

CITY OF HUDSON

LENAWEE COUNTY, MICHIGAN

ANNUAL FINANCIAL REPORT

JUNE 30, 2020

Brent D. Shea, CPA

- Certified Public Accountant -

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**CITY OF HUDSON
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JUNE 30, 2020**

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FOR THE YEAR ENDED JUNE 30, 2020**

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October 13, 2020

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 unit, each major fund and the aggregate remaining fund information of the City of Hudson, Michigan as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City of Hudson, Michigan'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 preparation and fair presentation of the financial

**Honorable Mayor and Members
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October 13, 2020**

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 unit, each major fund and the aggregate remaining fund information of the City of Hudson, Michigan, as of June 30, 2020, 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 44-50) 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

**Honorable Mayor and Members
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City of Hudson
October 13, 2020**

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.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 13, 2020 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,



Brent D. Shea, CPA

CITY OF HUDSON, MICHIGAN
Management's Discussion and Analysis
For The Year Ended June 30, 2020

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, 2020.

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 \$9,880,549 (net assets); of this amount \$836,717 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 \$513,686, governmental activities decreased by \$440,513 and business-type activities decreased by \$73,173. Government activities increased over the prior year, due to tax revenues increasing by \$44,863, operating grants decreasing by \$147,761, and expenditures increasing \$235,207.

Business activities decreased in the current year by \$73,173 compared to the prior year of a decrease of \$150,175.

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
For The Year Ended June 30, 2020

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 thirteen 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
For The Year Ended June 30, 2020

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) 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 and economic 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 \$9,880,549 at the end of the fiscal year.

By far the largest portion of the City's net assets (87.8%) 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
For The Year Ended June 30, 2020

CITY OF HUDSON, MICHIGAN NET ASSETS

Governmental Activities

	<u>2020</u>	<u>2019</u>
<u>Assets</u>		
Current and Other Assets	\$1,421,956	\$1,401,634
Capital Assets	<u>6,904,808</u>	<u>6,797,269</u>
Total Assets	<u>8,326,764</u>	<u>8,198,903</u>
<u>Liabilities</u>		
Long-Term Liabilities Outstanding	714,938	245,598
Other Liabilities	<u>247,243</u>	<u>148,209</u>
Total Liabilities	<u>962,181</u>	<u>393,807</u>
<u>Net Assets</u>		
Invested in Capital Assets, Net of Related Debt	6,227,367	6,577,974
Restricted	373,148	384,983
Unrestricted	<u>764,068</u>	<u>842,139</u>
Total Net Assets	<u>\$7,364,583</u>	<u>\$7,805,096</u>

Business Activities

	<u>2020</u>	<u>2019</u>
<u>Assets</u>		
Current and Other Assets	\$ 100,534	\$ 251,141
Capital Assets	<u>7,574,982</u>	<u>7,712,363</u>
Total Assets	<u>7,675,516</u>	<u>7,963,504</u>
<u>Liabilities</u>		
Long-Term Liabilities Outstanding	5,131,665	5,309,730
Other Liabilities	<u>27,885</u>	<u>64,635</u>
Total Liabilities	<u>5,159,550</u>	<u>5,374,365</u>
<u>Net Assets</u>		
Invested in Capital Assets, Net of Related Debt	2,443,317	2,369,033
Restricted	---	17,468
Unrestricted	<u>72,649</u>	<u>202,638</u>
Total Net Assets	<u>\$2,515,966</u>	<u>\$2,589,139</u>

CITY OF HUDSON, MICHIGAN
Management's Discussion and Analysis
For The Year Ended June 30, 2020

CITY OF HUDSON, MICHIGAN NET ASSETS

Governmental Activities

<u>Revenue</u>	<u>2020</u>	<u>2019</u>
Program Revenue:		
Charges for Services	\$1,581,946	\$1,199,432
Operating Grants and Contributions	270,174	417,935
Capital Grants and Contributions	---	---
General Revenue:		
Property Taxes/Special Assessments	1,264,576	1,219,713
Grants and Contributions Not Restricted To Specific Program	311,880	311,793
Earnings and Rentals	<u>30,447</u>	<u>44,924</u>
Total Revenue	<u>3,459,023</u>	<u>3,193,797</u>
 <u>Expenses</u>		
General Government	849,937	774,100
Public Safety	1,248,020	1,171,181
Public Works	1,239,234	1,381,127
Community and Economic Development	148	212
Recreation and Culture	80,948	81,549
Interest on Long-Term Debt	27,449	7,328
Other Functions	<u>453,800</u>	<u>248,832</u>
Total Expenses	<u>3,899,536</u>	<u>3,664,329</u>
 Increase (Decrease) In Net Assets	 (440,513)	 (470,532)
Net Assets Beginning of Year	<u>7,805,096</u>	<u>8,275,628</u>
Net Assets End of Year	<u>\$7,364,583</u>	<u>\$7,805,096</u>

A portion of the City of Hudson, Michigan's net assets for governmental activities of \$373,148 represents resources that are subject to external restrictions on how they may be used. The unrestricted net assets of \$764,068 may be used to meet the government's ongoing obligations to citizens and creditors.

CITY OF HUDSON, MICHIGAN
Management's Discussion and Analysis
For The Year Ended June 30, 2020

CITY OF HUDSON, MICHIGAN NET ASSETS

	<u>Business-Type Activities</u>	
	<u>2020</u>	<u>2019</u>
<u>Revenue</u>		
Program Revenue:		
Charges for Services	\$ 756,586	\$ 663,988
General Revenue:		
Interest Income	---	126
Grants - State	<u>272,273</u>	<u>236,412</u>
Total Revenue	<u>1,028,859</u>	<u>900,526</u>
<u>Expenses</u>		
Interest on Long-Term Debt	111,237	79,211
Utilities Expenses	<u>1,304,740</u>	<u>1,047,766</u>
Total Expenses	<u>1,415,977</u>	<u>1,126,977</u>
(Decrease) In Net Assets Before Transfers	(387,118)	(226,451)
Transfers In	<u>313,945</u>	<u>76,276</u>
Increase (Decrease) In Net Assets	(73,173)	(150,175)
Net Assets Beginning of Year	<u>2,589,139</u>	<u>2,739,314</u>
Net Assets End of Year	<u>\$2,515,966</u>	<u>\$2,589,139</u>

A portion of the City of Hudson, Michigan's net assets for business-type activities of \$2,443,317 represents resources that are invested in capital assets, net of related debt. \$72,649 is available for ongoing obligations of the utilities.

CITY OF HUDSON, MICHIGAN
Management's Discussion and Analysis
For The Year Ended June 30, 2020

CITY OF HUDSON, MICHIGAN NET ASSETS

	<u>Component Unit Activities</u>	
	<u>DDA</u> <u>2020</u>	<u>DDA</u> <u>2019</u>
<u>Assets</u>		
Current and Other Assets	\$ 4,199	\$ 2,967
Capital Assets	<u>332,216</u>	<u>348,255</u>
Total Assets	<u>\$336,415</u>	<u>\$351,222</u>
<u>Liabilities</u>		
Current Liabilities	\$ 33	\$ ---
Deferred Revenue	<u>400</u>	<u>---</u>
Total Liabilities	<u>433</u>	<u>---</u>
<u>Net Assets</u>		
Invested in Capital Assets	332,216	348,255
Unrestricted	<u>3,766</u>	<u>2,967</u>
Total Net Assets	<u>\$335,982</u>	<u>\$351,222</u>
<u>Revenue</u>		
Community Development:		
Miscellaneous Income	\$ 40	\$ 1
Rental Income	<u>3,400</u>	<u>200</u>
Total Revenue	<u>3,440</u>	<u>201</u>
<u>Expenses</u>		
Expenditures	<u>18,680</u>	<u>21,022</u>
Total Expenses	<u>18,680</u>	<u>21,022</u>
Increase in Net Assets	(15,240)	(20,821)
Net Assets Beginning of Year	<u>351,222</u>	<u>372,043</u>
Net Assets End of Year	<u>\$335,982</u>	<u>\$351,222</u>

CITY OF HUDSON, MICHIGAN
Management's Discussion and Analysis
For The Year Ended June 30, 2020

Government Activities

Governmental activities decreased the City's net assets by \$440,513 in the current fiscal year; by comparison, in the prior year, governmental activities net assets decreased by \$470,532.

Key elements in the change of the current year:

- Decrease in tax revenues of \$44,863.
- Decrease in expenditures for public works of \$141,893.
- Increase in revenue for charges for services of \$382,514.
- Decrease in operating grant revenue of \$147,761.

Business-Type Activities

As mention under the financial highlights above the business-type activities decreased by \$73,173 in the current fiscal year; by comparison, in the prior year, business-type activities net assets decreased by \$150,175.

