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**CITY OF HUDSON  
LENAWEE COUNTY, MICHIGAN  
ANNUAL FINANCIAL REPORT  
JUNE 30, 2014**

**PHILIP R. RUBLEY**

*– Certified Public Accountant –*

133 W. Main Street • Morenci, MI 49256

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**CITY OF HUDSON  
LENAWEE COUNTY, MICHIGAN  
ANNUAL FINANCIAL REPORT  
JUNE 30, 2014**

CITY OF HUDSON  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED JUNE 30, 2014

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MEMBERS OF  
AMERICAN INSTITUTE OF C.P.A.'S  
& THE MICHIGAN ASSOCIATION OF C.P.A.'S

August 28, 2014

## INDEPENDENT AUDITOR'S REPORT

**Honorable Mayor and Members  
of the City Council  
City of Hudson  
121 N. Church St.  
Hudson, Michigan 49247**

### **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, Michigan as of and for the year ended June 30, 2014, 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.

### ***Auditor's 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 auditor's judgment, including the assessment of the risk 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

**Honorable Mayor and Members  
of the City Council  
City of Hudson**

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 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, Michigan, as of June 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4-13 and 46-52 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Hudson, Michigan's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 combining and individual nonmajor fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

**Honorable Mayor and Members  
Members of the City Council  
City of Hudson**

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated August 28, 2014 on our consideration of the City of Hudson, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering City of Hudson, Michigan's internal control over financial reporting and compliance.

**Respectfully Submitted,**

  
**Philip R. Rubley, CPA**

PRR/cab

**CITY OF HUDSON, MICHIGAN**  
**Management's Discussion and Analysis**  
**June 30, 2014**

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**Using This Annual Report**

As management of City of Hudson, Michigan, we offer readers of City of Hudson, Michigan's these financial statements. This narrative overview and analysis of the financial activities of City of Hudson, Michigan is for the fiscal year ended June 30, 2014.

The annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of City of Hudson, Michigan's government-wide basis. They are designed to present a longer-term view of the City's finances. Fund financial statements tell how services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide financial statements.

**Financial Highlights**

The assets of the City of Hudson, Michigan exceeded its liabilities at the end of the fiscal year by \$8,136,459 (net assets), of this amount \$1,494,298 represents unrestricted net assets which may be used to meet the City's ongoing obligations to citizens and creditors.

The City's total net assets decreased by \$39,094, governmental activities increased by \$3,475 and business-type activities decreased by \$42,569. Governmental activities increased over the prior year, mainly attributable to increased charges for services and transfers in from component units. Business-type activities decreased, less than the prior year because of grant revenue received, improving by a net \$83,579.

**Overview Of The Financial Statements**

The City's basic financial statements are comprised of three components:

- A) Government-wide financial statements.
- B) Fund financial statements.
- C) Notes to the financial statements.

This report also contains other supplementary information in addition to the basic financial statements themselves.

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

The *statement of net assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets 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 government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.



**CITY OF HUDSON, MICHIGAN**  
**Management's Discussion and Analysis**  
**June 30, 2014**

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Both of the government-wide financial statements distinguish functions of City of Hudson, Michigan that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of City of Hudson, Michigan include general government, public safety, recreation and culture, public works, community and economic development and other functions. The business-type activity of City of Hudson, Michigan includes the water and sewer system.

The government-wide financial statements can be found on pages 14-16 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. City of Hudson, Michigan, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. All of the funds of City of Hudson, Michigan 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 financial 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 balance provide a reconciliation to facilitate this comparison between *governmental funds and governmental activities*.

City of Hudson, Michigan maintains fifteen individual governmental funds. Information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance. The General Fund, Ambulance, Income Tax, Fire, Major and Local Streets Funds are considered to be major funds.

City of Hudson, Michigan adopts an annual appropriated budget for the General Fund, Ambulance, Income Tax, Fire, Major and Local Street Funds. A budgetary comparison statement has been provided for these funds to demonstrate compliance with budget.

The basic governmental fund financial statements can be found on pages 17-20 of this report.

**Proprietary Fund.** City of Hudson, Michigan maintains one type of Proprietary Fund. *Enterprise Funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. City of Hudson, Michigan uses an Enterprise Fund to account for its Sewer Fund and Water Fund.

**CITY OF HUDSON, MICHIGAN**  
**Management's Discussion and Analysis**  
**June 30, 2014**

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Proprietary Funds provide the same type of information as the government-wide financial statements, only in more detail. The Proprietary Fund financial statements provide separate information for the Sewer Fund and Water Fund shown as the (Utilities Fund) which is considered to be major funds of City of Hudson, Michigan.

The basic Proprietary financial statements can be found on pages 21-25 of this report.

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

The basic Fiduciary financial statements can be found on Page 26-27 of this report.

**Notes to the Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement of some times that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*). The governmental activities of the City include general government, public safety, public works, recreation and culture, community promotion/development and other functions.

### **Government-wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of the City's financial position. The assets of the City exceeded the liabilities by \$8,136,459 at the end of the fiscal year.

By far the largest portion of the City's net assets (81.34%) reflects its investment in capital assets (e.g. land, buildings, vehicles, equipment and infrastructure), less any related debt used to acquire these assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

**CITY OF HUDSON, MICHIGAN**  
**Management's Discussion and Analysis**  
**June 30, 2014**

**CITY OF HUDSON, MICHIGAN NET ASSETS**

**Governmental Activities**

	<b><u>2014</u></b>	<b><u>2013</u></b>
<b><u>Assets</u></b>		
Current and Other Assets	\$1,483,389	\$1,650,745
Capital Assets	<u>4,112,883</u>	<u>4,094,462</u>
<b>Total Assets</b>	<u>5,596,272</u>	<u>5,745,207</u>
<b><u>Liabilities</u></b>		
Long-Term Liabilities Outstanding	330,825	350,305
Other Liabilities	<u>78,582</u>	<u>211,512</u>
<b>Total Liabilities</b>	<u>409,407</u>	<u>561,817</u>
<b><u>Net Assets</u></b>		
Invested in Capital Assets, Net of Related Debt	3,822,467	3,762,486
Restricted	9,106	9,619
Unrestricted	<u>1,355,292</u>	<u>1,411,285</u>
<b>Total Net Assets</b>	<u>\$5,186,865</u>	<u>\$5,183,390</u>

**Business Activities**

	<b><u>2014</u></b>	<b><u>2013</u></b>
<b><u>Assets</u></b>		
Current and Other Assets	\$ 180,465	\$ 197,935
Capital Assets	<u>3,667,375</u>	<u>3,776,154</u>
<b>Total Assets</b>	<u>3,847,840</u>	<u>3,974,089</u>
<b><u>Liabilities</u></b>		
Long-Term Liabilities Outstanding	871,665	961,665
Other Liabilities	<u>26,581</u>	<u>20,261</u>
<b>Total Liabilities</b>	<u>898,246</u>	<u>981,926</u>
<b><u>Net Assets</u></b>		
Invested in Capital Assets, Net of Related Debt	2,795,710	2,814,489
Restricted	14,878	14,878
Unrestricted	<u>139,006</u>	<u>162,796</u>
<b>Total Net Assets</b>	<u>\$2,949,594</u>	<u>\$2,992,163</u>

**CITY OF HUDSON, MICHIGAN**  
**Management's Discussion and Analysis**  
**June 30, 2014**

**CITY OF HUDSON, MICHIGAN NET ASSETS**

**Governmental Activities**

	<u><b>2014</b></u>	<u><b>2013</b></u>
<b><u>Revenue</u></b>		
Program Revenue:		
Charges for Services	\$1,113,978	\$1,018,906
Operating Grants and Contributions	810,733	193,997
Capital Grants and Contributions	225,041	437,538
General Revenue:		
Property Taxes/Special Assessments	906,083	924,652
Grants and Contributions Not Restricted To Specific Program	233,903	226,817
Earnings and Rentals	<u>37,353</u>	<u>34,333</u>
<b>Total Revenue</b>	<u><b>3,327,091</b></u>	<u><b>2,836,243</b></u>
<b><u>Expenses</u></b>		
General Government	510,860	522,872
Public Safety	1,022,939	833,968
Public Works	827,454	1,108,126
Community and Economic Development	135,534	293,097
Recreation and Culture	157,756	139,459
Interest on Long-Term Debt	5,694	3,924
Other Functions	<u>663,379</u>	<u>213,173</u>
<b>Total Expenses</b>	<u><b>3,323,616</b></u>	<u><b>3,114,619</b></u>
<b>Increase (Decrease) In Net Assets</b>	3,475	(278,376)
<b>Net Assets Beginning of Year</b>	<u>5,183,390</u>	<u>5,461,766</u>
<b>Net Assets End of Year</b>	<u><b>\$5,186,865</b></u>	<u><b>\$5,183,390</b></u>

A portion of the City of Hudson, Michigan's net assets for governmental activities of \$9,106 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets \$1,355,292 may be used to meet the government's ongoing obligations to citizens and creditors.

**CITY OF HUDSON, MICHIGAN**  
**Management's Discussion and Analysis**  
**June 30, 2014**

**CITY OF HUDSON, MICHIGAN NET ASSETS**

**Business-Type Activities**

<u><b>Revenue</b></u>	<u><b>2014</b></u>	<u><b>2013</b></u>
Program Revenue:		
Charges for Services	\$ 554,927	\$ 555,980
General Revenue:		
Interest Income	25	79
Grants	<u>102,284</u>	<u>---</u>
<b>Total Revenue</b>	<u>657,236</u>	<u>556,059</u>
 <u><b>Expenses</b></u>		
Interest on Long-Term Debt	22,543	24,805
Utilities Expenses	<u>805,020</u>	<u>762,454</u>
<b>Total Expenses</b>	<u>827,563</u>	<u>787,259</u>
 <b>Increase (Decrease) In Net Assets Before Transfers</b>	(170,327)	(231,200)
 <b>Transfers In</b>	<u>127,758</u>	<u>105,052</u>
 <b>(Decrease) In Net Assets</b>	(42,569)	(126,148)
 <b>Net Assets Beginning of Year</b>	<u>2,992,163</u>	<u>3,118,311</u>
 <b>Net Assets End of Year</b>	<u>\$2,949,594</u>	<u>\$2,992,163</u>

A portion of the City of Hudson, Michigan's net assets for business-type activities of \$14,878 represents resources that are restricted. The remaining balance of \$139,006 is available for ongoing obligations of the utilities.

**CITY OF HUDSON, MICHIGAN**  
**Management's Discussion and Analysis**  
**June 30, 2014**

**CITY OF HUDSON, MICHIGAN NET ASSETS**

	<u>Component Unit Activities</u>			
	<u>DDA</u> <u>2014</u>	<u>DDA</u> <u>2013</u>	<u>LDFA</u> <u>2014</u>	<u>LDFA</u> <u>2013</u>
<b><u>Assets</u></b>				
Current and Other Assets	\$ 38,915	\$ 46,284	\$ 58,034	\$ 164,643
Capital Assets	123,454	130,619	2,727,306	2,610,137
Note Receivable	<u>---</u>	<u>---</u>	<u>168,740</u>	<u>191,976</u>
<b>Total Assets</b>	<u>\$162,369</u>	<u>\$176,903</u>	<u>\$2,954,080</u>	<u>\$2,966,756</u>
<b><u>Liabilities</u></b>				
Other Payables	\$ ---	\$ ---	\$ 377	\$ 5,387
<b>Total Liabilities</b>	<u>---</u>	<u>---</u>	<u>377</u>	<u>5,387</u>
<b><u>Net Assets</u></b>				
Invested in Capital Assets	123,454	130,619	2,727,306	2,610,137
Unrestricted	<u>38,915</u>	<u>46,284</u>	<u>226,397</u>	<u>351,232</u>
<b>Total Net Assets</b>	<u>\$162,369</u>	<u>\$176,903</u>	<u>\$2,953,703</u>	<u>\$2,961,369</u>
<b><u>Revenue</u></b>				
Community Development:				
Grants	\$ ---	\$ ---	\$ ---	\$ ---
Property Taxes	---	---	240,028	284,902
Interest Income	75	100	2,121	2,680
Rental Income	<u>3,600</u>	<u>3,600</u>	<u>---</u>	<u>---</u>
<b>Total Revenue</b>	<u>3,675</u>	<u>3,700</u>	<u>242,149</u>	<u>287,582</u>
<b><u>Expenses</u></b>				
Expenditures	18,209	14,578	137,859	142,855
Transfers	<u>---</u>	<u>---</u>	<u>111,956</u>	<u>9,500</u>
<b>Total Expenses</b>	<u>18,209</u>	<u>14,578</u>	<u>249,815</u>	<u>152,355</u>
<b>Increase (Decrease) in Net Assets</b>	(14,534)	(10,878)	(7,666)	135,227
<b>Net Assets Beginning of Year</b>	<u>176,903</u>	<u>187,781</u>	<u>2,961,369</u>	<u>2,826,142</u>
<b>Net Assets End of Year</b>	<u>\$162,369</u>	<u>\$176,903</u>	<u>\$2,953,703</u>	<u>\$2,961,369</u>

**CITY OF HUDSON, MICHIGAN**  
**Management's Discussion and Analysis**  
**June 30, 2014**

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**Government Activities**

Governmental activities increased the City's net assets by \$3,475 in the current fiscal year; by comparison, in the prior year, governmental activities net assets decreased by \$278,376.

