u>	<u>\$ 11,902</u>	<u>\$ -</u>	<u>\$ 68,751</u>

Depreciation expense charged to the Community Access Board was \$10,761.

The long-term obligations activity for the Community Access Board component unit for the year ended December 31, 2016, was as follows:

	Balance 1/1/16	Additions	Reductions	Balance 12/31/16	Amounts Due Within One Year
Employee Leave Liability	\$ 11,146	\$ 18,569	\$ 11,146	\$ 18,569	\$ 18,569
Other Postemployment Benefits Payable	12,228	2,300	1,382	13,146	-
Total Long-Term Obligations	<u>\$ 23,374</u>	<u>\$ 20,869</u>	<u>\$ 12,528</u>	<u>\$ 31,715</u>	<u>\$ 18,569</u>

G. Risk Management and Litigation Matters

The City is exposed to various risks of loss related to torts; theft of, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City maintains, including its component units, commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the City. Settled claims have not exceeded this commercial coverage in any of the last three years.

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF HUDSON, WISCONSIN
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED DECEMBER 31, 2016**

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 5,885,406	\$ 5,902,406	\$ 5,960,055	\$ 57,649
Intergovernmental	899,638	922,810	929,578	6,768
Licenses and Permits	367,330	367,330	363,306	(4,024)
Fines and Forfeits	132,000	132,000	108,404	(23,596)
Public Charges for Services	139,277	139,277	119,781	(19,496)
Intergovernmental Charges for Services	531,834	531,834	537,664	5,830
Miscellaneous:				
Interest	55,000	55,000	16,326	(38,674)
Rent	148,000	148,000	151,145	3,145
Other	31,500	81,712	101,528	19,816
Total Revenues	<u>8,189,985</u>	<u>8,280,369</u>	<u>8,287,787</u>	<u>7,418</u>
EXPENDITURES:				
General Government	1,674,039	1,677,466	1,494,845	182,621
Public Safety	4,374,920	4,277,105	4,063,561	213,544
Transportation Facilities	1,538,863	1,515,506	1,251,634	263,872
Sanitation	30,714	33,314	23,342	9,972
Health and Human Services	15,600	16,500	16,372	128
Culture, Recreation and Education	958,440	1,067,690	979,967	87,723
Conservation and Development	290,479	350,963	316,800	34,163
Total Expenditures	<u>8,883,055</u>	<u>8,938,544</u>	<u>8,146,521</u>	<u>792,023</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				
	<u>(693,070)</u>	<u>(658,175)</u>	<u>141,266</u>	<u>799,441</u>
OTHER FINANCING SOURCES (USES):				
Proceeds from Sale of Property	8,000	13,925	15,738	1,813
Transfers In	507,000	507,000	490,771	(16,229)
Transfers Out	-	(310,000)	(310,000)	-
Total Other Financing Sources (Uses)	<u>515,000</u>	<u>210,925</u>	<u>196,509</u>	<u>(14,416)</u>
NET CHANGE IN FUND BALANCE				
	<u>\$ (178,070)</u>	<u>\$ (447,250)</u>	<u>337,775</u>	<u>\$ 785,025</u>
Fund Balance, January 1			<u>5,205,988</u>	
FUND BALANCE, DECEMBER 31			<u><u>\$ 5,543,763</u></u>	

See Notes to Required Supplementary Information

CITY OF HUDSON, WISCONSIN
SCHEDULE OF FUNDING PROGRESS FOR POSTEMPLOYMENT BENEFIT PLAN

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
1/1/2015	\$ -	\$ 1,379,241	\$ 1,379,241	0%	\$ 4,350,546	31.7%
1/1/2012	-	1,291,226	1,291,226	0%	4,167,014	31.0%
1/1/2009	-	1,009,732	1,009,732	0%	3,513,736	28.7%

CITY OF HUDSON, WISCONSIN
SCHEDULE OF PROPORTIONATE SHARE OF
WISCONSIN RETIREMENT SYSTEM NET PENSION PLAN ASSET/LIABILITY
LAST TEN FISCAL YEARS
 (SHOWN PROSPECTIVELY FROM IMPLEMENTATION)

	Measurement Date December 31, 2014	Measurement Date December 31, 2015
City's proportion of the net pension liability (asset)	0.03932084%	0.03942175%
City's proportionate share of the net pension liability (asset)	\$ (965,827)	640,597
City's covered-employee payroll	\$ 4,775,480	4,990,775
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-20.22%	12.84%
Plan fiduciary net position as a percentage of the total pension liability (asset)	102.74%	98.20%

*The amounts presented for each fiscal year were determined as of 12/31 that occurred within the fiscal year.

**CITY OF HUDSON, WISCONSIN
SCHEDULE OF CONTRIBUTIONS TO
WISCONSIN RETIREMENT SYSTEM PENSION PLAN
LAST TEN FISCAL YEARS
(SHOWN PROSPECTIVELY FROM IMPLEMENTATION)**

	2015	2016
Contractually Required Contribution	\$ 385,618	\$ 398,730
Contributions in Relation to the Contractually Required Contributions	(385,618)	(398,730)
Contribution Deficiency (Excess)	\$ -	\$ -
 City's Covered-Employee Payroll	 \$ 4,990,775	 \$ 5,274,504
 Contributions as a Percentage of Covered Employee Payroll	 7.73%	 7.56%

*The amounts presented for each fiscal year were determined as of 12/31 that occurred within the fiscal year.

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

Changes of Assumptions. There were no changes in the assumptions.

**CITY OF HUDSON, WISCONSIN
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2016**

BUDGETARY INFORMATION

Generally accepted accounting principles (GAAP) requires the presentation of budgetary comparison schedules for the general fund and for each major special revenue fund. Budgetary information is derived from the City's annual operating budget. The City did not formally adopt a budget for the Impact Fees Fund, a major special revenue fund. Funds are appropriated to the Impact Fees Fund by Council on a project-by-project basis.

The City's budget is adopted in accordance with Chapter 65 of the Wisconsin Statutes and on a basis consistent with generally accepted accounting principles. Changes to appropriations authorized in the adopted budget generally require a vote of two-thirds of the entire membership of the governing body. The City's legal budget is adopted at the major function level in the general fund (i.e., general government) and at the fund level in all other funds. The City exercises budgetary expenditure control at the department level.

Budget amounts in the financial statements include both the original adopted budget and the final budget. Changes to the budget during the year, if any, generally include amendments authorized by the governing body, additions of approved carryover amounts and appropriations of revenues and other sources for specified expenditures/uses. Appropriated budget amounts lapse at the end of the year unless specifically carried over for financing subsequent year expenditures.

