

CITY OF HUDSON, WISCONSIN
FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
YEAR ENDED DECEMBER 31, 2017

**CITY OF HUDSON, WISCONSIN
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YEAR ENDED DECEMBER 31, 2017**

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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, 2017, 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, 2017, 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 basic 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, 2016 which are not presented with the accompanying financial statements. In our report dated June 23, 2017, 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 2016 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 2016 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 2016 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 22, 2018

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF HUDSON, WISCONSIN
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2017**

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, 2017. 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, 2017 include the following:

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$92,491,158 (*net position*). Of this amount, \$67,183,811 represented the City's net investment in capital assets, \$7,073,582 was held for restricted purposes, and \$18,233,765 was unrestricted. The unrestricted net position may be used to meet the City's ongoing obligations to citizens and creditors.
- During the year, the City's total net position decreased 567,844. Net position related to the business-type activities of the City decreased \$305,161, while net position related to governmental activities decreased \$262,683.
- At the end of 2017, the City's governmental funds reported combined ending fund balances of \$16,204,395, an increase of \$4,188,087 from the previous year. This increase was largely attributable to unspent debt proceeds in the capital projects fund at the end of the current year.
- During the year, the general fund balance increased \$250,822. At the end of 2017, the unassigned general fund balance totaled \$5,196,789 or 60.1% of the general fund expenditures and other financing uses. The City has assigned \$516,095 of its general fund balance, which together with the year-end unassigned balance, represented 66.0% of general fund expenditures and other financing uses.
- The City's outstanding long-term debt and other long-term obligations increased by \$3,376,766 during the current fiscal year. The City issued \$5,456,041 of new debt during 2017, with \$4,965,000 being general obligation issues and \$491,041 of water utility mortgage revenue bonds.

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, 2017**

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, 2017**

The City reports thirteen (13) 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 69 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 74.

**CITY OF HUDSON, WISCONSIN
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2017**

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The City's assets and deferred outflows of resources exceeded liabilities and deferred inflows by \$92,491,158 at the close of 2017. The largest portion of this net position (73%) 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:

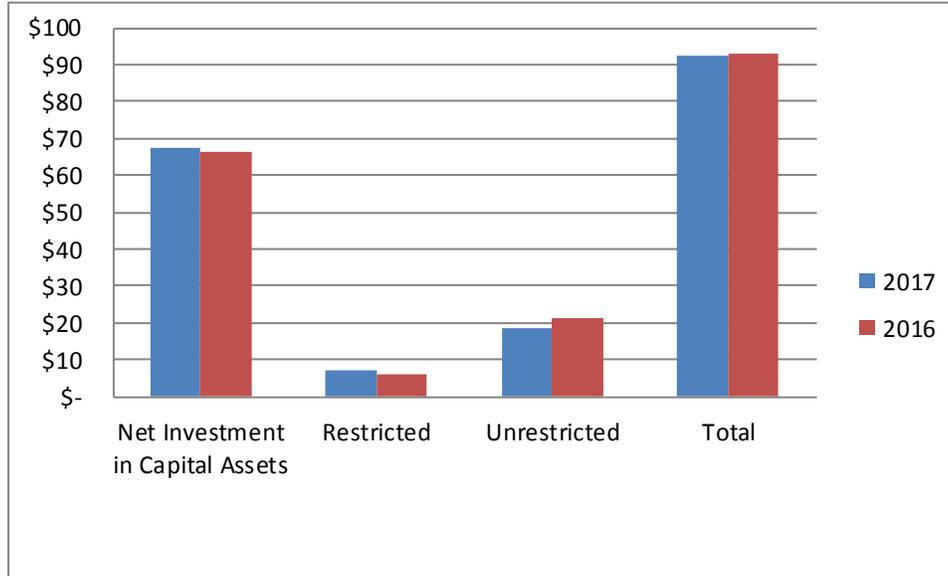
**Condensed Statement of Net Position
December 31, 2017 and 2016**

	Governmental Activities		Business-Type Activities		Totals	
	2017	2016	2017	2016	2017	2016
Current and Other Assets	\$ 26,344,081	\$ 21,277,020	\$ 14,897,842	\$ 16,519,252	\$ 41,241,923	\$ 37,796,272
Capital Assets	49,074,878	50,319,831	32,208,295	30,341,000	81,283,173	80,660,831
Internal Balances	58,647	116,411	(58,647)	(116,411)	-	-
Total Assets	<u>75,477,606</u>	<u>71,713,262</u>	<u>47,047,490</u>	<u>46,743,841</u>	<u>122,525,096</u>	<u>118,457,103</u>
Deferred Outflows of Resources	<u>1,976,785</u>	<u>2,718,667</u>	<u>493,483</u>	<u>695,839</u>	<u>2,470,268</u>	<u>3,414,506</u>
Long-Term Debt Outstanding	18,115,679	14,843,206	1,900,143	1,600,818	20,015,822	16,444,024
Other Long-Term Obligations	1,457,719	1,318,298	-	-	1,457,719	1,318,298
Other Liabilities	850,374	1,262,470	665,619	499,094	1,515,993	1,761,564
Total Liabilities	<u>20,423,772</u>	<u>17,423,974</u>	<u>2,565,762</u>	<u>2,099,912</u>	<u>22,989,534</u>	<u>19,523,886</u>
Deferred Inflows of Resources	<u>9,314,150</u>	<u>9,028,803</u>	<u>200,522</u>	<u>259,918</u>	<u>9,514,672</u>	<u>9,288,721</u>
Net Position:						
Net Investment in						
Capital Assets	35,713,188	36,434,998	31,470,623	29,813,012	67,183,811	66,248,010
Restricted	3,965,548	3,000,145	3,108,034	2,853,140	7,073,582	5,853,285
Unrestricted	8,037,733	8,544,009	10,196,032	12,413,698	18,233,765	20,957,707
Total Net Position	<u>\$ 47,716,469</u>	<u>\$ 47,979,152</u>	<u>\$ 44,774,689</u>	<u>\$ 45,079,850</u>	<u>\$ 92,491,158</u>	<u>\$ 93,059,002</u>

An additional portion of the City's net position (7%) represents resources that are subject to other restrictions as to how they may be used. The remaining \$18,233,765 of total net position (20%) may be used to meet the City's on-going obligations to its citizens and creditors. It is important to note that \$10,196,032 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, 2017**

The following chart shows the comparison of the three components of net position for the years 2017 and 2016 (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, 2017, shows total net position decreased \$262,683 (-0.6%) from the prior year. The primary reason is due to the change in the pension plan liability and deferred outflows and inflows, along with depreciation expense being higher than capital asset additions.

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, 2017, shows total net position decreased \$305,161 (-0.7%) from the prior year. The key reason for this decrease is due to increased repair and maintenance expenditures.

**CITY OF HUDSON, WISCONSIN
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2017**

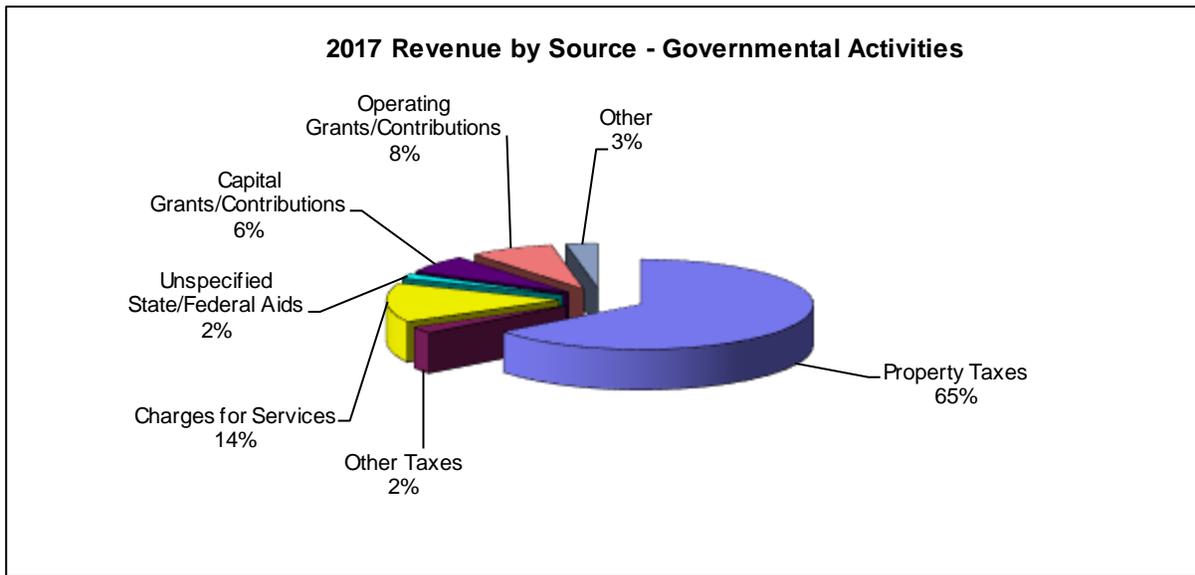
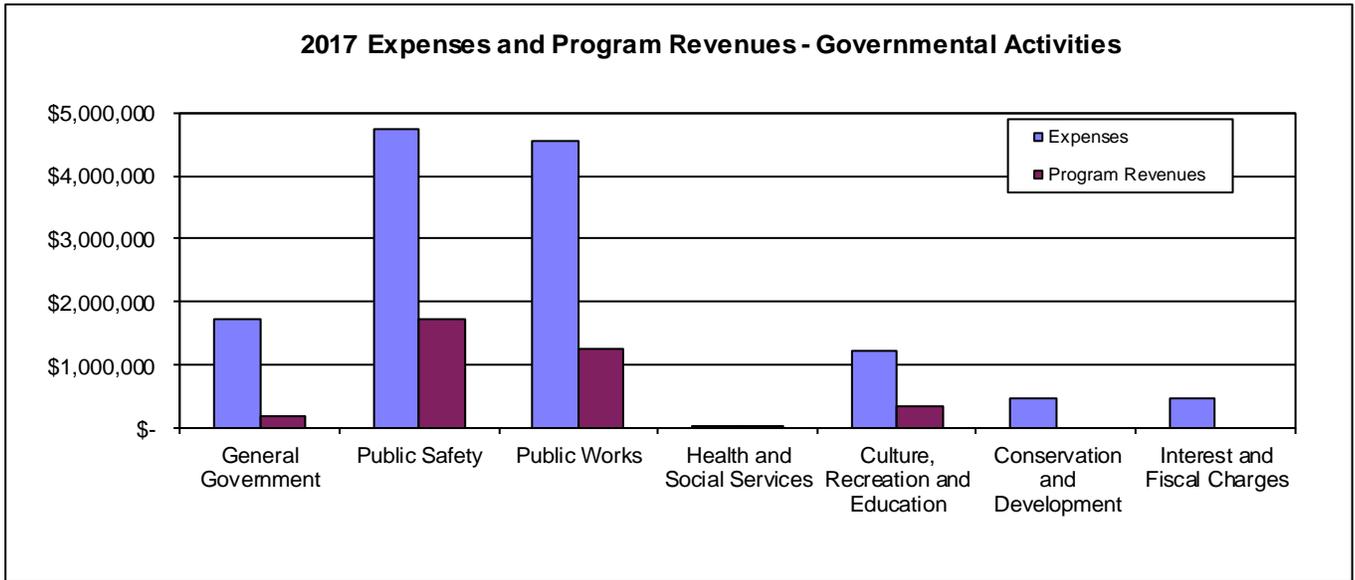
The following is a summary of the changes in the City's net position for the years ended December 31, 2017 and 2016:

**Condensed Statement of Changes in Net Position
December 31, 2017 and 2016**

	Governmental Activities		Business-Type Activities		Totals	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program Revenues:						
Charges for Services	\$ 1,739,916	\$ 1,499,051	\$ 6,051,622	\$ 5,968,667	\$ 7,791,538	\$ 7,467,718
Operating Grants and Contributions	982,183	855,815	2,150	26,215	984,333	882,030
Capital Grants and Contributions	792,845	3,011,744	816,504	846,012	1,609,349	3,857,756
General Revenues:						
Property Taxes	8,007,335	7,806,132	-	-	8,007,335	7,806,132
Other Taxes	300,488	275,648	-	-	300,488	275,648
State and Federal Aids not Restricted to Specific Programs	206,562	192,348	-	-	206,562	192,348
Other	371,276	321,227	177,233	48,275	548,509	369,502
Total Revenues	12,400,605	13,961,965	7,047,509	6,889,169	19,448,114	20,851,134
Expenses:						
General Government	1,722,162	1,646,388	-	-	1,722,162	1,646,388
Public Safety	4,729,379	4,520,690	-	-	4,729,379	4,520,690
Public Works	4,537,988	4,940,743	-	-	4,537,988	4,940,743
Health and Social Services	15,404	16,960	-	-	15,404	16,960
Culture, Recreation, and Education	1,238,506	1,165,145	-	-	1,238,506	1,165,145
Conservation and Development	471,587	494,367	-	-	471,587	494,367
Interest and Fiscal Charges	477,204	454,257	-	-	477,204	454,257
Water	-	-	3,164,752	3,373,893	3,164,752	3,373,893
Sewage Treatment	-	-	2,157,806	2,225,123	2,157,806	2,225,123
Parking Facility	-	-	198,001	149,064	198,001	149,064
Ambulance Services	-	-	1,303,169	1,250,488	1,303,169	1,250,488
Total Expenses	13,192,230	13,238,550	6,823,728	6,998,568	20,015,958	20,237,118
Change in Net Position before Transfers	(791,625)	723,415	223,781	(109,399)	(567,844)	614,016
Transfers	528,942	490,771	(528,942)	(490,771)	-	-
Change in Net Position	(262,683)	1,214,186	(305,161)	(600,170)	(567,844)	614,016
Net Position - Beginning of Year	47,979,152	46,764,966	45,079,850	45,680,020	93,059,002	92,444,986
Net Position - End of Year	\$ 47,716,469	\$ 47,979,152	\$ 44,774,689	\$ 45,079,850	\$ 92,491,158	\$ 93,059,002

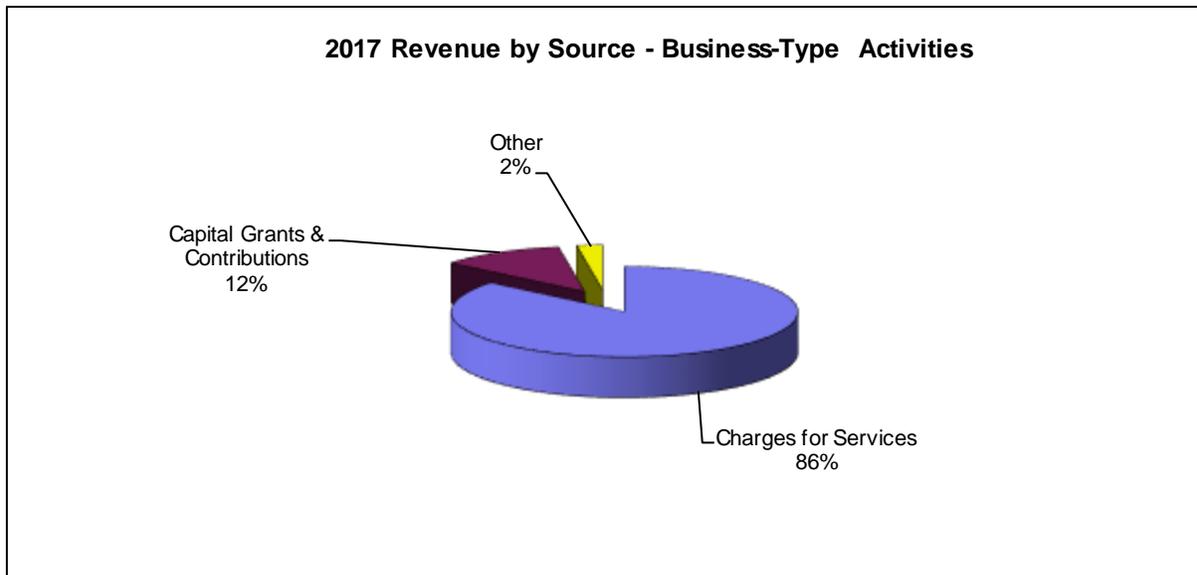
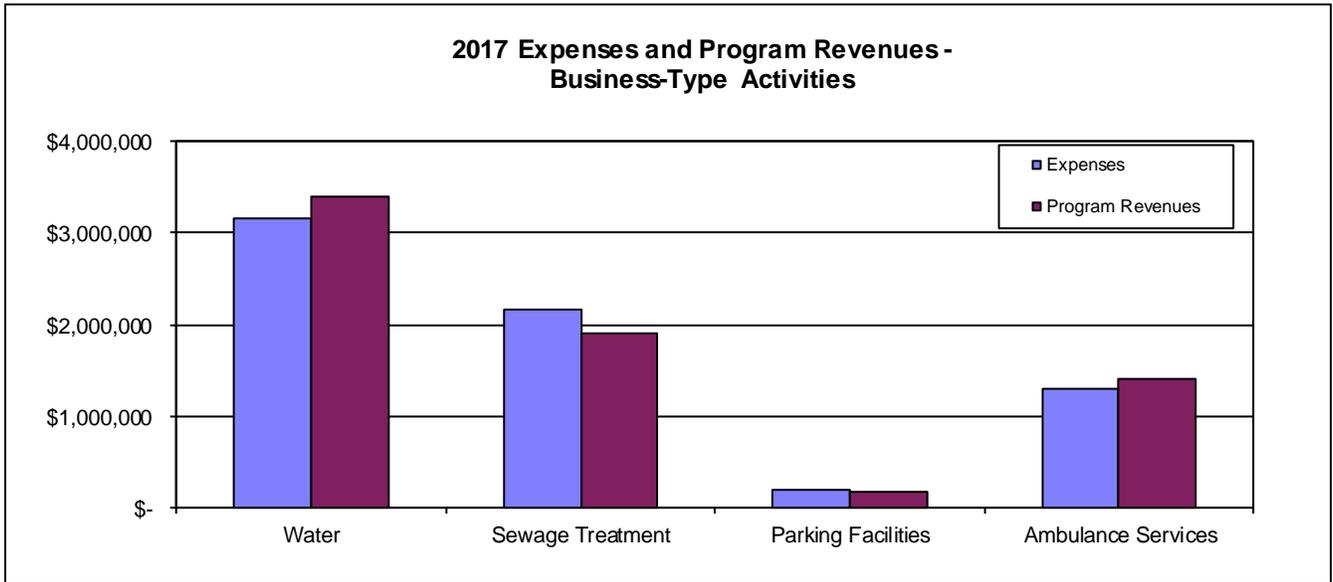
A review of the statement of activities can provide a concise picture of how the various functions/programs of the City are funded. The following charts draw data from the statement of activities.