Key elements in the change of the current year:

- Increase in charges for services of \$95,072.
- Property taxes and assessments decreased by \$18,569.
- Increase in grant revenue and transfer in of \$404,239.
- Expenditures for public safety increased by \$188,971.

**Business-Type Activities**

As mention under the financial highlights above the business-type activities decreased by \$42,569 in the current fiscal year; by comparison, in the prior year, business-type activities net assets decreased by \$126,148.

Key elements for change include:

- Transfer in to support operations increased by \$22,706.
- Expenditures increased for operations by \$42,567.
- Grant revenue increased by \$102,284.

**CITY OF HUDSON, MICHIGAN**  
**Management's Discussion and Analysis**  
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**Financial Analysis of City's Funds**

The City uses fund accounting to insure and demonstrate compliance with finance related legal requirements.

**Governmental Funds**

As mentioned in the beginning of the Discussion and Analysis the focus of the City's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. The unassigned fund balance may serve as a useful indicator of the City's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$1,267,527, a decrease of \$575, in comparison to the prior year. Approximately 40.78% of this total amount is unassigned fund balances, which is available for spending at the City's discretion.

The General Fund reported an increase in fund balance of \$81,359 over the prior year, resulting in an unassigned fund balance of \$203,127. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures and transfers out. Unassigned fund balance represents 11.72% of the total general fund expenditures and transfers out.

The increase of \$81,359 is mainly the result of an increase in transfer in from other funds of \$165,956, a decrease in grant revenue of \$287,913 and decrease in capital outlay of \$179,873.

The Ambulance Fund reported a decrease in fund balance of \$27,721 over the prior year, resulting in restricted fund balance of \$102,400. Revenues increased for charges of service by \$138,077, but operational costs also increased by \$147,146. Capital outlay and transfer in were also less for the year, creating an improvement over the prior year decrease of \$49,414.

The Income Tax Fund reported an increase in fund balance of \$38,433 over the prior year. Revenue increased and capital expenditures and transfer out also decreased, creating an increase over the prior year of \$346,931.

The Fire Fund reported a decrease in fund balance of \$17,952 over the prior year. The decrease is the result of less revenue of \$2,577 a decrease in capital outlay of \$29,361, creating an increase over the prior year of \$42,611.

The Major Street Fund reported a decrease in fund balance of \$6,646. Revenues from state revenue increased by \$7,142, but cost of operations also increased by \$20,930. Other revenues increased by \$7,915.

The Local Street Fund reported a decrease of \$62,512 over the prior year. Capital improvements and operational costs were less, but transfer in for improvements decreased over the prior year by \$220,000.

**Proprietary Fund**

The City's proprietary funds provide the same type of information found in the business-type activities of the government-wide financial statements, but in more detail.

Unrestricted net assets of the utilities funds at the end of the year amounted to \$135,791, for the current fiscal year and \$158,702 for the prior year. The utilities fund had a decrease in total net assets for the year of \$41,690. Most of the improvement is because of grant revenue received of \$102,284.

Expenditures for operations also increased by \$41,685.



**CITY OF HUDSON, MICHIGAN**  
**Management's Discussion and Analysis**  
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**General Fund Budgetary Highlights**

There were differences between the original and amended budget of about \$264,815 decrease expenditures over revenues.

For the fiscal year of 2013, the budgetary estimate for the net change in fund balance was an increase of \$264,815; the actual was an increase of \$81,359 for a decrease of \$183,456.

**Capital Assets And Debt Administration**

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2014, amounted to \$7,780,258 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements, machinery and equipment. The total increase in the City's investment in capital assets for the current year was \$494,092. See Page 36 for types of capital assets purchased.

**Economic Factors And Next Year's Budget And Rates**

The City's budget for 2014 year has taken inconsideration, the economic condition and its effect on revenues. This will require close tabs on expenditures for the upcoming year and adjustments will be made to mirror, when possible, the revenue base, with expenses.

The following factors were considered in preparing the City's budget.

- To maintain services to the community and maintain an adequate fund balance in reserve.
- To be aware of economic conditions, sources of revenue and potential changes within the community.
- To continue to improve infrastructure.

**Contacting The City's Management**

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the clerk's office at 121 N. Church Street, Hudson, Michigan 49247.

**CITY OF HUDSON, MICHIGAN**  
**Government-wide Statement of Net Assets**  
**June 30, 2014**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	<u>Component Units</u>
<b><u>Assets</u></b>				
Cash and Equivalents	\$1,165,530	\$ 13,969	\$1,179,499	\$ 94,120
Investments	60,595	---	60,595	---
Receivables - Net	247,221	136,845	384,066	171,569
Inventory	3,951	14,068	18,019	---
Prepaid Items and Other Assets	6,092	705	6,797	---
Restricted Cash	---	14,878	14,878	---
Capital Assets Not Being Depreciated	164,384	33,600	197,984	49,853
Capital Assets Being Depreciated - Net	<u>3,948,499</u>	<u>3,633,775</u>	<u>7,582,274</u>	<u>2,800,907</u>
<b>Total Assets</b>	<u>5,596,272</u>	<u>3,847,840</u>	<u>9,444,112</u>	<u>3,116,449</u>
<b><u>Liabilities</u></b>				
Accounts Payable and Accrued Expenses	78,582	26,581	105,163	377
Long-Term Liabilities:				
Due Within One Year	82,719	90,000	172,719	---
Due In More Than One Year	<u>248,106</u>	<u>781,665</u>	<u>1,029,771</u>	<u>---</u>
<b>Total Liabilities</b>	<u>409,407</u>	<u>898,246</u>	<u>1,307,653</u>	<u>377</u>
<b><u>Net Assets</u></b>				
Invested In Capital Assets, Net of Related Debt	3,822,467	2,795,710	6,618,177	2,850,760
Restricted For:				
Cemetery Perpetual Care	2,092	---	2,092	---
Economic Growth - LDFA	---	---	---	207,655
Downtown Development - DDA	---	---	---	57,657
Debt Service	7,014	---	7,014	---
Replacement	---	14,878	14,878	---
Unrestricted	<u>1,355,292</u>	<u>139,006</u>	<u>1,494,298</u>	<u>---</u>
<b>Total Net Assets</b>	<u>\$5,186,865</u>	<u>\$2,949,594</u>	<u>\$8,136,459</u>	<u>\$3,116,072</u>

**CITY OF HUDSON, MICHIGAN**  
**Government-wide Statement of Activities**  
**For The Year Ended June 30, 2014**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges For Services</u>	<u>Operating Grants And Contributions</u>	<u>Capital Grants And Contributions</u>	<u>Net (Expenses) Revenues</u>
<b><u>Primary Government</u></b>					
<b><u>Governmental Activities:</u></b>					
General Government	\$ 510,860	\$ 515,375	\$ 100	\$ ---	\$ 4,615
Public Safety	1,022,939	438,085	52,473	---	(532,381)
Public Works	827,454	126,194	201,031	90,416	(409,813)
Community and Economic Development	135,534	---	---	134,625	(909)
Recreation and Culture	157,756	34,324	26,037	---	(97,395)
Interest on Long-Term Debt	5,694	---	---	---	(5,694)
Other Functions	<u>663,379</u>	<u>---</u>	<u>531,092</u>	<u>---</u>	<u>(132,287)</u>
<b>Total Governmental Activities</b>	<u>3,323,616</u>	<u>1,113,978</u>	<u>810,733</u>	<u>225,041</u>	<u>(1,173,864)</u>
<b><u>Business-Type Activities:</u></b>					
Utilities	805,020	533,485	251,484	---	(20,051)
Interest on Long-Term Debt	<u>22,543</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>(22,543)</u>
<b>Total Business-Type Activities</b>	<u>827,563</u>	<u>533,485</u>	<u>251,484</u>	<u>---</u>	<u>(42,594)</u>
<b>Total Primary Government</b>	<u>\$4,151,180</u>	<u>\$1,647,464</u>	<u>\$1,062,217</u>	<u>\$225,041</u>	<u>\$(1,216,458)</u>
<b><u>Component Units:</u></b>					
Local Development Finance Authority	249,815	---	---	---	(249,815)
Downtown Development Authority	<u>18,209</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>(18,209)</u>
<b>Total Component Unit</b>	<u>\$ 268,024</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$(268,024)</u>

**CITY OF HUDSON, MICHIGAN**  
**Government-wide Statement Of Activities (Concluded)**  
**For The Year Ended June 30, 2014**

	<u>Primary Government</u>			<u>Component Units</u>
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	
<b><u>Changes In Net Assets</u></b>				
Net (Expense) Revenue	\$(1,173,864)	\$ (42,594)	\$(1,216,458)	\$ (268,024)
General Revenues:				
Tax Collections	906,083	---	906,083	240,028
Grants and Contributions Not Restricted To Specific Programs	233,903	---	233,903	---
Earnings and Rentals	<u>37,353</u>	<u>25</u>	<u>37,378</u>	<u>5,796</u>
<b>Total General Revenues, Contributions and Transfers</b>	<u>1,177,339</u>	<u>25</u>	<u>1,177,364</u>	<u>245,824</u>
<b>Change In Net Assets (Decrease)</b>	3,475	(42,569)	(39,094)	(22,200)
<b>Net Assets, Beginning of Year</b>	<u>5,183,390</u>	<u>2,992,163</u>	<u>8,175,553</u>	<u>3,138,272</u>
<b>Net Assets, End of Year</b>	<u>\$ 5,186,865</u>	<u>\$2,949,594</u>	<u>\$ 8,136,459</u>	<u>\$3,116,072</u>

**CITY OF HUDSON, MICHIGAN**  
**Governmental Funds**  
**Balance Sheet**  
**June 30, 2014**

	<b>General Fund</b>	<b>Ambulance Fund</b>	<b>Income Tax Fund</b>
<b><u>Assets</u></b>			
Cash and Cash Equivalents	\$228,765	\$ 5,410	\$313,713
Investments	---	---	---
Prepaid Expenses	5,770	---	---
Receivables - Net	35,067	113,191	27,889
Due from Other Funds	---	---	---
Receivable from Other Governments	38,799	---	---
Inventories	<u>3,951</u>	<u>---</u>	<u>---</u>
<b>Total Assets</b>	<b><u>\$312,352</u></b>	<b><u>\$118,601</u></b>	<b><u>\$341,602</u></b>
<b><u>Deferred Inflow of Resources</u></b>			
Property Taxes	\$ 2,838	\$ 2,577	\$ 27,888
<b><u>Liabilities</u></b>			
Accounts Payable/ Accrued Liabilities	54,396	13,624	---
Due to Other Funds	<u>10,843</u>	<u>---</u>	<u>---</u>
<b>Total Liabilities</b>	<b><u>65,239</u></b>	<b><u>13,624</u></b>	<b><u>---</u></b>
<b><u>Fund Balances</u></b>			
Non-Spendable:			
Inventories	3,951	---	---
Prepaid Expenses	5,770	---	---
Restricted For:			
Public Safety - Ambulance	---	102,400	---
Public Safety - Fire	---	---	---
Public Safety - Police	4,018	---	---
Public Works - Roads	---	---	---
Public Works - Sidewalks	27,409	---	---
Recreation and Culture	---	---	---
Cemetery and Perpetual Care	---	---	---
Committed:			
Debt Service	---	---	---
Capital Improvements	---	---	---
Unassigned	<u>203,127</u>	<u>---</u>	<u>313,714</u>
<b>Total Fund Balances</b>	<b><u>244,275</u></b>	<b><u>102,400</u></b>	<b><u>313,714</u></b>
<b>Total Liabilities and Fund Balances</b>	<b><u>\$312,352</u></b>	<b><u>\$118,601</u></b>	<b><u>\$341,602</u></b>

The notes to financial statements are an integral part of this statement.