SUPPLEMENTARY INFORMATION

COMBINING AND INDIVIDUAL FUND STATEMENTS

**CITY OF HUDSON, WISCONSIN
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2016**

	Special Revenue Funds						Total Nonmajor Governmental Funds	
	Sewer Collection System Replacement	Parks Dedication Fees	Police Donations	Police Drug Forfeitures	Business Park Revolving Loan Fund	Storm Water MS-4 Fund		Storm Water Fund
ASSETS								
Cash and Investments	\$ 956,892	\$ 457,808	\$ 28,197	\$ 884	\$ 546,484	\$ 237,973	\$ 252,427	\$ 2,480,665
Accounts Receivable	-	-	-	-	-	-	92,292	92,292
Due from Other Governments	-	-	-	400	-	-	-	400
Total Assets	<u>\$ 956,892</u>	<u>\$ 457,808</u>	<u>\$ 28,197</u>	<u>\$ 1,284</u>	<u>\$ 546,484</u>	<u>\$ 237,973</u>	<u>\$ 344,719</u>	<u>\$ 2,573,357</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES								
Liabilities:								
Vouchers and Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,727	\$ 120,910	\$ 123,637
Accrued Wages	-	-	-	-	-	217	163	380
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,944</u>	<u>121,073</u>	<u>124,017</u>
Fund Balances:								
Restricted	-	457,808	28,197	1,284	546,484	235,029	223,646	1,492,448
Committed	956,892	-	-	-	-	-	-	956,892
Total Fund Balances	<u>956,892</u>	<u>457,808</u>	<u>28,197</u>	<u>1,284</u>	<u>546,484</u>	<u>235,029</u>	<u>223,646</u>	<u>2,449,340</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 956,892</u>	<u>\$ 457,808</u>	<u>\$ 28,197</u>	<u>\$ 1,284</u>	<u>\$ 546,484</u>	<u>\$ 237,973</u>	<u>\$ 344,719</u>	<u>\$ 2,573,357</u>

**CITY OF HUDSON, WISCONSIN
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
YEAR ENDED DECEMBER 31, 2016**

	Special Revenue Funds						Total Nonmajor Governmental Funds	
	Sewer Collection System Replacement	Parks Dedication Fees	Police Donations	Police Drug Forfeitures	Business Park Revolving Loan Fund	Storm Water MS-4 Fund		Storm Water Fund
REVENUES:								
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 20,996	\$ -	\$ 20,996
Fines and Forfeits	-	-	-	2,787	-	-	-	2,787
Public Charges for Services	59,441	-	-	-	-	-	307,668	367,109
Miscellaneous:								
Allocated Investment Earnings	2,260	1,467	492	9	1,407	(59)	847	6,423
Other	-	88,714	14,149	-	-	-	-	102,863
Total Revenues	61,701	90,181	14,641	2,796	1,407	20,937	308,515	500,178
EXPENDITURES:								
Public Safety	-	-	1,970	2,271	-	94,908	-	99,149
Transportation Facilities	-	-	-	-	-	-	301,789	301,789
Sanitation	115,651	-	-	-	-	-	-	115,651
Culture, Recreation and Education	-	226,268	-	-	-	-	-	226,268
Total Expenditures	115,651	226,268	1,970	2,271	-	94,908	301,789	742,857
EXCESS OF REVENUES OVER EXPENDITURES	(53,950)	(136,087)	12,671	525	1,407	(73,971)	6,726	(242,679)
OTHER FINANCING SOURCES (USES):								
Transfers In	-	-	-	-	-	309,000	-	309,000
Transfers Out	-	-	-	-	-	-	(320,710)	(320,710)
Total Other Financing Sources (Uses)	-	-	-	-	-	309,000	(320,710)	(11,710)
NET CHANGE IN FUND BALANCES	(53,950)	(136,087)	12,671	525	1,407	235,029	(313,984)	(254,389)
Fund Balances, January 1	1,010,842	593,895	15,526	759	545,077	-	537,630	2,703,729
FUND BALANCES, DECEMBER 31	\$ 956,892	\$ 457,808	\$ 28,197	\$ 1,284	\$ 546,484	\$ 235,029	\$ 223,646	\$ 2,449,340

**CITY OF HUDSON, WISCONSIN
GENERAL FUND
DETAILED BALANCE SHEET
DECEMBER 31, 2016
(WITH COMPARATIVE AMOUNTS FOR DECEMBER 31, 2015)**

	<u>2016</u>	<u>2015</u>
ASSETS		
Treasurer's Cash and Investments	\$ 6,050,124	\$ 5,591,300
Petty Cash	1,000	1,000
Current Taxes Receivable	5,447,064	5,510,967
Delinquent Personal Property Taxes	14,665	10,664
Accounts Receivable	136,558	84,902
Due from Other Governmental Units	113,496	94,423
Advances to Other Funds	116,411	74,264
Prepayments	26,334	39,543
	<u> </u>	<u> </u>
Total Assets	<u>\$ 11,905,652</u>	<u>\$ 11,407,063</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE		
Liabilities:		
Vouchers and Accounts Payable	\$ 196,759	\$ 187,408
Payroll Withholdings	79,570	81,583
Accrued Wages	81,319	56,602
Due to Other Governmental Units	12,338	17,211
Special Deposits	181,392	169,785
Total Liabilities	<u>551,378</u>	<u>512,589</u>
Deferred Inflows of Resources:		
Subsequent Year's Property Taxes	<u>5,810,511</u>	<u>5,688,486</u>
Fund Balance:		
Nonspendable		
Delinquent Taxes	14,665	10,664
Prepayments	26,334	39,543
Advances to Other Funds	116,411	74,264
Assigned	692,768	630,534
Unassigned	4,693,585	4,450,983
Total Fund Balance	<u>5,543,763</u>	<u>5,205,988</u>
	<u> </u>	<u> </u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 11,905,652</u>	<u>\$ 11,407,063</u>

**CITY OF HUDSON, WISCONSIN
GENERAL FUND
STATEMENT OF CHANGES IN FUND BALANCE
YEAR ENDED DECEMBER 31, 2016**

	Balance 1/1/16	Revenues/Other Sources			Net Transfers From (To) General Fund	Total Available	Expenditures/ Transfers to Other Funds	Balance 12/31/16
		Tax Levy	Interest	Other				
Nonspendable:								
Delinquent Taxes	\$ 10,664	\$ -	\$ -	\$ -	\$ 4,001	\$ 14,665	\$ -	\$ 14,665
Advances to Other Funds	74,264	-	-	-	42,147	116,411	-	116,411
Prepayments	39,543	-	-	-	(13,209)	26,334	-	26,334
Total Nonspendable	\$ 124,471	\$ -	\$ -	\$ -	\$ 32,939	\$ 157,410	\$ -	\$ 157,410
Assigned:								
Police Equipment	\$ 15,635	\$ -	\$ 110	\$ 2,398	\$ -	\$ 18,143	\$ -	\$ 18,143
Fire Equipment	37,123	-	248	3,675	-	41,046	-	41,046
Health Insurance	475,767	-	3,131	-	-	478,898	-	478,898
Energy Savings	6,987	-	46	-	-	7,033	-	7,033
Room Tax	93,561	-	613	54,004	-	148,178	2,000	146,178
BOGO Tree Funds	1,461	-	9	-	-	1,470	-	1,470
Total Assigned	\$ 630,534	\$ -	\$ 4,157	\$ 60,077	\$ -	\$ 694,768	\$ 2,000	\$ 692,768

**CITY OF HUDSON, WISCONSIN
GENERAL FUND
DETAILED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2016
(WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED DECEMBER 31, 2015)**

	2016		Variance - Positive (Negative)	2015 Actual
	Final Budget	Actual		
REVENUES:				
Taxes:				
General Property Taxes	\$ 5,684,406	\$ 5,684,407	\$ 1	\$ 5,606,588
Room Tax	207,000	264,220	57,220	231,161
Payment in Lieu of Taxes:				
Housing Authority	10,000	10,000	-	10,000
Other Taxes	-	-	-	1,369
Interest and Penalties on Taxes	1,000	1,428	428	1,036
Total Taxes	<u>5,902,406</u>	<u>5,960,055</u>	<u>57,649</u>	<u>5,850,154</u>
Intergovernmental:				
State Shared Taxes	167,730	165,656	(2,074)	168,014
State Aid for Exempt Computers	28,000	26,541	(1,459)	27,209
State Fire Insurance Tax	57,500	63,703	6,203	57,532
State Aid for Police Training	5,000	3,360	(1,640)	4,480
State Transportation Aids	639,908	639,422	(486)	590,927
Payment for Municipal Services	500	151	(349)	159
County Recycling Grant	-	2,299	2,299	-
DNR Urban Forestry Grant	23,172	23,172	-	-
Other Intergovernmental Aids	1,000	5,274	4,274	1,637
Total Intergovernmental	<u>922,810</u>	<u>929,578</u>	<u>6,768</u>	<u>849,958</u>
Licenses and Permits:				
Business and Occupational Licenses:				
Liquor and Malt Beverage	30,000	70,525	40,525	28,380
Other	14,130	13,097	(1,033)	17,320
Dog Licenses (Including County Refund)	7,000	4,579	(2,421)	4,877
Cat Licenses	800	734	(66)	653
Building Permits	300,000	250,625	(49,375)	335,751
Other Permits	6,400	7,665	1,265	6,909
Filing Fees	9,000	16,081	7,081	4,777
Total Licenses and Permits	<u>367,330</u>	<u>363,306</u>	<u>(4,024)</u>	<u>398,667</u>