**CITY OF HUDSON, WISCONSIN
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2017**



As shown above, the City is highly dependent on property taxes (65%) as its principal source of revenues for governmental activities. Program revenues represent 28% of governmental activities revenue.

**CITY OF HUDSON, WISCONSIN
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2017**



In the case of business-type activities, the data shows a considerably different picture from that of governmental activities. Charges for services (86%) 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, 2017**

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, 2017, the City's governmental funds reported combined ending fund balances of \$16,204,395, an increase of \$4,188,087 from the previous year, which is primarily a result of unspent debt proceeds in the capital projects fund in the current year, as the City bonds for capital projects every two years. The governmental funds comprising this balance are shown below:

	Fund Balances at 12/31/2017					Total	Change During Year
	Nonspendable	Restricted	Committed	Assigned	Unassigned		
Major Funds:							
General Fund	\$ 81,701	\$ -	\$ -	\$ 516,095	\$ 5,196,789	\$ 5,794,585	\$ 250,822
Impact Fees Fund	-	1,534,240	-	-	-	1,534,240	69,166
Debt Service Fund	-	244,830	-	-	-	244,830	193,333
Capital Projects Fund	-	4,753,989	1,285,398	-	-	6,039,387	3,532,753
Nonmajor Funds:							
Room Tax Fund	-	-	133,471	-	-	133,471	133,471
Sewer Collection System Replacement Fund	-	-	1,008,880	-	-	1,008,880	51,988
Parks Dedication Fees Fund	-	531,097	-	-	-	531,097	73,289
Police Donations Fund	-	24,730	-	-	-	24,730	(3,467)
Police Drug Forfeitures Fund	-	1,299	-	-	-	1,299	15
Business Park Revolving Loan Fund	-	552,593	-	-	-	552,593	6,109
Storm Water MS-4 Fund	-	151,695	-	-	-	151,695	(83,334)
Storm Water Fund	-	211,816	-	-	-	211,816	(11,830)
Tax Incremental District #5 Fund	-	-	-	-	(24,228)	(24,228)	(24,228)
	<u>\$ 81,701</u>	<u>\$ 8,006,289</u>	<u>\$ 2,427,749</u>	<u>\$ 516,095</u>	<u>\$ 5,172,561</u>	<u>\$ 16,204,395</u>	<u>\$ 4,188,087</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 67.0% 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 60.1% of the same amount. The City has assigned \$516,095 of its general fund balance which combined with the year-end unassigned balance (\$5,196,789), represented 66.0% of that same amount.

The general fund's total fund balance increased \$250,822 during the year, which is primarily due to building permit revenue over budget forecasts and most expenditures ending under budget.

**CITY OF HUDSON, WISCONSIN
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2017**

The impact fees fund, a special revenue fund, had a balance of \$1,534,240 at December 31, 2017. 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 2017, the City refunded \$24,625 of impact fees that had not been expended within the time limit.

The debt service fund had a fund balance of \$244,830 at December 31, 2017. This is an increase of \$193,333 from prior year due to premiums on debt issued.

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, 2017, was \$6,039,387.

The aggregated other governmental funds column includes various special revenue funds used to account for the proceeds of specific revenue sources that are restricted or committed to expenditures for specific purposes. The accumulated fund balances of these funds increased \$142,013 during 2017. 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, 2017**

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 2017 totaled \$44,774,689, down \$305,161 from the previous year.

**Condensed Statement of Changes in Net Position for Enterprise Funds
Years Ended December 31, 2017 and 2016**

	Water Utility		Sewer Utility		Parking Utility		Ambulance Service		Totals	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Operating Revenues	\$ 2,960,626	\$ 2,874,183	\$ 1,520,730	\$ 1,686,282	\$ 174,946	\$ 176,844	\$ 1,395,320	\$ 1,231,358	\$ 6,051,622	\$ 5,968,667
Operating Expenses:										
Depreciation	759,348	1,173,578	440,585	427,382	43,799	45,902	86,583	68,104	1,330,315	1,714,966
Other	2,382,868	2,183,523	1,712,693	1,779,520	154,202	103,162	1,213,974	1,179,947	5,463,737	5,246,152
Operating Income (Loss)	(181,590)	(482,918)	(632,548)	(520,620)	(23,055)	27,780	94,763	(16,693)	(742,430)	(992,451)
Nonoperating										
Revenues (Expenses)	64,172	526	443,294	212,740	5,340	3,311	10,211	32,734	523,017	249,311
Net Income (Loss)										
Before Contributions and Transfers	(117,418)	(482,392)	(189,254)	(307,880)	(17,715)	31,091	104,974	16,041	(219,413)	(743,140)
Capital Contributions	443,194	633,741	-	-	-	-	-	-	443,194	633,741
Transfers to Other Funds	(468,041)	(433,711)	(60,901)	(57,060)	-	-	-	-	(528,942)	(490,771)
Changes in Net Position	(142,265)	(282,362)	(250,155)	(364,940)	(17,715)	31,091	104,974	16,041	(305,161)	(600,170)
Net Position - Beginning	30,584,915	30,867,277	11,637,417	12,002,357	1,726,688	1,695,597	1,130,830	1,114,789	45,079,850	45,680,020
Net Position - End of Year	\$ 30,442,650	\$ 30,584,915	\$ 11,387,262	\$ 11,637,417	\$ 1,708,973	\$ 1,726,688	\$ 1,235,804	\$ 1,130,830	\$ 44,774,689	\$ 45,079,850

The water utility had an operating loss of \$181,590 in 2017. The utility also provides services to residents of the Village of North Hudson. The Utility adjusted user rates in the current year, with new rates becoming effective in October 2017. The utility rates had not been subject to an overall adjustment since 1996.

The sewer utility incurred an operating loss of \$632,548 in 2017 and had an overall negative change in net position of \$250,155 for the year. The utility also provides services to residents of the Village of North Hudson. The City increased user rates, effective in October 2017. The rates had not been adjusted since 2009.

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. The City and other local units provide contract payments to the fund to help recover costs of the service.

**CITY OF HUDSON, WISCONSIN
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2017**

GENERAL FUND BUDGETARY HIGHLIGHTS

As shown in the *Budgetary Comparison Schedule* for the general fund (in required supplementary information), the final 2017 general fund budget was modified by the City Council. The general fund balance increased during 2017 by \$250,822, which was a \$675,999 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 \$146,222 (1.8%) and \$454,738 (5.1%), respectively.

The favorable expenditure variance is due to a number of expenditure accounts being under budget. The City's Fire Department (including capital outlays) was under budget by \$90,199 and Street Maintenance was under budget by \$77,514.

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, 2017 and 2016 was as shown below:

**Capital Assets, Net of Accumulated Depreciation
December 31, 2017 and 2016**

	Governmental Activities		Business-Type Activities		Totals	
	2017	2016	2017	2016	2017	2016
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	92,325	16,869	2,510,080	1,095,322	2,602,405	1,112,191
Subject to Depreciation:						
Buildings and Improvements	7,024,646	6,657,931	-	-	7,024,646	6,657,931
Land Improvements	2,748,020	2,748,020	-	-	2,748,020	2,748,020
Equipment and Vehicles	8,502,153	8,136,853	-	-	8,502,153	8,136,853
Infrastructure	88,825,265	88,090,194	-	-	88,825,265	88,090,194
Water System Plant	-	-	35,446,082	34,294,021	35,446,082	34,294,021
Sewage Treatment Plant	-	-	13,063,984	12,976,828	13,063,984	12,976,828
Parking Utility	-	-	1,058,970	1,058,970	1,058,970	1,058,970
Ambulance Service	-	-	1,127,079	1,034,446	1,127,079	1,034,446
Subtotal	116,249,994	114,707,452	54,233,475	51,486,867	170,483,469	166,194,319
Accumulated Depreciation	67,175,116	64,387,621	22,025,180	21,145,867	89,200,296	85,533,488
	\$ 49,074,878	\$ 50,319,831	\$ 32,208,295	\$ 30,341,000	\$ 81,283,173	\$ 80,660,831

**CITY OF HUDSON, WISCONSIN
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2017**

Capital Assets (Continued)

The additions to the City's capital assets during 2017 can be summarized as follows: *(in thousands)*

• Utility Infrastructure	\$2,186.0
• Utility Building	878.2
• City Infrastructure (including storm water)	735.1

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, 2017, the City had outstanding \$21,457,748 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, 2017 and 2016**

	Governmental Activities	Business-Type Activities	Outstanding 2017	Outstanding 2016	% Change
Long-Term Debt:					
General Obligation Debt	\$ 17,624,600	\$ 860,000	\$ 18,484,600	\$ 15,417,000	19.9
Unamortized Debt Discount	(1,844)	-	(1,844)	(2,726)	-32.4
Unamortized Debt Premium	492,923	8,223	501,146	328,009	52.8
Sewer Revenue Bonds	-	208,681	208,681	411,577	-49.3
Subtotal	18,115,679	1,567,945	19,683,624	16,153,860	21.9
Other Long-Term Obligations:					
Estimated Employee Leave	394,284	111,132	505,416	472,212	7.0
WRS Net Pension Liability	253,197	63,208	316,405	608,824	-48.0
Other Postemployment Benefit Liabilities	731,237	221,066	952,303	846,086	12.6
Total	<u>\$ 19,494,397</u>	<u>\$ 1,963,351</u>	<u>\$ 21,457,748</u>	<u>\$ 18,080,982</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, 2017 totaled \$18,484,600, approximately 20% of the maximum legal limit of \$91,528,505.

The City issued \$4,965,000 of new general obligation debt and \$491,041 of water system mortgage revenue bonds in 2017.

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, 2017**

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, 2017**

	Primary Government			Component Units		
	Governmental Activities	Business-Type Activities	Total	Joint Library	St Croix Business Park	Community Access Board
ASSETS						
Cash and Investments	\$ 16,985,739	\$ 10,315,236	\$ 27,300,975	\$ 391,790	\$ 1,818,336	\$ 1,014,995
Taxes Receivable	8,080,724	130,923	8,211,647	-	-	-
Special Assessments Receivable	74,959	-	74,959	-	-	-
Specials and Delinquents Held by County	7,812	-	7,812	-	-	-
Accounts Receivable	247,023	1,231,476	1,478,499	-	138,314	62,360
Due from Other Governmental Units	936,189	82,230	1,018,419	-	-	-
Prepayments	11,635	900	12,535	195	551	-
Inventories	-	28,051	28,051	-	-	-
Internal Balances	58,647	(58,647)	-	-	-	-
Restricted Assets:						
Cash and Investments	-	3,109,026	3,109,026	-	-	-
Capital Assets:						
Capital Assets Not Being Depreciated	9,149,910	3,537,360	12,687,270	-	1,595,182	-
Capital Assets Being Depreciated	107,100,084	50,696,115	157,796,199	1,092,410	82,725	225,540
Accumulated Depreciation	(67,175,116)	(22,025,180)	(89,200,296)	(288,259)	(42,715)	(113,237)
Total Assets	<u>75,477,606</u>	<u>47,047,490</u>	<u>122,525,096</u>	<u>1,196,136</u>	<u>3,592,393</u>	<u>1,189,658</u>
DEFERRED OUTFLOWS OF RESOURCES						
Wisconsin Retirement System Pension Plan Related	<u>1,976,785</u>	<u>493,483</u>	<u>2,470,268</u>	<u>96,157</u>	<u>-</u>	<u>25,400</u>
LIABILITIES						
Vouchers and Accounts Payable	389,741	509,660	899,401	12,089	28,516	1,495
Construction Contracts Payable	1,265	-	1,265	-	-	-
Accrued Interest Payable	171,711	7,011	178,722	-	-	-
Payroll Withholdings	96,651	-	96,651	-	-	-
Accrued Wages	84,511	41,134	125,645	8,025	-	1,876
Due to Other Governmental Units	3,298	37,571	40,869	-	-	-
Unearned Revenues	-	6,910	6,910	-	-	-
Special Deposits	182,198	-	182,198	-	-	-
Security Deposit	-	125	125	-	-	-
Noncurrent Liabilities:						
WRS Net Pension Liability	253,197	63,208	316,405	12,316	-	3,253
Amounts Due Within One Year	2,439,784	380,510	2,820,294	25,552	-	14,390
Amounts Due in More than One Year	16,801,416	1,519,633	18,321,049	35,539	-	14,515
Total Liabilities	<u>20,423,772</u>	<u>2,565,762</u>	<u>22,989,534</u>	<u>93,521</u>	<u>28,516</u>	<u>35,529</u>
DEFERRED INFLOWS OF RESOURCES						
Subsequent Year's Property Taxes	8,510,903	-	8,510,903	-	-	-
Wisconsin Retirement System Pension Plan Related	803,247	200,522	1,003,769	39,072	-	10,321
Total Deferred Inflows of Resources	<u>9,314,150</u>	<u>200,522</u>	<u>9,514,672</u>	<u>39,072</u>	<u>-</u>	<u>10,321</u>
NET POSITION						
Net Investment in Capital Assets	35,713,188	31,470,623	67,183,811	743,060	1,635,192	83,398
Restricted for:						
Debt Service	958,078	347,290	1,305,368	-	-	-
Asset Replacement	-	1,843,079	1,843,079	-	-	-
Capital Projects	2,065,337	344,767	2,410,104	-	-	-
Economic Development Loan Programs	552,593	-	552,593	-	-	-
Other Purposes	389,540	572,898	962,438	416,640	1,928,685	1,085,810
Unrestricted	<u>8,037,733</u>	<u>10,196,032</u>	<u>18,233,765</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Net Position	<u>\$ 47,716,469</u>	<u>\$ 44,774,689</u>	<u>\$ 92,491,158</u>	<u>\$ 1,159,700</u>	<u>\$ 3,563,877</u>	<u>\$ 1,169,208</u>

See accompanying Notes to Basic Financial Statements.

**CITY OF HUDSON, WISCONSIN
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2017**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position					
		Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-Type Activities	Totals	Joint Library	Component Units St Croix Business Park	Community Access Board
Primary Government:										
Governmental Activities:										
General Government	\$ 1,722,162	\$ 188,130	\$ -	\$ -	\$ (1,534,032)	\$ -	\$ (1,534,032)	\$ -	\$ -	\$ -
Public Safety	4,729,379	1,076,227	94,814	543,380	(3,014,958)	-	(3,014,958)	-	-	-
Public Works	4,537,988	367,694	628,100	249,465	(3,292,729)	-	(3,292,729)	-	-	-
Health and Social Services	15,404	6,261	-	-	(9,143)	-	(9,143)	-	-	-
Culture, Recreation and Education	1,238,506	101,604	259,269	-	(877,633)	-	(877,633)	-	-	-
Conservation and Development	471,587	-	-	-	(471,587)	-	(471,587)	-	-	-
Interest and Fiscal Charges	477,204	-	-	-	(477,204)	-	(477,204)	-	-	-
Total Governmental Activities	<u>13,192,230</u>	<u>1,739,916</u>	<u>982,183</u>	<u>792,845</u>	<u>(9,677,286)</u>	<u>-</u>	<u>(9,677,286)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Business-Type Activities:										
Water	3,164,752	2,960,626	-	443,194	-	239,068	239,068	-	-	-
Sewage Treatment	2,157,806	1,520,730	-	373,310	-	(263,766)	(263,766)	-	-	-
Parking Facilities	198,001	174,946	-	-	-	(23,055)	(23,055)	-	-	-
Ambulance Services	1,303,169	1,395,320	2,150	-	-	94,301	94,301	-	-	-
Total Business-Type Activities	<u>6,823,728</u>	<u>6,051,622</u>	<u>2,150</u>	<u>816,504</u>	<u>-</u>	<u>46,548</u>	<u>46,548</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Primary Government	<u>\$ 20,015,958</u>	<u>\$ 7,791,538</u>	<u>\$ 984,333</u>	<u>\$ 1,609,349</u>	<u>(9,677,286)</u>	<u>46,548</u>	<u>(9,630,738)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Component Units:										
Joint Library	\$ 883,926	\$ 467,773	\$ 347,310	\$ -	-	-	-	(68,843)	-	-
St Croix Business Park	31,784	-	246,546	-	-	-	-	-	214,762	-
Community Access Board	178,118	248,875	-	-	-	-	-	-	-	70,757
Total Component Units	<u>\$ 1,093,828</u>	<u>\$ 716,648</u>	<u>\$ 593,856</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(68,843)</u>	<u>214,762</u>	<u>70,757</u>
General Revenues:										
Taxes:										
Property Taxes, Levied for General Purposes	-	-	-	-	5,810,381	-	5,810,381	-	-	-
Property Taxes, Levied for Debt Purposes	-	-	-	-	2,196,954	-	2,196,954	-	-	-
Other Taxes	-	-	-	-	300,488	-	300,488	-	-	-
State and Federal Aids not Restricted to Specific Functions	-	-	-	-	206,562	-	206,562	-	-	-
Interest and Investment Earnings	-	-	-	-	167,593	169,333	336,926	6,010	8,430	10,929
Sale of Property	-	-	-	-	-	7,900	7,900	-	-	150
Miscellaneous	-	-	-	-	203,683	-	203,683	43,248	136,063	-
Transfers	-	-	-	-	528,942	(528,942)	-	-	-	-
Total General Revenues and Transfers	-	-	-	-	<u>9,414,603</u>	<u>(351,709)</u>	<u>9,062,894</u>	<u>49,258</u>	<u>144,493</u>	<u>11,079</u>
Change in Net Position	-	-	-	-	(262,683)	(305,161)	(567,844)	(19,585)	359,255	81,836
Net Position - Beginning 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>
Net Position - End of Year	-	-	-	-	<u>\$ 47,716,469</u>	<u>\$ 44,774,689</u>	<u>\$ 92,491,158</u>	<u>\$ 1,159,700</u>	<u>\$ 3,563,877</u>	<u>\$ 1,169,208</u>

See accompanying Notes to Basic Financial Statements.