Key elements for change include:

- Transfer in to support operations increased by \$237,669.
- Increase in state grant revenue of \$35,861.
- Increase in charges for services of \$91,984.
- Depreciation expense increased by \$78,655.
- Interest expense increased by \$32,026.

CITY OF HUDSON, MICHIGAN
Management's Discussion and Analysis
For The Year Ended June 30, 2020

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 \$917,022, a decrease of \$161,994, in comparison to the prior year. Approximately 34.6% of this total amount is unassigned fund balances, which is available for spending at the City's discretion.

The General Fund reported a decrease in fund balance of \$89,298 over the prior year, resulting in an unassigned fund balance of \$244,039. 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 13.5% of the total general fund expenditures and transfers out.

The decrease is mostly attributable to an increase in public works expenditures of \$53,183 and an increase in general government expenditures of \$45,649.

The Ambulance Fund reported an increase in fund balance of \$27,001 over the prior year. Charges for services increased by \$113,469 and public safety expenditures increased by \$32,078. The fund balance ended at \$83,216.

The Income Tax Fund reported a decrease in fund balance of \$195,957. Revenues decreased by \$13,514, while transfers out increased by \$178,578. The fund balance ended at \$57,165.

The Major Street Fund reported an increase in fund balance of \$66,164. Revenues from grants increased \$170,133 and public works expenditures decreased by \$9,428. The fund balance ended at \$261,049.

The Local Street Fund reported an increase in fund balance of \$15,758. Transfers in increased by \$27,300 and repairs and maintenance expenditures decreased by \$161,634. The fund balance ended at \$47,007.

The Fire Fund reported an increase in the fund balance of \$13,496. Capital outlay increased by \$472,990 and loan proceeds increased by \$531,779. The ending fund balance was \$65,551.

CITY OF HUDSON, MICHIGAN
Management's Discussion and Analysis
For The Year Ended June 30, 2020

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 \$47,598, for the current fiscal year and \$149,012 for the prior year. The utilities fund had a decrease in total net assets for the year of \$78,198. Most of the decrease is because of an increase in depreciation expenses.

General Fund Budgetary Highlights

The original budget called for a decrease in fund balance of \$44,895. The amended budget was for a decrease in fund balance of \$4,895 (See pages 45-46).

For the fiscal year of 2020, the budgetary estimate for the net change in fund balance was a decrease of \$4,895; the actual was a decrease of \$89,298 for a total variance from the budget of \$84,403.

Capital Assets And Debt Administration

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2020, amounted to \$14,479,790 (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 \$829,413. See (page 35) for types of capital assets purchased.

Economic Factors And Next Year's Budget And Rates

The City's budget for 2020-2021 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
For The Year Ended June 30, 2020

	Governmental Activities	Business-Type Activities	Total	Component Units
<u>Assets</u>				
Cash and Equivalents	\$1,050,723	\$ (95,725)	\$ 954,998	\$ 4,199
Investments	31,544	---	31,544	---
Receivables - Net	335,438	182,018	517,456	---
Inventory	3,951	14,068	18,019	---
Prepaid Items and Other Assets	300	173	473	---
Capital Assets Not Being Depreciated	266,833	33,600	300,433	30,000
Capital Assets Being Depreciated - Net	<u>6,637,975</u>	<u>7,541,382</u>	<u>14,179,357</u>	<u>302,216</u>
Total Assets	<u>8,326,764</u>	<u>7,675,516</u>	<u>16,002,280</u>	<u>336,415</u>
<u>Liabilities</u>				
Accounts Payable and Accrued Expenses	247,243	27,885	275,128	433
Long-Term Liabilities:				
Due Within One Year	106,173	315,000	421,173	---
Due In More Than One Year	<u>608,765</u>	<u>4,816,665</u>	<u>5,425,430</u>	<u>---</u>
Total Liabilities	<u>962,181</u>	<u>5,159,550</u>	<u>6,121,731</u>	<u>---</u>
<u>Net Assets</u>				
Invested In Capital Assets, Net of Related Debt	6,227,367	2,443,317	8,670,684	332,216
Restricted	373,148	---	373,148	---
Unrestricted	<u>764,068</u>	<u>72,649</u>	<u>836,717</u>	<u>3,766</u>
Total Net Assets	<u>\$7,364,583</u>	<u>\$2,515,966</u>	<u>\$ 9,880,549</u>	<u>\$335,982</u>

CITY OF HUDSON, MICHIGAN
Government-wide Statement of Activities
For The Year Ended June 30, 2020

<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>
<u>Primary Government</u>					
<u>Governmental Activities:</u>					
General Government	\$ 849,937	\$ 869,975	\$ ---	\$ ---	\$ 20,038
Public Safety	1,248,020	562,813	100,041	---	(585,166)
Public Works	1,239,234	129,511	170,133	---	(939,590)
Community and Economic Development	148	---	---	---	(148)
Recreation and Culture	80,948	19,647	---	---	(61,301)
Interest on Long-Term Debt	27,449	---	---	---	(27,449)
Other Functions	<u>453,800</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>(453,800)</u>
Total Governmental Activities	<u>3,899,536</u>	<u>1,581,946</u>	<u>270,174</u>	<u>---</u>	<u>(2,047,416)</u>
<u>Business-Type Activities:</u>					
Utilities	1,304,740	756,586	586,218	---	38,064
Interest on Long-Term Debt	<u>111,237</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>(111,237)</u>
Total Business-Type Activities	<u>1,415,977</u>	<u>756,586</u>	<u>586,218</u>	<u>---</u>	<u>(73,173)</u>
Total Primary Government	<u>\$5,315,513</u>	<u>\$2,338,532</u>	<u>\$856,392</u>	<u>\$ ---</u>	<u>\$(2,120,589)</u>
<u>Component Units:</u>					
Downtown Development Authority	<u>21,346</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ (21,346)</u>
Total Component Unit	<u>\$ 21,346</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ (21,346)</u>

CITY OF HUDSON, MICHIGAN
Government-wide Statement Of Activities (Concluded)
For The Year Ended June 30, 2020

	<u>Primary Government</u>			<u>Component Units</u>
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	
<u>Changes In Net Assets</u>				
Net (Expense) Revenue	\$(2,047,416)	\$ (73,173)	\$ (2,120,589)	\$ (21,346)
General Revenues(Expense):				
Tax Collections	1,264,576	---	1,264,576	---
Grants and Contributions Not Restricted To Specific Programs	311,880	---	311,880	---
Earnings and Rentals	<u>30,447</u>	<u>---</u>	<u>30,447</u>	<u>3,440</u>
Total General Revenues, Contributions and Transfers	<u>1,606,903</u>	<u>---</u>	<u>1,606,903</u>	<u>3,440</u>
Change In Net Assets (Decrease)	(440,513)	(73,173)	(513,686)	(17,906)
Net Assets, Beginning of Year	<u>7,805,096</u>	<u>2,589,139</u>	<u>10,394,235</u>	<u>351,222</u>
Net Assets, End of Year	<u>\$ 7,364,583</u>	<u>\$2,515,966</u>	<u>\$ 9,880,549</u>	<u>\$333,316</u>

CITY OF HUDSON, MICHIGAN
Governmental Funds
Balance Sheet
For The Year Ended June 30, 2020