**CITY OF HUDSON, WISCONSIN
GENERAL FUND
DETAILED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL (CONTINUED)
YEAR ENDED DECEMBER 31, 2016
(WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED DECEMBER 31, 2015)**

	2016		Variance - Positive (Negative)	2015 Actual
	Final Budget	Actual		
REVENUES: (CONTINUED)				
Fines and Forfeits:				
Court Penalties and Costs	\$ 130,000	\$ 107,230	\$ (22,770)	\$ 101,282
County Court/Miscellaneous	2,000	1,174	(826)	1,528
Total Fines and Forfeits	<u>132,000</u>	<u>108,404</u>	<u>(23,596)</u>	<u>102,810</u>
Public Charges for Services:				
General Government:				
License Publication Fees	150	382	232	262
Maps, Copies and Photos	550	1,346	796	613
Assessment Search Fees	9,000	6,475	(2,525)	6,175
Administration Charge to Business Park	12,500	12,437	(63)	12,430
Public Safety:				
Police Special OT	300	1,879	1,579	1,492
Public Education Fees	250	350	100	225
Casual Call Reimbursement	750	-	(750)	672
Public Works:				
Maintenance Charges	22,777	1,320	(21,457)	10,226
Weed and Nuisance Charges	3,000	314	(2,686)	970
Culture, Recreation and Education:				
Parks and Recreation	22,000	27,131	5,131	25,911
Boat Launching	52,000	52,858	858	55,883
Sail Boat Mooring	16,000	15,289	(711)	15,133
Total Public Charges for Services	<u>139,277</u>	<u>119,781</u>	<u>(19,496)</u>	<u>129,992</u>
Intergovernmental Charges for Services:				
Other Local Governments:				
Fire Protection - Contracts	340,434	340,434	-	381,092
School Liaison Officer - School Share	168,000	161,950	(6,050)	160,892
Police Labor Reimbursement	1,000	858	(142)	191
Other Charges	-	12,270	12,270	(482)
Local Departments/Funds:				
Library - Administrative Charge	14,000	13,752	(248)	13,752
Cable TV Administrative Charge	8,400	8,400	-	8,400
Total Intergovernmental Charges for Services	<u>531,834</u>	<u>537,664</u>	<u>5,830</u>	<u>563,845</u>

**CITY OF HUDSON, WISCONSIN
GENERAL FUND
DETAILED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL (CONTINUED)
YEAR ENDED DECEMBER 31, 2016
(WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED DECEMBER 31, 2015)**

	2016		Variance - Positive (Negative)	2015 Actual
	Final Budget	Actual		
REVENUES: (CONTINUED)				
Miscellaneous:				
Interest on Investments	\$ 55,000	\$ 16,326	\$ (38,674)	\$ 51,310
MB Occupancy Costs	135,000	137,700	2,700	132,420
Rent of City Buildings and Property	7,200	7,625	425	7,360
Rent Charge to Ambulance Utility	5,800	5,820	20	5,820
Insurance Dividends	69,322	88,071	18,749	10,989
Donations	250	2,060	1,810	-
Other Refunds and Reimbursements	12,140	11,397	(743)	226,472
Total Miscellaneous	<u>284,712</u>	<u>268,999</u>	<u>(15,713)</u>	<u>434,371</u>
 Total Revenues	 <u>8,280,369</u>	 <u>8,287,787</u>	 <u>7,418</u>	 <u>8,329,797</u>
EXPENDITURES:				
General Government:				
Mayor and Council	100,712	45,199	55,513	46,569
Mayor and Council Capital Outlay	-	-	-	900
Municipal Court	115,998	103,147	12,851	99,070
City Attorney/Other Legal	91,000	79,831	11,169	79,886
Clerk-Treasurer	290,851	286,079	4,772	293,320
Administrator	81,684	81,475	209	86,504
Labor Negotiator/Drug Test	18,000	21,013	(3,013)	16,940
Information Technology	166,940	166,802	138	155,997
Elections	36,600	36,378	222	12,757
Assessment of Property	73,715	72,123	1,592	69,417
Insurance/Unallocated	265,670	268,597	(2,927)	313,877
City Hall	133,613	130,657	2,956	154,585
Municipal Building	207,936	188,897	19,039	191,304
Municipal Building Outlay	-	-	-	410,328
Illegal Taxes and Refunds	-	3,691	(3,691)	1,145
Contingency/Special Projects	94,747	10,956	83,791	8,822
Total General Government	<u>1,677,466</u>	<u>1,494,845</u>	<u>182,621</u>	<u>1,941,421</u>

**CITY OF HUDSON, WISCONSIN
GENERAL FUND
DETAILED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL (CONTINUED)
YEAR ENDED DECEMBER 31, 2016
(WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED DECEMBER 31, 2015)**

	2016		Variance - Positive (Negative)	2015 Actual
	Final Budget	Actual		
EXPENDITURES: (CONTINUED)				
Public Safety:				
Police Administration	\$ 561,589	\$ 555,545	\$ 6,044	\$ 417,569
Police Patrol	1,844,279	1,821,655	22,624	1,781,267
Police Patrol Capital Outlay	111,177	111,903	(726)	67,855
Criminal Investigation	356,603	292,449	64,154	365,391
School Officer	225,443	218,325	7,118	206,646
Police and Fire Commission	4,000	3,556	444	443
Fire Department	379,786	348,565	31,221	303,918
Fire Department Capital Outlay	57,872	45,221	12,651	78,631
Fire Department Training	47,810	46,046	1,764	44,312
Fire Department Officers	29,650	27,657	1,993	22,534
Fire Deferred Compensation Wages	21,730	15,626	6,104	16,232
Fire Mechanic Wages	10,082	6,728	3,354	6,436
Fire Administration	199,009	169,900	29,109	175,899
Ambulance Subsidy	180,900	180,900	-	173,238
Building Inspection	187,070	172,037	15,033	150,537
Building Inspection Outlay	9,000	8,862	138	-
Disaster Control Outlay	2,000	-	-	-
Emergency Government - Sirens	15,905	11,462	4,443	8,987
Emergency Government - Sirens Outlay	25,700	25,678	22	-
Dams	7,500	1,446	6,054	2,941
Total Public Safety	4,277,105	4,063,561	211,544	3,822,836
Transportation Facilities:				
Streets and Related Facilities:				
Director of Public Works	182,494	155,009	27,485	167,563
Director of Public Works Outlay	30,000	-	30,000	-
Machinery and Equipment	213,139	190,548	22,591	177,199
Garage - Storage Sheds	38,200	27,341	10,859	28,950
West Garage	10,250	1,559	8,691	7,060
Street Maintenance	779,007	633,315	145,692	690,144

**CITY OF HUDSON, WISCONSIN
GENERAL FUND
DETAILED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE --
BUDGET AND ACTUAL (CONTINUED)
YEAR ENDED DECEMBER 31, 2016
(WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED DECEMBER 31, 2015)**