**CITY OF HUDSON, WISCONSIN
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2017**

	Major Funds				Other Nonmajor Governmental Funds	Totals
	General Fund	Impact Fees Fund	Debt Service Fund	Capital Projects Fund		
ASSETS						
Treasurer's Cash and Investments	\$ 6,489,582	\$ 1,535,307	\$ 244,830	\$ 6,162,560	\$ 2,553,460	\$ 16,985,739
Taxes Receivable	5,685,310	-	2,350,607	44,807	-	8,080,724
Special Assessments Receivable	-	-	-	74,959	-	74,959
Specials and Delinquents Held by County	-	-	-	7,812	-	7,812
Accounts Receivable	90,558	-	-	325	156,140	247,023
Due from Other Governments	126,189	-	810,000	-	-	936,189
Due from Other Funds	24,228	-	-	-	-	24,228
Advances to Other Funds	58,647	-	-	-	-	58,647
Prepayments	11,635	-	-	-	-	11,635
Total Assets	<u>\$ 12,486,149</u>	<u>\$ 1,535,307</u>	<u>\$ 3,405,437</u>	<u>\$ 6,290,463</u>	<u>\$ 2,709,600</u>	<u>\$ 26,426,956</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
Liabilities:						
Vouchers and Accounts Payable	\$ 165,872	\$ -	\$ -	\$ 130,045	\$ 93,824	\$ 389,741
Construction Contracts Payable	-	-	-	1,265	-	1,265
Payroll Withholdings	96,651	-	-	-	-	96,651
Accrued Wages	84,316	-	-	-	195	84,511
Due Other Governmental Units	3,298	-	-	-	-	3,298
Due to Other Funds	-	-	-	-	24,228	24,228
Special Deposits	181,131	1,067	-	-	-	182,198
Total Liabilities	<u>531,268</u>	<u>1,067</u>	<u>-</u>	<u>131,310</u>	<u>118,247</u>	<u>781,892</u>
Deferred Inflows of Resources:						
Subsequent Year's Property Taxes	6,160,296	-	2,350,607	-	-	8,510,903
Unavailable Revenues - Special Assessments	-	-	-	119,766	-	119,766
Unavailable Revenues - Other	-	-	810,000	-	-	810,000
Total Deferred Inflows of Resources	<u>6,160,296</u>	<u>-</u>	<u>3,160,607</u>	<u>119,766</u>	<u>-</u>	<u>9,440,669</u>
Fund Balances:						
Nonspendable	81,701	-	-	-	-	81,701
Restricted	-	1,534,240	244,830	4,753,989	1,473,230	8,006,289
Committed	-	-	-	1,285,398	1,142,351	2,427,749
Assigned	516,095	-	-	-	-	516,095
Unassigned	5,196,789	-	-	-	(24,228)	5,172,561
Total Fund Balances	<u>5,794,585</u>	<u>1,534,240</u>	<u>244,830</u>	<u>6,039,387</u>	<u>2,591,353</u>	<u>16,204,395</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 12,486,149</u>	<u>\$ 1,535,307</u>	<u>\$ 3,405,437</u>	<u>\$ 6,290,463</u>	<u>\$ 2,709,600</u>	<u>\$ 26,426,956</u>

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, 2017**

Total Fund Balances - Governmental Funds \$ 16,204,395

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	92,325	
Land Improvements	2,748,020	
Buildings and Improvements	7,024,646	
Machinery/Equipment	8,502,153	
Infrastructure	88,825,265	
Accumulated Depreciation	<u>(67,175,116)</u>	49,074,878

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 929,766

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 Asset (Liability)	(253,197)	
Deferred Outflows of Resources	1,976,785	
Deferred Inflows of Resources	<u>(803,247)</u>	920,341

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	17,624,600	
Accrued Interest on Long-Term Debt	171,711	
Employee Leave Liability	394,284	
Postemployment Benefits (OPEB) Liability	<u>731,237</u>	(18,921,832)

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	(492,923)	
Unamortized Debt Discount	<u>1,844</u>	<u>(491,079)</u>

Net Position of Governmental Activities \$ 47,716,469

CITY OF HUDSON, WISCONSIN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2017

	Major Funds				Other Nonmajor Governmental Funds	Totals
	General Fund	Impact Fees Fund	Debt Service Fund	Capital Projects Fund		
REVENUES:						
Taxes	\$ 5,821,633	\$ -	\$ 2,196,954	\$ -	\$ 289,236	\$ 8,307,823
Special Assessments	-	-	-	80,891	-	80,891
Intergovernmental	917,300	-	-	-	-	917,300
Licenses and Permits	592,653	77,043	-	-	-	669,696
Fines and Forfeits	96,882	-	-	-	-	96,882
Public Charges for Services	116,815	-	-	-	366,982	483,797
Intergovernmental Charges for Services	566,584	-	-	-	-	566,584
Miscellaneous:						
Interest	62,408	16,748	4,997	53,128	29,397	166,678
Rent	148,882	-	-	-	-	148,882
Donations	2,366	-	-	-	-	2,366
Other	13,960	-	-	25,378	279,825	319,163
Total Revenues	<u>8,339,483</u>	<u>93,791</u>	<u>2,201,951</u>	<u>159,397</u>	<u>965,440</u>	<u>11,760,062</u>
EXPENDITURES:						
General Government	1,516,167	-	-	-	-	1,516,167
Public Safety	4,370,507	-	-	-	24,250	4,394,757
Transportation Facilities	1,356,099	-	-	-	394,189	1,750,288
Sanitation	24,250	-	-	-	6,206	30,456
Health and Social Services	15,404	-	-	-	-	15,404
Culture, Recreation and Education	752,439	-	-	-	494,613	1,247,052
Conservation and Development:						
General Operations	379,741	-	-	-	24,228	403,969
Refunds	-	24,625	-	-	-	24,625
Capital Outlay	-	-	-	1,579,437	-	1,579,437
Debt Service:						
Principal Retirement	-	-	1,867,400	-	-	1,867,400
Interest and Fiscal Charges	-	-	401,753	-	-	401,753
Debt Issuance Costs	-	-	-	63,807	-	63,807
Total Expenditures	<u>8,414,607</u>	<u>24,625</u>	<u>2,269,153</u>	<u>1,643,244</u>	<u>943,486</u>	<u>13,295,115</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, 2017

	Major Funds			Other Nonmajor Governmental Funds	Totals
	General Fund	Impact Fees Fund	Debt Service Fund		
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ (75,124)	\$ 69,166	\$ (67,202)	\$ 21,954	\$ (1,535,053)
OTHER FINANCING SOURCES (USES):					
Long-Term Debt Issued	-	-	-	4,965,000	4,965,000
Debt Premium	-	-	216,101	-	216,101
Proceeds from Sale of Property	13,097	-	-	-	13,097
Transfers In	548,942	-	44,434	71,600	811,154
Transfers Out	(236,093)	-	-	(20,000)	(282,212)
Total Other Financing Sources (Uses)	<u>325,946</u>	<u>-</u>	<u>260,535</u>	<u>5,016,600</u>	<u>5,723,140</u>
NET CHANGE IN FUND BALANCES	250,822	69,166	193,333	142,013	4,188,087
Fund Balances, January 1	<u>5,543,763</u>	<u>1,465,074</u>	<u>51,497</u>	<u>2,506,634</u>	<u>12,016,308</u>
FUND BALANCES, DECEMBER 31	<u>\$ 5,794,585</u>	<u>\$ 1,534,240</u>	<u>\$ 244,830</u>	<u>\$ 2,591,353</u>	<u>\$ 16,204,395</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, 2017

Net Change in Fund Balances - Total Governmental Funds \$ 4,188,087

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	\$ 1,706,279	
Capital Additions Contributed	78,509	
Depreciation Expense Reported in the Statement of Activities	(3,018,206)	(1,233,418)

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.

(11,535)

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.

(287,120)

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.

504,035

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 (4,965,000)

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.

(216,101)

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 1,867,400

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	(52,872)	
Amortization of Debt Premium	42,110	
Amortization of Debt Discount	(882)	
Net Change in Accrued Employee Leave	(17,690)	
Net Change in OPEB Liability	(79,697)	(109,031)

Change in Net Position of Governmental Activities **\$ (262,683)**

See accompanying Notes to Basic Financial Statements.

**CITY OF HUDSON, WISCONSIN
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2017**

	Business-Type Activities - Enterprise Funds				Totals
	Water Utility	Sewer Utility	Parking Utility	Ambulance Service	
ASSETS					
Current Assets:					
Cash and Investments	\$ 5,217,026	\$ 4,087,069	\$ 351,067	\$ 660,074	\$ 10,315,236
Accounts Receivable:					
Customer/Patient	671,085	327,900	-	318,330	1,317,315
Accounts Receivable on Tax Roll	67,093	52,839	10,991	-	130,923
Allowance for Doubtful Accounts	-	-	-	(182,826)	(182,826)
Other	41,688	19,774	35,525	-	96,987
Due from Other Governmental Units	39,535	42,695	-	-	82,230
Prepayments	-	-	-	900	900
Inventories	28,051	-	-	-	28,051
Total Current Assets	<u>6,064,478</u>	<u>4,530,277</u>	<u>397,583</u>	<u>796,478</u>	<u>11,788,816</u>
Restricted Assets:					
Cash and Investments:					
Debt Service/Asset Replacement	344,767	2,191,361	-	-	2,536,128
Carmichael Impact Assessments	572,898	-	-	-	572,898
Total Restricted Assets	<u>917,665</u>	<u>2,191,361</u>	<u>-</u>	<u>-</u>	<u>3,109,026</u>
Capital Assets:					
Property and Plant in Service	35,582,944	13,193,840	1,819,532	1,127,079	51,723,395
Accumulated Provision for Depreciation	12,744,940	8,191,728	509,679	578,833	22,025,180
Net Utility Plant in Service	<u>22,838,004</u>	<u>5,002,112</u>	<u>1,309,853</u>	<u>548,246</u>	<u>29,698,215</u>
Construction Work in Progress	2,510,080	-	-	-	2,510,080
Total Capital Assets	<u>25,348,084</u>	<u>5,002,112</u>	<u>1,309,853</u>	<u>548,246</u>	<u>32,208,295</u>
 Total Assets	 <u>32,330,227</u>	 <u>11,723,750</u>	 <u>1,707,436</u>	 <u>1,344,724</u>	 <u>47,106,137</u>
DEFERRED OUTFLOWS OF RESOURCES					
Wisconsin Retirement System Pension Plan Related	195,164	150,844	17,365	130,110	493,483

See accompanying Notes to Basic Financial Statements.

CITY OF HUDSON, WISCONSIN
STATEMENT OF NET POSITION (CONTINUED)
PROPRIETARY FUNDS
DECEMBER 31, 2017

	Business-Type Activities - Enterprise Funds				Totals
	Water Utility	Sewer Utility	Parking Utility	Ambulance Service	
LIABILITIES					
Current Liabilities:					
Vouchers and Accounts Payable	\$ 410,475	\$ 79,960	\$ 4,389	\$ 14,836	\$ 509,660
Due to Other Governmental Units	14,545	23,022	4	-	37,571
Accrued Employee Liabilities	67,429	22,850	801	20,052	111,132
Accrued Wages	15,552	10,987	1,229	13,366	41,134
Advances from Other Funds	-	-	-	34,836	34,836
Unearned Revenue	-	-	-	6,910	6,910
Security Deposit	-	-	125	-	125
Total Current Liabilities	<u>508,001</u>	<u>136,819</u>	<u>6,548</u>	<u>90,000</u>	<u>741,368</u>
Current Liabilities Payable from Restricted Assets:					
Accrued Interest Payable	6,019	992	-	-	7,011
Current Portion of Long-Term Debt	40,000	-	-	-	40,000
Current Portion of Revenue Bonds	20,697	208,681	-	-	229,378
Total Current Liabilities Payable from Restricted Assets	<u>66,716</u>	<u>209,673</u>	<u>-</u>	<u>-</u>	<u>276,389</u>
Long-Term Liabilities (Less Current Portion):					
Advances from Other Funds	-	-	-	23,811	23,811
Other Postemployment Benefits Payable	105,156	60,225	-	55,685	221,066
WRS Net Pension Liability	24,998	19,321	2,224	16,665	63,208
Long-Term Debt	828,223	-	-	-	828,223
Mortgage Revenue Bonds	470,344	-	-	-	470,344
Total Long-Term Liabilities	<u>1,428,721</u>	<u>79,546</u>	<u>2,224</u>	<u>96,161</u>	<u>1,606,652</u>
Total Liabilities	<u>2,003,438</u>	<u>426,038</u>	<u>8,772</u>	<u>186,161</u>	<u>2,624,409</u>
DEFERRED INFLOWS OF RESOURCES					
Wisconsin Retirement System Pension Plan Related	79,303	61,294	7,056	52,869	200,522
NET POSITION					
Net Investment in Capital Assets	24,877,740	4,793,431	1,309,853	489,599	31,470,623
Restricted for:					
Unspent Debt Proceeds for Capital Projects	344,767	-	-	-	344,767
Debt Service	-	347,290	-	-	347,290
Impact Assessments	572,898	-	-	-	572,898
Asset Replacement	-	1,843,079	-	-	1,843,079
Unrestricted	4,647,245	4,403,462	399,120	746,205	10,196,032
Total Net Position	<u>\$ 30,442,650</u>	<u>\$ 11,387,262</u>	<u>\$ 1,708,973</u>	<u>\$ 1,235,804</u>	<u>\$ 44,774,689</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, 2017

	Business-Type Activities - Enterprise Funds				Totals
	Water Utility	Sewer Utility	Parking Utility	Ambulance Service	
OPERATING REVENUES:					
Charges for Services	\$ 2,473,183	\$ 1,501,336	\$ 158,436	\$ 1,001,184	\$ 5,134,139
Intergovernmental Contracts	-	-	-	386,750	386,750
Grants and Subsidies	-	-	-	7,386	7,386
Other	487,443	19,394	16,510	-	523,347
Total Operating Revenues	<u>2,960,626</u>	<u>1,520,730</u>	<u>174,946</u>	<u>1,395,320</u>	<u>6,051,622</u>
OPERATING EXPENSES:					
Operation and Maintenance	2,382,868	1,712,693	154,202	1,213,974	5,463,737
Depreciation	759,348	440,585	43,799	86,583	1,330,315
Total Operating Expenses	<u>3,142,216</u>	<u>2,153,278</u>	<u>198,001</u>	<u>1,300,557</u>	<u>6,794,052</u>
OPERATING INCOME (LOSS)	<u>(181,590)</u>	<u>(632,548)</u>	<u>(23,055)</u>	<u>94,763</u>	<u>(742,430)</u>
NONOPERATING REVENUES (EXPENSES):					
Investment Earnings	86,708	74,512	5,340	2,773	169,333
Hook-up Fees	-	373,310	-	-	373,310
Donations/Other	-	-	-	2,150	2,150
Interest Expense	(23,390)	(7,878)	-	(2,612)	(33,880)
Amortization of Debt Discount and Expense	854	-	-	-	854
Gain/Loss on Sale of Capital Assets	-	3,350	-	7,900	11,250
Total Nonoperating Revenues (Expenses)	<u>64,172</u>	<u>443,294</u>	<u>5,340</u>	<u>10,211</u>	<u>523,017</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	<u>(117,418)</u>	<u>(189,254)</u>	<u>(17,715)</u>	<u>104,974</u>	<u>(219,413)</u>
CAPITAL CONTRIBUTIONS:					
Plant Contributed by Developers	152,156	-	-	-	152,156
Impact Fees Applied	291,038	-	-	-	291,038
Total Capital Contributions	<u>443,194</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>443,194</u>
TRANSFERS:					
Transfer to General Fund	(468,041)	(60,901)	-	-	(528,942)
CHANGE IN NET POSITION	<u>(142,265)</u>	<u>(250,155)</u>	<u>(17,715)</u>	<u>104,974</u>	<u>(305,161)</u>
Net Position, January 1	30,584,915	11,637,417	1,726,688	1,130,830	45,079,850
NET POSITION, DECEMBER 31	<u>\$ 30,442,650</u>	<u>\$ 11,387,262</u>	<u>\$ 1,708,973</u>	<u>\$ 1,235,804</u>	<u>\$ 44,774,689</u>

See accompanying Notes to Basic Financial Statements.

**CITY OF HUDSON, WISCONSIN
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2017**

	Business-Type Activities-Enterprise Funds				Total
	Water Utility	Sewer Utility	Parking Utility	Ambulance Service	
CASH FLOWS FROM OPERATING ACTIVITIES:					
Cash Received from Customers	\$ 2,005,921	\$ 1,620,165	\$ 123,420	\$ 1,015,202	\$ 4,764,708
Cash Received for Public Fire Protection	679,824	-	-	-	679,824
Cash Received (Paid) for Sewer Share of Meter Related Expense	173,998	(173,998)	-	-	-
Cash Received from Government Subsidies/ Contracts/Grants	-	6,076	-	393,660	399,736
Cash Received from Parking Forfeitures	-	-	60,832	-	60,832
Cash Paid for City/Village Surcharges	-	(68,873)	-	-	(68,873)
Cash Payments to Suppliers for Goods and Services	(1,344,108)	(824,511)	(64,766)	(319,460)	(2,552,845)
Cash Payments for Employee Services	(930,672)	(704,441)	(92,236)	(864,608)	(2,591,957)
Net Cash Provided by (Used for) Operating Activities	<u>584,963</u>	<u>(145,582)</u>	<u>27,250</u>	<u>224,794</u>	<u>691,425</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Cash Donations Received	-	-	-	2,150	2,150
Cash Payments of Tax Equivalent to General Fund	(468,041)	(60,901)	-	-	(528,942)
Net Cash Provided by (Used for) Noncapital Financing Activities	<u>(468,041)</u>	<u>(60,901)</u>	<u>-</u>	<u>2,150</u>	<u>(526,792)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Cash Payments for Capital Assets	(2,612,810)	(118,671)	-	(92,633)	(2,824,114)
Cash Received for Salvage of Capital Assets	10,838	-	-	7,900	18,738
Cash Received for Hook-up Fees	-	373,310	-	-	373,310
Cash Received for Impact Fees	291,038	-	-	-	291,038
Cash Paid for Principal on Interfund Advance	-	-	-	(57,764)	(57,764)
Cash Paid for Interest on Interfund Advance	-	-	-	(2,612)	(2,612)
Cash Received from Issuance of Debt	491,041	-	-	-	491,041
Principal Paid on Long-Term Debt	(30,000)	(202,896)	-	-	(232,896)
Interest Paid on Long-Term Debt	(34,163)	(8,842)	-	-	(43,005)
Net Cash Provided by (Used for) Capital and Related Financing Activities	<u>(1,884,056)</u>	<u>42,901</u>	<u>-</u>	<u>(145,109)</u>	<u>(1,986,264)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:					
Earnings on Investments	86,708	74,512	5,340	2,773	169,333
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS					
	(1,680,426)	(89,070)	32,590	84,608	(1,652,298)
CASH AND CASH EQUIVALENTS, JANUARY 1					
	<u>7,815,117</u>	<u>6,367,500</u>	<u>318,477</u>	<u>575,466</u>	<u>15,076,560</u>
CASH AND CASH EQUIVALENTS, DECEMBER 31					
	<u>\$ 6,134,691</u>	<u>\$ 6,278,430</u>	<u>\$ 351,067</u>	<u>\$ 660,074</u>	<u>\$ 13,424,262</u>

See accompanying Notes to Basic Financial Statements.