<u>Fire Fund</u>	<u>Major Street Fund</u>	<u>Local Street Fund</u>	<u>Other Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
\$28,756	\$162,313	\$170,156	\$153,300	\$1,062,413
---	---	---	60,595	60,595
322	---	---	---	6,092
---	---	---	30	176,177
---	7,915	2,928	---	10,843
---	21,623	7,906	---	68,328
---	---	---	---	3,951
<u>\$29,078</u>	<u>\$191,851</u>	<u>\$180,990</u>	<u>\$213,925</u>	<u>\$1,388,399</u>
\$ ---	\$ ---	\$ ---	\$ ---	\$ 33,303
3,981	446	274	4,005	76,726
---	---	---	---	10,843
<u>3,981</u>	<u>446</u>	<u>274</u>	<u>4,005</u>	<u>87,569</u>
---	---	---	---	3,951
322	---	---	---	6,092
---	---	---	---	102,400
24,775	---	---	---	24,775
---	---	---	---	4,018
---	191,405	180,716	---	372,121
---	---	---	---	27,409
---	---	---	152,857	152,857
---	---	---	50,049	50,049
---	---	---	7,014	7,014
---	---	---	---	---
---	---	---	---	516,841
<u>25,097</u>	<u>191,405</u>	<u>180,716</u>	<u>209,920</u>	<u>1,267,527</u>
<u>\$29,078</u>	<u>\$191,851</u>	<u>\$180,990</u>	<u>\$213,925</u>	<u>\$1,388,399</u>

**CITY OF HUDSON, MICHIGAN**  
**Reconciliation of Fund Balances On The Balance Sheet For Governmental Funds**  
**To Net Assets Of Governmental Activities On The Statement of Net Assets**  
**June 30, 2014**

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**Fund Balances – Total Governmental Funds** \$ 1,267,527

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

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

<b>Add:</b>	Capital Assets	11,621,433
<b>Deduct:</b>	Accumulated Depreciation	(7,508,550)

An internal service fund is used by management to charge the costs of certain equipment usage to individual governmental funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.

<b>Add:</b>	Net assets of governmental activities accounted for in the internal service fund.	105,833
-------------	---	---------

Certain liabilities, such as bonds payable, notes payable, are not due and payable in the current period and therefore are not reported in the funds.

<b>Deduct:</b>	Bonds and notes payable	(290,416)
<b>Deduct:</b>	Accrued interest on bonds	(1,856)
<b>Deduct:</b>	Compensated absences long-term	(40,409)

Revenue that has been billed as a receivable, but not collected until later years, was not reported in the funds.

<b>Add:</b>	Deferred Inflow of Resources - Property Taxes	<u>33,303</u>
-------------	---	---------------

**Net Assets of Governmental Activities** \$ 5,186,865

**CITY OF HUDSON, MICHIGAN**  
**Governmental Funds**  
**Statement of Revenue, Expenditures, and Changes In Fund Balances**  
**For The Year Ended June 30, 2014**

	<u>General Fund</u>	<u>Ambulance Fund</u>	<u>Income Tax Fund</u>
<b><u>Revenues</u></b>			
Taxes	\$ 447,127	\$ 51,960	\$ 407,480
Intergovernmental	233,903	---	---
Licenses and Permits	21,913	---	---
Fines and Forfeitures	9,926	---	---
Charges for Services	619,676	406,246	---
Interest and Rentals	20,018	92	545
Contributions from Local Units	---	---	---
Other	3,374	---	50
Grants	135,625	---	89,416
Contributions	100	---	---
	<u>1,491,662</u>	<u>458,298</u>	<u>497,491</u>
<b>Total Revenue</b>			
 <b><u>Expenditures</u></b>			
Current:			
General Government	332,705	---	104,092
Public Safety	305,236	438,706	---
Public Works	571,364	---	---
Community Economic Development	135,534	---	---
Recreation and Culture	---	---	---
Capital Outlay	69,255	27,313	20,708
Other Functions	118,485	---	---
Debt Service:			
Principal Payments	---	18,324	---
Interest Payments	---	4,176	---
	<u>1,532,579</u>	<u>488,519</u>	<u>124,800</u>
<b>Total Expenditures</b>			
<b>Excess of Revenue Over (Under) Expenditures</b>	<u>(40,917)</u>	<u>(30,221)</u>	<u>372,691</u>
 <b><u>Other Financing Sources (Uses)</u></b>			
Transfers In	199,956	2,500	102,456
Transfers Out	(77,680)	---	(436,714)
	<u>122,276</u>	<u>2,500</u>	<u>(334,258)</u>
<b>Total Other Financing Sources (Uses)</b>			
<b>Net Change In Fund Balances (Decrease)</b>	81,359	(27,721)	38,433
<b>Fund Balances – Beginning of Year</b>	<u>162,916</u>	<u>130,121</u>	<u>275,281</u>
<b>Fund Balances – End of Year</b>	<u>\$ 244,275</u>	<u>\$ 102,400</u>	<u>\$ 313,714</u>

The notes to financial statements are an integral part of this statement.



<u>Fire Fund</u>	<u>Major Street Fund</u>	<u>Local Street Fund</u>	<u>Other Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ ---	\$ ---	\$ ---	\$ ---	\$ 906,567
---	134,316	55,872	2,470	426,561
---	---	---	---	21,913
---	---	---	19,843	29,769
---	---	---	28,005	1,053,927
100	331	223	16,044	37,353
52,433	---	---	4,000	56,433
40	7,915	2,928	6,014	20,321
---	---	---	---	225,041
---	---	---	20,498	20,598
<u>52,573</u>	<u>142,562</u>	<u>59,023</u>	<u>96,874</u>	<u>2,798,483</u>
---	---	---	26,911	463,708
60,315	---	---	---	804,257
---	133,708	76,917	---	781,989
---	---	---	---	135,534
---	---	---	130,860	130,860
7,879	---	173,118	2,650	300,923
---	---	---	---	118,485
23,236	---	---	---	41,560
1,764	---	---	---	5,940
<u>93,194</u>	<u>133,708</u>	<u>250,035</u>	<u>160,421</u>	<u>2,783,256</u>
<u>(40,621)</u>	<u>8,854</u>	<u>(191,012)</u>	<u>(63,547)</u>	<u>15,227</u>
22,669	15,000	128,500	58,011	529,092
---	(30,500)	---	---	(544,894)
<u>22,669</u>	<u>(15,500)</u>	<u>128,500</u>	<u>58,011</u>	<u>(15,802)</u>
(17,952)	(6,646)	(62,512)	(5,536)	(575)
<u>43,049</u>	<u>198,051</u>	<u>243,228</u>	<u>215,456</u>	<u>1,268,102</u>
<u>\$ 25,097</u>	<u>\$191,405</u>	<u>\$ 180,716</u>	<u>\$209,920</u>	<u>\$1,267,527</u>

**CITY OF HUDSON, MICHIGAN**  
**Reconciliation Of The Statement Of Revenues, Expenditures,**  
**And Changes In Fund Balances Of Governmental Statement Of Activities**  
**June 30, 2014**

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**Net Change In Fund Balances – Total Governmental Funds (Decrease)** \$ (575)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

<b>Add:</b>	Capital Outlay	379,884
<b>(Deduct):</b>	Depreciation Expense	(361,463)

Bond proceeds provide current financial resources to governmental funds in the period issued, but issuing bonds increase long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

<b>Add:</b>	Principal payments on long-term liabilities	41,560
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.

<b>Add:</b>	Decrease in interest payable on bonds and notes	246
<b>Deduct:</b>	Decrease in compensated absences long-term	(22,080)

An internal service fund is used by management to charge the costs of certain equipment usage to individual governmental funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.

<b>Deduct:</b>	Decrease in net assets of governmental activities accounted for in the internal service fund	(33,613)
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Revenue deferred on the governmental funds report, which has been charged to receivable and thus income on the statement of activities.	<u>(484)</u>
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<b>Change In Net Assets Of Governmental Activities</b>	<b><u>\$ 3,475</u></b>
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**CITY OF HUDSON, MICHIGAN**  
**Statement of Net Assets**  
**Proprietary Funds**  
**June 30, 2014**

	<u>Business-Type Activities - Enterprise Funds</u>	<u>Governmental Activities</u>
<u>Assets</u>	<u>Utilities Fund</u>	<u>Internal Service Fund</u>
Current Assets:		
Cash and Cash Equivalents	\$ 10,754	\$106,332
Accounts Receivable	136,845	2,716
Inventory	14,068	---
Prepaid Interest	705	---
Non-Current Assets:		
Restricted Cash	14,878	---
Property and Equipment - Net	<u>3,667,375</u>	<u>146,394</u>
<b>Total Non-Current Assets</b>	<u>3,682,253</u>	<u>146,394</u>
<b>Total Assets</b>	<u>\$3,844,625</u>	<u>\$255,442</u>
 <u>Liabilities</u>		
Current Liabilities:		
Accounts Payable and Accrued Liabilities/Deposits	\$ 25,732	---
Accrued Equipment Rent	849	---
Bonds Payable, Current Portion	<u>90,000</u>	<u>---</u>
<b>Total Current Liabilities</b>	<u>116,581</u>	<u>---</u>
Non-Current Liabilities:		
Bonds Payable	<u>781,665</u>	<u>---</u>
<b>Total Non-Current Liabilities</b>	<u>781,665</u>	<u>---</u>
<b>Total Liabilities</b>	<u>898,246</u>	<u>---</u>
 <u>Net Assets</u>		
Invested in Capital Assets, Net of Related Debt	2,795,710	146,394
Restricted for Replacement	14,878	---
Unrestricted	<u>135,791</u>	<u>109,048</u>
<b>Total Net Assets</b>	2,946,379	<u>\$255,442</u>
 <b>Adjustment to Reflect The Consolidation of Internal Service Fund Activities Related to Enterprise Funds</b>	<u>3,215</u>	
 <b>Net Assets of Business-Type Activities on the Government-Wide Statement of Net Assets</b>	<u>\$2,949,594</u>	

The accompanying notes are an integral part of this financial statement.

