

**CITY OF HUDSONVILLE
OTTAWA COUNTY, MICHIGAN**

**REPORT ON FINANCIAL STATEMENTS
(with required and other supplementary information)**

YEAR ENDED JUNE 30, 2020

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INDEPENDENT AUDITOR'S REPORT

To the City Commission
City of Hudsonville, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Hudsonville, Michigan (the City), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Hudsonville, 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, budgetary comparison schedules, and pension plan information, as identified in the table of contents, 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 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's basic financial statements. The combining and individual nonmajor fund financial statements, as identified in the table of contents, 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 relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying other supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Maney Costeiran PC

October 23, 2020

**CITY OF HUDSONVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020**

This section of the City of Hudsonville's (the City) annual report presents our discussion and analysis of the City's financial performance during the year ended June 30, 2020. Please read it in conjunction with the City's financial statements, which immediately follow this section.

Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the City financially as a whole. The *Government-wide Financial Statements* provide information about the activities of the whole, presenting both an aggregate view of the City's finances and longer-term view of the finances. The *Fund Financial Statements* provide the next level of detail. These statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements look at the City's operations in more detail than the government-wide financial statements by providing information about the City's most significant funds.

Government-Wide Financial Statements

One of the most important questions asked about the City is, "As a whole, what is the City's financial condition as a result of the year's activities?" The Statement of Net Position and the Statement of Activities, which appear first in the basic financial statements, report information on the City as a whole and its activities in a way that helps you answer this question. These statements are prepared to include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The Statement of Net Position (page 11) presents all of the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, recording the difference between them as "net position". Over time, increases or decreases in net position measure whether the City's financial position is improving or deteriorating.

The Statement of Activities (page 12) presents information showing how the City's net position changed during fiscal year 2020. All changes in net position are reported based on the period for which the underlying events giving rise to the change occurs, regardless of the timing of related cash flows. Therefore, revenue and expenses are reported in these statements for some items that will only result in cash flows in future financial periods.

Both statements report the following activities:

- Governmental Activities - Most of the City's basic services are reported under this category. Taxes, charges for services and intergovernmental revenue primarily fund these services. This also includes the activities such as the major and local street maintenance, and debt service, as well as Terra Square.
- Business-type Activities - These activities operate like private businesses. The City charges fees to recover the cost of the services provided. The City water system and sewer system services are examples of such activities.
- Discretely Presented Component Units - Discretely presented component units are legally separate organizations for which the City Commission appoints a majority of the organization's policy board and there is a degree of financial accountability to the City. The City Downtown Development Authority (DDA) and the Tax Increment Finance Authority (TIFA) are discretely presented component units of the City.

**CITY OF HUDSONVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020**

As stated previously, the government-wide financial statements are full accrual basis statements. However, the governmental funds report on a modified accrual basis. Under modified accrual accounting, revenues are recognized when they are measurable and available to pay obligations of the fiscal period; expenditures are recognized when they are due to be paid from available resources. Because of the different basis of accounting between the fund statements (described below) and the government-wide statements, pages 14 and 16 present reconciliations between the two statement types.

Fund Financial Statements

The fund level financial statements are reported on the modified accrual basis. Only those assets that are "measurable" and "available" are reported. Liabilities are recognized to the extent that they are normally expected to be paid with current financial resources. Traditional users of governmental financial statements will find the fund financial statements presentation more familiar.

A fund is a fiscal and accounting entity with a self-balancing set of accounts that the City uses to keep track of specific sources of funding and spending for a particular purpose. State law or policy requires some separate funds, such as funds required by bond or grant agreements. Funds are also utilized to track specific operations; these include the internal service fund (e.g., Equipment Fund) as well as enterprise funds such as the Sewer Fund and Water Fund.

The City's funds are divided into two categories - governmental and proprietary - and use different accounting approaches:

- Governmental Funds - Most of the City's basic services are reported in the governmental funds. The focus of these funds is how cash and other financial assets that can be readily converted to cash, flow in and out during the course of the fiscal year, and how the balances left at year-end are available for spending on future services. Consequently, the governmental fund financial statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that may be expended in the near future to finance the City's programs. Governmental funds include the General Fund, as well as special revenue, capital projects, debt service, and permanent funds.
- In the governmental fund financial statements, purchased capital assets are reported as expenditures in the year of acquisition. No capital assets are reported. The issuance of debt is recorded as a financial resource. The current year's payments of principal and interest on long-term obligations are recorded as expenditures. Future year's debt obligations are not recorded.
- Proprietary Funds - Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds use the same accrual basis of accounting used in the government-wide financial statements and by private business. There are two types of proprietary funds. Enterprise funds report activities that provide supplies and/or services to the general public. Internal service funds report activities that provide supplies or service to the City's other operations, such as the Equipment Fund. Internal service funds are reported as governmental activities on the government-wide financial statements.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the detail provided in the government-wide and fund financial statements. The notes can be found beginning on page 22 of this report.