**CITY OF HUDSON, WISCONSIN
STATEMENT OF CASH FLOWS (CONTINUED)
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2017**

	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)	\$ (181,590)	\$ (632,548)	\$ (23,055)	\$ 94,763	\$ (742,430)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:					
Change in Pension Plan:					
Asset/Liability	(22,019)	(20,524)	(82)	(13,123)	(55,748)
Deferred Outflows of Resources	96,993	72,227	(3,900)	37,036	202,356
Deferred Inflows of Resources	(29,221)	(22,559)	2,203	(9,819)	(59,396)
Depreciation	759,348	440,585	43,799	86,583	1,330,315
(Increase) Decrease in Assets:					
Customer/Patient Accounts Receivable	(67,940)	29,107	-	25,566	(13,267)
Accounts Receivable on Tax Roll	1,576	(118)	-	-	1,458
Other Accounts Receivable	(8,954)	9,299	9,302	-	9,647
Allowance for Uncollectible Accounts	-	-	-	(11,408)	(11,408)
Due from Other Governments	(19,041)	(30)	-	-	(19,071)
Prepayments	-	-	-	600	600
Inventories	1,153	-	-	-	1,153
Increase (Decrease) in Liabilities:					
Accounts Payable	39,756	(28,150)	(1,854)	(4,092)	5,660
Special Deposits	(6,524)	-	-	-	(6,524)
Accrued Wages	1,906	706	32	-	2,644
Accrued Employee Liabilities	19,573	8,043	801	19,164	47,581
Unearned Revenues	-	-	-	(476)	(476)
Due to Other Governmental Units	(53)	(1,620)	4	-	(1,669)
 Net Cash Provided by (Used for) Operating Activities	 <u>\$ 584,963</u>	 <u>\$ (145,582)</u>	 <u>\$ 27,250</u>	 <u>\$ 224,794</u>	 <u>\$ 691,425</u>
 RECONCILIATION OF CASH AND INVESTMENTS TO CASH AND CASH EQUIVALENTS:					
Cash and Investments per Statement of Net Position:					
Cash and Investments	\$ 5,217,026	\$ 4,087,069	\$ 351,067	\$ 660,074	\$ 10,315,236
Cash and Investments - Restricted	917,665	2,191,361	-	-	3,109,026
 Cash and Cash Equivalents	 <u>\$ 6,134,691</u>	 <u>\$ 6,278,430</u>	 <u>\$ 351,067</u>	 <u>\$ 660,074</u>	 <u>\$ 13,424,262</u>
 NONCASH INVESTING, CAPITAL AND RELATED FINANCING ACTIVITIES:					
Capital Assets Financed through Customers and Developers	\$ 152,156	\$ -	\$ -	\$ -	\$ 152,156

See accompanying Notes to Basic Financial Statements.

**CITY OF HUDSON, WISCONSIN
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2017**

	<u>Agency Funds</u>
ASSETS	
Cash and Investments	\$ 1,495,684
Taxes Receivable	<u>24,667,232</u>
 Total Assets	 <u><u>\$ 26,162,916</u></u>
LIABILITIES	
Accounts Payable	\$ 19,308
Due Other Governmental Units:	
County / State	6,533,715
School District	18,913,960
Technical College	<u>695,933</u>
 Total Liabilities	 <u><u>\$ 26,162,916</u></u>

See accompanying Notes to Basic Financial Statements.

CITY OF HUDSON, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017

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. The Business Park does not issue stand-alone financial statements.

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, 2017**

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. The Joint Library does not issue stand-alone financial statements.

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. The Community Access Board does not issue stand-alone financial statements.

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

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, 2017**

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, 2017**

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, 2017

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, 2017**

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, 2017**

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 2017 tax roll are recognized as revenue in 2018.) 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, 2017**

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, 2017**

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 acquisition 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, 2017**

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, 2017**

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, 2017 for the Hudson Hockey Association totaling \$975,735.

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, 2017

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, 2017**

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, 2017 are shown in the financial statements as follows:

Governmental Funds	\$ 16,985,739
Proprietary Funds	13,424,262
Fiduciary Funds	1,495,684
	<u>\$ 31,905,685</u>

The above cash and investment balances consisted of the following:

Deposits in Financial Institutions	\$ 6,930,476
Deposits in State Local Government Pooled-Investment Fund	6,682,757
Investments in Federal Agency Issuances	21,507,060
Investments in Money Market Account	9,163
Petty Cash	1,350
Total Cash and Investments	<u>35,130,806</u>
Less Amount Allocated to Component Units	<u>(3,225,121)</u>
	<u>\$ 31,905,685</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, 2017**

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, 2017, the City's deposits were not exposed to significant custodial credit risk.

Investments

The City's investments at December 31, 2017 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 2017 was 43 days.

U.S. Government Agencies and Instrumentalities Obligations. The City's investments in these obligations at December 31, 2017 are summarized as follows:

Description	Totals	Investment Maturities (in years)			S & P Rating
		<1	1 to 5	5 to 10	
Debt Instruments:					
FNMA	\$ 5,687,614	\$ 1,652,793	\$ 4,034,821	\$ -	AA+/AAA
FHLMC	5,895,609	4,902,898	992,711	-	AA+/AAA
FHLB	3,975,989	3,227,491	748,498	-	AA+/AAA
FFCB	1,773,702	1,482,312	291,390	-	AA+/AAA
FAMCA	347,062	-	347,062	-	AA+/AAA
Loan/mortgage pools -					
GNMA	2,123	-	-	2,123	AA+/AAA
Municipal Bonds and Notes	3,824,961	1,144,772	1,911,011	769,178	AA-/AA
	<u>\$ 21,507,060</u>	<u>\$ 12,410,266</u>	<u>\$ 8,325,493</u>	<u>\$ 771,301</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 GNMA 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, 2017**

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, 2017**

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	\$ 17,679,976	\$ -	\$ -	\$ 17,679,976
Mortgage-backed Securities	2,123	-	-	2,123
Municipal Bonds and Notes	3,824,961	-	-	3,824,961
Total	<u>\$ 21,507,060</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,507,060</u>
Investments Measured at Amortized Cost - State LGIP Funds				<u>6,682,757</u>
Total Investments				<u>\$ 28,189,817</u>

B. Receivables/Deferred Inflows of Resources

1. Other Receivables

Other accounts receivable at December 31, 2017 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	\$ -	\$ -	\$ 82,771	\$ -	\$ -	\$ 82,771
Accounts Receivable:						
General	90,558	-	325	156,140	96,987	344,010
Customers:						
Water	-	-	-	-	671,085	671,085
Sewer	-	-	-	-	327,900	327,900
Ambulance (net)	-	-	-	-	135,504	135,504
	<u>90,558</u>	<u>-</u>	<u>325</u>	<u>156,140</u>	<u>1,231,476</u>	<u>1,478,499</u>
Due From Other Governments	<u>126,189</u>	<u>810,000</u>	<u>-</u>	<u>-</u>	<u>82,230</u>	<u>1,018,419</u>
Totals	<u>\$ 216,747</u>	<u>\$ 810,000</u>	<u>\$ 83,096</u>	<u>\$ 156,140</u>	<u>\$ 1,313,706</u>	<u>\$ 2,579,689</u>

Accounts receivable of the ambulance service enterprise fund is reported net of an allowance for uncollectible accounts. Such allowance totaled \$182,826 at December 31, 2017.

**CITY OF HUDSON, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017**

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
2017 Tax Roll Items:			
Property Taxes	\$ -	\$ 8,510,903	\$ 8,510,903
Special Assessments	44,807	-	44,807
Special Assessments - Future Years	74,959	-	74,959
Other	810,000	-	810,000
Total Unavailable/Unearned Revenue for Governmental Funds	\$ 929,766	\$ 8,510,903	\$ 9,440,669

**CITY OF HUDSON, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Capital Assets

Capital assets activity for the year ended December 31, 2017 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	16,869	90,103	14,647	92,325
Total Capital Assets Not Being Depreciated	<u>9,074,454</u>	<u>90,103</u>	<u>14,647</u>	<u>9,149,910</u>
Capital Assets Being Depreciated:				
Land Improvements	2,748,020	-	-	2,748,020
Buildings and Improvements	6,657,931	366,715	-	7,024,646
Machinery and Equipment	3,811,757	289,953	114,881	3,986,829
Licensed Vehicles	4,325,096	317,593	127,365	4,515,324
Infrastructure	88,090,194	735,071	-	88,825,265
Total Capital Assets Being Depreciated	<u>105,632,998</u>	<u>1,709,332</u>	<u>242,246</u>	<u>107,100,084</u>
Total Capital Assets	<u>114,707,452</u>	<u>1,799,435</u>	<u>256,893</u>	<u>116,249,994</u>
Accumulated Depreciation:				
Land Improvements	1,832,596	104,269	-	1,936,865
Buildings and Improvements	2,277,580	153,330	-	2,430,910
Machinery and Equipment	1,918,935	267,723	112,382	2,074,276
Licensed Vehicles	3,033,356	243,503	118,329	3,158,530
Infrastructure	55,325,154	2,249,381	-	57,574,535
Total Accumulated Depreciation	<u>64,387,621</u>	<u>3,018,206</u>	<u>230,711</u>	<u>67,175,116</u>
Net Capital Assets - Governmental Activities	<u>\$ 50,319,831</u>	<u>\$ (1,218,771)</u>	<u>\$ 26,182</u>	<u>\$ 49,074,878</u>

Depreciation was charged to governmental functions as follows:

General Government	\$ 127,972
Public Safety	253,887
Public Works	2,466,598
Culture, Recreation and Education	168,642
Conservation and Development	1,107
	<u>\$ 3,018,206</u>

**CITY OF HUDSON, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017**

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	1,095,322	1,414,758	-	2,510,080
Total Capital Assets Not Being Depreciated	<u>1,232,184</u>	<u>1,414,758</u>	<u>-</u>	<u>2,646,942</u>
Capital Assets Being Depreciated:				
Source of Supply	1,342,566	-	-	1,342,566
Pumping Plant	2,242,884	1,280	-	2,244,164
Water Treatment	5,136,311	-	-	5,136,311
Transmission and Distribution	24,524,632	699,603	401,975	24,822,260
General Assets	1,047,628	878,153	25,000	1,900,781
Total Capital Assets Being Depreciated	<u>34,294,021</u>	<u>1,579,036</u>	<u>426,975</u>	<u>35,446,082</u>
Total Capital Assets	<u>35,526,205</u>	<u>2,993,794</u>	<u>426,975</u>	<u>38,093,024</u>
Accumulated Depreciation:				
Source of Supply	624,231	34,160	-	658,391
Pumping Plant	1,847,817	64,564	-	1,912,381
Water Treatment	2,360,603	168,588	-	2,529,191
Transmission and Distribution	6,625,600	458,187	391,137	6,692,650
General Assets	943,478	33,849	25,000	952,327
Total Accumulated Depreciation	<u>12,401,729</u>	<u>759,348</u>	<u>416,137</u>	<u>12,744,940</u>
Net Capital Assets - Water Utility	<u>23,124,476</u>	<u>2,234,446</u>	<u>10,838</u>	<u>25,348,084</u>
Sewer Utility:				
Capital Assets Not Being Depreciated:				
Land	\$ 129,856	\$ -	\$ -	\$ 129,856
Capital Assets Being Depreciated:				
Collection System	680,920	-	-	680,920
Pumping System	23,777	19,693	-	43,470
Treatment and Disposal Plant	11,315,304	71,676	-	11,386,980
General Plant	956,827	30,652	34,865	952,614
Total Capital Assets Being Depreciated	<u>12,976,828</u>	<u>122,021</u>	<u>34,865</u>	<u>13,063,984</u>
Total Capital Assets	<u>13,106,684</u>	<u>122,021</u>	<u>34,865</u>	<u>13,193,840</u>
Accumulated Depreciation:				
Collection System	232,782	7,677	-	240,459
Pumping System	12,628	1,440	-	14,068
Treatment and Disposal Plant	6,963,717	378,915	-	7,342,632
General Plant	576,881	52,553	34,865	594,569
Total Accumulated Depreciation	<u>7,786,008</u>	<u>440,585</u>	<u>34,865</u>	<u>8,191,728</u>
Net Capital Assets - Sewer Utility	<u>5,320,676</u>	<u>(318,564)</u>	<u>-</u>	<u>5,002,112</u>

**CITY OF HUDSON, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017**

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	406,344	42,719	-	449,063
Equipment	59,536	1,080	-	60,616
Total Accumulated Depreciation	<u>465,880</u>	<u>43,799</u>	<u>-</u>	<u>509,679</u>
Net Capital Assets - Parking Utility	<u>1,353,652</u>	<u>(43,799)</u>	<u>-</u>	<u>1,309,853</u>
Ambulance Service:				
Capital Assets Being Depreciated:				
Vehicles	711,626	-	-	711,626
Other Equipment	322,820	92,633	-	415,453
Total Capital Assets	<u>1,034,446</u>	<u>92,633</u>	<u>-</u>	<u>1,127,079</u>
Total Accumulated Depreciation	<u>492,250</u>	<u>86,583</u>	<u>-</u>	<u>578,833</u>
Net Capital Assets - Ambulance Service	<u>542,196</u>	<u>6,050</u>	<u>-</u>	<u>548,246</u>
Totals - Business-Type Activities:				
Capital Assets Not Being Depreciated	2,122,602	1,414,758	-	3,537,360
Capital Assets Being Depreciated	49,364,265	1,793,690	461,840	50,696,115
Total Capital Assets	<u>51,486,867</u>	<u>3,208,448</u>	<u>461,840</u>	<u>54,233,475</u>
Less Accumulated Depreciation	<u>21,145,867</u>	<u>1,330,315</u>	<u>451,002</u>	<u>22,025,180</u>
Net Capital Assets - Business-Type Activities	<u>\$ 30,341,000</u>	<u>\$ 1,878,133</u>	<u>\$ 10,838</u>	<u>\$ 32,208,295</u>

Depreciation was charged to the following business-type activities:

Water	\$ 759,348
Sewer	440,585
Parking	43,799
Ambulance	86,583
	<u>\$ 1,330,315</u>

**CITY OF HUDSON, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

D. Interfund Receivables, Payables and Transfers

Due to/from Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	TID #5	\$ 24,228	Fund Cash Deficit

Advances to/from Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Ambulance Service Fund	\$ 58,647	Financing for purchase of ambulance(s)

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 a new ambulance. The advance is to be repaid in monthly installments of \$2,695 from October 2012 through September 2017 at 3.00% interest. The advance was paid in full during 2017. 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 2017, the ambulance paid the general fund combined principal of \$57,764 on these loans.

Interfund Transfers

<u>Fund Transferred From</u>	<u>Fund Transferred To</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Debt Service Fund	\$ 18,315	Town share of fire truck purchase
General Fund	Capital Projects Fund	71,600	City share of capital purchases
General Fund	Room Tax Fund	146,178	Creation of new fund
Capital Projects Fund	General Fund	20,000	Share of brush truck purchase
Sewer Collection System Fund	Debt Service Fund	9,559	Share of debt service
Stormwater Fund	Debt Service Fund	16,560	Share of debt service
Water Utility Fund	General Fund	468,041	Property tax equivalent
Sewer Utility Fund	General Fund	60,901	Property tax equivalent
		<u>\$ 811,154</u>	

**CITY OF HUDSON, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017**

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, 2017:

	Balance 1/1/17	Additions	Reductions	Balance 12/31/17	Amounts Due Within One Year
Long-Term Debt:					
Governmental Activities:					
General Obligation Bonds	\$ 7,260,000	\$ 2,495,000	\$ 295,000	\$ 9,460,000	\$ 405,000
General Obligation Notes	7,267,000	2,470,000	1,572,400	8,164,600	1,640,500
Unamortized Debt Premium	318,932	216,101	42,110	492,923	-
Unamortized Debt Discount	(2,726)	-	(882)	(1,844)	-
Total Governmental Activities	<u>14,843,206</u>	<u>5,181,101</u>	<u>1,908,628</u>	<u>18,115,679</u>	<u>2,045,500</u>
Business-Type Activities:					
General Obligation Bonds:					
Water Utility	890,000	-	30,000	860,000	40,000
Mortgage Revenue Bonds:					
Water Utility	-	491,041	-	491,041	20,697
Sewer Utility	411,577	-	202,896	208,681	208,681
Unamortized Debt Premium	9,077	-	854	8,223	-
Total Business-Type Activities	<u>1,310,654</u>	<u>491,041</u>	<u>233,750</u>	<u>1,567,945</u>	<u>269,378</u>
Total Long-Term Debt	<u>\$ 16,153,860</u>	<u>\$ 5,672,142</u>	<u>\$ 2,142,378</u>	<u>\$ 19,683,624</u>	<u>\$ 2,314,878</u>
Other Long-Term Obligations:					
Governmental Activities:					
Employee Leave Liability	\$ 376,594	\$ 394,284	\$ 376,594	\$ 394,284	\$ 394,284
Other Postemployment Benefits Payable	651,540	133,049	53,352	731,237	-
Total Governmental Activities	<u>1,028,134</u>	<u>527,333</u>	<u>429,946</u>	<u>1,125,521</u>	<u>394,284</u>
Business-Type Activities:					
Employee Leave Liability	95,618	111,132	95,618	111,132	111,132
Other Postemployment Benefits Payable	194,546	44,269	17,749	221,066	-
Total Business-Type Activities	<u>290,164</u>	<u>155,401</u>	<u>113,367</u>	<u>332,198</u>	<u>111,132</u>
Total Other Long-Term Obligations	<u>\$ 1,318,298</u>	<u>\$ 682,734</u>	<u>\$ 543,313</u>	<u>\$ 1,457,719</u>	<u>\$ 505,416</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, 2017**