**CITY OF HUDSON, MICHIGAN**  
**Statement of Revenues, Expenses and Changes in Fund Net Assets**  
**Proprietary Funds**  
**For The Year Ended June 30, 2014**

	<b>Business-Type Activities - Enterprise Funds</b>	<b>Governmental Activities</b>
	<b>Utilities Fund</b>	<b>Internal Service Fund</b>
<b><u>Operating Revenues</u></b>		
Charges for Services	\$ 533,486	\$ 85,451
<b><u>Liabilities</u></b>		
Salaries and Wages	118,937	---
Fringe Benefits	72,689	---
Office Expenses	214,302	12,600
Contractual Services	5,899	200
Supplies and Materials	23,445	27,789
Utilities	103,401	---
Depreciation	222,987	31,532
Repairs/Maintenance	40,880	19,493
Other Expenses	2,480	20
<b>Total Operating Expenses</b>	<b>805,020</b>	<b>91,634</b>
<b>Operating Income (Loss)</b>	<b>(271,534)</b>	<b>(6,183)</b>
<b><u>Non-Operating Revenues (Expenses)</u></b>		
Investment Income	25	274
Interest Expense	(22,543)	---
Other - Miscellaneous	22,320	---
Grants	102,284	---
<b>Total Non-Operating Revenues (Expenses)</b>	<b>102,086</b>	<b>274</b>
<b><u>Other Financing Sources</u></b>		
Transfer In	127,758	---
<b>Total Other Financing Sources</b>	<b>127,758</b>	<b>---</b>
<b>Income (Loss)</b>	<b>(41,690)</b>	<b>(5,909)</b>
<b>Net Assets, Beginning of Year</b>	<b>2,988,069</b>	<b>261,351</b>
<b>Net Assets, End of Year</b>	<b>\$2,946,379</b>	<b>\$255,442</b>

**CITY OF HUDSON, MICHIGAN**  
**Reconciliation Of The Statement Of Revenues, Expenditures, To The Statement Of Activities**  
**Proprietary Funds**  
**June 30, 2014**

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**Change In Net Assets – All Enterprise Funds (Decrease)** \$(41,690)

An internal service fund is used by management to charge the cost of certain equipment usage to individual enterprise funds. The net revenue (expense) attributable to those funds is reported with the business-type activities (879)

**Change In Net Assets Of Business-Type Activities (Decrease)** \$(42,569)

**CITY OF HUDSON, MICHIGAN**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For The Year Ended June 30, 2014**

	<b><u>Business-Type Activities</u></b> <b><u>Enterprise Funds</u></b>	<b><u>Governmental</u></b> <b><u>Activities</u></b>
	<b><u>Utilities Fund</u></b>	<b><u>Internal Service Fund</u></b>
<b><u>Cash Flows From Operating Activities</u></b>		
Cash Received from Customers	\$ 653,629	\$ 84,580
Cash Payment to Suppliers For Goods and Services/Employees	<u>(575,713)</u>	<u>(60,102)</u>
<b>Net Cash Provided (Used)</b>	<u>77,916</u>	<u>24,478</u>
 <b><u>Cash Flows From Capital and</u></b> <b><u>Related Financing Activities</u></b>		
Purchase of Capital Assets	(114,208)	(60,115)
Bond Principal Payments	(90,000)	---
Bond Interest Payments	<u>(22,366)</u>	<u>---</u>
<b>Net Cash (Used) by Capital and</b> <b>Related Financing Activities)</b>	<u>(226,574)</u>	<u>(60,115)</u>
 <b><u>Cash Flows From Investing Activities</u></b>		
Investment Income	25	274
Transfers from Other Funds	<u>127,758</u>	<u>---</u>
<b>Net Cash Provided (Used) by</b> <b>Investing Activities</b>	<u>127,783</u>	<u>274</u>
 <b><u>Net Increase (Decrease) in Cash and</u></b> <b><u>Cash Equivalents</u></b>		
	(20,875)	(35,363)
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>31,629</u>	<u>141,696</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 10,754</u>	<u>\$106,333</u>
 <b><u>Reconciliation to Statement of Net Assets</u></b>		
Cash and Cash Equivalents	\$ 10,754	\$106,333
Restricted Cash and Cash Equivalents	<u>14,878</u>	<u>---</u>
	<u>\$ 25,632</u>	<u>\$106,333</u>

**CITY OF HUDSON, MICHIGAN**  
**Statement of Cash Flows (Concluded)**  
**Proprietary Funds**  
**For The Year Ended June 30, 2014**

	<b><u>Business-Type Activities - Enterprise Funds</u></b>	<b><u>Governmental Activities</u></b>
	<b><u>Utilities Fund</u></b>	<b><u>Internal Service Fund</u></b>
<b><u>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities</u></b>		
Income (Loss)	\$ (271,534)	\$ (6,183)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:		
Depreciation/Amortization	222,987	31,532
Changes in Assets and Liabilities:		
Accounts Receivable, and Current Assets	(4,284)	(871)
Accounts Payable and Accrued Liabilities	<u>6,320</u>	<u>---</u>
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>(46,511)</u>	<u>24,478</u>
 <b><u>Cash Flows from Capital Activities</u></b>		
Acquisition of Capital Assets	<u>(114,208)</u>	<u>(60,115)</u>
<b>Net Cash (Used) from Capital Activities</b>	<u>(114,208)</u>	<u>(60,115)</u>
 <b><u>Cash Flows From Financing Activities:</u></b>		
Interest Income	25	274
Principal Paid on Bonds	(90,000)	---
Interest Paid on Bonds	(22,543)	---
Miscellaneous Income	22,320	---
Transfer from Other Funds	127,758	---
Grants	<u>102,284</u>	<u>---</u>
<b>Net Cash (Used) from Financing Activities</b>	<u>139,844</u>	<u>274</u>
 <b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	 (20,875)	 (35,363)
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>31,629</u>	<u>141,696</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 10,754</u>	<u>\$106,333</u>
 <b><u>Reconciliation to Statement of Net Assets</u></b>		
Cash and Cash Equivalents	\$ 10,754	\$106,333
Restricted Cash and Cash Equivalents	<u>14,878</u>	<u>---</u>
	<u>\$ 25,632</u>	<u>\$106,333</u>

The accompanying notes are an integral part of this financial statement.

CITY OF HUDSON, MICHIGAN  
Fiduciary Funds – Statement of Net Assets  
June 30, 2014

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	<u>Library Trust</u>	<u>Other Agency Funds</u>
<b><u>Assets</u></b>		
Cash and Cash Equivalents	<u>\$7,378</u>	\$ ---
<b>Total Assets</b>	<u>\$7,378</u>	<u>\$ ---</u>
<b><u>Liabilities</u></b>		
Other Payables	<u>\$ ---</u>	\$ ---
<b>Total Liabilities</b>	<u>---</u>	<u>\$ ---</u>
<b><u>Net Assets</u></b>		
Held In Trust for Library Operations	<u>7,378</u>	
<b>Total Liabilities and Net Assets</b>	<u>\$7,378</u>	



**CITY OF HUDSON, MICHIGAN**  
**Statement of Changes in Fiduciary Net Assets**  
**Fiduciary Funds – Library Trust Fund**  
**For The Year Ended June 30, 2014**

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**Additions**

Investment Income:	
Interest Earned	\$ 27
Contributions	<u>6,389</u>
<b>Total Investment Income</b>	<u>6,416</u>

**Deductions**

Library Books and Expense	<u>8,861</u>
<b>Total Deductions</b>	<u>8,861</u>

**Excess Additions Over (Deductions)** (2,445)

**Net Assets Held in Trust, Beginning of Year** 9,823

**Net Assets Held in Trust, End of Year** \$ 7,378

**CITY OF HUDSON, MICHIGAN**  
**Notes to Financial Statements**  
**June 30, 2014**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Description of City Operations**

The City of Hudson, Michigan operates under a Council form of government, with a City Manager and provides services to its residents in many areas including public safety, public works, community and economic development and human services.

The Governmental Accounting Standards Board (GASB) is the accepted standards setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below:

The accompanying financial statements present the government and its component units, for which the government is considered financially accountable.

The discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the primary government.

**Discretely Presented Component Units**

The local development Finance Authority of the City of Hudson, Michigan (LDFA) is governed by a board consisting of members appointed by the City Manager (subject to City Council approval). The LDFA was formed to promote economic growth in the City of Hudson, Michigan pursuant to Public Act 281 of 1986. The Downtown Development Authority (DDA) is also governed by a board of directors and promotes economic improvements and growth for the downtown area of the City.

**B. Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally 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.

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

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.

**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements, except for agency funds, which do not have a measurement focus. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**CITY OF HUDSON, MICHIGAN**  
**Notes to Financial Statements**  
**June 30, 2014**

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

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

**The government reports the following major governmental funds:**

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

**The Ambulance Fund** is a special Revenue Fund that receives monies for contractual services and charges for the purpose of providing Advanced and Basic Life Support Services to the community.

**The Income Tax Fund** is a Special Revenue Fund that receives monies from residents, non-residents and businesses performing or operating within the City limits of Hudson, Michigan. These monies have been used for special projects, capital in nature.

**The Fire Fund** is a Special Revenue Fund that receives monies from various governmental units and donations to provide for fire protection for the area.

**The Major Street Fund** is a Special Revenue Fund that receives state and local funding for the purpose of construction and maintenance of City streets designated as major streets under State of Michigan Act 51 of Public Acts of 1951.

**The Local Street Fund** is a Special Revenue Fund that receives state and local funding for the purpose of construction and maintenance of City streets designated as local streets under State of Michigan Act 51 of Public Acts of 1951.

**CITY OF HUDSON, MICHIGAN**  
**Notes to Financial Statements**  
**June 30, 2014**

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**The government reports the following major proprietary funds:**

The Utilities Fund accounts for acquisition, operation and maintenance of the City's waste water and water system.

**Additionally, the government reports the following fund types:**

The Agency Funds account for assets held by the City acting as an agent for individuals, private organizations, other governments and/or other funds.

**The government reports the following component units:**

**The Component Units** - consists of the following two funds.

**The Local Development Finance Authority** is a separate entity, considered a component unit of the primary government, which promotes economic growth in the City, the financial reporting is on a modified accrual method of accounting.

**The Downtown Development Authority** is a separate entity, considered a component unit of the primary government, the City, which provides development for the downtown authority, through captured tax revenues. The financial reporting is on a modified accrual method of accounting.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government-side and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The government has elected not to follow private-sector standards issued after November 30, 1989 for its business-type activities and enterprise funds.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Proprietary Funds distinguish *operating* revenues and expenses from *non-operating* 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 Utilities Funds are charges to customers for sales and services. The Utilities Funds also recognize, as operating revenues, the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise 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 non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

**D. Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**CITY OF HUDSON, MICHIGAN**  
**Notes to Financial Statements**  
**June 30, 2014**

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**E. Assets, Liabilities, and Net Assets or Equity**

**1. Bank Deposits and Investment**

Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

State statutes authorize the government to deposit in the accounts of federally insured banks, credit unions, and savings and loans associations, and to invest in obligations of the U.S. Treasury, certain commercial paper, repurchase agreements, bankers acceptances, and mutual funds composed of otherwise legal investments.

**2. Receivables and Payables**

In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

**3. Prepaid Items**

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 using the consumption method.

**4. Inventories**

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

**5. Restricted Assets**

Certain proceeds of enterprise fund revenue bonds and general obligations bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. The bond interest and redemption account is used to segregate resources accumulated for debt service payments.

The bond reserve account is used to report resources set aside to make debt service payment on bonds which would otherwise be in default. The replacement account is used to report resources set aside to make major repairs and replacements to fixed operation assets of the enterprise fund.

**CITY OF HUDSON, MICHIGAN**  
**Notes to Financial Statements**  
**June 30, 2014**

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**6. Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., road, 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 government as assets with an initial, individual cost of more than \$1,500 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost 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 is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the primary government, as well as the component units, are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Land Improvements	20 - 50
Building	10 - 50
Machinery, Equipment, And Furnishings	5 - 35
Utility Systems	50 - 100
Infrastructure	15 - 100
Vehicles	5 - 15

**7. Compensated Absences**

It is the government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations or retirement.

**8. Long-Term Obligations**

In the government-wide financial statements and the proprietary fund types in the 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 assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources.

Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

CITY OF HUDSON, MICHIGAN  
Notes to Financial Statements  
June 30, 2014

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**9. Fund Balance Classification Policies and Procedures**

Fund balance classifications shown in the governmental funds financial statements are non-spendable, restricted, committed, assigned and unassigned.

***Non-Spendable Fund Balance Classification*** includes amounts that cannot be spent because they are either non-spendable in form or legally or contractually required to be maintained intact.

***Restricted Fund Balance Classification*** includes amounts that can be spent only for specific purposes stipulated by constitution, external resource providers, or through enabling legislation.

***Committed Fund Balance Classification*** includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision making authority.

***Assigned Fund Balance Classification*** are intended to be used by the government for specific purposes but do not meet the criteria of restricted or committed.

***Unassigned Fund Balance Classification*** is the residual.

When the government incurs an expenditure for purposes for which various fund balance classifications can be used it is the government's policy to use restricted fund balances first, then committed, assigned and finally unassigned fund balances.

**NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Budgetary Information** – Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end.

On or before the end of May of each year, the City Manager presents the proposed budget for review and holds public hearings and a final budget is adopted.

The appropriated budget is prepared by fund, function and activity. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is with the City Council.

**CITY OF HUDSON, MICHIGAN**  
**Notes to Financial Statements**  
**June 30, 2014**

**B. Excess of Expenditures Over Appropriations In Budgeted Funds** - P.A. 621 of 1978, as amended, provides that a local unit shall not incur expenditures in excess of the amounts appropriated. During the year ended June 30, 2014, the government incurred expenditures in excess of amounts appropriated at the legal level of budgetary control as follows:

	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund:			
General Government:			
Office Operations	\$ 78,844	\$ 79,954	\$ 1,110
Treasurer	63,126	64,254	1,128
Buildings and Grounds	15,923	15,933	10
Public Safety:			
Police	291,341	292,551	1,210
Community Economic Development:			
Zoning	850	909	59
Public Works:			
Mosquito Spraying	4,730	4,941	211
Street Maintenance/Lighting	448,747	463,276	14,529
Capital Outlay	65,337	69,255	3,918
Ambulance Fund:			
Ambulance Expenses	425,246	438,706	13,460
Major Street Fund	133,682	133,708	26
Local Street Fund	76,759	76,917	158

**NOTE 3 – DEPOSITS AND INVESTMENTS**

The government unit's deposits and investment policy are in accordance with statutory authority.

Below is a reconciliation of deposits and investments as of June 30, 2014:

<u>Statement of Net Assets</u>	<u>Primary Government</u>	<u>Component Units</u>	<u>Total</u>
Cash and Cash Equivalents	\$1,179,499	\$94,120	\$1,273,619
Investments	60,595	---	60,595
Restricted Cash and Cash Equivalents	14,878	---	14,878
 <b><u>Statement of Fiduciary Net Assets</u></b>			
Trust and Agency Funds			
Cash	7,378	---	7,378
<b>Totals</b>	<u>\$1,262,350</u>	<u>\$94,120</u>	<u>\$1,356,470</u>
 <b><u>Deposits and Investments</u></b>			
Bank Deposits (Checking, Savings, Money Markets and Certificates of Deposits)			\$1,356,470
<b>Total</b>			<u>\$1,356,470</u>



**CITY OF HUDSON, MICHIGAN**  
**Notes to Financial Statements**  
**June 30, 2014**

The government complies with state law regarding their investment policy. All deposits are uncollateralized and in the government's name. Due to the dollar amounts of cash deposits and limits of FDIC insurance, the government believes it is impractical to insure all bank deposits. The government does evaluate the financial institutions as to risk. The government has no policy regarding custodial credit risk for deposits. The amount insured thru FDIC for primary government was \$750,000 the amount insured for the component units was \$94,120.

**Custodial Credit Risk - Investment**

The government's only investments are in certificate of deposits which are insured thru the FDIC. In accordance with the government's investment policy, all investments are held in the name of the government and thus are not exposed to custodial credit risks.

**Credit Risk**

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The government's investment policy will limit the government to the safest types of investments, thus minimizing credit risk. Presently the government has only savings, money markets, and certificates of deposits which are partly insured thru FDIC.

**Concentration of Credit Risk**

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The government's policy does not limit investments to one user. Below is the percentage by issuer and type of investment at June 30, 2014.

At June 30, 2014, the City had greater than 5% of its total investment portfolio concentrated as follows:

<u>Investment Type</u>	<u>Issuer</u>	<u>% of Portfolio</u>
Certificate of Deposit (FDIC)	County National Bank	100.00%

**Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of investments. In accordance with the government's investment policy, the government limits interest rate risk by purchasing a mix of short and longer term investments. This laddering approach also mates investment maturities to projected cash flow needs, thus minimizing interest rate risk and the need to liquidate securities at a loss.

**Restricted Cash – Proprietary Funds - Utilities**

Restricted cash are as follows:

<u>Description</u>	<u>Utilities Fund</u>
Repair and Replacement	<u>\$14,878</u>
<b>Total</b>	<b><u>\$14,878</u></b>

**CITY OF HUDSON, MICHIGAN**  
**Notes to Financial Statements**  
**June 30, 2014**

**NOTE 4 – CAPITAL ASSETS**

Capital assets activity for the year ended June 30, 2014 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b><u>Governmental Activities</u></b>				
Capital Assets, Not Being Depreciated:				
Other	\$ 150,000	\$ 14,384	\$ ---	\$ 164,384
	<u>150,000</u>	<u>14,384</u>	<u>---</u>	<u>164,384</u>
Capital Assets, Being Depreciated:				
Buildings	1,999,744	---	---	1,999,744
Vehicles	1,947,610	---	---	1,947,610
Equipment	2,114,088	107,445	---	2,221,533
Infrastructure	5,030,107	258,055	---	5,288,162
	<u>11,091,549</u>	<u>365,500</u>	<u>---</u>	<u>11,457,049</u>
<b>Total Capital Assets Being Depreciated</b>				
Less Accumulated Depreciation For:				
Buildings	(907,426)	(46,663)	---	(954,089)
Vehicles	(1,238,014)	(98,850)	---	(1,336,864)
Equipment	(1,423,623)	(136,245)	---	(1,559,868)
Infrastructure	(3,578,024)	(79,705)	---	(3,657,729)
	<u>(7,147,087)</u>	<u>(361,463)</u>	<u>---</u>	<u>(7,508,550)</u>
<b>Total Accumulated Depreciation</b>				
<b>Total Capital Assets, Being Depreciated, Net</b>	<u>3,944,462</u>	<u>4,037</u>	<u>---</u>	<u>3,948,499</u>
<b>Governmental Activities Capital Assets, Net</b>	<u>\$ 4,094,462</u>	<u>\$ 18,421</u>	<u>\$ ---</u>	<u>\$ 4,112,883</u>
<b><u>Business-Type Activities</u></b>				
Capital Assets, Not Being Depreciated:				
Land	\$ 33,600	\$ ---	\$ ---	\$ 33,600
	<u>33,600</u>	<u>---</u>	<u>---</u>	<u>33,600</u>
Capital Assets, Being Depreciated:				
Buildings and Systems	8,911,398	114,208	---	9,025,606
Equipment	423,941	---	---	423,941
	<u>9,335,339</u>	<u>114,208</u>	<u>---</u>	<u>9,449,547</u>
<b>Total Capital Assets Being Depreciated</b>				
Less Accumulated Depreciation For:				
Buildings	(5,240,370)	(212,623)	---	(5,452,993)
Equipment	(352,415)	(10,364)	---	(362,779)
	<u>(5,592,785)</u>	<u>(222,987)</u>	<u>---</u>	<u>(5,815,772)</u>
<b>Total Accumulated Depreciation</b>				
<b>Total Capital Assets, Being Depreciated, Net</b>	<u>3,742,554</u>	<u>(108,779)</u>	<u>---</u>	<u>3,633,775</u>
<b>Business Type Activities Capital Assets, Net</b>	<u>\$ 3,776,154</u>	<u>\$ (108,779)</u>	<u>\$ ---</u>	<u>\$ 3,667,375</u>

**CITY OF HUDSON, MICHIGAN**  
**Notes to Financial Statements**  
**June 30, 2014**

**NOTE 4 – CAPITAL ASSETS (Continued)**

Capital assets activity for the year ended June 30, 2014 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b><u>Component Unit Activity - LDFA</u></b>				
Capital Assets Not Being Depreciated:				
Land	\$ 49,853	\$ ---	\$ ---	\$ 49,853
<b>Total Capital Assets Not Being Depreciated</b>	<u>49,853</u>	<u>---</u>	<u>---</u>	<u>49,853</u>
Capital Assets Being Depreciated:				
Equipment	1,124,505	1,888	---	1,126,393
Infrastructure	1,647,408	218,589	---	1,865,997
<b>Total Capital Assets Being Depreciated</b>	<u>2,771,913</u>	<u>220,477</u>	<u>---</u>	<u>2,992,390</u>
Less Accumulated Depreciation For:				
Equipment	(146,334)	(33,794)	---	(180,128)
Infrastructure	(65,295)	(69,514)	---	(134,809)
<b>Total Accumulated Depreciation</b>	<u>(211,629)</u>	<u>(103,308)</u>	<u>---</u>	<u>(314,937)</u>
<b>Total Capital Assets, Being Depreciated, Net</b>	<u>2,560,284</u>	<u>117,169</u>	<u>---</u>	<u>2,677,453</u>
<b>Component Unit - LDFA Capital Assets, Net</b>	<u>\$2,610,137</u>	<u>\$ 117,169</u>	<u>\$ ---</u>	<u>\$2,727,306</u>
	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b><u>Component Unit Activity - DDA</u></b>				
Capital Assets Being Depreciated:				
Building Improvements	\$ 147,984	\$ ---	\$ ---	\$ 147,984
Equipment	8,725	---	---	8,725
<b>Total Capital Assets Being Depreciated</b>	<u>156,709</u>	<u>---</u>	<u>---</u>	<u>156,709</u>
Less Accumulated Depreciation For:				
Building Improvements	(24,844)	(5,919)	---	(30,763)
Equipment	(1,246)	(1,246)	---	(2,492)
<b>Total Accumulated Depreciation</b>	<u>(26,090)</u>	<u>(7,165)</u>	<u>---</u>	<u>(33,255)</u>
<b>Total Capital Assets, Being Depreciated, Net</b>	<u>130,619</u>	<u>(7,165)</u>	<u>---</u>	<u>123,454</u>
<b>Component Unit - DDA Capital Assets, Net</b>	<u>\$ 130,619</u>	<u>\$ (7,165)</u>	<u>\$ ---</u>	<u>\$ 123,454</u>

**CITY OF HUDSON, MICHIGAN**  
**Notes to Financial Statements**  
**June 30, 2014**

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**NOTE 4 – CAPITAL ASSETS (Continued)**

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

**Governmental Activities:**

General Government	\$ 44,199
Public Safety	214,924
Public Works	45,255
Culture and Recreation	25,553
Capital Assets Held By The Government's Internal Service Funds Are Charged To The Various Functions Based On Their Usage Of The Assets.	<u>31,532</u>

<b>Total Depreciation Expense Governmental Activities</b>	<u>\$361,463</u>
---	------------------

**Business-Type Activities:**

Utilities	<u>\$222,987</u>
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<b>Total Depreciation Expense Business-Type Activities</b>	<u>\$222,987</u>
--	------------------

**Component Unit Activities:**

Infrastructure	\$ 69,514
Equipment	35,040
Building Improvements	<u>5,919</u>

<b>Total Depreciation Expense Component Unit Activities</b>	<u>\$110,473</u>
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**CITY OF HUDSON, MICHIGAN**  
**Notes to Financial Statements**  
**June 30, 2014**

**NOTE 6 – TRANSFERS**

Transfers are used to (1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; (2) move receipts restricted, to or allowed for debt services from the funds collecting the receipts to the debt service payments become due; and (3) use unrestricted revenues collected in the general fund to finance various programs, accounted for in other funds in accordance with budgetary authorizations.

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Summer Recreation	\$ 1,350	\$ ---
General	199,956	77,680
Income Tax	102,456	436,714
Major Street	15,000	30,500
Local	128,500	---
Library	50,000	---
Utilities	127,758	---
Fire	22,669	---
LDFFA	---	111,956
Ambulance	2,500	---
Community Center	6,661	---
	<u>\$656,850</u>	<u>\$656,850</u>

**NOTE 7 – PROPERTY TAXES:**

The City bills and collects its own property taxes and also taxes for the County and several School Districts within its jurisdiction. Collections and remittances of the County and School taxes are accounted for in the Current Tax Collection Agency Fund.

City property tax revenues are recognized as revenues in the fiscal year levied to the extent that they result in current receivables.

Property taxes are assessed December 31<sup>st</sup> and are levied on June 1<sup>st</sup>. Taxes become delinquent on September 15 with a 1/2% interest charge beginning September 15<sup>th</sup>. All delinquent taxes are charged with a 6% penalty.