	<u>General</u> <u>Fund</u>	<u>Ambulance</u> <u>Fund</u>	<u>Income Tax</u> <u>Fund</u>
<u>Assets</u>			
Cash and Cash Equivalents	\$260,226	\$ (39,995)	\$ 57,165
Investments	---	---	---
Prepaid Expenses	---	---	---
Receivables - Net	42,232	140,943	72,252
Receivable from Other Governments	35,949	---	---
Inventories	3,951	---	---
Due From Other Funds	---	---	---
	<u>---</u>	<u>---</u>	<u>---</u>
Total Assets	<u>\$342,358</u>	<u>\$100,948</u>	<u>\$129,417</u>
 <u>Deferred Inflow of Resources</u>			
Income/Property Taxes	\$ 8,305	\$ 1,909	\$ 72,252
Charges for Services	---	---	---
	<u>---</u>	<u>---</u>	<u>---</u>
Total Deferred Inflow of Resources	<u>8,305</u>	<u>1,909</u>	<u>72,252</u>
 <u>Liabilities</u>			
Accounts Payable/ Accrued Liabilities	59,224	15,682	---
Due to Other Funds	<u>22,951</u>	<u>141</u>	<u>---</u>
Total Liabilities	<u>82,175</u>	<u>15,823</u>	<u>---</u>
 <u>Fund Balances</u>			
Non-Spendable:			
Inventories	3,951	---	---
Prepaid Expenses	---	---	---
Restricted For:			
Public Safety - Ambulance	---	83,216	---
Public Safety - Fire	---	---	---
Public Safety - Police	3,888	---	---
Public Works - Roads	---	---	---
Recreation and Culture	---	---	---
Cemetery and Perpetual Care	---	---	---
Unassigned	<u>244,039</u>	<u>---</u>	<u>57,165</u>
Total Fund Balances	<u>251,878</u>	<u>83,216</u>	<u>57,165</u>
Total Liabilities and Fund Balances	<u>\$342,358</u>	<u>\$100,948</u>	<u>\$129,417</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>
\$79,113	\$380,705	\$18,432	\$124,409	\$ 880,055
---	---	---	31,544	31,544
300	---	---	---	300
---	---	---	12	255,439
---	33,113	10,937	---	79,999
---	---	---	---	3,951
<u>2,434</u>	<u>---</u>	<u>20,658</u>	<u>---</u>	<u>23,092</u>
<u>\$81,847</u>	<u>\$413,818</u>	<u>\$50,027</u>	<u>\$155,965</u>	<u>\$1,274,380</u>
\$ ---	\$ ---	\$ ---	\$ ---	\$ 82,466
<u>7,275</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>7,275</u>
<u>7,275</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>89,741</u>
9,021	152,769	3,020	4,809	244,525
---	---	---	---	23,092
<u>9,021</u>	<u>152,769</u>	<u>3,020</u>	<u>4,809</u>	<u>267,617</u>
---	---	---	---	3,951
300	---	---	---	300
---	---	---	---	83,216
65,251	---	---	---	65,251
---	---	---	---	3,888
---	261,049	47,007	---	308,056
---	---	---	112,262	112,262
---	---	---	22,804	22,804
---	---	---	16,090	317,294
<u>65,551</u>	<u>261,049</u>	<u>47,007</u>	<u>151,156</u>	<u>917,022</u>
<u>\$81,847</u>	<u>\$413,818</u>	<u>\$50,027</u>	<u>\$155,965</u>	<u>\$1,274,380</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
For The Year Ended June 30, 2020

Fund Balances – Total Governmental Funds \$ 917,022

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.

Add:	Capital Assets	17,017,799
(Deduct):	Accumulated Depreciation	(10,112,991)

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.

Add:	Net assets of governmental activities accounted for in the internal service fund.	146,857
-------------	---	---------

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

(Deduct):	Notes Payable- Ambulance	(197,919)
(Deduct):	Notes Payable- Fire Truck	(479,522)
(Deduct):	Compensated Absences Long-term	(37,497)
(Deduct):	Accrued Interest Payable	(14,856)

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

Add:	Deferred Inflow of Resources – Property / Income Tax	89,741
-------------	--	--------

Accounts receivables are included in the funds statement if received within 60 days, but for the government-wide statement of net assets all receivables are included

Add:	State Shared Revenues	<u>35,949</u>
-------------	-----------------------	---------------

Net Assets of Governmental Activities	<u>\$ 7,364,583</u>
--	---------------------

CITY OF HUDSON, MICHIGAN
Governmental Funds
Statement of Revenue, Expenditures, and Changes In Fund Balances
For The Year Ended June 30, 2020

	<u>General Fund</u>	<u>Ambulance Fund</u>	<u>Income Tax Fund</u>
<u>Revenues</u>			
Taxes	\$ 641,621	\$ 51,910	\$ 522,984
Intergovernmental	262,710	---	---
Licenses and Permits	25,814	---	---
Fines and Forfeitures	8,246	---	---
Charges for Services	638,229	562,813	---
Interest and Rentals	10,827	3	221
Contributions from Local Units	---	---	---
Other	18,253	960	---
Grants	29,042	---	---
Contributions	---	---	---
	<u>1,634,742</u>	<u>615,686</u>	<u>523,205</u>
Total Revenue			
<u>Expenditures</u>			
Current:			
General Government	544,936	---	134,985
Public Safety	390,925	579,137	---
Public Works	673,210	---	---
Community Economic Development	148	---	---
Recreation and Culture	---	---	---
Capital Outlay	---	9,999	---
Other Functions	139,855	---	---
Debt Service:			
Principal Payments	---	21,376	---
Interest Payments	---	7,105	---
	<u>1,749,074</u>	<u>617,617</u>	<u>134,985</u>
Total Expenditures			
Excess of Revenue Over (Under) Expenditures	<u>(114,332)</u>	<u>(1,931)</u>	<u>388,220</u>
<u>Other Financing Sources (Uses)</u>			
Transfers In	80,000	28,932	---
Transfers Out	(54,966)	---	(584,177)
Loan Proceeds	---	---	---
	<u>25,034</u>	<u>28,932</u>	<u>(584,177)</u>
Total Other Financing Sources (Uses)			
Net Change In Fund Balances (Decrease)	(89,298)	27,001	(195,957)
Fund Balances – Beginning of Year	<u>341,176</u>	<u>56,215</u>	<u>253,122</u>
Fund Balances – End of Year	<u>\$ 251,878</u>	<u>\$ 83,216</u>	<u>\$ 57,165</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>
\$ ---	\$ ---	\$ ---	\$ ---	\$1,216,515
---	402,117	89,204	---	754,031
---	---	---	---	25,814
---	---	---	---	8,246
---	---	---	19,647	1,220,689
51	471	14	18,860	30,447
67,605	---	---	---	67,605
15	---	---	9,375	28,603
---	---	---	---	29,042
<u>31,461</u>	<u>---</u>	<u>---</u>	<u>7,817</u>	<u>39,278</u>
<u>99,132</u>	<u>402,588</u>	<u>89,218</u>	<u>55,699</u>	<u>3,420,270</u>
---	---	---	45,142	725,063
104,886	---	---	---	1,074,948
---	346,424	139,260	---	1,158,894
---	---	---	---	148
---	---	---	58,700	58,700
531,779	---	---	9,750	551,528
---	---	---	---	139,855
52,257	---	---	---	73,633
<u>10,224</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>17,329</u>
<u>699,146</u>	<u>346,424</u>	<u>139,260</u>	<u>113,592</u>	<u>3,800,098</u>
<u>(600,014)</u>	<u>56,164</u>	<u>(50,042)</u>	<u>(57,893)</u>	<u>(379,828)</u>
81,731	10,000	65,800	58,735	325,198
---	---	---	---	(639,143)
<u>531,779</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>531,779</u>
<u>613,510</u>	<u>10,000</u>	<u>65,800</u>	<u>58,735</u>	<u>217,834</u>
13,496	66,164	15,758	842	(161,994)
<u>52,055</u>	<u>194,885</u>	<u>31,249</u>	<u>150,314</u>	<u>1,079,016</u>
<u>\$ 65,551</u>	<u>\$ 261,049</u>	<u>\$ 47,007</u>	<u>\$151,156</u>	<u>\$ 917,022</u>

CITY OF HUDSON, MICHIGAN
Reconciliation Of The Statement Of Revenues, Expenditures,
And Changes In Fund Balances Of Governmental Statement Of Activities
For The Year Ended June 30, 2020

Net Change In Fund Balances – Total Governmental Funds (Decrease) \$(161,994)

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.

Add:	Capital Outlay	551,528
(Deduct):	Depreciation Expense	(443,989)

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

Add:	Principal payments on long-term liabilities	73,633
(Deduct):	Accrued interest on long-term debt	(10,120)
(Deduct):	Loan Proceeds	(531,779)

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.

(Deduct):	Increase in compensated absences long-term	(11,194)
------------------	--	----------

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.

Add:	Increase in net assets of governmental activities accounted for in the internal service fund	54,649
-------------	--	--------

Revenue deferred on the governmental funds report, which has been charged to receivable and thus income on the statement of activities.

Add:	Increase in deferred revenue	48,061
-------------	------------------------------	--------

Accounts receivable are included in the funds statement if received within 60 days but for the government-wide statement of net assets all receivable are included.