	2016		Variance - Positive (Negative)	2015 Actual
	Final Budget	Actual		
EXPENDITURES: (CONTINUED)				
Transportation Facilities: (Continued)				
Streets and Related Facilities: (Continued)				
Highways 94 and 35	\$ 28,720	\$ 27,630	\$ 1,090	\$ 28,074
Street Lighting	135,970	143,621	(7,651)	166,418
Street Signs and Markings	52,388	24,183	28,205	27,831
Stop and Go Lights	42,938	47,594	(4,656)	26,408
Sidewalks and Crosswalks	1,000	-	1,000	1,819
Curb and Gutter	1,200	634	566	30
Storm Sewers	200	200	-	-
Total Transportation Facilities	<u>1,515,506</u>	<u>1,251,634</u>	<u>263,872</u>	<u>1,321,496</u>
Sanitation:				
Landfill	8,000	2,694	5,306	16,819
Weed Control	15,983	15,042	941	11,457
Recycling Coordinator	9,331	5,606	3,725	6,294
Total Sanitation	<u>33,314</u>	<u>23,342</u>	<u>9,972</u>	<u>34,570</u>
Health and Human Services:				
Sealer of Weights and Measures	6,000	6,000	-	6,000
Animal Control	10,500	10,372	128	9,986
Total Health and Human Services	<u>16,500</u>	<u>16,372</u>	<u>128</u>	<u>15,986</u>
Culture, Recreation and Education:				
Community Subsidies	215,000	212,758	2,242	195,358
Joint Library	356,031	356,031	-	300,900
Parks:				
Parks Administration	106,637	107,889	(1,252)	97,330
General Park Maintenance	259,375	215,997	43,378	210,438
Lakefront Park	77,011	52,076	24,935	39,485
Lakefront Park Outlay	-	-	-	19,111

**CITY OF HUDSON, WISCONSIN
GENERAL FUND
DETAILED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL (CONTINUED)
YEAR ENDED DECEMBER 31, 2016
(WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED DECEMBER 31, 2015)**

	2016		Variance - Positive (Negative)	2015 Actual
	Final Budget	Actual		
EXPENDITURES: (CONTINUED)				
Culture, Recreation and Education: (Continued)				
Parks: (Continued)				
Grandview Park	\$ 53,636	\$ 35,216	\$ 18,420	\$ 45,532
Celebrations	-	-	-	800
Total Culture, Recreation and Education	<u>1,067,690</u>	<u>979,967</u>	<u>87,723</u>	<u>908,954</u>
Conservation and Development:				
Shade Tree Control	114,730	103,233	11,497	44,686
Community Development	211,233	213,567	(2,334)	207,347
Community Development Capital Outlay	25,000	-	25,000	-
Total Conservation and Development	<u>350,963</u>	<u>316,800</u>	<u>34,163</u>	<u>252,033</u>
 Total Expenditures	 <u>8,938,544</u>	 <u>8,146,521</u>	 <u>790,023</u>	 <u>8,297,296</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(658,175)</u>	<u>141,266</u>	<u>797,441</u>	<u>32,501</u>
OTHER FINANCING SOURCES (USES):				
Proceeds from Sale of City Property	13,925	15,738	1,813	6,346
Transfers In:				
From Capital Projects Fund	-	-	-	325,142
From Water Utility - Tax Equivalent	450,000	433,711	(16,289)	396,802
From Sewer Utility - Tax Equivalent	57,000	57,060	60	57,060
Transfers Out:				
To Capital Projects Funds	<u>(310,000)</u>	<u>(310,000)</u>	<u>-</u>	<u>(51,547)</u>
Total Other Financing Sources (Uses)	<u>210,925</u>	<u>196,509</u>	<u>(14,416)</u>	<u>733,803</u>
NET CHANGE IN FUND BALANCE	<u>\$ (447,250)</u>	<u>337,775</u>	<u>\$ 783,025</u>	<u>766,304</u>
Fund Balance, January 1		<u>5,205,988</u>		<u>4,439,684</u>
FUND BALANCE, DECEMBER 31		<u>\$ 5,543,763</u>		<u>\$ 5,205,988</u>

**CITY OF HUDSON, WISCONSIN
WATER UTILITY ENTERPRISE FUND
STATEMENT OF NET POSITION
DECEMBER 31, 2016
(WITH COMPARATIVE AMOUNTS FOR DECEMBER 31, 2015)**

	2016	2015
ASSETS		
Current Assets:		
Cash and Investments:		
Operations	\$ 7,047,100	\$ 7,188,382
Future Facilities Account	97,391	96,755
Customer Accounts Receivable	603,145	571,278
Accounts Receivable on Tax Roll	68,669	68,891
Other Accounts Receivable	32,734	35,114
Due from Other Governmental Units	20,494	27,397
Inventories	29,204	29,386
Total Current Assets	7,898,737	8,017,203
Restricted Assets:		
Cash and Investments:		
Debt Service Funds:		
Unspent Bond Proceeds	393,684	-
Carmichael Impact Assessments	276,942	896,326
Wisconsin Retirement System Pension Plan Asset	-	82,299
Total Restricted Assets	670,626	978,625
Capital Assets:		
Utility Plant in Service	34,430,883	32,929,203
Less Accumulated Depreciation	12,401,729	11,797,510
Net Utility Plant in Service	22,029,154	21,131,693
Construction Work in Progress	1,095,322	939,697
Total Capital Assets	23,124,476	22,071,390
Total Assets	31,693,839	31,067,218
DEFERRED OUTFLOWS OF RESOURCES		
Wisconsin Retirement System Pension Plan Related	292,157	86,090

**CITY OF HUDSON, WISCONSIN
WATER UTILITY ENTERPRISE FUND
STATEMENT OF NET POSITION (CONTINUED)
DECEMBER 31, 2016
(WITH COMPARATIVE AMOUNTS FOR DECEMBER 31, 2015)**

	2016	2015
LIABILITIES		
Current Liabilities Payable from Current Assets:		
Vouchers and Accounts Payable	\$ 110,004	\$ 50,509
Due Other Governmental Units	14,598	17,407
Security Deposits	38,411	65,209
Accrued Employee Liabilities	59,022	57,538
Accrued Wages	13,646	8,866
Accrued Interest	16,792	-
Current Portion of General Obligation Bonds	30,000	-
Total Current Liabilities Payable From Current Assets	282,473	199,529
Current Assets		
Long-Term Liabilities (Net of Current Portion):		
Other Postemployment Benefits Payable	93,990	86,502
Wisconsin Retirement System Pension Plan Liability	47,017	-
General Obligation Bonds	869,077	-
Total Long-Term Liabilities (Net of Current Portion):	1,010,084	86,502
Total Liabilities	1,292,557	286,031
DEFERRED INFLOWS OF RESOURCES		
Wisconsin Retirement System Pension Plan Related	108,524	-
NET POSITION		
Net Investment in Capital Assets	23,124,476	22,071,390
Restricted - Unspent Debt Proceeds	393,684	-
Restricted for Impact Assessments	276,942	896,326
Restricted for Pension Plan	-	82,299
Unrestricted	6,789,813	7,817,262
Total Net Position	\$ 30,584,915	\$ 30,867,277

**CITY OF HUDSON, WISCONSIN
WATER UTILITY ENTERPRISE FUND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEAR ENDED DECEMBER 31, 2016
(WITH COMPARATIVE AMOUNTS FOR YEAR ENDED DECEMBER 31, 2015)**