The City currently levies 10.64190 mills for operating and 1.0 mills for ambulance. Property taxes attach as an enforceable lien on the property as of January 1.

**CITY OF HUDSON, MICHIGAN**  
**Notes to Financial Statements**  
**June 30, 2014**

**NOTE 8 – LONG TERM DEBT**

Long-term debt consists of the following:

	<b>Balance July 1, <u>2013</u></b>	<b><u>Additions</u></b>	<b><u>Deletions</u></b>	<b>Balance June 30, <u>2014</u></b>	<b>Due Within <u>One Year</u></b>
Bonds Payable - 2001					
Drinking Water Program	\$ 961,665	\$ ---	\$ 90,000	\$ 871,665	\$ 90,000
Compensated Absences	18,329	40,409	18,329	40,409	40,409
Note Payable - Ambulance	140,000	---	18,324	121,676	18,861
Note Payable - Fire Pumper Truck	191,976	---	23,236	168,740	23,449
<b>Total</b>	<b><u>\$1,311,970</u></b>	<b><u>\$40,409</u></b>	<b><u>\$149,889</u></b>	<b><u>\$1,202,490</u></b>	<b><u>\$172,719</u></b>

**Ambulance – 2014 International**

**Title of Issue:** Ambulance - Note Payable - United Bank & Trust  
**Purpose:** Purchase Ambulance  
**Date of Note:** May 31, 2013  
**Maturity of Note:** May 30, 2020  
**Interest Rate:** 2.95%  
**Payments:** Annually at \$22,500 including interest - starting May 30, 2014  
**Amount of Note:** \$140,000

<b><u>Due Date</u></b>	<b><u>Total</u></b>	<b><u>Interest</u></b>	<b><u>Principal</u></b>
May 30, 2015	\$ 22,500	\$ 3,639	\$ 18,861
May 30, 2016	22,500	3,084	19,416
May 30, 2017	22,500	2,494	20,006
May 30, 2018	22,500	1,896	20,604
May 30, 2019	22,500	1,280	21,220
May 30, 2020	22,216	647	21,569
	<b><u>\$134,716</u></b>	<b><u>\$13,040</u></b>	<b><u>\$121,676</u></b>

**CITY OF HUDSON, MICHIGAN**  
**Notes to Financial Statements**  
**June 30, 2014**

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**NOTE 8 – LONG TERM DEBT (CONTINUED)**

**Crimson Fire Pumper Truck**

**Title of Issue:** Crimson Fire Pumper Truck - Note Payable - LFDA  
**Purpose:** Purchase Fire Pumper Truck  
**Date of Note:** December 16, 2010  
**Maturity of Note:** July 1, 2020  
**Interest Rate:** 1%  
**Payments:** Annually at \$25,000 - starting July 1, 2011  
**Amount of Note:** \$240,000

<u>Due Date</u>	<u>Total</u>	<u>Interest</u>	<u>Principal</u>
July 1, 2014	\$ 25,000	\$1,551	\$ 23,449
July 1, 2015	25,000	1,335	23,665
July 1, 2016	25,000	1,118	23,882
July 1, 2017	25,000	898	24,102
July 1, 2018	25,000	677	24,323
July 1, 2019	25,000	453	24,547
July 1, 2020	25,000	228	24,772
	<u>\$175,000</u>	<u>\$6,260</u>	<u>\$168,740</u>

**CITY OF HUDSON, MICHIGAN**  
**Notes to Financial Statements**  
**June 30, 2014**

**NOTE 8 – LONG TERM DEBT (CONTINUED)**

**City of Hudson – Drinking Water Bond Issue**

**Title of Issue:** City of Hudson Drinking Water Program General  
Obligation Bonds  
**Purpose:** Drinking Water, etc.  
**Date of Issue:** June 28, 2001  
**Interest Rate:** 2.50%  
**Interest Payable:** Semi-Annual on October 1, and April 1, of each year  
**Amount of Issue:** \$1,731,665  
**Available Funds:** \$38,335

<u>Due Dates</u>	<u>Total</u>	<u>Interest</u>	<u>Principal</u>
October 1, 2014	\$100,120	\$10,120	\$ 90,000
April 1, 2015	8,995	8,995	
October 1, 2015	103,995	8,995	95,000
April 1, 2016	7,808	7,808	
October 1, 2016	102,808	7,808	95,000
April 1, 2017	6,620	6,620	
October 1, 2017	106,620	6,620	100,000
April 1, 2018	5,370	5,370	
October 1, 2018	105,370	5,370	100,000
April 1, 2019	4,120	4,120	
October 1, 2019	109,120	4,120	105,000
April 1, 2020	2,870	2,870	
October 1, 2020	107,870	2,870	105,000
April 1, 2021	1,495	1,495	
October 1, 2021	111,495	1,495	110,000
April 1, 2022	120	120	
October 1, 2022	71,785	120	71,665
	<u>\$956,581</u>	<u>\$84,916</u>	<u>\$871,665</u>



**CITY OF HUDSON, MICHIGAN**  
**Notes to Financial Statements**  
**June 30, 2014**

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**NOTE 8 – LONG TERM DEBT (CONTINUED)**

**Maturities of Long-Term Debt**

Maturities for the long-term debt are as follows:

<u>Years</u>	<u>Principal Amounts</u>	<u>Interest Amounts</u>
2015	\$ 172,719	\$ 24,305
2016	138,081	21,222
2017	138,888	18,040
2018	144,706	14,784
2019	145,543	11,447
2020	151,116	8,090
2021	129,772	4,593
2022	110,000	1,615
2023	71,665	120
	<u>\$1,202,490</u>	<u>\$104,216</u>

**CITY OF HUDSON, MICHIGAN**  
**Notes to Financial Statements**  
**June 30, 2014**

**NOTE 9 – CAFETERIA PLAN – MEDICAL REIMBURSEMENT PLAN – DEPENDENT CARE PLAN**

The City of Hudson has approved and adopted the Cafeteria Plan, Medical Expense Reimbursement Plan and Dependent Care Assistance Plan to be effective January 1, 1998.

The City of Hudson adopted a Cafeteria Plan under Internal Revenue Service Code SS 125, a Medical Expense Reimbursement Plan under code SS 105 (b) and an Dependent Care Assistance Plan Under Code SS 129. Each full-time employee is eligible to participate in each of the plans established. The maximum reimbursement for which any participant may apply under the Medical Expense Reimbursement Plan is \$3,000. The maximum reimbursement for which any participant may apply under the Dependent Care Assistance Plan is \$5,000.

The City of Hudson does not contribute to the Cafeteria Plan.

**NOTE 10 – PENSION PLAN**

The government offers all full time employees a 401(k) plan which is a tax qualified defined contribution pension plan created in accordance with subsection 401(k) of the Internal Revenue Codes. The assets of the plans were held in custodial accounts as provided in IRC Section 401(k) for the exclusive benefit of the employees and their beneficiaries. The custodian thereof for the exclusive benefit of the participants holds the custodial account for the beneficiaries, and the assets may not be diverted to any other use. The administrators are agents of the employer for purposes of providing direction to the custodian of the custodial account from time to time for the investment of the funds held in the account transfer of assets to or from the account and all other matters. In accordance with the provisions of GASB Statement 32, plan balances and activities are not reflected in the government's financial statements. Contributions are made by the City and employees.

**NOTE 11 – OTHER INFORMATION**

**Risk Management**

The government is exposed to various risks of loss related to torts; theft of damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended June 30, 2014, the government carried insurance through various commercial carriers, to cover all risks of losses. The government has had no settled claims resulting from these risks that exceeded its commercial coverage in any of the past three fiscal years.

**NOTE 12 – RECEIVABLES**

Receivables of the governmental activities and business-type activities of the government at June 30, 2014 consist of the following:

	<b><u>Governmental Activities</u></b>	<b><u>Business-Type Activities</u></b>
Property Taxes/Assessments	\$ 5,415	\$ ---
Income Taxes	27,889	---
Ambulance Runs	110,614	---
State of Michigan	68,328	---
Equipment Rent	2,716	---
Refuse	32,229	---
Utilities	---	---
Omterest	<u>30</u>	<u>136,845</u>
<b>Totals</b>	<b><u>\$247,221</u></b>	<b><u>\$136,845</u></b>

**CITY OF HUDSON, MICHIGAN**  
**Notes to Financial Statements**  
**June 30, 2014**

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**NOTE 13 – SUBSEQUENT EVENTS**

Management has reviewed the events occurring through August 28, 2014, the date the financial statements were available to be issued, and no subsequent events occurred requiring accrual or disclosure.

**NOTE 14 – INVESTMENTS**

Investments are stated at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Mortgages are valued on the basis of future principal and interest payments, and are discounted at prevailing interest rates for similar instruments. Investments that do not have established market values are reported at estimated fair value. Cash deposits are reported at carrying amounts, which reasonably approximates fair value.

Unrealized appreciation or depreciation on investments due to changes in fair value are recognized each year.

Presently the City has investments in the Hudson Foundation a non-profit entity.

	<b><u>Fair Market Value</u></b>
Hudson Library Fund	\$32,100
Hudson Museum Fund	<u>27,795</u>
<b>Total</b>	<b><u>\$59,895</u></b>

**NOTE 15 – SEGMENT INFORMATION – ENTERPRISE FUNDS**

The government issued revenue bonds to finance certain improvements to its sewer distribution and treatment systems. Because the Water and Sewer Funds, which are individual funds that account entirely for the government's water distribution and treatment and sewage disposal and treatment activities, are reported as major funds in the fund financial statements, segment disclosures herein are not required.

**CITY OF HUDSON, MICHIGAN**  
**Budgetary Comparison Schedule**  
**General Fund**  
**For The Year Ended June 30, 2014**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance With Amended Budget</u>
<b><u>Beginning of Year Fund Balance</u></b>	\$ 162,916	\$ 162,916	\$ 162,916	\$ ---
<b>Resources (Inflows)</b>				
Taxes and Assessments	467,065	450,821	447,127	(3,694)
Intergovernmental	234,400	232,003	233,903	1,900
Grants	357,000	340,625	138,153	(202,472)
Licenses and Permits	24,750	21,913	21,913	---
Fines and Forfeitures	8,000	9,926	9,926	---
Charges for Services	613,692	616,419	617,148	729
Interest and Rentals	12,530	16,325	20,018	3,693
Other	800	14,317	3,474	(10,843)
Transfers from Other Funds	218,721	204,721	199,956	(4,765)
	<u>2,099,874</u>	<u>2,069,986</u>	<u>1,854,534</u>	<u>(215,452)</u>
<b>Amounts Available for Appropriation</b>				
	<u>2,099,874</u>	<u>2,069,986</u>	<u>1,854,534</u>	<u>(215,452)</u>
<b><u>Charges to Appropriations (Outflows)</u></b>				
<b>General Government</b>				
City Council	16,759	16,045	15,984	61
City Manager	73,940	73,348	72,079	1,269
Office Operations	79,983	78,844	79,954	(1,110)
Treasurer	62,951	63,126	64,254	(1,128)
Assessing	17,400	17,485	17,485	---
Clerk	70,211	47,960	46,655	1,305
Elections	3,595	2,613	2,602	11
City Attorney/Auditing	18,000	17,759	17,759	---
Buildings and Grounds	12,350	15,923	15,933	(10)
	<u>355,189</u>	<u>333,103</u>	<u>332,705</u>	<u>398</u>
<b>Public Safety</b>				
Police	295,058	291,341	292,551	(1,210)
Inspections	8,000	12,685	12,685	---
	<u>303,058</u>	<u>304,026</u>	<u>305,236</u>	<u>(1,210)</u>
<b>Community Economic Development</b>				
Zoning	2,977	850	909	(59)
CDBG - Facade	150,000	134,626	134,625	1
Zoning	<u>152,977</u>	<u>135,476</u>	<u>135,534</u>	<u>(58)</u>
<b>Public Works</b>				
Mosquito Spraying	10,000	4,730	4,941	(211)
Sanitary Landfill	5,000	5,000	5,000	---
Street Maintenance & Lighting	460,718	448,747	463,276	(14,529)
Spring/Fall Cleanup	2,200	2,100	2,100	---
Refuse Collection	96,048	96,048	96,047	1
	<u>573,966</u>	<u>556,625</u>	<u>571,364</u>	<u>(14,739)</u>