(Deduct):	Additional Receivable – State of Michigan	<u>(9,308)</u>
------------------	---	----------------

Change In Net Assets Of Governmental Activities (Decrease) \$(440,513)

CITY OF HUDSON, MICHIGAN
Statement of Net Assets
Proprietary Funds
For The Year Ended June 30, 2020

	<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	\$ (95,725)	\$170,668
Accounts Receivable	182,018	3,768
Inventory	14,068	---
Prepaid Interest	<u>173</u>	<u>---</u>
Total Current Assets	<u>100,534</u>	<u>174,436</u>
Non-Current Assets:		
Property and Equipment - Net	<u>7,574,982</u>	<u>196,742</u>
Total Non-Current Assets	<u>7,574,982</u>	<u>196,742</u>
Total Assets	<u>\$7,675,516</u>	<u>\$371,178</u>
<u>Liabilities</u>		
Current Liabilities:		
Accounts Payable and Accrued Liabilities/Deposits	\$ 52,936	\$ 2,528
Bonds Payable, Current Portion	<u>315,000</u>	<u>---</u>
Total Current Liabilities	<u>367,936</u>	<u>2,528</u>
Non-Current Liabilities:		
Bonds Payable	<u>4,816,665</u>	<u>---</u>
Total Non-Current Liabilities	<u>4,816,665</u>	<u>---</u>
Total Liabilities	<u>5,184,601</u>	<u>2,528</u>
<u>Net Assets</u>		
Invested in Capital Assets, Net of Related Debt	2,443,317	196,742
Unrestricted	<u>47,598</u>	<u>171,908</u>
Total Net Assets	<u>2,490,915</u>	<u>\$368,650</u>
Adjustment to Reflect The Consolidation of Internal Service Fund Activities Related to Enterprise Funds	<u>25,051</u>	
Net Assets of Business-Type Activities on the Government-Wide Statement of Net Assets	<u>\$2,515,966</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, 2020

	Business-Type Activities - Enterprise Funds	Governmental Activities
	Utilities Fund	Internal Service Fund
<u>Operating Revenues</u>		
Charges for Services	<u>\$ 716,031</u>	<u>\$153,605</u>
<u>Operating Expenses</u>		
Salaries and Wages	87,503	---
Fringe Benefits	51,138	---
Office Expenses	208,701	32,000
Contractual Services	282,819	500
Supplies and Materials	103,576	11,653
Utilities	94,954	---
Depreciation	415,265	27,936
Repairs/Maintenance	59,818	49,886
Other Expenses	<u>966</u>	<u>316</u>
Total Operating Expenses	<u>1,304,740</u>	<u>122,291</u>
Operating (Loss) Income	<u>(588,709)</u>	<u>31,314</u>
<u>Non-Operating Revenues (Expenses)</u>		
Investment Income	---	423
Interest (Expense)	(111,237)	---
Other - Miscellaneous	35,530	---
Grant Revenue - State	<u>272,273</u>	<u>---</u>
Total Non-Operating Revenues (Expenses)	<u>196,566</u>	<u>423</u>
<u>Other Financing Sources</u>		
Transfer In	<u>313,945</u>	<u>---</u>
Total Other Financing Sources	<u>313,945</u>	<u>---</u>
Net Income (Loss)	(78,198)	31,737
Net Assets, Beginning of Year	<u>2,569,113</u>	<u>336,913</u>
Net Assets, End of Year	<u>\$2,490,915</u>	<u>\$368,650</u>

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

CITY OF HUDSON, MICHIGAN
Reconciliation Of The Statement Of Revenues, Expenditures, To The Statement Of Activities
Proprietary Funds
For The Year Ended June 30, 2020

Change In Net Assets – All Enterprise Funds (Decrease) \$(78,198)

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

5,025

Change In Net Assets Of Business-Type Activities (Decrease) **\$(73,173)**

CITY OF HUDSON, MICHIGAN
Statement of Cash Flows
Proprietary Funds
For The Year Ended June 30, 2020

	Business-Type Activities <u>Enterprise Funds</u>	Governmental <u>Activities</u>
	<u>Utilities Fund</u>	<u>Internal Service Fund</u>
<u>Cash Flows From Operating Activities</u>		
Cash Received from Customers	\$ 691,121	\$153,605
Cash Payment to Suppliers For Goods and Services/Employees	<u>(921,200)</u>	<u>(91,826)</u>
Net Cash Provided (Used)	<u>(230,079)</u>	<u>61,779</u>
<u>Cash Flows From Capital and</u> <u>Related Financing Activities</u>		
Grant Revenue - State	272,273	---
Purchase of Capital Assets	(277,884)	---
Bond Principal Payments	(310,000)	---
Bond Interest Payments	(111,237)	---
Loan Proceeds	131,935	---
Transfer In	<u>313,945</u>	<u>---</u>
Net Cash (Used) by Capital and Related Financing Activities	<u>(19,032)</u>	<u>---</u>
<u>Cash Flows From Investing Activities</u>		
Investment Income	<u>---</u>	<u>423</u>
Net Cash Provided (Used) by Investing Activities	<u>---</u>	<u>423</u>
<u>Net Increase (Decrease) in Cash and</u> <u>Cash Equivalents</u>		
	(175,517)	62,202
Cash and Cash Equivalents, Beginning of Year	<u>79,792</u>	<u>108,466</u>
Cash and Cash Equivalents, End of Year	<u>\$ (95,725)</u>	<u>\$170,668</u>
<u>Reconciliation to Statement of Net Assets</u>		
Cash and Cash Equivalents (Overdrawn)	<u>\$ (95,725)</u>	<u>\$170,668</u>
	<u>\$ (95,725)</u>	<u>\$170,668</u>

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

CITY OF HUDSON, MICHIGAN
Statement of Cash Flows (Concluded)
Proprietary Funds
For The Year Ended June 30, 2020

	<u>Business-Type Activities - Enterprise Funds</u>	<u>Governmental Activities</u>
	<u>Utilities Fund</u>	<u>Internal Service Fund</u>
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities</u>		
Income (Loss)	\$ (588,709)	\$ 31,314
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:		
Depreciation/Amortization	415,265	27,936
Changes in Assets and Liabilities:		
Accounts Receivable, and Current Assets	(24,910)	---
Accounts Payable and Accrued Liabilities	<u>(31,725)</u>	<u>2,529</u>
Net Cash Provided (Used) by Operating Activities	<u>(230,079)</u>	<u>61,779</u>
<u>Cash Flows from Capital Activities</u>		
Acquisition of Capital Assets	<u>(277,884)</u>	<u>---</u>
Net Cash (Used) from Capital Activities	<u>(277,884)</u>	<u>---</u>
<u>Cash Flows From Financing Activities:</u>		
WWTP Bond Debt	131,935	---
Grant Revenue - State	272,273	---
Interest Income	---	423
Principal Paid on Bonds	(310,000)	---
Interest Paid on Bonds	(111,237)	---
Miscellaneous Income	35,530	---
Transfer In	<u>313,945</u>	<u>---</u>
Net Cash (Used) from Financing Activities	<u>332,446</u>	<u>423</u>
Net Increase (Decrease) in Cash and		
Cash Equivalents	(175,517)	62,202
Cash and Cash Equivalents, Beginning of Year	<u>79,792</u>	<u>108,466</u>
Cash and Cash Equivalents, End of Year	<u>\$ (95,725)</u>	<u>\$170,668</u>
<u>Reconciliation to Statement of Net Assets</u>		
Cash and Cash Equivalents (Overdrawn)	<u>\$ (95,725)</u>	<u>\$170,668</u>
	<u>\$ (95,725)</u>	<u>\$170,668</u>

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

CITY OF HUDSON
Fiduciary Funds – Statement of Net Assets
For The Year Ended June 30, 2020

	Current Tax Collection <u>Fund</u>
<u>Assets</u>	
Cash and Cash Equivalents	\$ ---
Total Assets	<u>\$ ---</u>
<u>Liabilities</u>	
Due to Other Authorities	\$ ---
Total Liabilities	<u>\$ ---</u>

CITY OF HUDSON, MICHIGAN
Notes to Financial Statements
For The Year Ended June 30, 2020

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 Unit

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
For The Year Ended June 30, 2020

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
For The Year Ended June 30, 2020

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.

The government reports the following component unit:

The Component Unit – consists of the following:

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
For The Year Ended June 30, 2020

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
For The Year Ended June 30, 2020

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
For The Year Ended June 30, 2020

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
For The Year Ended June 30, 2020

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, 2020, 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	\$ 98,122	\$110,594	\$12,472
Treasurer	80,250	84,715	4,465
Assessing	58,300	61,625	3,325
Building and Grounds	13,150	71,492	58,342
Public Works:			
Street Maintenance	447,213	538,411	91,198
Refuse Collection	103,380	115,618	12,238
Spring/Fall Cleanup	11,920	14,162	2,242
Public Safety:			
Police	361,618	381,005	19,387
Inspections	9,450	9,920	470
Other Functions	138,715	139,855	1,140
Ambulance Fund:			
Public Safety	532,715	579,137	46,422
Income Tax Fund:			
General Government	102,464	134,985	32,521
Local Street Fund:			
Public Works	97,400	139,260	41,860
Fire Fund:			
Public Safety	104,425	104,886	461
Capital Outlay	---	531,779	531,779
Debt Retirement	60,000	62,481	2,481

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, 2020:

<u>Statement of Net Assets</u>	<u>Primary Government</u>	<u>Component Units</u>	<u>Total</u>
Cash and Cash Equivalents	\$954,998	\$4,199	\$959,197
Investments	<u>31,544</u>	<u>---</u>	<u>31,544</u>
Totals	<u>\$986,542</u>	<u>\$4,199</u>	<u>\$990,741</u>
 <u>Deposits and Investments</u>			
Bank Deposits (Checking, Savings, Money Markets and Certificates of Deposits)			<u>\$990,741</u>
Total			<u>\$990,741</u>

CITY OF HUDSON, MICHIGAN
Notes to Financial Statements
For The Year Ended June 30, 2020

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 \$374,879 the amount insured for the component units was \$8,740.