	2016	2015
OPERATING REVENUES:		
Sales of Water:		
Residential	\$ 1,097,120	\$ 1,030,315
Commercial	396,765	358,578
Industrial	20,164	18,158
Public Authorities	50,002	40,310
Metered Sales to Temporary Customers	19,568	25,553
Public Fire Protection	712,046	702,206
Private Fire Protection	141,474	138,778
Total Sales of Water	2,437,139	2,313,898
Other Operating Revenues:		
Forfeited Discounts	32,219	32,888
Tower Leasing	226,508	259,477
Meter Charge to Sewer	161,180	159,817
Other Operating Revenues	17,137	136,406
Total Other Operating Revenues	437,044	588,588
Total Operating Revenues	2,874,183	2,902,486
OPERATING EXPENSES:		
Operation and Maintenance	2,183,523	1,609,452
Depreciation	1,173,578	731,232
Total Operating Expenses	3,357,101	2,340,684
OPERATING INCOME (LOSS)	(482,918)	561,802
NONOPERATING REVENUES (EXPENSES):		
Investment Income	17,318	68,062
Interest Expense	(16,792)	-
Total Nonoperating Revenues (Expenses)	526	68,062
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	(482,392)	629,864
CAPITAL CONTRIBUTIONS:		
Plant Contributed by Developers	621,300	-
Impact Fees Applied	12,441	101,555
Total Capital Contributions	633,741	101,555
TRANSFERS:		
Transfer to General Fund	(433,711)	(396,802)
CHANGE IN NET POSITION	(282,362)	334,617
Net Position, January 1	30,867,277	30,532,660
NET POSITION, DECEMBER 31	\$ 30,584,915	\$ 30,867,277

**CITY OF HUDSON, WISCONSIN
WATER UTILITY ENTERPRISE FUND
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2016
(WITH COMPARATIVE AMOUNTS FOR YEAR ENDED DECEMBER 31, 2015)**

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received from Customers	\$ 1,951,797	\$ 2,075,036
Cash Received for Public Fire Protection	712,046	702,206
Cash Received for Sewer Share of Meter Related Expense	161,180	159,817
Cash Payments to Suppliers for Goods and Services	(1,192,223)	(747,650)
Cash Payments for Employee Services	<u>(888,907)</u>	<u>(897,264)</u>
Net Cash Provided by Operating Activities	<u>743,893</u>	<u>1,292,145</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Cash Payments for Tax Equivalents	<u>(433,711)</u>	<u>(396,802)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Cash Payments for Capital Assets	(1,606,592)	(722,194)
Cash Payments for Removal of Capital Assets	(2,463)	(5,117)
Cash Received for Salvage of Capital Assets	3,691	-
Cash Received for Impact Fees	12,441	101,555
Cash Received from Issuance of Debt	<u>899,077</u>	<u>-</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(693,846)</u>	<u>(625,756)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Earnings on Investments	<u>17,318</u>	<u>68,062</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(366,346)	337,649
CASH AND CASH EQUIVALENTS, JANUARY 1	<u>8,181,463</u>	<u>7,843,814</u>
CASH AND CASH EQUIVALENTS, DECEMBER 31	<u>\$ 7,815,117</u>	<u>\$ 8,181,463</u>

**CITY OF HUDSON, WISCONSIN
WATER UTILITY ENTERPRISE FUND
STATEMENT OF CASH FLOWS (CONTINUED)
YEAR ENDED DECEMBER 31, 2016
(WITH COMPARATIVE AMOUNTS FOR YEAR ENDED DECEMBER 31, 2015)**

	<u>2016</u>	<u>2015</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating Income (Loss)	\$ (482,918)	\$ 561,802
Adjustments to Reconcile Operating Income (Loss) to Net Cash		
Provided by Operating Activities:		
Change in Pension Plan	31,773	(1,779)
Depreciation	1,173,578	731,232
(Increase) Decrease in Assets:		
Customer Accounts Receivable	(31,867)	30,138
Accounts Receivable on Tax Roll	222	10,317
Other Accounts Receivable	2,380	(20,196)
Due from Other Governmental Units	6,903	2,642
Inventories	182	380
Increase (Decrease) in Liabilities:		
Accounts Payable	59,495	(23,476)
Special Deposits	(26,798)	15,381
Accrued Wages	4,780	(21,454)
Accrued Employee Benefits	8,972	7,994
Unearned Revenue	-	(3,709)
Due to Other Governmental Units	(2,809)	2,873
	<u>\$ 743,893</u>	<u>\$ 1,292,145</u>
Net Cash Provided by Operating Activities		
RECONCILIATION OF CASH AND INVESTMENTS TO CASH AND CASH EQUIVALENTS:		
Cash and Investments per Statement of Net Position:		
Cash and Investments	\$ 7,144,491	\$ 7,285,137
Cash and Investments - Restricted	<u>670,626</u>	<u>896,326</u>
Cash and Cash Equivalents	<u>\$ 7,815,117</u>	<u>\$ 8,181,463</u>
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:		
Capital Assets Financed by Customers and Developers	\$ 621,300	\$ -

CITY OF HUDSON, WISCONSIN
WATER UTILITY ENTERPRISE FUND
SCHEDULE OF OPERATION AND MAINTENANCE EXPENSES
YEAR ENDED DECEMBER 31, 2016
(WITH COMPARATIVE AMOUNTS FOR YEAR ENDED DECEMBER 31, 2015)

	<u>2016</u>	<u>2015</u>
Pumping:		
Salaries and Wages	\$ 84,253	\$ 89,605
Fringe Benefits	38,311	44,106
Power Purchased for Pumping	180,841	166,180
Operating Supplies	52,611	46,381
Maintenance of Structures and Improvements	27,641	20,040
Maintenance of Pumping Plant	17,919	45,069
Total Pumping	<u>401,576</u>	<u>411,381</u>
Water Treatment:		
Salaries and Wages	46,617	52,781
Fringe Benefits	22,786	27,175
Operating Supplies	12,353	13,338
Chemicals	29,043	26,155
Maintenance Supplies	5,648	6,234
Total Water Treatment	<u>116,447</u>	<u>125,683</u>
Transmission and Distribution:		
General Transmission and Distribution Expenses:		
Salaries and Wages	236,440	193,467
Fringe Benefits	113,681	94,429
Operating Supplies	6,670	5,152
Maintenance Supplies	2,752	371
Maintenance:		
Reservoirs and Towers:		
Salaries and Wages	946	884
Fringe Benefits	417	405
Other Expenses	455,507	30,146
Mains:		
Salaries and Wages	-	26
Fringe Benefits	279	287
Payment to North Hudson	100,816	100,591
Other Expenses	27,423	40,623
Services:		
Salaries and Wages	30	105
Fringe Benefits	109	152
Other Expenses	6,042	15,919

CITY OF HUDSON, WISCONSIN
WATER UTILITY ENTERPRISE FUND
SCHEDULE OF OPERATION AND MAINTENANCE EXPENSES (CONTINUED)
YEAR ENDED DECEMBER 31, 2016
(WITH COMPARATIVE AMOUNTS FOR YEAR ENDED DECEMBER 31, 2015)