**CITY OF HUDSONVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020**

Required Supplementary Information

Required supplementary information includes budgetary comparison schedules for the City's major governmental funds, schedule of changes in employer's net pension liability and related ratios and schedule of employer contributions.

Other Supplementary Information

Other supplementary information includes combining financial statements for nonmajor governmental funds. These funds are added together, by fund type, and are presented in a single aggregate column in the basic financial statements. Other supplementary information also includes component unit funds financial statements.

Summary of Net Position

The following summarizes the net position as of June 30, 2020 and 2019:

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Assets						
Current and other assets	\$ 2,466,867	\$ 2,358,391	\$ 1,994,399	\$ 925,454	\$ 4,461,266	\$ 3,283,845
Capital assets, net	16,638,443	16,284,845	9,642,008	10,157,964	26,280,451	26,442,809
Total assets	<u>19,105,310</u>	<u>18,643,236</u>	<u>11,636,407</u>	<u>11,083,418</u>	<u>30,741,717</u>	<u>29,726,654</u>
Deferred Outflows of Resources	93,573	264,727	-	-	93,573	264,727
Liabilities						
Current	612,331	570,766	289,330	268,074	901,661	838,840
Noncurrent	5,283,954	5,531,786	-	-	5,283,954	5,531,786
Total liabilities	<u>5,896,285</u>	<u>6,102,552</u>	<u>289,330</u>	<u>268,074</u>	<u>6,185,615</u>	<u>6,370,626</u>
Deferred Inflows of Resources	-	66,813	-	-	-	66,813
Net Position						
Net investment						
in capital assets	11,763,485	11,203,778	7,914,680	7,525,303	19,678,165	18,729,081
Restricted	770,367	976,210	-	-	770,367	976,210
Unrestricted	768,746	558,610	3,432,397	3,290,041	4,201,143	3,848,651
Total net position	<u>\$ 13,302,598</u>	<u>\$ 12,738,598</u>	<u>\$ 11,347,077</u>	<u>\$ 10,815,344</u>	<u>\$ 24,649,675</u>	<u>\$ 23,553,942</u>

**CITY OF HUDSONVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020**

Results of Operations

For the fiscal year ended June 30, 2020 and 2019, the government-wide results of operations were:

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Revenues						
Program revenue						
Charges for services	\$ 520,982	\$ 447,325	\$ 2,382,497	\$ 2,289,004	\$ 2,903,479	\$ 2,736,329
Operating grants and contributions	1,132,270	1,142,578	140,131	131,313	1,272,401	1,273,891
Capital grants and contributions	-	647,397	-	-	-	647,397
General revenues						
Property taxes	2,650,417	2,539,923	-	-	2,650,417	2,539,923
State revenue sharing	646,451	652,623	-	-	646,451	652,623
Local community stabilization	183,057	178,527	-	-	183,057	178,527
Investment earnings	110,340	96,044	31,922	56,965	142,262	153,009
Other	247,647	252,467	892	12,260	248,539	264,727
Transfers	-	-	-	-	-	-
Total revenues	5,491,164	5,956,884	2,555,442	2,489,542	8,046,606	8,446,426
Expenses						
General government	923,460	1,034,351	-	-	923,460	1,034,351
Public safety	916,277	885,048	-	-	916,277	885,048
Public works	1,393,080	1,444,842	-	-	1,393,080	1,444,842
Community and economic development	570,549	436,337	-	-	570,549	436,337
Recreation and cultural	960,118	797,278	-	-	960,118	797,278
Sewer	-	-	1,271,737	1,419,026	1,271,737	1,419,026
Water	-	-	751,972	689,667	751,972	689,667
Terra Square	-	-	-	-	-	-
Interest on long-term debt	163,680	167,639	-	-	163,680	167,639
Total expenses	4,927,164	4,765,495	2,023,709	2,108,693	6,950,873	6,874,188
Change in net position	564,000	1,191,389	531,733	380,849	1,095,733	1,572,238
Net position, beginning of year	12,738,598	11,547,209	10,815,344	10,434,495	23,553,942	21,981,704
Net position, end of year	\$ 13,302,598	\$ 12,738,598	\$ 11,347,077	\$ 10,815,344	\$ 24,649,675	\$ 23,553,942

Analysis of Results of Operations

During fiscal year ended June 30, 2020, the City's net position increased by \$1,095,733. Several factors which contributed to this increase are discussed in the following sections.