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, 2020.

At June 30, 2020, 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)	Hudson Foundation	47%
Certificate of Deposit (FDIC)	County National Bank	37%
Certificate of Deposit (FDIC)	Premier Bank	16%

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.

CITY OF HUDSON, MICHIGAN
Notes to Financial Statements
For The Year Ended June 30, 2020

NOTE 4 – CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2020 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<u>Governmental Activities</u>				
Capital Assets, Not Being Depreciated:				
Land	\$ 266,833	\$ ---	\$ ---	\$ 266,833
	<u>266,833</u>	<u>---</u>	<u>---</u>	<u>266,833</u>
Capital Assets, Being Depreciated:				
Buildings	2,056,439	---	---	2,056,439
Vehicles	2,328,810	531,779	---	2,860,589
Equipment	3,433,814	19,749	---	3,453,563
Infrastructure	8,380,375	---	---	8,380,375
Total Capital Assets Being Depreciated	<u>16,199,438</u>	<u>551,528</u>	<u>---</u>	<u>16,750,966</u>
Less Accumulated Depreciation For:				
Buildings	(1,192,122)	(48,634)	---	(1,240,756)
Vehicles	(1,731,110)	(74,308)	---	(1,805,418)
Equipment	(2,276,501)	(122,930)	---	(2,399,431)
Infrastructure	(4,469,269)	(198,117)	---	(4,667,386)
Total Accumulated Depreciation	<u>(9,669,002)</u>	<u>(443,989)</u>	<u>---</u>	<u>(10,112,991)</u>
Total Capital Assets, Being Depreciated, Net	<u>6,530,436</u>	<u>107,539</u>	<u>---</u>	<u>6,637,975</u>
Governmental Activities Capital Assets, Net	<u>\$ 6,797,269</u>	<u>\$ 107,539</u>	<u>\$ ---</u>	<u>\$ 6,904,808</u>
<u>Business-Type Activities</u>				
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	14,306,686	277,885	---	14,584,571
Equipment	448,334	---	---	448,334
Total Capital Assets Being Depreciated	<u>14,755,020</u>	<u>277,885</u>	<u>---</u>	<u>15,032,905</u>
Less Accumulated Depreciation For:				
Buildings	(6,675,247)	(409,378)	---	(7,084,625)
Equipment	(401,009)	(5,889)	---	(406,898)
Total Accumulated Depreciation	<u>(7,076,256)</u>	<u>(415,267)</u>	<u>---</u>	<u>(7,491,523)</u>
Total Capital Assets, Being Depreciated, Net	<u>7,678,764</u>	<u>(137,382)</u>	<u>---</u>	<u>7,541,382</u>
Business Type Activities Capital Assets, Net	<u>\$ 7,712,364</u>	<u>\$ (137,382)</u>	<u>\$ ---</u>	<u>\$ 7,574,982</u>

CITY OF HUDSON, MICHIGAN
Notes to Financial Statements
For The Year Ended June 30, 2020

NOTE 4 – CAPITAL ASSETS (Continued)

Capital assets activity for the year ended June 30, 2020 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<u>Component Unit Activity - DDA</u>				
Capital Assets Not Being Depreciated:				
Land	\$ 32,400	\$ ---	\$ ---	\$ 32,400
Total Capital Assets Not Being Depreciated	<u>32,400</u>	<u>---</u>	<u>---</u>	<u>32,400</u>
Capital Assets Being Depreciated:				
Building Improvements	396,135	---	---	396,135
Equipment	<u>16,733</u>	<u>---</u>	<u>---</u>	<u>16,733</u>
Total Capital Assets Being Depreciated	<u>412,868</u>	<u>---</u>	<u>---</u>	<u>412,868</u>
Less Accumulated Depreciation For:				
Building Improvements	(85,685)	(14,986)	---	(100,671)
Equipment	<u>(11,328)</u>	<u>(1,053)</u>	<u>---</u>	<u>(12,381)</u>
Total Accumulated Depreciation	<u>(97,013)</u>	<u>(16,039)</u>	<u>---</u>	<u>(113,052)</u>
Total Capital Assets, Being Depreciated, Net	<u>315,855</u>	<u>(16,039)</u>	<u>---</u>	<u>299,816</u>
Component Unit - DDA Capital Assets, Net	<u>\$348,255</u>	<u>\$(16,039)</u>	<u>\$ ---</u>	<u>\$ 332,216</u>

CITY OF HUDSON, MICHIGAN
Notes to Financial Statements
For The Year Ended June 30, 2020

NOTE 4 – CAPITAL ASSETS (Continued)

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

Governmental Activities:

General Government	\$113,680
Public Safety	173,072
Public Works	107,053
Culture and Recreation	22,248
Capital Assets Held By The Government's Internal Service Funds Are Charged To The Various Functions Based On Their Usage Of The Assets.	<u>27,936</u>

**Total Depreciation Expense
Governmental Activities** \$443,989

Business-Type Activities:

Utilities	<u>\$415,267</u>
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**Total Depreciation Expense
Business-Type Activities** \$415,267

Component Unit Activities:

Equipment	\$ 1,053
Building Improvements	<u>14,986</u>

**Total Depreciation Expense
Component Unit Activities** \$ 16,039

CITY OF HUDSON, MICHIGAN
Notes to Financial Statements
For The Year Ended June 30, 2020

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	\$ 1,800	\$ ---
General/Sidewalk	80,000	54,966
Income Tax	---	584,177
Major Street	10,000	---
Local Street	65,800	---
Utilities	313,945	---
Fire	81,731	---
Ambulance	28,932	---
Community Center	16,935	---
Museum	10,000	---
Cemetery Foundation	<u>30,000</u>	<u>---</u>
	<u>\$639,143</u>	<u>\$639,143</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 31st and are levied on June 1st. Taxes become delinquent on September 15 with a 1/2% interest charge beginning September 15th. 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
For The Year Ended June 30, 2020

NOTE 8 – LONG TERM DEBT

Long-term debt consists of the following:

	<u>Balance</u> <u>July 1,</u> <u>2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30,</u> <u>2020</u>	<u>Due</u> <u>Within</u> <u>One Year</u>
Bonds Payable – 2001 Drinking Water Program	\$ 391,665	\$ ---	\$105,000	\$ 286,665	\$105,000
Note Payable – 2017 Ambulance	219,295	---	21,376	197,919	22,068
Waste Water Treatment Plant - 2017 Bond	4,918,065	131,935	205,000	4,845,000	210,000
Compensated Absences	26,312	37,496	26,312	37,496	37,496
Note Payable – Fire Truck	<u>---</u>	<u>531,779</u>	<u>52,257</u>	<u>479,522</u>	<u>46,608</u>
Total	<u>\$5,555,337</u>	<u>\$701,210</u>	<u>\$409,945</u>	<u>\$5,846,602</u>	<u>\$421,172</u>

Ambulance – 2017 International

Title of Issue: Ambulance – Note Payable – Old National Bank
Purpose: Purchase 2 Ambulances
Date of Note: October 7, 2017
Maturity of Note: October 31, 2027
Interest Rate: 3.24%
Payments: Annually at \$248,481 including interest – starting October 31, 2018
Amount of Note: \$240,000

<u>Due Dates</u>	<u>Total</u>	<u>Interest</u>	<u>Principal</u>
October 31, 2020	\$ 28,481	\$ 6,413	\$ 22,068
October 31, 2021	28,481	5,698	22,783
October 31, 2022	28,481	4,959	23,522
October 31, 2023	28,481	4,197	24,284
October 31, 2024	28,481	3,410	25,071
October 31, 2025	28,481	2,598	25,883
October 31, 2026	28,481	1,760	26,721
October 21, 2027	<u>28,481</u>	<u>894</u>	<u>27,587</u>
	<u>\$227,848</u>	<u>\$29,929</u>	<u>\$197,919</u>

CITY OF HUDSON, MICHIGAN
Notes to Financial Statements
For The Year Ended June 30, 2020

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

<u>Due Dates</u>	<u>Total</u>	<u>Interest</u>	<u>Principal</u>
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	<u>71,785</u>	<u>120</u>	<u>71,665</u>
	<u>\$292,765</u>	<u>\$6,100</u>	<u>\$286,665</u>

City of Hudson – 2019 Spartan Pumper

Title of Issue: Fire Truck – Note Payable – Old National Bank
Purpose: Purchase New Pumper Fire Truck
Date of Issue: September 30, 2019
Maturity of Note: October 31, 2028
Interest Rate: 3.31%
Amount of Note: \$531,779
Payments: Annually at \$62,480.42 including interest – starting October 31, 2019