	<u>2016</u>	<u>2015</u>
Transmission and Distribution (Continued):		
Maintenance (Continued):		
Meters:		
Salaries and Wages	\$ 37,697	\$ 35,806
Fringe Benefits	22,136	20,810
Other Expenses	957	8,632
Hydrants:		
Salaries and Wages	5,414	3,165
Fringe Benefits	2,398	431
Other Expenses	13,006	1,068
Other Plant - Supplies	170	11
Total Transmission and Distribution	<u>1,032,890</u>	<u>552,480</u>
Meter Reading:		
Salaries and Wages	2,717	11,046
Fringe Benefits	4,500	4,835
Other Expenses	404	3,284
Total Meter Reading	<u>7,621</u>	<u>19,165</u>
Customer Accounting and Collection:		
Salaries and Wages	26,646	25,777
Fringe Benefits	15,158	15,443
Other Expenses	12,284	8,290
Total Customer Accounting and Collection	<u>54,088</u>	<u>49,510</u>
Administrative and General:		
Salaries and Wages	161,217	172,881
Fringe Benefits	105,763	85,012
Office Supplies and Expenses	40,692	31,690
Outside Services Employed	151,267	76,368
Insurance (except transportation)	49,740	43,151
Rents	4,800	4,800
Miscellaneous General Expense	2,783	2,271
Transportation:		
Salaries and Wages	4,445	1,908
Fringe Benefits	2,472	1,489
Insurance	7,906	6,535
Other Expenses	33,480	19,864
Maintenance of General Plant	6,336	5,264
Total Administrative and General	<u>570,901</u>	<u>451,233</u>
Total Operation and Maintenance Expenses	<u>\$ 2,183,523</u>	<u>\$ 1,609,452</u>

**CITY OF HUDSON, WISCONSIN
SEWER UTILITY ENTERPRISE FUND
STATEMENT OF NET POSITION
DECEMBER 31, 2016
(WITH COMPARATIVE AMOUNTS FOR DECEMBER 31, 2015)**

	2016	2015
ASSETS		
Current Assets:		
Cash and Investments:		
Operations	\$ -	\$ 326,713
Future Facilities Account (Net of Debt Restriction)	4,183,030	4,693,992
Customer Accounts Receivable	357,007	328,241
Accounts Receivable on Tax Roll	52,721	53,554
Other Accounts Receivable	29,073	23,738
Due from Other Governmental Units	42,665	26,896
Total Current Assets	4,664,496	5,453,134
Restricted Assets:		
Cash and Investments:		
Revenue Bond Depreciation Account	156,524	155,501
Bond Redemption Account (from Future Facilities Account)	190,000	190,000
DNR Grant Replacement Account	1,837,946	1,835,346
Wisconsin Retirement System Pension Plan	-	59,462
Total Restricted Assets	2,184,470	2,240,309
Capital Assets:		
Construction Work in Progress	-	24,278
Utility Plant in Service	13,106,684	12,435,324
Less: Accumulated Depreciation	7,786,008	7,363,954
Net Capital Assets	5,320,676	5,095,648
 Total Assets	 12,169,642	 12,789,091
DEFERRED OUTFLOWS OF RESOURCES		
Wisconsin Retirement System Pension Plan Related	223,071	62,200

**CITY OF HUDSON, WISCONSIN
SEWER UTILITY ENTERPRISE FUND
STATEMENT OF NET POSITION (CONTINUED)
DECEMBER 31, 2016
(WITH COMPARATIVE AMOUNTS FOR DECEMBER 31, 2015)**

	2016	2015
LIABILITIES		
Current Liabilities Payable from Current Assets:		
Vouchers and Accounts Payable	\$ 108,110	\$ 136,781
Due to Other Governmental Units	24,642	24,184
Accrued Employee Liabilities	21,786	20,585
Accrued Wages	10,281	7,076
Total Current Liabilities Payable From Current Assets	164,819	188,626
Current Liabilities Payable From Restricted Assets:		
Accrued Interest Payable	1,956	2,893
Current Portion of Revenue Bonds	202,896	197,272
Total Current Liabilities Payable From Restricted Assets	204,852	200,165
Long-Term Liabilities (Less Current Portion):		
Other Postemployment Benefits Payable	53,246	48,566
Wisconsin Retirement System Pension Plan Liability	39,845	-
Mortgage Revenue Bonds	208,681	411,577
Total Long-Term Liabilities (Net of Current Portion):	301,772	460,143
Total Liabilities	671,443	848,934
DEFERRED INFLOWS OF RESOURCES		
Wisconsin Retirement System Pension Plan Related	83,853	-
NET POSITION		
Net Investment in Capital Assets	4,909,099	4,486,799
Restricted for Debt Service	344,568	342,608
Restricted for Asset Replacement	1,837,946	1,835,346
Restricted for Pension Plan	-	59,462
Unrestricted	4,545,804	5,278,142
Total Net Position	\$ 11,637,417	\$ 12,002,357

CITY OF HUDSON, WISCONSIN
SEWER UTILITY ENTERPRISE FUND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEAR ENDED DECEMBER 31, 2016
(WITH COMPARATIVE AMOUNTS FOR YEAR ENDED DECEMBER 31, 2015)

	2016	2015
OPERATING REVENUES:		
Charges for Services:		
Residential	\$ 1,166,333	\$ 1,112,459
Commercial	356,716	314,956
Industrial	17,890	16,458
Public Authority	46,262	42,705
Less Charges for City/Village Replacement Accounts	<u>(71,076)</u>	<u>(67,970)</u>
Net Charges for Services	1,516,125	1,418,608
Other:		
Forfeited Discounts	14,208	15,018
Dam Maintenance Charges	7,239	14,703
Other	<u>148,710</u>	<u>21,686</u>
Total Operating Revenues	<u>1,686,282</u>	<u>1,470,015</u>
OPERATING EXPENSES:		
Operation and Maintenance	1,779,520	1,468,626
Depreciation	<u>427,382</u>	<u>376,466</u>
Total Operating Expenses	<u>2,206,902</u>	<u>1,845,092</u>
OPERATING LOSS	<u>(520,620)</u>	<u>(375,077)</u>
NONOPERATING REVENUES (EXPENSES):		
Investment Income	18,690	58,256
Interest on Advance to Biosolids Facility	-	1,851
Hook-up Fees:		
City	212,271	387,165
Village	-	2,900
Gain (Loss) on Disposition of Capital Assets	(4,612)	-
Interest on Long-Term Debt	<u>(13,609)</u>	<u>(20,415)</u>
Total Nonoperating Revenues (Expenses)	<u>212,740</u>	<u>429,757</u>
INCOME (LOSS) BEFORE TRANSFERS	<u>(307,880)</u>	<u>54,680</u>
TRANSFERS:		
Transfer to General Fund	<u>(57,060)</u>	<u>(57,060)</u>
CHANGE IN NET POSITION	<u>(364,940)</u>	<u>(2,380)</u>
Net Position, January 1	<u>12,002,357</u>	<u>12,004,737</u>
NET POSITION, DECEMBER 31	<u>\$ 11,637,417</u>	<u>\$ 12,002,357</u>

**CITY OF HUDSON, WISCONSIN
SEWER UTILITY ENTERPRISE FUND
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2016**

(WITH COMPARATIVE AMOUNTS FOR YEAR ENDED DECEMBER 31, 2015)

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received from Utility Customers	\$ 1,716,851	\$ 1,592,294
Cash Received for Dam Maintenance	7,239	14,703
Cash Paid for City/Village Surcharges	(86,387)	(60,135)
Cash Paid for Sewer Share of Meter Related Expense	(161,180)	(159,817)
Cash Payments to Suppliers for Goods and Services	(939,485)	(619,940)
Cash Payments for Employee Services	(676,151)	(655,071)
Net Cash Provided by (Used for) Operating Activities	(139,113)	112,034
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Cash Payments for Tax Equivalents	(57,060)	(57,060)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Cash Payments for Capital Assets	(657,022)	(127,080)
Cash Received as Utility Hook-up Fees	212,271	390,065
Principal Paid on Long-Term Debt	(197,272)	(191,804)
Interest Paid on Long-Term Debt	(14,546)	(18,858)
Net Cash Used for Capital and Related Financing Activities	(656,569)	52,323
CASH FLOWS FROM INVESTING ACTIVITIES:		
Earnings on Investments	18,690	58,256
NET CHANGE IN CASH AND CASH EQUIVALENTS	(834,052)	165,553
CASH AND CASH EQUIVALENTS, JANUARY 1	7,201,552	7,035,999
CASH AND CASH EQUIVALENTS, DECEMBER 31	\$ 6,367,500	\$ 7,201,552