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, 2017 and annual requirements for their retirement as of that date are shown below:

	Outstanding 12/31/17	Scheduled Future Payments								
		2018	2019	2020	2021	2022	2023-2027	2028-2032	2033- 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) Interest (4/1, 10/1)	\$ 1,955,000 650,293	\$ 80,000 61,430	\$ 85,000 59,030	\$ 85,000 56,480	\$ 85,000 53,930	\$ 90,000 51,380	\$ 530,000 212,350	\$ 590,000 128,830	\$ 410,000 26,863
\$3,490,000 Series 2013A, dated 10/9/13, due 10/1/33, interest at 3.00 to 4.00%	Principal (10/1) Interest (4/1, 10/1)	2,870,000 998,866	140,000 103,120	145,000 98,920	145,000 94,570	150,000 90,220	155,000 85,720	860,000 345,550	1,040,000 171,366	235,000 9,400
\$3,110,000 Series 2016A, dated 4/12/16, due 4/1/36, interest at 2.00 to 3.00%	Principal (10/1) Interest (4/1, 10/1)	3,000,000 800,801	125,000 77,946	140,000 74,196	140,000 69,996	140,000 65,796	140,000 61,596	740,000 245,330	825,000 157,242	750,000 48,699
\$2,495,000 Series 2017A, dated 5/15/17, due 12/1/32, interest at 2.00 to 3.00%	Principal (12/1) Interest (6/1, 12/1)	2,495,000 632,275	100,000 96,825	145,000 62,550	150,000 59,650	155,000 56,650	155,000 53,550	830,000 214,700	960,000 88,350	- -
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) Interest (4/1, 10/1)	1,500,000 189,997	170,000 38,958	175,000 35,558	180,000 32,058	185,000 27,558	190,000 22,932	600,000 32,933	- -	- -
\$713,000 Series 2015C, dated 9/8/15, due 6/1/18, interest at 1.544%	Principal (6/1) Interest (6/1)	234,000 3,613	234,000 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) Interest (4/1, 10/1)	1,210,000 107,972	190,000 28,490	195,000 24,690	195,000 20,790	205,000 16,402	210,000 11,688	215,000 5,912	- -	- -
\$3,530,000 dated 5/25/11, due 5/1/21 interest at 1.00 to 3.00%	Principal (11/1) Interest (5/1, 11/1)	1,525,000 103,430	360,000 41,350	365,000 32,710	390,000 23,220	410,000 6,150	- -	- -	- -	- -
\$1,885,000 Series 2016B, dated 10/25/16, due 6/1/19, interest at 0.995%	Principal (6/1) Interest (6/1)	1,225,600 18,057	636,500 12,195	589,100 5,862	- -	- -	- -	- -	- -	- -
\$2,470,000 Series 2017B, dated 5/15/17, due 6/1/27, interest at 3.00%	Principal (12/1) Interest (6/1, 12/1)	2,470,000 489,375	50,000 111,150	235,000 72,600	235,000 65,550	240,000 58,500	250,000 51,300	1,460,000 130,275	- -	- -
Total Future Requirements:										
	Principal	18,484,600	2,085,500	2,074,100	1,520,000	1,570,000	1,190,000	5,235,000	3,415,000	1,395,000
	Interest	3,994,679	575,077	466,116	422,314	375,206	338,166	1,187,050	545,788	84,962
Totals		\$ 22,479,279	\$ 2,660,577	\$ 2,540,216	\$ 1,942,314	\$ 1,945,206	\$ 1,528,166	\$ 6,422,050	\$ 3,960,788	\$ 1,479,962

**CITY OF HUDSON, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017**

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, 2017 were computed as follows:

Equalized Valuation (Certified August 2017)	<u>\$ 1,830,570,100</u>
Legal Debt Capacity (5% of Equalized Value)	\$ 91,528,505
Total General Obligation Debt Subject to Limitation	<u>18,484,600</u>
Unused Borrowing Capacity at 12/31/2017	<u>\$ 73,043,905</u>

Current 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 were issued 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 were issued to finance capital projects and capital equipment purchases.

**CITY OF HUDSON, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-Term Obligations (Continued)

Mortgage Revenue Bonds

Repayment Requirements. Outstanding mortgage revenue bonds totaled \$699,722 at December 31, 2017, including \$208,681 in the Sewer Utility and \$491,041 in the Water Utility. 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, 2017 and annual requirements for their retirement at that date are shown below:

	<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Sewer Utility:				
Revenue Bonds dated 10/28/98, \$4,482,500 authorized, \$4,109,172 issued through 12/31/00, due 5/1/18, interest at 2.851% (Clean Water Fund loan - treatment plant)	2018	\$ 208,681	\$ 2,975	\$ 211,656
Water Utility:				
Revenue Bonds dated 12/13/17, \$1,866,120 authorized, \$491,041 issued through 12/31/17, due 5/1/37, interest at 1.760% (Safe Drinking Water Fund loan)	2018	20,697	7,452	28,149
	2019	21,061	8,093	29,154
	2020	21,432	7,719	29,151
	2021	21,809	7,338	29,147
	2022	22,193	6,951	29,144
	2023-2027	116,964	28,705	145,669
	2028-2032	127,624	17,950	145,574
	2033-2037	139,261	6,213	145,474
		<u>491,041</u>	<u>90,421</u>	<u>581,462</u>
Total Mortgage Revenue Bonds		<u>\$ 699,722</u>	<u>\$ 93,396</u>	<u>\$ 793,118</u>

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.

**CITY OF HUDSON, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-Term Obligations (Continued)

Mortgage Revenue Bonds (Continued)

Bond Ordinance Requirements. (Continued) 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 \$158,282 in the depreciation account at December 31, 2017. 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, 2017 was \$4,277,069, of which \$190,000 was restricted for funding the redemption account.

F. Tax Incremental Districts

The City has created five tax incremental financing districts (TIF districts or TIDs) in accordance with Section 66.1105 of the Wisconsin Statutes. The purpose of that section is to allow a municipality to recover development and improvement costs in a designated area from the property taxes generated on the increased value of the property after creation of the district. The tax on the increased value is called tax increment.

Only TID #5 was in existence during the year ended December 31, 2017. The resolution creating TID #5 was dated July 3, 2017. The expenditure period for the district is five years prior to the termination of the district's unextended maximum life, which is 27 years.

The project plan, on file in the City administrative offices, details the proposed projects, the estimated years of construction or site acquisition and the estimated costs of the individual project components. Project costs uncollected at the dissolution date are absorbed by the municipality.

TID #5 had project costs of \$24,228 during 2017, resulting in an equal fund deficit at December 31, 2017. The fund deficit is covered by an interfund from the general fund and is expected to be repaid as tax increments are collected in future years.

**CITY OF HUDSON, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

G. Governmental Fund Balances

The governmental fund balances reported on the fund financial statements at December 31, 2017 consisted of the following:

	Total	Nonspendable	Restricted	Committed	Assigned	Unassigned
Major Funds:						
General Fund	\$ 5,794,585	\$ -	\$ -	\$ -	\$ -	\$ -
Delinquent Taxes	-	11,419	-	-	-	-
Prepayments	-	11,635	-	-	-	-
Advances to Other Funds	-	58,647	-	-	-	-
Police Equipment	-	-	-	-	18,825	-
Fire Equipment	-	-	-	-	51,171	-
Energy Savings	-	-	-	-	7,112	-
BOGO Tree Funds	-	-	-	-	1,487	-
Health Insurance Reserve	-	-	-	-	437,500	-
Unassigned	-	-	-	-	-	5,196,789
Impact Fees Fund	1,534,240	-	1,534,240	-	-	-
Debt Service Fund	244,830	-	244,830	-	-	-
Capital Projects Fund	6,039,387	-	4,753,989	1,285,398	-	-
Nonmajor Funds:						
Special Revenue Funds:						
Room Tax Fund	133,471	-	-	133,471	-	-
Sewer Collection System						
Replacement Fund	1,008,880	-	-	1,008,880	-	-
Storm Water MS-4 Fund	151,695	-	151,695	-	-	-
Storm Water Fund	211,816	-	211,816	-	-	-
Parks Dedication Fees Fund	531,097	-	531,097	-	-	-
Police Donations Fund	24,730	-	24,730	-	-	-
Police Drug Forfeitures Fund	1,299	-	1,299	-	-	-
Business Park Revolving Loan Fund	552,593	-	552,593	-	-	-
Capital Projects Funds:						
TID #5	(24,228)	-	-	-	-	(24,228)
Total Governmental Fund Balances at December 31, 2017	<u>\$ 16,204,395</u>	<u>\$ 81,701</u>	<u>\$ 8,006,289</u>	<u>\$ 2,427,749</u>	<u>\$ 516,095</u>	<u>\$ 5,172,561</u>

H. 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, 2017. 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, 2017 totaled \$552,593.

**CITY OF HUDSON, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017**

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, 2017**

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, 2017 through December 31, 2017, the WRS recognized \$455,284 in contributions from the employer.

Contribution rates for 2017 are:

	<u>Employee</u>	<u>Employer</u>
General (including Teachers)	6.80%	6.80%
Executives and Elected Officials	6.80%	6.80%
Protective with Social Security	6.80%	10.80%
Protective without Social Security	6.80%	15.10%

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>
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
2016	0.5	(5.0)

**CITY OF HUDSON, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017**

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, 2017, the City reported a liability of \$331,974 for its proportionate share of the net pension liability, with \$316,405 relating to the primary government and \$15,569 relating to the City's component units. The net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015 rolled forward to December 31, 2016. 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, 2016, the City's proportion was 0.04027648 percent, which was an increase of 0.00085473 from its proportion measured as of December 31, 2015.

For the year ended December 31, 2017, the City recognized pension expense of \$856,205 and \$40,155 of pension expense was allocated to component units. At December 31, 2017, 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	\$ 126,582	\$ 1,044,031
Changes of Assumptions	347,092	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	1,652,463	-
Changes in Proportion and Differences Between City Contributions and Proportionate Share of Contributions	10,404	9,131
City Contributions Subsequent to the Measurement Date	455,284	-
Total	<u>2,591,825</u>	<u>1,053,162</u>
Less Amount Allocated to Component Units	<u>(121,557)</u>	<u>(49,393)</u>
Total Primary Government	<u>\$ 2,470,268</u>	<u>\$ 1,003,769</u>

\$455,284 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, 2018. 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, 2017

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>
2017	\$ 442,211
2018	442,211
2019	299,945
2020	(101,456)
2021	468
Thereafter	-

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

Actuarial Valuation Date:	December 31, 2015
Measurement Date of Net Pension Liability (Asset):	December 31, 2016
Actuarial Cost Method:	Entry Age
Asset Valuation Method:	Fair Value
Long-Term Expected Rate of Return:	7.2%
Discount Rate:	7.2%
Salary Increases:	
Inflation	3.2%
Seniority/Merit	0.2% - 5.6%
Mortality:	Wisconsin 2012 Mortality Table
Post-retirement Adjustments*:	2.1%*

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

Actuarial assumptions are based upon an experience study conducted in 2012 using experience from 2009 – 2011. The total pension liability for December 31, 2016 is based upon a roll-forward of the liability calculated from the December 31, 2015 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, 2017**

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
Global Equities	45%	5.4%	N/A	N/A
U.S. Equities	N/A	N/A	70%	4.7%
International Equities	N/A	N/A	30%	5.6%
Fixed Income	37%	1.4%	N/A	N/A
Inflation Sensitive Assets	20%	1.5%	N/A	N/A
Real Estate	7%	3.6%	N/A	N/A
Private Equity/Debt	7%	6.5%	N/A	N/A
Multi-Asset	4%	3.7%	N/A	N/A
Totals	120%		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)	\$ 4,367,336	\$ 331,974	\$ (2,775,437)

CITY OF HUDSON, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017

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 17-16.

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, 2017 were \$313,714 for governmental funds, \$111,132 for enterprise funds, \$24,608 for the Joint Library component unit, and \$14,390 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, 2017 totaled \$81,514. This amount includes \$80,570 reflected as a liability in the government-wide financial statements for governmental activities and \$944 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**

In prior years, 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, 2017**

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 2017, the City contributed an estimated \$74,355 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	35,651
Adjustment to Annual Required Contribution	<u>(50,542)</u>
Annual OPEB Cost (Expense)	185,435
Employer Contributions under PAYGO Basis	<u>(74,355)</u>
Increase in Net OPEB Obligation	111,080
Net OPEB Obligation - Beginning of Year	<u>891,277</u>
Net OPEB Obligation - End of Year	1,002,357
Less Amount Allocated to Component Units	<u>(50,054)</u>
Net OPEB Obligation - End of Year - Primary Government	<u><u>\$ 952,303</u></u>

**CITY OF HUDSON, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017**

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 2017 and the two preceding years:

Fiscal Year Ended	Annual OPEB Cost	Employer Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/2017	\$ 185,435	\$ 74,355	40.1%	\$ 1,002,357
12/31/2016	186,679	112,182	60.1	891,277
12/31/2015	188,129	101,401	53.9	816,780

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, 2017 is less than 30 years.

**CITY OF HUDSON, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017**

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 2017 were \$2,564. Future annual expenditures are expected to be similar to current year expenditures.

**CITY OF HUDSON, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017**

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, 2017, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets Not Being Depreciated:				
Land	\$ 1,816,791	\$ 25,173	\$ 246,782	\$ 1,595,182
Capital Assets Being Depreciated:				
Land Improvements	82,725	-	-	82,725
Total Capital Assets	<u>1,899,516</u>	<u>25,173</u>	<u>246,782</u>	<u>1,677,907</u>
Accumulated Depreciation:				
Land Improvements	38,579	4,136	-	42,715
Net Capital Assets - St. Croix Business Park	<u>\$ 1,860,937</u>	<u>\$ 21,037</u>	<u>\$ 246,782</u>	<u>\$ 1,635,192</u>

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

Joint Library

Capital assets activity for the Joint Library for the year ended December 31, 2017, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets Being Depreciated:				
Buildings and Improvements	\$ 523,386	\$ -	\$ -	\$ 523,386
Machinery and Equipment	534,967	87,128	53,071	569,024
Total Capital Assets	<u>1,058,353</u>	<u>87,128</u>	<u>53,071</u>	<u>1,092,410</u>
Accumulated Depreciation:				
Buildings and Improvements	131,987	20,248	-	152,235
Machinery and Equipment	114,597	74,498	53,071	136,024
Total Accumulated Depreciation	<u>246,584</u>	<u>94,746</u>	<u>53,071</u>	<u>288,259</u>
Net Capital Assets - Joint Library	<u>\$ 811,769</u>	<u>\$ (7,618)</u>	<u>\$ -</u>	<u>\$ 804,151</u>

Depreciation expense charged to the Joint Library was \$94,746.

**CITY OF HUDSON, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017**

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, 2017, was as follows:

	Balance 1/1/17	Additions	Reductions	Balance 12/31/17	Amounts Due Within One Year
Employee Leave Liability	\$ 23,716	\$ 25,552	\$ 23,716	\$ 25,552	\$ 25,552
Other Postemployment Benefits Payable	32,045	5,832	2,338	35,539	-
Total Long-Term Obligations	<u>\$ 55,761</u>	<u>\$ 31,384</u>	<u>\$ 26,054</u>	<u>\$ 61,091</u>	<u>\$ 25,552</u>

Community Access Board

Capital assets activity for the Community Access Board for the year ended December 31, 2017, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Machinery and Equipment	\$ 167,860	\$ 57,680	\$ -	\$ 225,540
Accumulated Depreciation:	99,109	14,128	-	113,237
Net Capital Assets - Community Access Board	<u>\$ 68,751</u>	<u>\$ 43,552</u>	<u>\$ -</u>	<u>\$ 112,303</u>

Depreciation expense charged to the Community Access Board was \$14,128.