<u>Due Dates</u>	<u>Total</u>	<u>Interest</u>	<u>Principal</u>
October 31, 2020	\$ 62,480	\$15,872	\$ 46,608
October 31, 2021	62,480	14,330	48,151
October 31, 2022	62,480	12,736	49,745
October 31, 2023	62,480	11,089	51,391
October 31, 2024	62,480	9,388	53,092
October 31, 2025	62,480	7,631	54,850
October 31, 2026	62,480	5,815	56,665
October 31, 2027	62,480	3,940	58,541
October 31, 2028	<u>62,485</u>	<u>2,002</u>	<u>60,479</u>
	<u>\$562,325</u>	<u>\$82,803</u>	<u>\$479,522</u>

CITY OF HUDSON, MICHIGAN
Notes to Financial Statements
For The Year Ended June 30, 2020

NOTE 8 – LONG TERM DEBT (CONTINUED)

City of Hudson – Waste Water Treatment Plant Bond Issue

Title of Issue: City of Hudson Waste Water Treatment Plant General
Obligation Bonds
Purpose: Waste Water Treatment Plant Construction, etc.
Date of Issue: December 15, 2017
Interest Rate: 2050%
Interest Payable: Semi-Annual on October 1, and April 1, of each year
Amount of Issue: \$5,050,000

<u>Due Dates</u>	<u>Total</u>	<u>Interest</u>	<u>Principal</u>
October 1, 2020	\$ 257,600	\$ 48,180	\$ 210,000
April 1, 2021	46,500	46,080	
October 1, 2021	260,500	46,080	215,000
April 1, 2022	43,350	43,930	
October 1, 2022	263,350	43,930	220,000
April 1, 2023	41,150	41,730	
October 1, 2023	266,150	41,730	225,000
April 1, 2024	38,900	39,480	
October 1, 2024	268,900	39,480	230,000
April 1, 2025	36,600	37,180	
October 1, 2025	271,600	37,180	235,000
April 1, 2026	34,250	34,830	
October 1, 2026	274,250	34,830	240,000
April 1, 2027	31,850	32,430	
October 1, 2027	276,850	32,430	245,000
April 1, 2028	29,400	29,980	
October 1, 2028	279,400	29,980	250,000
April 1, 2029	26,900	27,480	
October 1, 2029	281,900	27,480	255,000
April 1, 2030	24,350	24,930	
October 1, 2030	284,350	24,930	260,000
April 1, 2031	21,750	22,330	
October 1, 2031	286,750	22,330	265,000
April 1, 2032	19,100	19,680	
October 1, 2032	289,100	19,680	270,000
April 1, 2033	16,400	16,980	
October 1, 2033	291,400	16,980 ✓	275,000
April 1, 2034	13,650	14,230 ✓	
October 1, 2034	293,650	14,230 ✓	280,000
April 1, 2035	10,850	11,430 ✓	
October 1, 2035	295,850	11,430 ✓	285,000
April 1, 2036	8,000	8,580 ✓	
October 1, 2036	298,000	8,580 ✓	290,000
April 1, 2037	5,680	5,680 ✓	
October 1, 2037	300,680	5,680 ✓	295,000
April 1, 2038	2,730	2,730 ✓	
October 1, 2038	302,730	2,730 ✓	300,000
	<u>\$5,794,420</u>	<u>\$967,560</u>	<u>\$4,845,000</u>

CITY OF HUDSON, MICHIGAN
Notes to Financial Statements
For The Year Ended June 30, 2020

NOTE 8 – LONG TERM DEBT (CONTINUED)

Maturities of Long-Term Debt

Maturities for the long-term debt are as follows:

<u>Due Dates</u>	<u>Total</u>	<u>Interest</u>	<u>Principal</u>
2021	\$ 504,586	\$ 120,910	\$ 383,676
2022	507,586	111,652	395,934
2023	468,407	103,475	364,932
2024	397,171	96,496	300,675
2025-2029	2,254,892	379,338	1,875,554
2030-2034	1,534,550	209,550	1,325,000
2035-2039	<u>1,521,070</u>	<u>71,070</u>	<u>1,450,000</u>
	<u>\$7,188,262</u>	<u>\$1,092,491</u>	<u>\$6,095,771</u>

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 a 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, 2020, 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.

CITY OF HUDSON, MICHIGAN
Notes to Financial Statements
For The Year Ended June 30, 2020

NOTE 12 – RECEIVABLES

Receivables of the governmental activities and business-type activities of the government at June 30, 2020 consist of the following:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Property Taxes/Assessments	\$ 10,214	\$ ---
Income Taxes	72,252	---
Ambulance Runs	139,034	---
State of Michigan	79,999	---
Equipment Rent	---	---
Refuse	33,927	---
Utilities	---	182,018
Interest	<u>12</u>	<u>---</u>
Totals	<u>\$335,438</u>	<u>\$182,018</u>

Fiduciary receivables represent monies collected by the tax collection fund not remitted to the general fund by June 30, 2020.

NOTE 13 – INTERFUND RECEIVABLES AND PAYABLES

At June 30, 2020 the following were interfund receivables and payables in the fund statement.

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General	\$ ---	\$22,951
Fire	2,434	---
Local Streets	20,658	---
Ambulance	<u>---</u>	<u>141</u>
Totals	<u>\$23,092</u>	<u>\$23,092</u>

The monies represent loans or receivables between funds of the City, which are anticipated to be repaid within one year.

NOTE 14 – SUBSEQUENT EVENTS

Management has reviewed the events occurring through October 13, 2020, the date the financial statements were available to be issued, and no subsequent events occurred requiring accrual or disclosure.

CITY OF HUDSON, MICHIGAN
Notes to Financial Statements
For The Year Ended June 30, 2020

NOTE 15 – 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.

	<u>Fair Market Value</u>
Hudson Museum Fund	<u>\$31,544</u>
Total	<u>\$31,544</u>

NOTE 16 – 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.

NOTE 17 – TAX ABATEMENTS

The City enters into property tax abatement agreements with local businesses under Public Act 198 of 1974. Under the Act, localities may grant property tax abatements of up to 50 percent of a business' property tax bill for the purpose of expanding or rehabilitating industrial facilities within their jurisdictions. The abatements may be granted to any business located within or promising to relocate to the City.

For the fiscal year ended June 30, 2020, the City did not have any outstanding tax abatements.

CITY OF HUDSON, MICHIGAN
Budgetary Comparison Schedule
General Fund
For The Year Ended June 30, 2020

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance With Amended Budget</u>
<u>Beginning of Year Fund Balance</u>	\$ 341,176	\$ 341,176	\$ 341,176	\$ ---
Resources (Inflows)				
Taxes and Assessments	578,900	601,274	641,621	40,347
Intergovernmental	267,300	267,300	262,710	(4,590)
Grants	500	500	29,042	28,542
Licenses and Permits	19,350	19,350	25,814	6,464
Fines and Forfeitures	11,500	11,500	8,246	(3,254)
Charges for Services	682,879	667,731	638,229	(29,502)
Interest and Rentals	14,695	14,695	10,827	(3,868)
Other	5,000	5,000	18,253	13,253
Transfers from Other Funds	<u>30,000</u>	<u>30,000</u>	<u>80,000</u>	<u>50,000</u>
Amounts Available for Appropriation	<u>1,951,300</u>	<u>1,958,526</u>	<u>2,055,918</u>	<u>97,392</u>
<u>Charges to Appropriations (Outflows)</u>				
General Government				
City Council	19,305	19,305	15,571	3,734
City Manager	93,490	93,490	91,425	2,065
Office Operations	98,122	98,122	110,594	(12,472)
Treasurer	80,250	80,250	84,715	(4,465)
Assessing	49,950	58,300	61,625	(3,325)
Clerk	87,406	87,406	84,044	3,362
Elections	10,125	10,125	4,912	5,213
City Attorney/Auditing	21,850	21,850	20,558	1,292
Buildings and Grounds	<u>13,150</u>	<u>13,150</u>	<u>71,492</u>	<u>(58,342)</u>
	<u>473,648</u>	<u>481,998</u>	<u>544,936</u>	<u>(62,938)</u>
Public Safety				
Police	360,932	361,618	381,005	(19,387)
Inspections	<u>9,450</u>	<u>9,450</u>	<u>9,920</u>	<u>(470)</u>
	<u>370,382</u>	<u>371,068</u>	<u>390,925</u>	<u>(19,857)</u>
Community Economic Development				
Zoning	<u>1,985</u>	<u>1,985</u>	<u>148</u>	<u>1,837</u>
Public Works				
Mosquito Spraying	4,000	4,000	19	3,981
Sanitary Landfill	5,000	5,000	5,000	---
Street Maintenance & Lighting	447,213	447,213	538,411	(91,198)
Spring/Fall Cleanup	11,920	11,920	14,162	(2,242)
Refuse Collection	<u>103,380</u>	<u>103,380</u>	<u>115,618</u>	<u>(12,238)</u>
	<u>571,513</u>	<u>571,513</u>	<u>673,210</u>	<u>(101,697)</u>