**CITY OF HUDSON, WISCONSIN
SEWER UTILITY ENTERPRISE FUND
STATEMENT OF CASH FLOWS (CONTINUED)
YEAR ENDED DECEMBER 31, 2016
(WITH COMPARATIVE AMOUNTS FOR YEAR ENDED DECEMBER 31, 2015)**

	<u>2016</u>	<u>2015</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:		
Operating Loss	\$ (520,620)	\$ (375,077)
Adjustments to Reconcile Operating Loss to Net Cash Provided by (Used for) Operating Activities:		
Change in Pension Plan	22,289	(1,286)
Depreciation	427,382	376,466
(Increase) Decrease in Assets:		
Customer Accounts Receivable	(28,766)	61,796
Accounts Receivable on Tax Roll	833	9,644
Other Accounts Receivable	(5,335)	(2,428)
Due from Other Governments	(15,769)	5,180
Increase (Decrease) in Liabilities:		
Accounts Payable	(28,671)	54,634
Accrued Wages	3,205	(16,270)
Due to Other Government Units	458	2,655
Accrued Employee Benefits	5,881	(3,280)
	<u>\$ (139,113)</u>	<u>\$ 112,034</u>
RECONCILIATION OF CASH AND INVESTMENTS TO CASH AND CASH EQUIVALENTS:		
Cash and Investments per Statement of Net Position:		
Cash and Investments	\$ 4,183,030	\$ 5,020,705
Cash and Investments - Restricted	<u>2,184,470</u>	<u>2,180,847</u>
	<u>\$ 6,367,500</u>	<u>\$ 7,201,552</u>
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:		
Utility Long-Term Debt Paid Directly by Biosolids Facility:		
Principal Repaid	\$ -	\$ 116,658
Interest Paid	-	1,851

**CITY OF HUDSON, WISCONSIN
SEWER UTILITY ENTERPRISE FUND
SCHEDULE OF OPERATION AND MAINTENANCE EXPENSES
YEAR ENDED DECEMBER 31, 2016
(WITH COMPARATIVE AMOUNTS FOR YEAR ENDED DECEMBER 31, 2015)**

	<u>2016</u>	<u>2015</u>
Collection System:		
Salaries and Related Costs	\$ 49,998	\$ 43,337
Supplies	1,470	197
Other Services and Charges	37,856	9,783
Total Collection System	<u>89,324</u>	<u>53,317</u>
Wastewater Treatment Plant:		
Salaries and Related Costs	320,330	336,165
Supplies	69,238	61,128
Biosolids Charges	300,810	267,965
Other Services and Charges	399,054	211,806
Total Wastewater Treatment Plant	<u>1,089,432</u>	<u>877,064</u>
Lift Stations:		
Salaries and Related Costs	41,612	48,299
Supplies	912	860
Other Services and Charges	26,071	33,146
Total Lift Stations	<u>68,595</u>	<u>82,305</u>
Dams:		
Salaries and Related Costs	5,352	4,929
Other Services and Charges	1,878	9,774
Total Dams	<u>7,230</u>	<u>14,703</u>
Meter Reading:		
Salaries and Related Costs	16,259	7,116
Supplies	6,450	6,334
Meter Use Charge Paid to Water Utility	161,611	159,817
Total Meter Reading	<u>184,320</u>	<u>173,267</u>
Administrative and General:		
Salaries and Related Costs	273,975	194,389
Supplies	3,895	3,278
Insurance	44,072	49,006
Other Services and Charges	18,677	21,297
Total Administrative and General	<u>340,619</u>	<u>267,970</u>
Total Operation and Maintenance Expenses	<u>\$ 1,779,520</u>	<u>\$ 1,468,626</u>

**CITY OF HUDSON, WISCONSIN
PARKING UTILITY ENTERPRISE FUND
STATEMENT OF NET POSITION
DECEMBER 31, 2016
(WITH COMPARATIVE AMOUNTS FOR DECEMBER 31, 2015)**

	<u>2016</u>	<u>2015</u>
ASSETS		
Current Assets:		
Cash and Investments:		
Operations	\$ 267,817	\$ 218,571
Future Facilities	50,660	5,470
Accounts Receivable	-	3,268
Special Assessments	44,406	53,288
Receivable on Tax Roll	11,412	11,834
Total Current Assets	<u>374,295</u>	<u>292,431</u>
Restricted Assets:		
Wisconsin Retirement System Pension Plan Asset	<u>-</u>	<u>4,298</u>
Capital Assets:		
Parking Assets in Service	1,819,532	1,819,532
Less Accumulated Depreciation	<u>465,880</u>	<u>419,978</u>
Total Capital Assets	<u>1,353,652</u>	<u>1,399,554</u>
 Total Assets	 <u>1,727,947</u>	 <u>1,696,283</u>
DEFERRED OUTFLOWS OF RESOURCES		
Wisconsin Retirement System Pension Plan Related	<u>13,465</u>	<u>4,496</u>
LIABILITIES		
Current Liabilities:		
Vouchers and Accounts Payable	6,243	4,491
Accrued Wages	1,197	554
Due Other Governmental Units	-	12
Security Deposit	125	125
Total Current Liabilities	<u>7,565</u>	<u>5,182</u>
Long-Term Liabilities:		
Wisconsin Retirement System Pension Plan Liability	<u>2,306</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES		
Wisconsin Retirement System Pension Plan Related	<u>4,853</u>	<u>-</u>
NET POSITION		
Net Investment in Capital Assets	1,353,652	1,399,554
Restricted	-	4,298
Unrestricted	<u>373,036</u>	<u>291,745</u>
Total Net Position	<u>\$ 1,726,688</u>	<u>\$ 1,695,597</u>

**CITY OF HUDSON, WISCONSIN
PARKING UTILITY ENTERPRISE FUND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEAR ENDED DECEMBER 31, 2016
(WITH COMPARATIVE AMOUNTS FOR YEAR ENDED DECEMBER 31, 2015)**

	<u>2016</u>	<u>2015</u>
OPERATING REVENUES:		
Parking Meters	\$ 123,303	\$ 119,011
Parking Permits	10,915	11,763
Parking Tickets	31,606	36,987
Other	<u>11,020</u>	<u>4,855</u>
Total Operating Revenues	<u>176,844</u>	<u>172,616</u>
OPERATING EXPENSES:		
Operation and Maintenance:		
General Utility	84,925	72,104
Parking Lots	17,433	12,652
Meters	<u>804</u>	<u>3,306</u>
Total Operation and Maintenance	103,162	88,062
Depreciation	<u>45,902</u>	<u>47,587</u>
Total Operating Expenses	<u>149,064</u>	<u>135,649</u>
OPERATING INCOME	27,780	36,967
NONOPERATING REVENUES (EXPENSES):		
Investment Income	3,261	5,074
Other Nonoperating Revenues	<u>50</u>	<u>152</u>
Total Nonoperating Revenues (Expenses)	<u>3,311</u>	<u>5,226</u>
CHANGE IN NET POSITION	31,091	42,193
Net Position, January 1	<u>1,695,597</u>	<u>1,653,404</u>
NET POSITION, DECEMBER 31	<u>\$ 1,726,688</u>	<u>\$ 1,695,597</u>

**CITY OF HUDSON, WISCONSIN
 PARKING UTILITY ENTERPRISE FUND
 STATEMENT OF CASH FLOWS
 YEAR ENDED DECEMBER 31, 2016
 (WITH COMPARATIVE AMOUNTS FOR YEAR ENDED DECEMBER 31, 2015)**