The long-term obligations activity for the Community Access Board component unit for the year ended December 31, 2017, was as follows:

	Balance 1/1/17	Additions	Reductions	Balance 12/31/17	Amounts Due Within One Year
Employee Leave Liability	\$ 18,569	\$ 14,390	\$ 18,569	\$ 14,390	\$ 14,390
Other Postemployment Benefits Payable	13,146	2,285	916	14,515	-
Total Long-Term Obligations	<u>\$ 31,715</u>	<u>\$ 16,675</u>	<u>\$ 19,485</u>	<u>\$ 28,905</u>	<u>\$ 14,390</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

SCHEDULE 1

**CITY OF HUDSON, WISCONSIN
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED DECEMBER 31, 2017**

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 6,012,380	\$ 5,822,380	\$ 5,821,633	\$ (747)
Intergovernmental	893,018	900,068	917,300	17,232
Licenses and Permits	377,125	377,125	592,653	215,528
Fines and Forfeits	117,000	117,000	96,882	(20,118)
Public Charges for Services	144,327	144,327	116,815	(27,512)
Intergovernmental Charges for Services	575,725	575,725	566,584	(9,141)
Miscellaneous:				
Interest	60,000	60,000	62,408	2,408
Rent	152,766	152,766	148,882	(3,884)
Other	41,500	43,870	16,326	(27,544)
Total Revenues	<u>8,373,841</u>	<u>8,193,261</u>	<u>8,339,483</u>	<u>146,222</u>
EXPENDITURES:				
General Government	1,608,876	1,596,126	1,516,167	79,959
Public Safety	4,392,737	4,535,734	4,370,507	165,227
Transportation Facilities	1,545,543	1,495,493	1,356,099	139,394
Sanitation	30,825	36,837	24,250	12,587
Health and Human Services	13,200	15,200	15,404	(204)
Culture, Recreation and Education	955,337	771,537	752,439	19,098
Conservation and Development	322,318	418,418	379,741	38,677
Total Expenditures	<u>8,868,836</u>	<u>8,869,345</u>	<u>8,414,607</u>	<u>454,738</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(494,995)</u>	<u>(676,084)</u>	<u>(75,124)</u>	<u>600,960</u>
OTHER FINANCING SOURCES (USES):				
Proceeds from Sale of Property	10,000	10,000	13,097	3,097
Transfers In	457,000	477,000	548,942	71,942
Transfers Out	(18,315)	(236,093)	(236,093)	-
Total Other Financing Sources (Uses)	<u>448,685</u>	<u>250,907</u>	<u>325,946</u>	<u>75,039</u>
NET CHANGE IN FUND BALANCE	<u>\$ (46,310)</u>	<u>\$ (425,177)</u>	250,822	<u>\$ 675,999</u>
Fund Balance, January 1			<u>5,543,763</u>	
FUND BALANCE, DECEMBER 31			<u>\$ 5,794,585</u>	

See Notes to Required Supplementary Information

CITY OF HUDSON, WISCONSIN
SCHEDULE OF FUNDING PROGRESS FOR POSTEMPLOYMENT BENEFIT PLAN
CURRENT AND TWO PRECEDING VALUATIONS

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 ASSET/LIABILITY
LAST TEN FISCAL YEARS
 (SHOWN PROSPECTIVELY FROM IMPLEMENTATION)

Measurement Date: December 31,	2014	2015	2016
City's proportion of the net pension liability (asset)	0.03932084%	0.03942175%	0.04027648%
City's proportionate share of the net pension liability (asset)	\$ (965,827)	\$ 640,597	\$ 331,974
City's covered payroll	\$ 4,775,480	\$ 4,990,775	\$ 5,274,504
City's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	-20.22%	12.84%	6.29%
Plan fiduciary net position as a percentage of the total pension liability (asset)	102.74%	98.20%	99.12%

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

Fiscal Year End: December 31,	2015	2016	2017
Contractually Required Contribution	\$ 385,618	\$ 398,730	\$ 455,284
Contributions in Relation to the Contractually Required Contributions	(385,618)	(398,730)	(455,284)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
City's Covered Payroll	\$ 4,990,775	\$ 5,274,504	\$ 5,580,151
Contributions as a Percentage of Covered Payroll	7.73%	7.56%	8.16%

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, 2017**

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, 2017**

	Special Revenue Funds								Total Special Revenue Funds	TID #5 Capital Projects Fund	Total Nonmajor Governmental Funds
	Room Tax Fund	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	\$ 119,443	\$ 1,008,880	\$ 569,181	\$ 24,730	\$ 1,299	\$ 552,593	\$ 152,368	\$ 124,966	\$ 2,553,460	\$ -	\$ 2,553,460
Accounts Receivable	62,337	-	-	-	-	-	-	93,803	156,140	-	156,140
Total Assets	<u>\$ 181,780</u>	<u>\$ 1,008,880</u>	<u>\$ 569,181</u>	<u>\$ 24,730</u>	<u>\$ 1,299</u>	<u>\$ 552,593</u>	<u>\$ 152,368</u>	<u>\$ 218,769</u>	<u>\$ 2,709,600</u>	<u>\$ -</u>	<u>\$ 2,709,600</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES											
Liabilities:											
Vouchers and Accounts Payable	\$ 48,309	\$ -	\$ 38,084	\$ -	\$ -	\$ -	\$ 543	\$ 6,888	\$ 93,824	\$ -	\$ 93,824
Accrued Wages	-	-	-	-	-	-	130	65	195	-	195
Due to Other Funds	-	-	-	-	-	-	-	-	-	24,228	24,228
Total Liabilities	<u>48,309</u>	<u>-</u>	<u>38,084</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>673</u>	<u>6,953</u>	<u>94,019</u>	<u>24,228</u>	<u>118,247</u>
Fund Balances:											
Restricted	-	-	531,097	24,730	1,299	552,593	151,695	211,816	1,473,230	-	1,473,230
Committed	133,471	1,008,880	-	-	-	-	-	-	1,142,351	-	1,142,351
Unassigned	-	-	-	-	-	-	-	-	-	(24,228)	(24,228)
Total Fund Balances	<u>133,471</u>	<u>1,008,880</u>	<u>531,097</u>	<u>24,730</u>	<u>1,299</u>	<u>552,593</u>	<u>151,695</u>	<u>211,816</u>	<u>2,615,581</u>	<u>(24,228)</u>	<u>2,591,353</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 181,780</u>	<u>\$ 1,008,880</u>	<u>\$ 569,181</u>	<u>\$ 24,730</u>	<u>\$ 1,299</u>	<u>\$ 552,593</u>	<u>\$ 152,368</u>	<u>\$ 218,769</u>	<u>\$ 2,709,600</u>	<u>\$ -</u>	<u>\$ 2,709,600</u>

**CITY OF HUDSON, WISCONSIN
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
YEAR ENDED DECEMBER 31, 2017**

	Special Revenue Funds								Total Special Revenue Funds	TID #5 Capital Projects Fund	Total Nonmajor Governmental Funds
	Room Tax Fund	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:											
Taxes	\$ 289,236	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 289,236	\$ -	\$ 289,236
Public Charges for Services	-	56,636	-	-	-	-	-	310,346	366,982	-	366,982
Miscellaneous:											
Allocated Investment Earnings	316	11,117	6,374	227	15	6,109	1,899	3,340	29,397	-	29,397
Other	-	-	259,269	20,556	-	-	-	-	279,825	-	279,825
Total Revenues	289,552	67,753	265,643	20,783	15	6,109	1,899	313,686	965,440	-	965,440
EXPENDITURES:											
Public Safety	-	-	-	24,250	-	-	-	-	24,250	-	24,250
Transportation Facilities	-	-	-	-	-	-	85,233	308,956	394,189	-	394,189
Sanitation	-	6,206	-	-	-	-	-	-	6,206	-	6,206
Culture, Recreation and Education	302,259	-	192,354	-	-	-	-	-	494,613	-	494,613
Conservation and Development	-	-	-	-	-	-	-	-	-	24,228	24,228
Total Expenditures	302,259	6,206	192,354	24,250	-	-	85,233	308,956	919,258	24,228	943,486
EXCESS OF REVENUES OVER EXPENDITURES	(12,707)	61,547	73,289	(3,467)	15	6,109	(83,334)	4,730	46,182	(24,228)	21,954
OTHER FINANCING SOURCES (USES):											
Transfers In	146,178	-	-	-	-	-	-	-	146,178	-	146,178
Transfers Out	-	(9,559)	-	-	-	-	-	(16,560)	(26,119)	-	(26,119)
Total Other Financing Sources (Uses)	146,178	(9,559)	-	-	-	-	-	(16,560)	120,059	-	120,059
NET CHANGE IN FUND BALANCES	133,471	51,988	73,289	(3,467)	15	6,109	(83,334)	(11,830)	166,241	(24,228)	142,013
Fund Balances, January 1	-	956,892	457,808	28,197	1,284	546,484	235,029	223,646	2,449,340	-	2,449,340
FUND BALANCES, DECEMBER 31	\$ 133,471	\$ 1,008,880	\$ 531,097	\$ 24,730	\$ 1,299	\$ 552,593	\$ 151,695	\$ 211,816	\$ 2,615,581	\$ (24,228)	\$ 2,591,353

**CITY OF HUDSON, WISCONSIN
GENERAL FUND
DETAILED BALANCE SHEET
DECEMBER 31, 2017
(WITH COMPARATIVE AMOUNTS FOR DECEMBER 31, 2016)**

	2017	2016
ASSETS		
Treasurer's Cash and Investments	\$ 6,488,582	\$ 6,050,124
Petty Cash	1,000	1,000
Current Taxes Receivable	5,673,891	5,447,064
Delinquent Personal Property Taxes	11,419	14,665
Accounts Receivable	90,558	136,558
Due from Other Governmental Units	126,189	113,496
Due from Other Funds	24,228	-
Advances to Other Funds	58,647	116,411
Prepayments	11,635	26,334
	\$ 12,486,149	\$ 11,905,652
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE		
Liabilities:		
Vouchers and Accounts Payable	\$ 165,872	\$ 196,759
Payroll Withholdings	96,651	79,570
Accrued Wages	84,316	81,319
Due to Other Governmental Units	3,298	12,338
Special Deposits	181,131	181,392
Total Liabilities	531,268	551,378
 Deferred Inflows of Resources:		
Subsequent Year's Property Taxes	6,160,296	5,810,511
 Fund Balance:		
Nonspendable		
Delinquent Taxes	11,419	14,665
Prepayments	11,635	26,334
Advances to Other Funds	58,647	116,411
Assigned	516,095	692,768
Unassigned	5,196,789	4,693,585
Total Fund Balance	5,794,585	5,543,763
	\$ 12,486,149	\$ 11,905,652

**CITY OF HUDSON, WISCONSIN
GENERAL FUND
STATEMENT OF CHANGES IN FUND BALANCE
YEAR ENDED DECEMBER 31, 2017**

	Balance 1/1/17	Revenues/Other Sources			Net Transfers From (To) General Fund	Total Available	Expenditures/ Transfers to Other Funds	Balance 12/31/17
		Tax Levy	Interest	Other				
Nonspendable:								
Delinquent Taxes	\$ 14,665	\$ -	\$ -	\$ -	\$ (3,246)	\$ 11,419	\$ -	\$ 11,419
Advances to Other Funds	116,411	-	-	-	(57,764)	58,647	-	58,647
Prepayments	26,334	-	-	-	(14,699)	11,635	-	11,635
Total Nonspendable	\$ 157,410	\$ -	\$ -	\$ -	\$ (75,709)	\$ 81,701	\$ -	\$ 81,701
Assigned:								
Police Equipment	\$ 18,143	\$ -	\$ 196	\$ 3,349	\$ -	\$ 21,688	\$ 2,863	\$ 18,825
Fire Equipment	41,046	-	527	9,598	-	51,171	-	51,171
Health Insurance	478,898	-	4,912	-	-	483,810	46,310	437,500
Energy Savings	7,033	-	79	-	-	7,112	-	7,112
Room Tax	146,178	-	-	-	-	146,178	146,178	-
BOGO Tree Funds	1,470	-	17	-	-	1,487	-	1,487
Total Assigned	\$ 692,768	\$ -	\$ 5,731	\$ 12,947	\$ -	\$ 711,446	\$ 195,351	\$ 516,095

**CITY OF HUDSON, WISCONSIN
GENERAL FUND
DETAILED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2017
(WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED DECEMBER 31, 2016)**

	2017		Variance - Positive (Negative)	2016 Actual
	Final Budget	Actual		
REVENUES:				
Taxes:				
General Property Taxes	\$ 5,810,380	\$ 5,810,381	\$ 1	\$ 5,684,407
Room Tax	-	-	-	264,220
Payment in Lieu of Taxes:				
Housing Authority	10,000	10,000	-	10,000
Interest and Penalties on Taxes	2,000	1,252	(748)	1,428
Total Taxes	<u>5,822,380</u>	<u>5,821,633</u>	<u>(747)</u>	<u>5,960,055</u>
Intergovernmental:				
State Shared Taxes	167,919	177,081	9,162	165,656
State Aid for Exempt Computers	28,000	29,350	1,350	26,541
State Fire Insurance Tax	63,000	70,418	7,418	63,703
State Aid for Police Training	5,000	3,840	(1,160)	3,360
State Transportation Aids	624,599	623,181	(1,418)	639,422
Payment for Municipal Services	500	131	(369)	151
County Recycling Grant	3,000	4,919	1,919	2,299
DNR Urban Forestry Grant	-	-	-	23,172
Other Intergovernmental Aids	8,050	8,380	330	5,274
Total Intergovernmental	<u>900,068</u>	<u>917,300</u>	<u>17,232</u>	<u>929,578</u>
Licenses and Permits:				
Business and Occupational Licenses:				
Liquor and Malt Beverage	35,000	39,240	4,240	70,525
Other	12,925	18,942	6,017	13,097
Dog Licenses (Including County Refund)	7,000	5,451	(1,549)	4,579
Cat Licenses	800	810	10	734
Building Permits	300,000	510,369	210,369	250,625
Other Permits	6,900	7,845	945	7,665
Filing Fees	14,500	9,996	(4,504)	16,081
Total Licenses and Permits	<u>377,125</u>	<u>592,653</u>	<u>215,528</u>	<u>363,306</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, 2017
(WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED DECEMBER 31, 2016)

	2017		Variance - Positive (Negative)	2016 Actual
	Final Budget	Actual		
REVENUES: (CONTINUED)				
Fines and Forfeits:				
Court Penalties and Costs	\$ 115,000	\$ 96,392	\$ (18,608)	\$ 107,230
County Court/Miscellaneous	2,000	490	(1,510)	1,174
Total Fines and Forfeits	<u>117,000</u>	<u>96,882</u>	<u>(20,118)</u>	<u>108,404</u>
Public Charges for Services:				
General Government:				
License Publication Fees	300	315	15	382
Maps, Copies and Photos	1,250	1,050	(200)	1,346
Assessment Search Fees	6,000	4,700	(1,300)	6,475
Administration Charge to Business Park	12,500	12,448	(52)	12,437
Public Safety:				
Police Special OT	1,500	4,011	2,511	1,879
Public Education Fees	250	375	125	350
Casual Call Reimbursement	750	-	(750)	-
Public Works:				
Maintenance Charges	22,777	470	(22,307)	1,320
Weed and Nuisance Charges	3,000	242	(2,758)	314
Culture, Recreation and Education:				
Parks and Recreation	23,000	25,499	2,499	27,131
Boat Launching	57,000	52,410	(4,590)	52,858
Sail Boat Mooring	16,000	15,295	(705)	15,289
Total Public Charges for Services	<u>144,327</u>	<u>116,815</u>	<u>(27,512)</u>	<u>119,781</u>
Intergovernmental Charges for Services:				
Other Local Governments:				
Fire Protection - Contracts	376,325	377,087	762	340,434
School Liaison Officer - School Share	175,000	165,979	(9,021)	161,950
Police Labor Reimbursement	1,000	565	(435)	858
Other Charges	-	801	801	12,270
Local Departments/Funds:				
Library - Administrative Charge	15,000	13,752	(1,248)	13,752
Cable TV Administrative Charge	8,400	8,400	-	8,400
Total Intergovernmental Charges for Services	<u>575,725</u>	<u>566,584</u>	<u>(9,141)</u>	<u>537,664</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, 2017
(WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED DECEMBER 31, 2016)**

	2017		Variance - Positive (Negative)	2016 Actual
	Final Budget	Actual		
REVENUES: (CONTINUED)				
Miscellaneous:				
Interest on Investments	\$ 60,000	\$ 62,408	\$ 2,408	\$ 16,326
MB Occupancy Costs	139,766	135,037	(4,729)	137,700
Rent of City Buildings and Property	7,200	8,025	825	7,625
Rent Charge to Ambulance Utility	5,800	5,820	20	5,820
Insurance Dividends	30,000	500	(29,500)	88,071
Donations	1,250	2,366	1,116	2,060
Other Refunds and Reimbursements	12,620	13,460	840	11,397
Total Miscellaneous	<u>256,636</u>	<u>227,616</u>	<u>(29,020)</u>	<u>268,999</u>
Total Revenues	<u>8,193,261</u>	<u>8,339,483</u>	<u>146,222</u>	<u>8,287,787</u>
EXPENDITURES:				
General Government:				
Mayor and Council	48,400	47,037	1,363	45,199
Municipal Court	119,547	108,471	11,076	103,147
City Attorney/Other Legal	92,000	96,278	(4,278)	79,831
Clerk-Treasurer	321,516	302,289	19,227	286,079
Administrator	83,732	83,573	159	81,475
Labor Negotiator/Drug Test	21,000	16,466	4,534	21,013
Information Technology	176,569	175,952	617	166,802
Elections	14,500	14,021	479	36,378
Assessment of Property	74,941	72,871	2,070	72,123
Insurance/Unallocated	250,338	239,141	11,197	268,597
City Hall	139,463	134,850	4,613	130,657
Municipal Building	217,670	209,057	8,613	188,897
Illegal Taxes and Refunds	-	6,245	(6,245)	3,691
Contingency/Special Projects	36,450	9,916	26,534	10,956
Total General Government	<u>1,596,126</u>	<u>1,516,167</u>	<u>79,959</u>	<u>1,494,845</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, 2017
(WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED DECEMBER 31, 2016)**

	2017		Variance - Positive (Negative)	2016 Actual
	Final Budget	Actual		
EXPENDITURES: (CONTINUED)				
Public Safety:				
Police Administration	\$ 590,644	\$ 578,910	\$ 11,734	\$ 555,545
Police Patrol	1,870,276	1,880,572	(10,296)	1,821,655
Police Patrol Capital Outlay	120,000	118,652	1,348	111,903
Criminal Investigation	466,963	431,616	35,347	292,449
School Officer	232,301	217,966	14,335	218,325
Police and Fire Commission	4,000	2,233	1,767	3,556
Fire Department	371,018	310,675	60,343	348,565
Fire Department Capital Outlay	99,100	97,502	1,598	45,221
Fire Department Training	47,810	49,001	(1,191)	46,046
Fire Department Officers	29,650	28,940	710	27,657
Fire Deferred Compensation Wages	21,730	13,811	7,919	15,626
Fire Mechanic Wages	10,082	7,448	2,634	6,728
Fire Administration	271,968	253,782	18,186	169,900
Ambulance Subsidy	190,176	190,176	-	180,900
Building Inspection	183,576	175,145	8,431	172,037
Building Inspection Outlay	-	-	-	8,862
Emergency Government - Sirens	16,940	12,261	4,679	11,462
Emergency Government - Sirens Outlay	-	-	-	25,678
Dams	7,500	1,817	5,683	1,446
Total Public Safety	4,535,734	4,370,507	165,227	4,063,561
Transportation Facilities:				
Streets and Related Facilities:				
Director of Public Works	174,877	156,634	18,243	155,009
Director of Public Works Outlay	25,000	-	25,000	-
Machinery and Equipment	214,630	212,166	2,464	190,548
Garage - Storage Sheds	40,300	32,513	7,787	27,341
West Garage	8,050	3,149	4,901	1,559
Street Maintenance	787,830	710,316	77,514	633,315

**CITY OF HUDSON, WISCONSIN
GENERAL FUND**

**DETAILED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL (CONTINUED)**

YEAR ENDED DECEMBER 31, 2017

(WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED DECEMBER 31, 2016)