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

CITY OF HUDSON, MICHIGAN
Budgetary Comparison Schedule (Concluded)
General Fund
For The Year Ended June 30, 2020

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance With Amended Budget</u>
<u>Charges to Appropriations (Outflows)</u> <u>(Continued)</u>				
	\$	\$	\$	\$
Other Functions	<u>180,525</u>	<u>138,715</u>	<u>139,855</u>	<u>(1,140)</u>
Capital Outlay	<u>2,000</u>	<u>2,000</u>	<u>---</u>	<u>2,000</u>
Transfers to Other Funds	<u>54,966</u>	<u>54,966</u>	<u>54,966</u>	<u>---</u>
Total Charges to Appropriations	<u>1,655,019</u>	<u>1,622,245</u>	<u>1,804,040</u>	<u>(181,795)</u>
Ending of Year Fund Balance	<u>\$ 296,281</u>	<u>\$ 336,281</u>	<u>\$ 251,878</u>	<u>\$ (84,403)</u>

CITY OF HUDSON, MICHIGAN
Budgetary Comparison Schedule
Ambulance Fund (Major Special Revenue Funds)
For The Year Ended June 30, 2020

	<u>Original</u>	<u>Amended</u>		<u>Variance With</u>
	<u>Budget</u>	<u>Budget</u>	<u>Actual</u>	<u>Amended</u>
				<u>Budget</u>
<u>Beginning of Year Fund Balance</u>	\$ 56,215	\$ 56,215	\$ 56,215	\$ ---
<u>Resources (Inflows)</u>				
Taxes	50,915	54,177	51,910	(2,267)
Charges For Services	459,500	491,000	562,813	71,813
Interest Income	10	10	3	(7)
Transfer In From Funds	28,932	28,932	28,932	---
Other	<u>---</u>	<u>---</u>	<u>960</u>	<u>960</u>
 Amounts Available for Appropriation	<u>595,572</u>	<u>630,334</u>	<u>700,833</u>	<u>70,499</u>
<u>Charges to Appropriations (Outflows)</u>				
Public Safety				
Ambulance	525,883	532,715	579,137	(46,422)
Capital Outlay	15,000	14,500	9,999	4,501
Debt Service:				
Principle Payments	21,732	21,732	21,376	356
Interest Payments	<u>7,200</u>	<u>7,200</u>	<u>7,105</u>	<u>95</u>
Total Charges to Appropriations	<u>569,815</u>	<u>576,147</u>	<u>617,617</u>	<u>(41,470)</u>
Ending of Year Fund Balance	<u>\$ 25,757</u>	<u>\$ 54,187</u>	<u>\$ 83,216</u>	<u>\$ 29,029</u>

CITY OF HUDSON, MICHIGAN
Budgetary Comparison Schedule
Income Tax Fund (Major Special Revenue Fund)
For The Year Ended June 30, 2020

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance With Amended Budget</u>
<u>Beginning of Year Fund Balance</u>	\$253,122	\$253,122	\$253,122	\$ ---
<u>Resources (Inflows)</u>				
Taxes	486,900	521,400	522,984	1,584
Interest and Rentals	<u>500</u>	<u>500</u>	<u>221</u>	<u>(279)</u>
 Amounts Available for Appropriation	<u>740,522</u>	<u>775,022</u>	<u>776,327</u>	<u>1,305</u>
<u>Charges to Appropriations (Outflows)</u>				
General Government	102,464	102,464	134,985	(32,521)
Transfers to Other Funds	578,766	680,266	584,177	96,089
Capital Outlay	<u>1,000</u>	<u>---</u>	<u>---</u>	<u>1,000</u>
 Total Charges to Appropriations	<u>682,230</u>	<u>783,730</u>	<u>719,162</u>	<u>64,568</u>
Ending of Year Fund Balance	<u>\$ 58,292</u>	<u>\$ (8,708)</u>	<u>\$ 57,165</u>	<u>\$ 65,873</u>

CITY OF HUDSON, MICHIGAN
Budgetary Comparison Schedule
Fire Fund (Major Special Revenue Fund)
For The Year Ended June 30, 2020

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance With Amended Budget</u>
<u>Beginning of Year Fund Balance</u>	\$ 52,055	\$ 52,055	\$ 52,055	\$ ---
<u>Resources (Inflows)</u>				
Contribution from Local Units	77,734	77,734	67,605	(10,129)
Donations	200	200	31,461	31,261
Transfer in from Funds	86,231	86,231	81,731	(4,500)
Other Revenue	50	50	531,794	531,744
Interest and Rentals	<u>10</u>	<u>10</u>	<u>51</u>	<u>41</u>
Amounts Available for Appropriation	<u>216,280</u>	<u>216,280</u>	<u>764,697</u>	<u>548,417</u>
<u>Charges to Appropriations (Outflows)</u>				
Public Safety	104,425	104,425	104,886	(461)
Capital Outlay	---	---	531,779	(531,779)
Debt Retirement	<u>60,000</u>	<u>60,000</u>	<u>62,481</u>	<u>(2,481)</u>
Total Charges to Appropriations	<u>164,425</u>	<u>164,425</u>	<u>699,146</u>	<u>(534,721)</u>
Ending of Year Fund Balance	<u>\$ 51,855</u>	<u>\$ 51,855</u>	<u>\$ 65,551</u>	<u>\$ 13,696</u>

CITY OF HUDSON, MICHIGAN
Budgetary Comparison Schedule
Major Street Fund (Major Special Revenue Fund)
For The Year Ended June 30, 2020

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance With Amended Budget</u>
<u>Beginning of Year Fund Balance</u>	\$194,885	\$194,885	\$194,885	\$ ---
Resources (Inflows)				
Intergovernmental	232,523	238,023	402,117	164,094
Interest and Rentals	10	10	471	461
Transfers from Other Funds	<u>260,000</u>	<u>361,500</u>	<u>10,000</u>	<u>(351,500)</u>
Amounts Available for Appropriation	<u>687,418</u>	<u>794,418</u>	<u>607,473</u>	<u>(186,945)</u>
<u>Charges to Appropriations (Outflows)</u>				
Public Works	712,200	819,200	346,424	472,776
Transfers to Other Funds	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>
Total Charges to Appropriations	<u>712,200</u>	<u>819,200</u>	<u>346,424</u>	<u>472,776</u>
Ending of Year Fund Balance	<u>\$ (24,782)</u>	<u>\$ (24,782)</u>	<u>\$261,049</u>	<u>\$ 285,831</u>

CITY OF HUDSON, MICHIGAN
Budgetary Comparison Schedule
Local Street Fund (Major Special Revenue Fund)
For The Year Ended June 30, 2020

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance With Amended Budget</u>
<u>Beginning of Year Fund Balance</u>	\$ 31,249	\$ 31,249	\$ 31,249	\$ ---
Resources (Inflows)				
Intergovernmental	79,300	79,300	89,204	9,904
Transfers from Other Funds	43,000	43,000	65,800	22,800
Interest Income	<u>30</u>	<u>30</u>	<u>14</u>	<u>(16)</u>
Amounts Available for Appropriation	<u>153,579</u>	<u>153,579</u>	<u>186,267</u>	<u>32,688</u>
<u>Charges to Appropriations (Outflows)</u>				
Public Works	<u>97,400</u>	<u>97,400</u>	<u>139,260</u>	<u>(41,860)</u>
Total Charges to Appropriations	<u>97,400</u>	<u>97,400</u>	<u>139,260</u>	<u>(41,860)</u>
Ending of Year Fund Balance	<u>\$ 56,179</u>	<u>\$ 56,179</u>	<u>\$ 47,007</u>	<u>\$ (9,172)</u>

CITY OF HUDSON, MICHIGAN
Combining Balance Sheet
Non-Major Governmental Funds
For The Year Ended June 30, 2020

Special Revenue Funds

	<u>Recreation</u>	<u>Cemetery</u>
<u>Assets</u>		
Cash and Equivalents	\$19,259	\$20,567
Investments	---	---
Receivables	<u>---</u>	<u>---</u>
Total Assets	<u>\$19,259</u>	<u>\$20,567</u>
<u>Liabilities and Fund Balances</u>		
<u>Liabilities</u>		
Accounts Payable	\$ 42	\$ ---
Deposits Payable	---	---
Accrued Liabilities	<u>---</u>	<u>---</u>
Total Liabilities	<u>42</u>	<u>---</u>
<u>Fund Balance</u>		
Restricted For:		
Summer Recreation	19,217	---
Cemetery	---	20,567
Community Center	---	---
Museum	---	---
Cemetery Perpetual Care	---	---
Library	---	---
Committed For:		
Debt Service	<u>---</u>	<u>---</u>
Total Fund Balances	<u>19,217</u>	<u>20,567</u>
Total Liabilities and Fund Balances	<u>\$19,259</u>	<u>\$20,567</u>