**CITY OF HUDSON, MICHIGAN**  
**Budgetary Comparison Schedule**  
**General Fund**  
**For The Year Ended June 30, 2014**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance With Amended Budget</u>
<b><u>Charges to Appropriations (Outflows)</u></b> <b><u>(Continued)</u></b>				
<b>Other Functions</b>	<u>189,088</u>	<u>170,008</u>	<u>118,485</u>	<u>51,523</u>
<b>Capital Outlay</b>	<u>289,500</u>	<u>65,337</u>	<u>69,255</u>	<u>(3,918)</u>
<b>Transfers to Other Funds</b>	<u>73,180</u>	<u>77,680</u>	<u>77,680</u>	<u>---</u>
<b>Total Charges to Appropriations</b>	<u>1,936,958</u>	<u>1,642,255</u>	<u>1,610,259</u>	<u>31,996</u>
<b>Ending of Year Fund Balance</b>	<u>\$ 162,916</u>	<u>\$ 427,731</u>	<u>\$ 244,275</u>	<u>\$(183,456)</u>

**CITY OF HUDSON, MICHIGAN**  
**Budgetary Comparison Schedule**  
**Ambulance Fund (Major Special Revenue Funds)**  
**For The Year Ended June 30, 2014**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance With Amended Budget</u>
<b><u>Beginning of Year Fund Balance</u></b>	\$130,121	\$130,121	\$130,121	\$ ---
<b><u>Resources (Inflows)</u></b>				
Taxes	49,000	51,960	51,960	---
Charges For Services	405,552	363,511	406,246	42,735
Interest Income	600	92	92	---
Transfer In From Funds	<u>2,500</u>	<u>2,500</u>	<u>2,500</u>	<u>---</u>
<b>    Amounts Available for     Appropriation</b>	<u>587,773</u>	<u>548,184</u>	<u>590,919</u>	<u>42,735</u>
<b><u>Charges to Appropriations (Outflows)</u></b>				
<b>Public Safety</b>				
Ambulance	427,652	425,246	438,706	(13,460)
Capital Outlay	32,500	34,872	27,313	7,559
Debt Service:				
Principle Payments	18,324	18,324	18,324	---
Interest Payments	<u>4,176</u>	<u>4,176</u>	<u>4,176</u>	<u>---</u>
<b>    Total Charges     to Appropriations</b>	<u>482,652</u>	<u>482,618</u>	<u>488,519</u>	<u>(5,901)</u>
<b>Ending of Year Fund Balance</b>	<u>\$105,121</u>	<u>\$ 65,566</u>	<u>\$102,400</u>	<u>\$ 36,834</u>

**CITY OF HUDSON, MICHIGAN**  
**Budgetary Comparison Schedule**  
**Income Tax Fund (Major Special Revenue Fund)**  
**For The Year Ended June 30, 2014**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance With Amended Budget</u>
<b><u>Beginning of Year Fund Balance</u></b>	\$275,281	\$275,281	\$275,281	\$ ---
<b><u>Resources (Inflows)</u></b>				
Taxes	319,200	407,478	407,480	2
Interest and Rentals	900	545	545	---
Transfer In From Funds	102,456	102,456	102,456	---
Misc.	---	50	50	---
Grant Revenue	<u>19,800</u>	<u>89,416</u>	<u>89,416</u>	<u>---</u>
<b>    Amounts Available for     Appropriation</b>	<u>717,637</u>	<u>875,226</u>	<u>875,228</u>	<u>2</u>
<b><u>Charges to Appropriations (Outflows)</u></b>				
General Government	118,862	104,094	104,092	2
Transfers to Other Funds	500,714	436,714	436,714	---
Capital Outlay	<u>---</u>	<u>20,708</u>	<u>20,708</u>	<u>---</u>
<b>    Total Charges     to Appropriations</b>	<u>619,576</u>	<u>561,516</u>	<u>561,514</u>	<u>2</u>
<b>Ending of Year Fund Balance</b>	<u>\$ 98,061</u>	<u>\$313,710</u>	<u>\$313,714</u>	<u>\$ 4</u>

**CITY OF HUDSON, MICHIGAN**  
**Budgetary Comparison Schedule**  
**Fire Fund (Major Special Revenue Fund)**  
**For The Year Ended June 30, 2014**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance With Amended Budget</u>
<b><u>Beginning of Year Fund Balance</u></b>	\$ 43,049	\$ 43,049	\$ 43,049	\$ ---
<b><u>Resources (Inflows)</u></b>				
Contribution from Local Units	54,059	52,434	52,433	(1)
Donations	4,140	---	---	---
Transfer in from Funds	41,169	40,669	22,669	(18,000)
Other Revenue	---	40	40	---
Interest and Rentals	350	100	100	---
	<u>142,767</u>	<u>136,292</u>	<u>118,291</u>	<u>(18,001)</u>
<b>Amounts Available for Appropriation</b>				
	<u>142,767</u>	<u>136,292</u>	<u>118,291</u>	<u>(18,001)</u>
<b><u>Charges to Appropriations (Outflows)</u></b>				
Public Safety	66,839	61,097	60,315	782
Transfer to Other Funds	25,000	25,000	25,000	---
Capital Outlay	7,879	7,879	7,879	---
	<u>99,718</u>	<u>93,976</u>	<u>93,194</u>	<u>782</u>
<b>Total Charges to Appropriations</b>				
	<u>99,718</u>	<u>93,976</u>	<u>93,194</u>	<u>782</u>
<b>Ending of Year Fund Balance</b>	<u>\$ 43,049</u>	<u>\$ 42,316</u>	<u>\$ 25,097</u>	<u>\$ (17,219)</u>



**CITY OF HUDSON, MICHIGAN**  
**Budgetary Comparison Schedule**  
**Major Street Fund (Major Special Revenue Fund)**  
**For The Year Ended June 30, 2014**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance With Amended Budget</u>
<b><u>Beginning of Year Fund Balance</u></b>	\$198,051	\$198,051	\$198,051	\$ ---
<b>Resources (Inflows)</b>				
Intergovernmental	124,300	133,799	134,316	517
Interest and Rentals	750	330	331	1
Other	---	---	7,915	7,915
Transfers from Other Funds	<u>15,000</u>	<u>15,000</u>	<u>15,000</u>	<u>---</u>
<b>Amounts Available for Appropriation</b>	<u>338,101</u>	<u>347,180</u>	<u>355,613</u>	<u>8,433</u>
<b><u>Charges to Appropriations (Outflows)</u></b>				
Public Works	164,985	133,682	133,708	(26)
Transfers to Other Funds	<u>30,500</u>	<u>30,500</u>	<u>30,500</u>	<u>---</u>
<b>Total Charges to Appropriations</b>	<u>195,485</u>	<u>164,182</u>	<u>164,208</u>	<u>(26)</u>
<b>Ending of Year Fund Balance</b>	<u>\$142,616</u>	<u>\$182,998</u>	<u>\$191,405</u>	<u>\$8,407</u>

**CITY OF HUDSON, MICHIGAN**  
**Budgetary Comparison Schedule**  
**Local Street Fund (Major Special Revenue Fund)**  
**For The Year Ended June 30, 2014**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance With Amended Budget</u>
<b><u>Beginning of Year Fund Balance</u></b>	\$243,228	\$243,228	\$243,228	\$ ---
<b>Resources (Inflows)</b>				
Intergovernmental	53,100	55,674	55,872	198
Other	---	---	2,928	2,928
Transfers from Other Funds	144,952	144,952	128,500	(16,452)
Interest Income	450	223	223	---
	<u>441,730</u>	<u>444,077</u>	<u>430,751</u>	<u>(13,326)</u>
<b>Amounts Available for Appropriation</b>				
<b><u>Charges to Appropriations (Outflows)</u></b>				
Public Works	116,002	76,759	76,917	(158)
Capital Outlay	82,500	173,118	173,118	---
	<u>198,502</u>	<u>249,877</u>	<u>250,035</u>	<u>(158)</u>
<b>Total Charges to Appropriations</b>				
<b>Ending of Year Fund Balance</b>	<u>\$243,228</u>	<u>\$194,200</u>	<u>\$180,716</u>	<u>\$ (13,484)</u>

CITY OF HUDSON, MICHIGAN  
Combining Balance Sheet  
Non-Major Governmental Funds  
June 30, 2014

Special Revenue Funds

	<u>Summer Recreation</u>	<u>Cemetery</u>
<b><u>Assets</u></b>		
Cash and Equivalents	\$13,913	\$48,229
Investments	---	---
Receivables	---	---
<b>Total Assets</b>	<u>\$13,913</u>	<u>\$48,229</u>
 <b><u>Liabilities and Fund Balances</u></b>		
<b><u>Liabilities</u></b>		
Accounts Payable	\$ ---	\$ ---
Deposits Payable	---	---
Accrued Liabilities	---	272
<b>Total Liabilities</b>	<u>---</u>	<u>272</u>
 <b><u>Fund Balance</u></b>		
Restricted For:		
Summer Recreation	13,913	---
Cemetery	---	47,957
Community Center	---	---
Museum	---	---
Cemetery Perpetual Care	---	---
Library	---	---
Committed For:		
Debt Service	---	---
<b>Total Fund Balances</b>	<u>13,913</u>	<u>47,957</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$13,913</u>	<u>\$48,229</u>

The notes to financial statements are an integral part of this statement.

<u>Special Revenue Funds</u>			<u>Debt Service Fund</u>	<u>Permanent Fund</u>	<u>Total Non-Major Governmental Funds</u>
<u>Community Center</u>	<u>Library</u>	<u>Museum</u>	<u>Debt Service</u>	<u>Cemetery Perpetual Care</u>	
\$ 339	\$51,103	\$30,611	\$7,014	\$2,091	\$153,300
---	12,432	48,163	---	---	60,595
---	21	8	---	1	30
<u>\$ 339</u>	<u>\$63,556</u>	<u>\$78,782</u>	<u>\$7,014</u>	<u>\$2,092</u>	<u>\$213,925</u>
\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---
550	3,141	---	---	---	3,691
42	---	---	---	---	314
<u>592</u>	<u>3,141</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>4,005</u>
---	---	---	---	---	13,913
(253)	---	---	---	---	47,957
---	---	78,782	---	---	(253)
---	---	---	---	2,092	78,782
---	60,415	---	---	---	2,092
---	---	---	---	---	60,415
---	---	---	7,014	---	7,014
(253)	60,415	78,782	7,014	2,092	209,920
<u>\$ 339</u>	<u>\$63,556</u>	<u>\$78,782</u>	<u>\$7,014</u>	<u>\$2,092</u>	<u>\$213,925</u>

**CITY OF HUDSON, MICHIGAN**  
**Combining Statement of Revenues, Expenditures and Changes In Fund Balance**  
**Non-Major Governmental Funds**  
**For The Year Ended June 30, 2014**

**Special Revenue Funds**

	<b><u>Summer Recreation</u></b>	<b><u>Cemetery</u></b>
<b><u>Revenues:</u></b>		
Intergovernmental Grants	\$ ---	\$ ---
Contribution from Local Units	---	---
Charges for Services	14,481	13,524
Fines and Forfeits	---	---
Interest and Rents	---	94
Other Revenue	256	4,945
Contributions	145	---
	<u>14,882</u>	<u>18,563</u>
<b>Total Revenue</b>		
 <b><u>Expenditures:</u></b>		
General Government	---	26,386
Recreational and Cultural	11,776	---
Capital Outlay	---	---
Debt Service:		
Principal	---	---
Interest	---	---
	<u>11,776</u>	<u>26,386</u>
<b>Total Expenditures</b>		
 <b><u>Excess of Revenues Over (Under) Expenditures</u></b>		
	<u>3,106</u>	<u>(7,823)</u>
 <b><u>Other Financing Sources (Uses):</u></b>		
Operating Transfers In	1,350	---
Operating Transfers (Out)	---	---
	<u>1,350</u>	<u>---</u>
<b>Total Other Financing Sources (Uses)</b>		
 <b>Excess of Revenues and Other Sources Over (Under) (Expenditures and Other Uses)</b>		
	4,456	(7,823)
 <b>Beginning Fund Balance</b>		
	<u>9,457</u>	<u>55,780</u>
 <b>Ending Fund Balance</b>		
	<u>\$13,913</u>	<u>\$47,957</u>

The notes to financial statements are an integral part of this statement.