	2017		Variance - Positive (Negative)	2016 Actual
	Final Budget	Actual		
EXPENDITURES: (CONTINUED)				
Transportation Facilities: (Continued)				
Streets and Related Facilities: (Continued)				
Highways 94 and 35	\$ 29,000	\$ 27,655	\$ 1,345	\$ 27,630
Street Lighting	133,298	146,847	(13,549)	143,621
Street Signs and Markings	48,493	36,666	11,827	24,183
Stop and Go Lights	31,015	27,635	3,380	47,594
Sidewalks and Crosswalks	1,000	986	14	-
Curb and Gutter	2,000	1,532	468	634
Storm Sewers	-	-	-	200
Total Transportation Facilities	<u>1,495,493</u>	<u>1,356,099</u>	<u>139,394</u>	<u>1,251,634</u>
Sanitation:				
Landfill	8,000	2,592	5,408	2,694
Weed Control	18,983	15,823	3,160	15,042
Recycling Coordinator	9,854	5,835	4,019	5,606
Total Sanitation	<u>36,837</u>	<u>24,250</u>	<u>12,587</u>	<u>23,342</u>
Health and Human Services:				
Sealer of Weights and Measures	6,000	6,000	-	6,000
Animal Control	9,200	9,404	(204)	10,372
Total Health and Human Services	<u>15,200</u>	<u>15,404</u>	<u>(204)</u>	<u>16,372</u>
Culture, Recreation and Education:				
Community Subsidies	-	-	-	212,758
Joint Library	347,310	347,310	-	356,031
Parks:				
Parks Administration	106,972	106,161	811	107,889
General Park Maintenance	211,058	203,869	7,189	215,997

**CITY OF HUDSON, WISCONSIN
GENERAL FUND
DETAILED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL (CONTINUED)
YEAR ENDED DECEMBER 31, 2017
(WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED DECEMBER 31, 2016)**

	2017		Variance - Positive (Negative)	2016 Actual
	Final Budget	Actual		
Culture, Recreation and Education: (Continued)				
Parks: (Continued)				
Lakefront Park	\$ 53,407	\$ 53,842	\$ (435)	\$ 52,076
Grandview Park	52,790	41,257	11,533	35,216
Total Culture, Recreation and Education	<u>771,537</u>	<u>752,439</u>	<u>19,098</u>	<u>979,967</u>
Conservation and Development:				
Shade Tree Control	105,646	102,004	3,642	103,233
Community Development	287,772	277,737	10,035	213,567
Community Development Capital Outlay	25,000	-	25,000	-
Total Conservation and Development	<u>418,418</u>	<u>379,741</u>	<u>38,677</u>	<u>316,800</u>
 Total Expenditures	 <u>8,869,345</u>	 <u>8,414,607</u>	 <u>454,738</u>	 <u>8,146,521</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(676,084)</u>	<u>(75,124)</u>	<u>600,960</u>	<u>141,266</u>
OTHER FINANCING SOURCES (USES):				
Proceeds from Sale of City Property	10,000	13,097	3,097	15,738
Transfers In:				
From Capital Projects Fund	20,000	20,000	-	-
From Water Utility - Tax Equivalent	400,000	468,041	68,041	433,711
From Sewer Utility - Tax Equivalent	57,000	60,901	3,901	57,060
Transfers Out:				
To Capital Projects Funds	(71,600)	(71,600)	-	(310,000)
To Debt Service Fund	(18,315)	(18,315)	-	-
To Special Revenue Funds	(146,178)	(146,178)	-	-
Total Other Financing Sources (Uses)	<u>250,907</u>	<u>325,946</u>	<u>75,039</u>	<u>196,509</u>
NET CHANGE IN FUND BALANCE	<u>\$ (425,177)</u>	<u>250,822</u>	<u>\$ 675,999</u>	<u>337,775</u>
Fund Balance, January 1		<u>5,543,763</u>		<u>5,205,988</u>
FUND BALANCE, DECEMBER 31		<u>\$ 5,794,585</u>		<u>\$ 5,543,763</u>

**CITY OF HUDSON, WISCONSIN
WATER UTILITY ENTERPRISE FUND
STATEMENT OF NET POSITION
DECEMBER 31, 2017
(WITH COMPARATIVE AMOUNTS FOR DECEMBER 31, 2016)**

	2017	2016
ASSETS		
Current Assets:		
Cash and Investments:		
Operations	\$ 5,118,541	\$ 7,047,100
Future Facilities Account	98,485	97,391
Customer Accounts Receivable	671,085	603,145
Accounts Receivable on Tax Roll	67,093	68,669
Other Accounts Receivable	41,688	32,734
Due from Other Governmental Units	39,535	20,494
Inventories	28,051	29,204
Total Current Assets	6,064,478	7,898,737
Restricted Assets:		
Cash and Investments:		
Debt Service Funds:		
Unspent Bond Proceeds	344,767	393,684
Carmichael Impact Assessments	572,898	276,942
Total Restricted Assets	917,665	670,626
Capital Assets:		
Utility Plant in Service	35,582,944	34,430,883
Less Accumulated Depreciation	12,744,940	12,401,729
Net Utility Plant in Service	22,838,004	22,029,154
Construction Work in Progress	2,510,080	1,095,322
Total Capital Assets	25,348,084	23,124,476
Total Assets	32,330,227	31,693,839
DEFERRED OUTFLOWS OF RESOURCES		
Wisconsin Retirement System Pension Plan Related	195,164	292,157

**CITY OF HUDSON, WISCONSIN
 WATER UTILITY ENTERPRISE FUND
 STATEMENT OF NET POSITION (CONTINUED)
 DECEMBER 31, 2017
 (WITH COMPARATIVE AMOUNTS FOR DECEMBER 31, 2016)**

	2017	2016
LIABILITIES		
Current Liabilities Payable from Current Assets:		
Vouchers and Accounts Payable	\$ 378,588	\$ 110,004
Due Other Governmental Units	14,545	14,598
Security Deposits	31,887	38,411
Accrued Employee Liabilities	67,429	59,022
Accrued Wages	15,552	13,646
Accrued Interest	6,019	16,792
Current Portion of Mortgage Revenue Bonds	20,697	-
Current Portion of General Obligation Bonds	40,000	30,000
Total Current Liabilities Payable From Current Assets	574,717	282,473
Current Assets		
Long-Term Liabilities (Net of Current Portion):		
Other Postemployment Benefits Payable	105,156	93,990
Wisconsin Retirement System Net Pension Liability	24,998	47,017
Mortgage Revenue Bonds	470,344	-
General Obligation Bonds	828,223	869,077
Total Long-Term Liabilities (Net of Current Portion):	1,428,721	1,010,084
Total Liabilities	2,003,438	1,292,557
DEFERRED INFLOWS OF RESOURCES		
Wisconsin Retirement System Pension Plan Related	79,303	108,524
NET POSITION		
Net Investment in Capital Assets	24,877,740	22,225,399
Restricted - Unspent Debt Proceeds	344,767	393,684
Restricted for Impact Assessments	572,898	276,942
Unrestricted	4,647,245	7,688,890
Total Net Position	\$ 30,442,650	\$ 30,584,915

SCHEDULE D-2

**CITY OF HUDSON, WISCONSIN
WATER UTILITY ENTERPRISE FUND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEAR ENDED DECEMBER 31, 2017
(WITH COMPARATIVE AMOUNTS FOR YEAR ENDED DECEMBER 31, 2016)**

	2017	2016
OPERATING REVENUES:		
Sales of Water:		
Residential	\$ 1,116,604	\$ 1,097,120
Commercial	431,214	396,765
Industrial	26,838	20,164
Public Authorities	48,405	50,002
Metered Sales to Temporary Customers	27,500	19,568
Public Fire Protection	679,824	712,046
Private Fire Protection	142,798	141,474
Total Sales of Water	2,473,183	2,437,139
Other Operating Revenues:		
Forfeited Discounts	28,666	32,219
Tower Leasing	263,732	226,508
Meter Charge to Sewer	173,998	161,180
Other Operating Revenues	21,047	17,137
Total Other Operating Revenues	487,443	437,044
Total Operating Revenues	2,960,626	2,874,183
OPERATING EXPENSES:		
Operation and Maintenance	2,382,868	2,183,523
Depreciation	759,348	1,173,578
Total Operating Expenses	3,142,216	3,357,101
OPERATING INCOME (LOSS)	(181,590)	(482,918)
NONOPERATING REVENUES (EXPENSES):		
Investment Income	86,708	17,318
Interest Expense	(23,390)	(16,792)
Net Amortization of Debt Items	854	-
Total Nonoperating Revenues (Expenses)	64,172	526
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	(117,418)	(482,392)
CAPITAL CONTRIBUTIONS:		
Plant Contributed by Developers	152,156	621,300
Impact Fees Applied	291,038	12,441
Total Capital Contributions	443,194	633,741
TRANSFERS:		
Transfer to General Fund	(468,041)	(433,711)
CHANGE IN NET POSITION	(142,265)	(282,362)
Net Position, January 1	30,584,915	30,867,277
NET POSITION, DECEMBER 31	\$ 30,442,650	\$ 30,584,915

**CITY OF HUDSON, WISCONSIN
 WATER UTILITY ENTERPRISE FUND
 STATEMENT OF CASH FLOWS
 YEAR ENDED DECEMBER 31, 2017
 (WITH COMPARATIVE AMOUNTS FOR YEAR ENDED DECEMBER 31, 2016)**

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received from Customers	\$ 2,005,921	\$ 1,951,797
Cash Received for Public Fire Protection	679,824	712,046
Cash Received for Sewer Share of Meter Related Expense	173,998	161,180
Cash Payments to Suppliers for Goods and Services	(1,344,108)	(1,192,223)
Cash Payments for Employee Services	(930,672)	(888,907)
Net Cash Provided by Operating Activities	584,963	743,893
 CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Cash Payments for Tax Equivalents	(468,041)	(433,711)
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Cash Payments for Capital Assets	(2,612,810)	(1,606,592)
Cash Payments for Removal of Capital Assets	-	(2,463)
Cash Received for Salvage of Capital Assets	10,838	3,691
Cash Received for Impact Fees	291,038	12,441
Cash Received from Issuance of Debt	491,041	899,077
Principal Paid on Long-Term Debt	(30,000)	-
Interest Paid on Long-Term Debt	(34,163)	-
Net Cash Provided (Used) by Capital and Related Financing Activities	(1,884,056)	(693,846)
 CASH FLOWS FROM INVESTING ACTIVITIES:		
Earnings on Investments	86,708	17,318
 NET CHANGE IN CASH AND CASH EQUIVALENTS	(1,680,426)	(366,346)
 CASH AND CASH EQUIVALENTS, JANUARY 1	7,815,117	8,181,463
 CASH AND CASH EQUIVALENTS, DECEMBER 31	\$ 6,134,691	\$ 7,815,117

**CITY OF HUDSON, WISCONSIN
 WATER UTILITY ENTERPRISE FUND
 STATEMENT OF CASH FLOWS (CONTINUED)
 YEAR ENDED DECEMBER 31, 2017
 (WITH COMPARATIVE AMOUNTS FOR YEAR ENDED DECEMBER 31, 2016)**

	2017	2016
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating Income (Loss)	\$ (181,590)	\$ (482,918)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:		
Change in Pension Plan:		
Asset/Liability	(22,019)	129,316
Deferred Outflows of Resources	96,993	(206,067)
Deferred Inflows of Resources	(29,221)	108,524
Depreciation	759,348	1,173,578
(Increase) Decrease in Assets:		
Customer Accounts Receivable	(67,940)	(31,867)
Accounts Receivable on Tax Roll	1,576	222
Other Accounts Receivable	(8,954)	2,380
Due from Other Governmental Units	(19,041)	6,903
Inventories	1,153	182
Increase (Decrease) in Liabilities:		
Accounts Payable	39,756	59,495
Special Deposits	(6,524)	(26,798)
Accrued Wages	1,906	4,780
Accrued Employee Benefits	19,573	8,972
Due to Other Governmental Units	(53)	(2,809)
Net Cash Provided by Operating Activities	\$ 584,963	\$ 743,893
 RECONCILIATION OF CASH AND INVESTMENTS TO CASH AND CASH EQUIVALENTS:		
Cash and Investments per Statement of Net Position:		
Cash and Investments	\$ 5,217,026	\$ 7,144,491
Cash and Investments - Restricted	917,665	670,626
Cash and Cash Equivalents	\$ 6,134,691	\$ 7,815,117

CITY OF HUDSON, WISCONSIN
WATER UTILITY ENTERPRISE FUND
SCHEDULE OF OPERATION AND MAINTENANCE EXPENSES
YEAR ENDED DECEMBER 31, 2017
(WITH COMPARATIVE AMOUNTS FOR YEAR ENDED DECEMBER 31, 2016)

	<u>2017</u>	<u>2016</u>
Pumping:		
Salaries and Wages	\$ 76,489	\$ 84,253
Fringe Benefits	38,589	38,311
Power Purchased for Pumping	179,577	180,841
Operating Supplies	61,146	52,611
Maintenance of Structures and Improvements	40,615	27,641
Maintenance of Pumping Plant	<u>52,261</u>	<u>17,919</u>
Total Pumping	<u>448,677</u>	<u>401,576</u>
Water Treatment:		
Salaries and Wages	50,470	46,617
Fringe Benefits	28,407	22,786
Operating Supplies	16,250	12,353
Chemicals	32,979	29,043
Maintenance Supplies	<u>12,587</u>	<u>5,648</u>
Total Water Treatment	<u>140,693</u>	<u>116,447</u>
Transmission and Distribution:		
General Transmission and Distribution Expenses:		
Salaries and Wages	236,997	236,440
Fringe Benefits	118,712	113,681
Operating Supplies	3,979	6,670
Maintenance Supplies	177	2,752
Maintenance:		
Reservoirs and Towers:		
Salaries and Wages	810	946
Fringe Benefits	464	417
Other Expenses	435,257	455,507
Mains:		
Salaries and Wages	442	-
Fringe Benefits	519	279
Payment to North Hudson	115,133	100,816
Other Expenses	34,061	27,423
Services:		
Salaries and Wages	164	30
Fringe Benefits	117	109
Other Expenses	25,584	6,042

**CITY OF HUDSON, WISCONSIN
 WATER UTILITY ENTERPRISE FUND
 SCHEDULE OF OPERATION AND MAINTENANCE EXPENSES (CONTINUED)
 YEAR ENDED DECEMBER 31, 2017
 (WITH COMPARATIVE AMOUNTS FOR YEAR ENDED DECEMBER 31, 2016)**

	2017	2016
Transmission and Distribution (Continued):		
Maintenance (Continued):		
Meters:		
Salaries and Wages	\$ 41,215	\$ 37,697
Fringe Benefits	24,286	22,136
Other Expenses	741	957
Hydrants:		
Salaries and Wages	15,449	5,414
Fringe Benefits	4,921	2,398
Other Expenses	19,712	13,006
Other Plant - Supplies	-	170
Total Transmission and Distribution	1,078,740	1,032,890
Meter Reading:		
Salaries and Wages	11,338	2,717
Fringe Benefits	5,177	4,500
Other Expenses	9,714	404
Total Meter Reading	26,229	7,621
Customer Accounting and Collection:		
Salaries and Wages	28,177	26,646
Fringe Benefits	15,948	15,158
Other Expenses	14,039	12,284
Total Customer Accounting and Collection	58,164	54,088
Administrative and General:		
Salaries and Wages	170,217	161,217
Fringe Benefits	124,356	105,763
Office Supplies and Expenses	43,201	40,692
Outside Services Employed	159,232	151,267
Insurance (except transportation)	59,297	49,740
Rents	4,800	4,800
Miscellaneous General Expense	2,653	2,783
Transportation:		
Salaries and Wages	2,682	4,445
Fringe Benefits	1,958	2,472
Insurance	8,833	7,906
Other Expenses	30,601	33,480
Maintenance of General Plant	12,535	6,336
Total Administrative and General	630,365	570,901
Total Operation and Maintenance Expenses	\$ 2,382,868	\$ 2,183,523

**CITY OF HUDSON, WISCONSIN
SEWER UTILITY ENTERPRISE FUND
STATEMENT OF NET POSITION
DECEMBER 31, 2017
(WITH COMPARATIVE AMOUNTS FOR DECEMBER 31, 2016)**

	2017	2016
ASSETS		
Current Assets:		
Cash and Investments:		
Operations	\$ -	\$ -
Future Facilities Account (Net of Debt Restriction)	4,087,069	4,183,030
Customer Accounts Receivable	327,900	357,007
Accounts Receivable on Tax Roll	52,839	52,721
Other Accounts Receivable	19,774	29,073
Due from Other Governmental Units	42,695	42,665
Total Current Assets	4,530,277	4,664,496
Restricted Assets:		
Cash and Investments:		
Revenue Bond Depreciation Account	158,282	156,524
Bond Redemption Account (from Future Facilities Account)	190,000	190,000
DNR Grant Replacement Account	1,843,079	1,837,946
Total Restricted Assets	2,191,361	2,184,470
Capital Assets:		
Utility Plant in Service	13,193,840	13,106,684
Less: Accumulated Depreciation	8,191,728	7,786,008
Net Capital Assets	5,002,112	5,320,676
 Total Assets	 11,723,750	 12,169,642
DEFERRED OUTFLOWS OF RESOURCES		
Wisconsin Retirement System Pension Plan Related	150,844	223,071

**CITY OF HUDSON, WISCONSIN
SEWER UTILITY ENTERPRISE FUND
STATEMENT OF NET POSITION (CONTINUED)
DECEMBER 31, 2017
(WITH COMPARATIVE AMOUNTS FOR DECEMBER 31, 2016)**

	2017	2016
LIABILITIES		
Current Liabilities Payable from Current Assets:		
Vouchers and Accounts Payable	\$ 79,960	\$ 108,110
Due to Other Governmental Units	23,022	24,642
Accrued Employee Liabilities	22,850	21,786
Accrued Wages	10,987	10,281
Total Current Liabilities Payable From Current Assets	136,819	164,819
Current Liabilities Payable From Restricted Assets:		
Accrued Interest Payable	992	1,956
Current Portion of Revenue Bonds	208,681	202,896
Total Current Liabilities Payable From Restricted Assets	209,673	204,852
Long-Term Liabilities (Less Current Portion):		
Other Postemployment Benefits Payable	60,225	53,246
Wisconsin Retirement System Net Pension Liability	19,321	39,845
Mortgage Revenue Bonds	-	208,681
Total Long-Term Liabilities (Net of Current Portion):	79,546	301,772
Total Liabilities	426,038	671,443
DEFERRED INFLOWS OF RESOURCES		
Wisconsin Retirement System Pension Plan Related	61,294	83,853
NET POSITION		
Net Investment in Capital Assets	4,793,431	4,909,099
Restricted for Debt Service	347,290	344,568
Restricted for Asset Replacement	1,843,079	1,837,946
Unrestricted	4,403,462	4,545,804
Total Net Position	\$ 11,387,262	\$ 11,637,417