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

<u>Special Revenue Funds</u>				<u>Permanent Fund</u>	<u>Total Non-Major Governmental Funds</u>
<u>Community Center</u>	<u>Library</u>	<u>Museum</u>	<u>Industrial Park</u>	<u>Cemetery Perpetual Care</u>	
\$4,313	\$12,058	\$49,488	\$16,490	\$2,234	\$124,409
---	---	31,544	---	---	31,544
---	---	9	---	3	12
<u>\$4,313</u>	<u>\$12,058</u>	<u>\$81,041</u>	<u>\$16,490</u>	<u>\$2,237</u>	<u>\$155,965</u>
\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ 42
2,767	---	---	---	---	2,767
---	---	1,600	400	---	2,000
<u>2,767</u>	---	<u>1,600</u>	<u>400</u>	---	<u>4,809</u>
---	---	---	---	---	19,217
---	---	---	---	---	20,567
1,546	---	---	---	---	1,546
---	---	79,441	---	---	79,441
---	---	---	---	2,237	2,237
---	12,058	---	---	---	12,058
---	---	---	16,090	---	16,090
<u>1,546</u>	<u>12,058</u>	<u>79,441</u>	<u>16,490</u>	<u>2,237</u>	<u>151,156</u>
<u>\$4,313</u>	<u>\$12,058</u>	<u>\$81,041</u>	<u>\$16,490</u>	<u>\$2,237</u>	<u>\$155,965</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, 2020

Special Revenue Funds

	<u>Recreation</u>	<u>Cemetery</u>
<u>Revenues:</u>		
Charges for Services	\$ 7,604	\$ 12,043
Interest and Rents	---	39
Other Revenue	---	7,625
Contributions	<u>---</u>	<u>---</u>
Total Revenue	<u>7,604</u>	<u>19,707</u>
<u>Expenditures:</u>		
General Government	---	41,704
Recreational and Cultural	11,005	---
Capital Outlay	<u>---</u>	<u>---</u>
Total Expenditures	<u>11,005</u>	<u>41,704</u>
<u>Excess of Revenues Over</u>		
<u>(Under) Expenditures</u>	<u>(3,401)</u>	<u>(21,997)</u>
<u>Other Financing Sources (Uses):</u>		
Operating Transfers In	<u>1,800</u>	<u>30,000</u>
Total Other Financing Sources (Uses)	<u>1,800</u>	<u>30,000</u>
Excess of Revenues and Other Sources Over (Under) (Expenditures and Other Uses)	(1,601)	8,003
Beginning Fund Balance	<u>20,818</u>	<u>12,564</u>
Ending Fund Balance	<u>\$19,217</u>	<u>\$ 20,567</u>

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

<u>Special Revenue Funds</u>					<u>Permanent Fund</u>	<u>Total Non-Major Governmental Funds</u>
<u>Community Center</u>	<u>Library</u>	<u>Museum</u>	<u>Industrial Park</u>	<u>Cemetery Perpetual Care</u>		
\$ ---	\$ ---	\$ ---	\$ ---	\$ ---		\$ 19,647
14,757	---	4,036	---	28		18,860
750	---	---	1,000	---		9,375
---	---	7,817	---	---		7,817
<u>15,507</u>	<u>---</u>	<u>11,853</u>	<u>1,000</u>	<u>28</u>		<u>55,699</u>
---	---	---	3,438	---		45,142
24,409	763	22,523	---	---		58,700
9,750	---	---	---	---		9,750
<u>34,159</u>	<u>763</u>	<u>22,523</u>	<u>3,438</u>	<u>---</u>		<u>118,592</u>
(18,652)	(763)	(10,670)	(2,438)	28		(57,893)
<u>2,852</u>	<u>---</u>	<u>10,000</u>	<u>---</u>	<u>---</u>		<u>58,735</u>
<u>2,852</u>	<u>---</u>	<u>10,000</u>	<u>---</u>	<u>---</u>		<u>58,735</u>
3,004	763	(670)	(2,438)	28		842
<u>259</u>	<u>12,821</u>	<u>80,111</u>	<u>18,528</u>	<u>2,209</u>		<u>150,314</u>
<u>\$ 3,263</u>	<u>\$12,058</u>	<u>\$ 79,441</u>	<u>\$16,090</u>	<u>\$2,237</u>		<u>\$151,156</u>

CITY OF HUDSON, MICHIGAN
Combining Balance Sheet
Component Units
For The Year Ended June 30, 2020

	<u>Downtown Development Authority</u>	<u>Adjustments</u>	<u>Statement of Net Assets</u>
<u>Assets</u>			
Cash and Cash Equivalents	\$4,199	\$ ---	\$ 4,199
Capital Assets, Net	<u>---</u>	<u>332,216</u>	<u>332,216</u>
Total Assets	<u>\$4,199</u>	<u>\$332,216</u>	<u>\$336,415</u>
<u>Liabilities</u>			
Accounts Payable	\$ 33	\$ ---	\$ 33
Deferred Revenue	<u>400</u>	<u>---</u>	<u>400</u>
Total Liabilities	<u>433</u>	<u>---</u>	<u>433</u>
<u>Fund Balance/Net Assets</u>			
Unassigned	<u>3,766</u>	<u>(3,766)</u>	<u>---</u>
Total Fund Balance	<u>3,766</u>	<u>(3,766)</u>	<u>---</u>
Total Liabilities and Fund Balance	<u>\$4,199</u>		
<u>Net Assets</u>			
Invested in Capital Assets		332,216	332,216
Unrestricted		<u>3,766</u>	<u>3,766</u>
Total Net Assets		<u>\$335,982</u>	<u>\$335,982</u>

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, 2020

	Downtown Development Authority	Adjustments	Statement of Net Assets
<u>Revenues</u>			
Miscellaneous Income	\$ 40	\$ ---	\$ 40
Rental Income	<u>3,400</u>	<u>---</u>	<u>3,400</u>
Total Revenues	<u>3,440</u>	<u>---</u>	<u>3,440</u>
<u>Expenditures</u>			
Depreciation	---	16,039	16,039
Operating Expenses	<u>2,641</u>	<u>---</u>	<u>2,641</u>
Total Expenditures	<u>2,641</u>	<u>16,039</u>	<u>18,680</u>
Excess of Revenue Over (Under) Expenditures	<u>799</u>	<u>(16,039)</u>	<u>(15,240)</u>
Fund Balance/Net Assets Beginning of Year	<u>2,967</u>	<u>348,255</u>	<u>351,222</u>
Fund Balance/Net Assets End of Year	<u>\$ 3,766</u>	<u>\$332,216</u>	<u>\$335,982</u>

Brent D. Shea, CPA

- Certified Public Accountant -

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October 13, 2020

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 and the aggregate remaining fund information of the City of Hudson, Michigan as of and for the year ended June 30, 2020, 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 October 13, 2020.

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.

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 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.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider to be significant deficiencies. 2020.1 – 2020.3

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*.

City of Hudson, Michigan's 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.

Very Truly Yours,



Brent D. Shea, CPA

CITY OF HUDSON
Schedule of Findings/Comments
For The Year Ended June 30, 2020

2020.1 **PREPARATION OF BASIC 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 Officials: The City will continue to evaluate the cost vs. benefit of establishing 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.

2020.2 **ACCOUNTING FOR FIXED ASSETS AND LEASES**

Requirement: The City is to maintain adequate records reflecting fixed assets and leases in accordance with their capitalization policy.

Condition: The City has historically relied on its independent external auditors to assist in the maintaining of the fixed assets in order to prepare the financial statements in accordance with GAAP.

Cause: This condition is caused by the City's decision that it is more cost effective to outsource the function then to buy and train personnel to perform this task.

View of Responsible Officials: The City will continue to evaluate the cost vs. benefit fixed asset and leases.

CITY OF HUDSON
Schedule of Findings/Comments
For The Year Ended June 30, 2020

2020.3

PREPARATION OF BANK RECONCILIATION AND REMEDIATION OF ISSUES

Requirement: The City is to perform bank reconciliations for each bank account on a monthly basis.

Condition: Completion of timely bank reconciliations ensures the City has properly recorded all transactions and becomes aware of discrepancies on a timely basis, thus ensuring the accuracy of the general ledger.

Cause: The City performed reconciliations regularly during the fiscal year, but did not identify and correct issues in the general ledger.

Effect: As a result of this condition, there is a reasonable possibility that a material misstatement of the City's financial statements would not be prevented, or detected and corrected on a timely basis due to the deficient design of internal control.

Comment: The City should ensure reconciliations are completed each month on a timely basis and review interim draft financial statements to ensure all transactions that occurred during the period are included, balances for individual funds with pooled account are not overdrawn and irregularities in balances can be explained.

Response: The City agrees with this finding and agrees to implement improvements to the reconciliation process to make the control more effective.