<u>Special Revenue Funds</u>			<u>Debt Service Fund</u>	<u>Permanent Fund</u>	<u>Total Non-Major Governmental Funds</u>
<u>Community Center</u>	<u>Library</u>	<u>Museum</u>	<u>Debt Service</u>	<u>Cemetery Perpetual Care</u>	
\$ ---	\$ 2,470	\$ ---	\$ ---	\$ ---	\$ 2,470
---	---	---	---	---	---
---	4,000	---	---	---	4,000
---	---	---	---	---	28,005
---	19,843	---	---	---	19,843
11,159	423	4,356	---	12	16,044
813	---	---	---	---	6,014
30	7,652	12,671	---	---	20,498
<u>12,002</u>	<u>34,388</u>	<u>17,027</u>	<u>---</u>	<u>12</u>	<u>96,874</u>
---	---	---	525	---	26,911
21,716	82,832	14,536	---	---	130,860
---	2,650	---	---	---	2,650
---	---	---	---	---	---
<u>21,716</u>	<u>85,482</u>	<u>14,536</u>	<u>525</u>	<u>---</u>	<u>160,421</u>
(9,714)	(51,094)	2,491	(525)	12	(63,547)
6,661	50,000	---	---	---	58,011
---	---	---	---	---	---
<u>6,661</u>	<u>50,000</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>58,011</u>
(3,053)	(1,094)	2,491	(525)	12	(5,536)
<u>2,800</u>	<u>61,509</u>	<u>76,291</u>	<u>7,539</u>	<u>2,080</u>	<u>215,456</u>
<u>\$ (253)</u>	<u>\$ 60,415</u>	<u>\$78,782</u>	<u>\$ 7,014</u>	<u>\$2,092</u>	<u>\$209,920</u>

**CITY OF HUDSON, MICHIGAN**  
**Combining Balance Sheet**  
**Component Units**  
**For The Year Ended June 30, 2014**

	<b>Local Development Finance Authority</b>	<b>Downtown Development Authority</b>	<b>Total Component Units</b>	<b>Adjustments</b>	<b>Statement of Net Assets</b>
<b><u>Assets</u></b>					
Cash and Cash Equivalents	\$55,205	\$38,915	\$94,120	\$ ----	\$ 94,120
Taxes Receivable	2,829	----	2,829	----	2,829
Notes Receivable	----	----	----	168,740	168,740
Capital Assets, Net	----	----	----	2,850,760	2,850,760
<b>Total Assets</b>	<b><u>\$58,034</u></b>	<b><u>\$38,915</u></b>	<b><u>\$96,949</u></b>	<b><u>\$3,019,500</u></b>	<b><u>\$3,116,449</u></b>
<b><u>Deferred Inflow of Resources</u></b>					
Property Taxes	\$ 2,829	\$ ----	\$ 2,829	\$ 2,829	\$ ----
<b><u>Liabilities</u></b>					
Accounts Payable/ Accrued Expenses	377	----	377	----	377
<b>Total Liabilities</b>	<b><u>377</u></b>	<b><u>----</u></b>	<b><u>377</u></b>	<b><u>----</u></b>	<b><u>377</u></b>
<b><u>Fund Balance/Net Assets</u></b>					
Unassigned	54,828	38,915	93,743	93,743	----
<b>Total Fund Balance</b>	<b><u>54,828</u></b>	<b><u>38,915</u></b>	<b><u>93,743</u></b>	<b><u>93,743</u></b>	<b><u>----</u></b>
<b>Total Liabilities and Fund Balance</b>	<b><u>\$58,034</u></b>	<b><u>\$38,915</u></b>	<b><u>\$96,949</u></b>		
<b><u>Net Assets</u></b>					
Invested in Capital Assets				2,850,760	2,850,760
Unrestricted				265,312	265,312
<b>Total Net Assets</b>				<b><u>\$3,116,072</u></b>	<b><u>\$3,116,072</u></b>

The accompanying notes are an integral part of this financial statement.

**CITY OF HUDSON, MICHIGAN**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Component Units**  
**For The Year Ended June 30, 2014**

	<b>Local Development Finance Authority</b>	<b>Downtown Development Authority</b>	<b>Total Component Units</b>	<b>Adjustments</b>	<b>Statement of Net Assets</b>
<b><u>Revenues</u></b>					
Property Taxes	\$ 241,460	\$ ---	\$ 241,460	\$ (1,432)	\$ 240,028
Interest Income	357	75	432	1,764	2,196
Rental Income	---	3,600	3,600	---	3,600
Other	25,000	---	25,000	(25,000)	---
<b>Total Revenues</b>	<u>266,817</u>	<u>3,675</u>	<u>270,492</u>	<u>(24,668)</u>	<u>245,824</u>
<b><u>Expenditures</u></b>					
Depreciation	---	---	---	110,473	110,473
Operating Expenses	34,551	11,044	45,595	---	45,595
Capital Outlay	220,477	---	220,477	(220,477)	---
<b>Total Expenditures</b>	<u>255,028</u>	<u>11,044</u>	<u>266,072</u>	<u>(110,004)</u>	<u>156,068</u>
<b>Excess of Revenue Over (Under) Expenditures</b>	<u>11,789</u>	<u>(7,369)</u>	<u>4,420</u>	<u>85,336</u>	<u>89,756</u>
<b><u>Other Financing Sources (Uses)</u></b>					
Transfer (Out)	(111,956)	---	(111,956)	---	(111,956)
<b>Total Other Financing Sources (Uses)</b>	<u>(111,956)</u>	<u>---</u>	<u>(111,956)</u>	<u>---</u>	<u>(111,956)</u>
<b>Net Change in Fund Balance (Decrease)</b>	<u>(100,167)</u>	<u>(7,369)</u>	<u>(107,536)</u>	<u>85,336</u>	<u>(22,200)</u>
<b>Fund Balance/Net Assets Beginning of Year</b>	<u>154,995</u>	<u>46,284</u>	<u>201,279</u>	<u>2,936,993</u>	<u>3,138,272</u>
<b>Fund Balance/Net Assets End of Year</b>	<u>\$ 54,828</u>	<u>\$38,915</u>	<u>\$ 93,743</u>	<u>\$3,022,329</u>	<u>\$3,116,072</u>



# PHILIP R. RUBLEY

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MEMBERS OF  
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& THE MICHIGAN ASSOCIATION OF C.P.A.'s

August 28, 2014

## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Honorable Mayor and  
Members of the City Council  
City of Hudson  
121 N. Church St.  
Hudson, Michigan 49247

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund of City of Hudson, Michigan as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City of Hudson, Michigan's basic financial statements and have issued our report thereon dated August 28, 2014.

### Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Hudson, Michigan's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Hudson, Michigan's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Hudson, Michigan's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the

**Honorable Mayor and  
Members of the City Council  
City of Hudson**

entity's financial statements will not be prevented, or detected and corrected on a timely basis.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency in the accompanying schedule of findings to be significant deficiencies 2014 1-2.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Hudson, Michigan's financial statements are free from material misstatement, we performed test of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Response to Findings**

City of Hudson, Michigan's response to the findings identified in our audit is described in the accompanying schedule of findings. City of Hudson, Michigan's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Sincerely,



Philip R. Rubley, CPA

PRR/cab

CITY OF HUDSON, MICHIGAN

SCHEDULE OF FINDINGS

JUNE 30, 2014

**2014 – 1 PREPARATION OF GAAP BASIS FINANCIAL STATEMENTS**

**Requirement:**

The City is required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). This is the responsibility of the City's management. The preparation of financial statements in accordance with GAAP requires internal controls over (1) recording, processing, and summarizing accounting data, and (2) reporting government-wide and fund financial statements, including the related footnotes.

**Condition:**

The City has historically relied on its independent external auditors to assist in the preparation of the government-wide financial statements and footnotes as part of its external financial reporting process. Accordingly, the City's ability to prepare financial statements in accordance with GAAP is based, in part, on its reliance on its external auditors, who cannot by definition be considered part of the City's internal controls.

**Cause:**

This condition is caused by the City's decision that it is more cost effective to outsource the preparation of its annual financial statements to the auditors than to incur the added time and expense of obtaining the necessary training to perform this task.

**Effect:**

The result of this condition is that the City lacks internal controls over the preparation of financial statements in accordance with GAAP, and instead relies, in part, on its external auditors for assistance with this task.

**View of Responsible Official:**

The City has determined that it is not economically feasible to establish additional internal controls over the preparation of financial statements in accordance with GAAP. In addition, the City will carefully review the draft financial statements and notes prior to approving them and accept responsibility for their content and presentation.

**2014– 2 ADMINSTRATIVE COSTS**

The City should review thru time studies, revised, if necessary allocations of administrative costs to the various funds.



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MEMBERS OF  
AMERICAN INSTITUTE OF C.P.A.'s  
& THE MICHIGAN ASSOCIATION OF C.P.A.'s

August 28, 2014

Honorable Mayor and  
Members of the City Council  
City of Hudson  
121 N. Chursh St.  
Hudson, Michigan 49247

We have audited the financial statements of the governmental activities of City of Hudson, Michigan for the year ended June 30, 2014, and have issued our report thereon dated August 28, 2014. Professional standards require that we provide you with the following information related to our audit.

## PURPOSE OF THE AUDIT

The audit was designed to determine the fair presentation or compliance with:

- generally accepted accounting principles and auditing standards,
- the applicable laws and regulations of the State of Michigan,
- compliance with reporting under governmental auditing standards.

## OUR RESPONSIBILITY UNDER U.S. GENERALLY ACCEPTED AUDITING STANDARDS

As stated in our engagement letter, our responsibility, as described by professional standards, is to express our opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement. As part of our audit, we consider the internal control of City of Hudson, Michigan. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control. We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.

## PLANNED SCOPE AND TIMING OF THE AUDIT

We performed the audit according to the planned scope and timing previously communicated to you.

## RESULTS OF AUDIT

1. Audit opinion letter - an unqualified opinion on the City of Hudson, Michigan's financial statements has been issued. This means we have given a "clean" opinion with no reservations.

We noted significant deficiencies in our letter dated August 28, 2014. There was a very good relationship between City of Hudson, Michigan and the auditors.

### **SIGNIFICANT AUDIT FINDINGS**

#### ***Qualitative Aspects of Accounting Practices***

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by City of Hudson, Michigan are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2014. We noted no transactions entered into the City of Hudson, Michigan during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The disclosure in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users.

#### ***Difficulties Encountered in Performing the Audit***

We encountered no difficulties in dealing with management in performing and completing our audit.

#### ***Corrected and Uncorrected Misstatements***

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements or determined that their effects are immaterial. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

#### ***Disagreements with Management***

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreement arose during the course of our audit.

#### ***Management Representations***

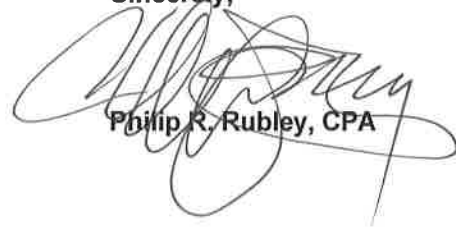
We have requested certain representations from management that are included in the management representation letter.

We performed the audit according to the planned scope and timing previously communicated to you.

The financial affairs have been professionally conducted. The accounting records were in good condition and we commend the staff for their assistance and support during the audit.

This information is intended solely for the use of City Council and management of City of Hudson, Michigan and is not intended to be and should not be used by anyone other than these specified parties.

**Sincerely,**



**Philip R. Rubley, CPA**

PRR/cab