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received from Customers	\$ 137,474	\$ 133,836
Cash Received from Parking Forfeitures	51,980	47,922
Cash Payments to Suppliers for Goods and Services	(44,175)	(225,813)
Cash Payments for Employee Services	(54,104)	(59,611)
Net Cash Provided (Used) by Operating Activities	91,175	(103,666)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Cash Payments for Capital Assets	-	(25,182)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Earnings on Investments	3,261	5,074
NET CHANGE IN CASH AND CASH EQUIVALENTS	94,436	(123,774)
CASH AND CASH EQUIVALENTS, JANUARY 1	224,041	347,815
CASH AND CASH EQUIVALENTS, DECEMBER 31	\$ 318,477	\$ 224,041
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating Income	\$ 27,780	\$ 36,967
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Change in Pension Plan	2,488	(93)
Depreciation	45,902	47,587
(Increase) Decrease in Assets:		
Accounts Receivable	3,268	3,650
Other Receivables	9,354	6,080
Increase (Decrease) in Liabilities:		
Accounts Payable	1,752	(194,986)
Due to Other Governmental Units	(12)	12
Accrued Wages Payable	643	(2,283)
Unearned Revenue	-	(600)
Net Cash Provided by Operating Activities	\$ 91,175	\$ (103,666)

**CITY OF HUDSON, WISCONSIN
AMBULANCE SERVICE ENTERPRISE FUND
STATEMENT OF NET POSITION
DECEMBER 31, 2016**

(WITH COMPARATIVE AMOUNTS FOR YEAR ENDED DECEMBER 31, 2015)

	2016	2015
ASSETS		
Current Assets:		
Cash and Investments		
Operations	\$ 548,961	\$ 618,168
Asset Replacement	26,505	26,332
Accounts Receivable:		
Customer/Patient	343,896	323,276
Allowance for Doubtful Accounts	(194,234)	(89,812)
Prepaid Asset	1,500	2,100
Total Current Assets	726,628	880,064
Restricted Assets:		
Wisconsin Retirement System Pension Plan Asset	-	45,042
Capital Assets:		
Ambulance Equipment In Service	1,034,446	900,638
Less: Accumulated Depreciation	492,250	514,016
Net Capital Assets	542,196	386,622
 Total Assets	 1,268,824	 1,311,728
DEFERRED OUTFLOWS OF RESOURCES		
Wisconsin Retirement System Pension Plan Related	167,146	47,116
LIABILITIES		
Current Liabilities:		
Vouchers and Accounts Payable	18,928	101,543
Accrued Wages	7,819	4,940
Accrued Employee Liabilities	14,810	14,891
Advances from Other Funds	57,764	50,307
Unearned Revenue	7,386	6,723
Total Current Liabilities	106,707	178,404
Long-Term Liabilities:		
Advances from Other Funds (Net of Current Portion)	58,647	23,957
Wisconsin Retirement System Pension Plan Liability	29,788	-
Other Postemployment Benefits	47,310	41,694
Total Long-Term Liabilities:	135,745	65,651
 Total Liabilities	 242,452	 244,055
DEFERRED INFLOWS OF RESOURCES		
Wisconsin Retirement System Pension Plan Related	62,688	-
NET POSITION		
Net Investment in Capital Assets	425,785	312,358
Restricted for Wisconsin Retirement System Pension Plan	-	45,042
Unrestricted	705,045	757,389
Total Net Position	\$ 1,130,830	\$ 1,114,789

CITY OF HUDSON, WISCONSIN
AMBULANCE SERVICE ENTERPRISE FUND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEAR ENDED DECEMBER 31, 2016
(WITH COMPARATIVE AMOUNTS FOR YEAR ENDED DECEMBER 31, 2015)

	<u>2016</u>	<u>2015</u>
OPERATING REVENUES:		
Patient Revenue:		
Charges	\$ 2,062,166	\$ 2,013,990
Less Adjustments	(1,207,013)	(1,085,003)
Intergovernmental:		
State Grant	6,723	7,141
Contracts:		
City	180,900	173,238
Others	<u>188,582</u>	<u>180,817</u>
Total Operating Revenues	<u>1,231,358</u>	<u>1,290,183</u>
OPERATING EXPENSES:		
Operation and Maintenance:		
Salaries and Related Costs	870,421	821,241
Other Services and Charges	115,357	109,832
Operating Supplies and Expenses	135,274	123,574
Insurance	51,875	58,417
Building Use Payment to City	<u>7,020</u>	<u>7,020</u>
Total Operation and Maintenance	1,179,947	1,120,084
Depreciation	<u>68,104</u>	<u>70,303</u>
Total Operating Expenses	<u>1,248,051</u>	<u>1,190,387</u>
OPERATING INCOME (LOSS)	<u>(16,693)</u>	<u>99,796</u>
NONOPERATING REVENUES (EXPENSES):		
Investment Income	1,006	3,219
Donations	26,165	2,300
Gain/Loss on Sale of Capital Assets	8,000	-
Interest Expense	<u>(2,437)</u>	<u>(3,179)</u>
Total Nonoperating Revenues (Expenses)	<u>32,734</u>	<u>2,340</u>
CHANGE IN NET POSITION	16,041	102,136
Net Position, January 1	<u>1,114,789</u>	<u>1,012,653</u>
NET POSITION, DECEMBER 31	<u>\$ 1,130,830</u>	<u>\$ 1,114,789</u>

**CITY OF HUDSON, WISCONSIN
 AMBULANCE SERVICE ENTERPRISE FUND
 STATEMENT OF CASH FLOWS
 YEAR ENDED DECEMBER 31, 2016
 (WITH COMPARATIVE AMOUNTS FOR YEAR ENDED DECEMBER 31, 2015)**

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received from Customers/Patients	\$ 928,862	\$ 1,111,701
Cash Received from Government Subsidies/Contracts/Grants	376,868	360,778
Cash Payments to Suppliers for Goods and Services	(391,541)	(395,350)
Cash Payments for Employee Services	<u>(834,426)</u>	<u>(831,300)</u>
Net Cash Provided by (Used for) Operating Activities	<u>79,763</u>	<u>245,829</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Cash Received for Donations	<u>26,165</u>	<u>2,300</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Cash Payments for Capital Assets	(223,678)	(98,940)
Cash Received for Salvage of Capital Assets	8,000	-
Cash Received on General Fund Advance	103,500	-
Cash Paid on General Fund Advance	(61,353)	(58,274)
Cash Paid for Interest on Advance	<u>(2,437)</u>	<u>(3,179)</u>
Net Cash Provided by (Used for) Capital Financing Activities	<u>(175,968)</u>	<u>(160,393)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Earnings on Investments	<u>1,006</u>	<u>3,219</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(69,034)	90,955
CASH AND CASH EQUIVALENTS, JANUARY 1	<u>644,500</u>	<u>553,545</u>
CASH AND CASH EQUIVALENTS, DECEMBER 31	<u>\$ 575,466</u>	<u>\$ 644,500</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:		
Operating Income (Loss)	\$ (16,693)	\$ 99,796
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided		
Used for Operating Activities:		
Change in Pension Plan Asset	17,488	(974)
Depreciation	68,104	70,303
Allowance for Customer/Patient Accounts Receivable	104,422	-
(↓ Customer/Patient Accounts Receivable	(20,620)	10,977
Prepaid Assets	600	(2,100)
Increase (Decrease) in Liabilities:		
Unearned Revenues	663	(418)
Accrued Employee Liabilities	8,414	(9,085)
Accounts Payable	<u>(82,615)</u>	<u>77,330</u>
Net Cash Provided by (Used for) Operating Activities	<u>\$ 79,763</u>	<u>\$ 245,829</u>