CITY OF HUDSON, WISCONSIN
SEWER UTILITY ENTERPRISE FUND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEAR ENDED DECEMBER 31, 2017
(WITH COMPARATIVE AMOUNTS FOR YEAR ENDED DECEMBER 31, 2016)

	2017	2016
OPERATING REVENUES:		
Charges for Services:		
Residential	\$ 1,151,947	\$ 1,166,333
Commercial	353,225	356,716
Industrial	15,528	17,890
Public Authority	47,859	46,262
Less Charges for City/Village Replacement Accounts	(67,223)	(71,076)
Net Charges for Services	1,501,336	1,516,125
Other:		
Forfeited Discounts	13,020	14,208
Dam Maintenance Charges	6,076	7,239
Other	298	148,710
Total Operating Revenues	1,520,730	1,686,282
OPERATING EXPENSES:		
Operation and Maintenance	1,712,693	1,779,520
Depreciation	440,585	427,382
Total Operating Expenses	2,153,278	2,206,902
OPERATING LOSS	(632,548)	(520,620)
NONOPERATING REVENUES (EXPENSES):		
Investment Income	74,512	18,690
Hook-up Fees:		
City	370,410	212,271
Village	2,900	-
Gain (Loss) on Disposition of Capital Assets	3,350	(4,612)
Interest on Long-Term Debt	(7,878)	(13,609)
Total Nonoperating Revenues (Expenses)	443,294	212,740
INCOME (LOSS) BEFORE TRANSFERS	(189,254)	(307,880)
TRANSFERS:		
Transfer to General Fund	(60,901)	(57,060)
CHANGE IN NET POSITION	(250,155)	(364,940)
Net Position, January 1	11,637,417	12,002,357
NET POSITION, DECEMBER 31	\$ 11,387,262	\$ 11,637,417

**CITY OF HUDSON, WISCONSIN
SEWER UTILITY ENTERPRISE FUND
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2017**
(WITH COMPARATIVE AMOUNTS FOR YEAR ENDED DECEMBER 31, 2016)

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received from Utility Customers	\$ 1,620,165	\$ 1,716,851
Cash Received for Dam Maintenance	6,076	7,239
Cash Paid for City/Village Surcharges	(68,873)	(86,387)
Cash Paid for Sewer Share of Meter Related Expense	(173,998)	(161,180)
Cash Payments to Suppliers for Goods and Services	(824,511)	(939,485)
Cash Payments for Employee Services	(704,441)	(676,151)
Net Cash Provided by (Used for) Operating Activities	<u>(145,582)</u>	<u>(139,113)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Cash Payments for Tax Equivalents	<u>(60,901)</u>	<u>(57,060)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Cash Payments for Capital Assets	(118,671)	(657,022)
Cash Received as Utility Hook-up Fees	373,310	212,271
Principal Paid on Long-Term Debt	(202,896)	(197,272)
Interest Paid on Long-Term Debt	(8,842)	(14,546)
Net Cash Provided by (Used for) Capital and Related Financing Activities	<u>42,901</u>	<u>(656,569)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Earnings on Investments	<u>74,512</u>	<u>18,690</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(89,070)	(834,052)
CASH AND CASH EQUIVALENTS, JANUARY 1	<u>6,367,500</u>	<u>7,201,552</u>
CASH AND CASH EQUIVALENTS, DECEMBER 31	<u>\$ 6,278,430</u>	<u>\$ 6,367,500</u>

**CITY OF HUDSON, WISCONSIN
SEWER UTILITY ENTERPRISE FUND
STATEMENT OF CASH FLOWS (CONTINUED)
YEAR ENDED DECEMBER 31, 2017
(WITH COMPARATIVE AMOUNTS FOR YEAR ENDED DECEMBER 31, 2016)**

	<u>2017</u>	<u>2016</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:		
Operating Loss	\$ (632,548)	\$ (520,620)
Adjustments to Reconcile Operating Loss to Net Cash Provided by (Used for) Operating Activities:		
Change in Pension Plan:		
Asset/Liability	(20,524)	99,307
Deferred Outflows of Resources	72,227	(160,871)
Deferred Inflows of Resources	(22,559)	83,853
Depreciation	440,585	427,382
(Increase) Decrease in Assets:		
Customer Accounts Receivable	29,107	(28,766)
Accounts Receivable on Tax Roll	(118)	833
Other Accounts Receivable	9,299	(5,335)
Due from Other Governments	(30)	(15,769)
Increase (Decrease) in Liabilities:		
Accounts Payable	(28,150)	(28,671)
Accrued Wages	706	3,205
Due to Other Government Units	(1,620)	458
Accrued Employee Benefits	8,043	5,881
	<u>\$ (145,582)</u>	<u>\$ (139,113)</u>
Net Cash Provided by (Used for) Operating Activities		
	<u>\$ (145,582)</u>	<u>\$ (139,113)</u>
RECONCILIATION OF CASH AND INVESTMENTS TO CASH AND CASH EQUIVALENTS:		
Cash and Investments per Statement of Net Position:		
Cash and Investments	\$ 4,087,069	\$ 4,183,030
Cash and Investments - Restricted	<u>2,191,361</u>	<u>2,184,470</u>
Cash and Cash Equivalents	<u>\$ 6,278,430</u>	<u>\$ 6,367,500</u>

CITY OF HUDSON, WISCONSIN
SEWER UTILITY ENTERPRISE FUND
SCHEDULE OF OPERATION AND MAINTENANCE EXPENSES
YEAR ENDED DECEMBER 31, 2017
(WITH COMPARATIVE AMOUNTS FOR YEAR ENDED DECEMBER 31, 2016)

	<u>2017</u>	<u>2016</u>
Collection System:		
Salaries and Related Costs	\$ 41,826	\$ 49,998
Supplies	65	1,470
Other Services and Charges	<u>21,958</u>	<u>37,856</u>
Total Collection System	<u>63,849</u>	<u>89,324</u>
Wastewater Treatment Plant:		
Salaries and Related Costs	344,558	320,330
Supplies	76,588	69,238
Biosolids Charges	340,154	300,810
Other Services and Charges	<u>199,721</u>	<u>399,054</u>
Total Wastewater Treatment Plant	<u>961,021</u>	<u>1,089,432</u>
Lift Stations:		
Salaries and Related Costs	35,498	41,612
Supplies	1,428	912
Other Services and Charges	<u>40,468</u>	<u>26,071</u>
Total Lift Stations	<u>77,394</u>	<u>68,595</u>
Dams:		
Salaries and Related Costs	5,552	5,352
Other Services and Charges	<u>534</u>	<u>1,878</u>
Total Dams	<u>6,086</u>	<u>7,230</u>
Meter Reading:		
Salaries and Related Costs	17,205	16,259
Supplies	6,902	6,450
Meter Use Charge Paid to Water Utility	<u>173,998</u>	<u>161,611</u>
Total Meter Reading	<u>198,105</u>	<u>184,320</u>
Administrative and General:		
Salaries and Related Costs	297,695	273,975
Supplies	3,648	3,895
Insurance	74,227	44,072
Other Services and Charges	<u>30,668</u>	<u>18,677</u>
Total Administrative and General	<u>406,238</u>	<u>340,619</u>
Total Operation and Maintenance Expenses	<u>\$ 1,712,693</u>	<u>\$ 1,779,520</u>

**CITY OF HUDSON, WISCONSIN
PARKING UTILITY ENTERPRISE FUND
STATEMENT OF NET POSITION
DECEMBER 31, 2017
(WITH COMPARATIVE AMOUNTS FOR DECEMBER 31, 2016)**

	<u>2017</u>	<u>2016</u>
ASSETS		
Current Assets:		
Cash and Investments:		
Operations	\$ 277,882	\$ 267,817
Future Facilities	73,185	50,660
Special Assessments	35,525	44,406
Receivable on Tax Roll	10,991	11,412
Total Current Assets	<u>397,583</u>	<u>374,295</u>
Capital Assets:		
Parking Assets in Service	1,819,532	1,819,532
Less Accumulated Depreciation	<u>509,679</u>	<u>465,880</u>
Total Capital Assets	<u>1,309,853</u>	<u>1,353,652</u>
 Total Assets	 <u>1,707,436</u>	 <u>1,727,947</u>
DEFERRED OUTFLOWS OF RESOURCES		
Wisconsin Retirement System Pension Plan Related	<u>17,365</u>	<u>13,465</u>
LIABILITIES		
Current Liabilities:		
Vouchers and Accounts Payable	4,389	6,243
Accrued Wages	1,229	1,197
Accrued Employee Benefits	801	-
Due Other Governmental Units	4	-
Security Deposit	<u>125</u>	<u>125</u>
Total Current Liabilities	<u>6,548</u>	<u>7,565</u>
Long-Term Liabilities:		
Wisconsin Retirement System Net Pension Liability	<u>2,224</u>	<u>2,306</u>
DEFERRED INFLOWS OF RESOURCES		
Wisconsin Retirement System Pension Plan Related	<u>7,056</u>	<u>4,853</u>
NET POSITION		
Net Investment in Capital Assets	1,309,853	1,353,652
Unrestricted	<u>399,120</u>	<u>373,036</u>
Total Net Position	<u>\$ 1,708,973</u>	<u>\$ 1,726,688</u>

CITY OF HUDSON, WISCONSIN
PARKING UTILITY ENTERPRISE FUND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEAR ENDED DECEMBER 31, 2017
(WITH COMPARATIVE AMOUNTS FOR YEAR ENDED DECEMBER 31, 2016)

	2017	2016
OPERATING REVENUES:		
Parking Meters	\$ 110,657	\$ 123,303
Parking Permits	12,759	10,915
Parking Tickets	35,020	31,606
Other	16,510	11,020
Total Operating Revenues	174,946	176,844
OPERATING EXPENSES:		
Operation and Maintenance:		
General Utility	139,643	84,925
Parking Lots	12,318	17,433
Meters	2,241	804
Total Operation and Maintenance	154,202	103,162
Depreciation	43,799	45,902
Total Operating Expenses	198,001	149,064
OPERATING INCOME (LOSS)	(23,055)	27,780
NONOPERATING REVENUES (EXPENSES):		
Investment Income	5,340	3,261
Other Nonoperating Revenues	-	50
Total Nonoperating Revenues (Expenses)	5,340	3,311
CHANGE IN NET POSITION	(17,715)	31,091
Net Position, January 1	1,726,688	1,695,597
NET POSITION, DECEMBER 31	\$ 1,708,973	\$ 1,726,688

**CITY OF HUDSON, WISCONSIN
PARKING UTILITY ENTERPRISE FUND
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2017
(WITH COMPARATIVE AMOUNTS FOR YEAR ENDED DECEMBER 31, 2016)**

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received from Customers	\$ 123,420	\$ 137,474
Cash Received from Parking Forfeitures	60,832	51,980
Cash Payments to Suppliers for Goods and Services	(64,766)	(44,175)
Cash Payments for Employee Services	(92,236)	(54,104)
Net Cash Provided (Used) by Operating Activities	<u>27,250</u>	<u>91,175</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Earnings on Investments	<u>5,340</u>	<u>3,261</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	32,590	94,436
CASH AND CASH EQUIVALENTS, JANUARY 1	<u>318,477</u>	<u>224,041</u>
CASH AND CASH EQUIVALENTS, DECEMBER 31	<u>\$ 351,067</u>	<u>\$ 318,477</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating Income (Loss)	\$ (23,055)	\$ 27,780
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:		
Change in Pension Plan:		
Asset/Liability	(82)	6,604
Deferred Outflows of Resources	(3,900)	(8,969)
Deferred Inflows of Resources	2,203	4,853
Depreciation	43,799	45,902
(Increase) Decrease in Assets:		
Accounts Receivable	-	3,268
Other Receivables	9,302	9,354
Increase (Decrease) in Liabilities:		
Accounts Payable	(1,854)	1,752
Due to Other Governmental Units	4	(12)
Accrued Wages Payable	32	643
Accrued Employee Benefits	801	-
Net Cash Provided by Operating Activities	<u>\$ 27,250</u>	<u>\$ 91,175</u>

**CITY OF HUDSON, WISCONSIN
AMBULANCE SERVICE ENTERPRISE FUND
STATEMENT OF NET POSITION
DECEMBER 31, 2017**

(WITH COMPARATIVE AMOUNTS FOR YEAR ENDED DECEMBER 31, 2016)

	2017	2016
ASSETS		
Current Assets:		
Cash and Investments		
Operations	\$ 633,271	\$ 548,961
Asset Replacement	26,803	26,505
Accounts Receivable:		
Customer/Patient	318,330	343,896
Allowance for Doubtful Accounts	(182,826)	(194,234)
Prepaid Asset	900	1,500
Total Current Assets	796,478	726,628
Capital Assets:		
Ambulance Equipment In Service	1,127,079	1,034,446
Less: Accumulated Depreciation	578,833	492,250
Net Capital Assets	548,246	542,196
 Total Assets	 1,344,724	 1,268,824
DEFERRED OUTFLOWS OF RESOURCES		
Wisconsin Retirement System Pension Plan Related	130,110	167,146
LIABILITIES		
Current Liabilities:		
Vouchers and Accounts Payable	14,836	18,928
Accrued Wages	13,366	7,819
Accrued Employee Liabilities	20,052	14,810
Advances from Other Funds	34,836	57,764
Unearned Revenue	6,910	7,386
Total Current Liabilities	90,000	106,707
Long-Term Liabilities:		
Advances from Other Funds (Net of Current Portion)	23,811	58,647
Wisconsin Retirement System Net Pension Liability	16,665	29,788
Other Postemployment Benefits	55,685	47,310
Total Long-Term Liabilities:	96,161	135,745
 Total Liabilities	 186,161	 242,452
DEFERRED INFLOWS OF RESOURCES		
Wisconsin Retirement System Pension Plan Related	52,869	62,688
NET POSITION		
Net Investment in Capital Assets	489,599	425,785
Unrestricted	746,205	705,045
Total Net Position	\$ 1,235,804	\$ 1,130,830

CITY OF HUDSON, WISCONSIN
AMBULANCE SERVICE ENTERPRISE FUND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEAR ENDED DECEMBER 31, 2017
(WITH COMPARATIVE AMOUNTS FOR YEAR ENDED DECEMBER 31, 2016)

	<u>2017</u>	<u>2016</u>
OPERATING REVENUES:		
Patient Revenue:		
Charges	\$ 2,195,033	\$ 2,062,166
Less Adjustments	(1,193,849)	(1,207,013)
Intergovernmental:		
State Grant	7,386	6,723
Contracts:		
City	190,176	180,900
Others	<u>196,574</u>	<u>188,582</u>
 Total Operating Revenues	 <u>1,395,320</u>	 <u>1,231,358</u>
OPERATING EXPENSES:		
Operation and Maintenance:		
Salaries and Related Costs	898,006	870,421
Other Services and Charges	178,458	154,368
Operating Supplies and Expenses	86,519	96,263
Insurance	43,971	51,875
Building Use Payment to City	<u>7,020</u>	<u>7,020</u>
Total Operation and Maintenance	1,213,974	1,179,947
Depreciation	<u>86,583</u>	<u>68,104</u>
 Total Operating Expenses	 <u>1,300,557</u>	 <u>1,248,051</u>
 OPERATING INCOME (LOSS)	 <u>94,763</u>	 <u>(16,693)</u>
NONOPERATING REVENUES (EXPENSES):		
Investment Income	2,773	1,006
Donations	2,150	26,165
Gain/Loss on Sale of Capital Assets	7,900	8,000
Interest Expense	<u>(2,612)</u>	<u>(2,437)</u>
 Total Nonoperating Revenues (Expenses)	 <u>10,211</u>	 <u>32,734</u>
 CHANGE IN NET POSITION	 104,974	 16,041
Net Position, January 1	<u>1,130,830</u>	<u>1,114,789</u>
 NET POSITION, DECEMBER 31	 <u>\$ 1,235,804</u>	 <u>\$ 1,130,830</u>

**CITY OF HUDSON, WISCONSIN
AMBULANCE SERVICE ENTERPRISE FUND
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2017
(WITH COMPARATIVE AMOUNTS FOR YEAR ENDED DECEMBER 31, 2016)**

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received from Customers/Patients	\$ 1,015,202	\$ 928,862
Cash Received from Government Subsidies/Contracts/Grants	393,660	376,868
Cash Payments to Suppliers for Goods and Services	(319,460)	(391,541)
Cash Payments for Employee Services	(864,608)	(834,426)
Net Cash Provided by (Used for) Operating Activities	<u>224,794</u>	<u>79,763</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Cash Received for Donations	<u>2,150</u>	<u>26,165</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Cash Payments for Capital Assets	(92,633)	(223,678)
Cash Received for Salvage of Capital Assets	7,900	8,000
Cash Received on General Fund Advance	-	103,500
Cash Paid on General Fund Advance	(57,764)	(61,353)
Cash Paid for Interest on Advance	(2,612)	(2,437)
Net Cash Provided by (Used for) Capital Financing Activities	<u>(145,109)</u>	<u>(175,968)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Earnings on Investments	<u>2,773</u>	<u>1,006</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	84,608	(69,034)
CASH AND CASH EQUIVALENTS, JANUARY 1	<u>575,466</u>	<u>644,500</u>
CASH AND CASH EQUIVALENTS, DECEMBER 31	<u>\$ 660,074</u>	<u>\$ 575,466</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:		
Operating Income (Loss)	\$ 94,763	\$ (16,693)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:		
Change in Pension Plan:		
Asset/Liability	(13,123)	74,830
Deferred Outflows of Resources	37,036	(120,030)
Deferred Inflows of Resources	(9,819)	62,688
Depreciation	86,583	68,104
Allowance for Customer/Patient Accounts Receivable	(11,408)	104,422
(Increase) Decrease in Assets:		
Customer/Patient Accounts Receivable	25,566	(20,620)
Prepaid Assets	600	600
Increase (Decrease) in Liabilities:		
Unearned Revenues	(476)	663
Accrued Employee Liabilities	19,164	8,414
Accounts Payable	(4,092)	(82,615)
Net Cash Provided by (Used for) Operating Activities	<u>\$ 224,794</u>	<u>\$ 79,763</u>