Governmental Activities Operating Results

The City's revenues from governmental activities operations exceeded expenses by \$564,000 for the fiscal year ended June 30, 2020. Total revenues decreased by \$465,720, or 7.82%. Total expenses increased \$161,669, or 3.39%. In 2020, the City had additional expenses mainly due to increases in the recreation and cultural and community and economic development functions as compared to the previous year. The Terra Square Fund was included in governmental activities for the first time in 2018-19 after having been reported as a business-type activity previously.

**CITY OF HUDSONVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020**

Business-type Activities Operating Results

The City's revenues from business-type activities operations exceeded expenses by \$531,733 for the fiscal year ended June 30, 2020. Total revenues increased \$65,900, or 2.65%. Total expenses decreased \$84,984 or 4.03%.

Financial Analysis of the Government's Funds

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

Governmental funds. The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government'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 \$2,060,810, an increase of \$115,061 in comparison with the prior year. Approximately 56.69% of this (\$1,168,246) constitutes *unassigned or assigned fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is *nonspendable* or *restricted* to indicate that it is not available for new spending because it has already been restricted or obligated to pay for specific debt services or for a variety of other purposes.

The General Fund is the chief operating fund of the City. The fund balance of the City's General Fund increased by \$320,904 during the current fiscal year to \$1,290,443; \$909,430 of which was unassigned, \$258,816 was assigned, and \$122,197 was nonspendable. As a measure of the General Fund's liquidity, it may be useful to compare unassigned fund balance to the total fund expenditures. Unassigned fund balance at June 30, 2020, represents 22.48% of the total General Fund expenditures and other financing uses. Total revenues and other financing sources increased by \$203,875, or 4.90%, while expenditures and other financing uses increased by \$360,115, or 9.77%.

Budgetary basis revenues and other financing sources for the General Fund were increased approximately 3.21% from the original budget. Actual revenues and other financing sources came in \$235,803 more than the amended budget, primarily due to higher than anticipated state revenues and reimbursements. Budgetary basis expenditures and other financing uses were increased by \$210,226 from the original budget primarily due to higher expenditures for planning and zoning than originally anticipated. Expenditures and other financing uses came in \$246,893 below the amended budget. The variances combined to result in the favorable variance of \$482,696.

The Major Streets Fund (major governmental fund) had a fund balance of \$501,924 at the close of the fiscal year. This was an increase of \$49,309, or 10.89%, from the prior year. This increase was primarily due an increase in intergovernmental revenues and contributions in the current year.

The Terra Square Fund (major governmental fund) had a fund balance of \$46,076 at the close of the fiscal year. This was an increase of \$2,462, or 5.64%, from the prior year. This increase was primarily due to an increase in transfers in from the general fund.

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

**CITY OF HUDSONVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020**

Unrestricted net position of the Sewer Fund and Water Fund at the end of the year amounted to \$1,672,328, and \$1,760,069 respectively. The most recent fiscal year's activity increased the net position in the Sewer Fund and Water Fund by \$195,127, and \$336,606 respectively. Revenues for both funds increased as compared to the previous year. Expenses for the Sewer Fund were decreased approximately \$147,000 from the previous year due to less contractual and repair expenses, while expenses in the Water Fund increased by about \$63,000 due to an increase in contractual service expenses.

Long-term Debt Activities

The City decreased its long-term debt obligation during 2019-2020 by making principal payments of \$190,000. This makes the balance of total long-term debt \$4,475,000 as of June 30, 2020. See Note 5 to the financial statements for more information on long-term debt.

The City made principal payments on long-term debt obligations that reduced the amount of the City's long-term liabilities as follows:

	Principal Balance <u>June 30, 2019</u>	Debt Proceeds	Principal Payments	Principal Balance <u>June 30, 2020</u>
2016 Capital Improvement Bonds	\$ 4,505,000	\$ -	\$ 170,000	\$ 4,335,000
2012 Installment Purchase Contract	<u>160,000</u>	<u>-</u>	<u>20,000</u>	<u>140,000</u>
Total Long-Term Obligations	<u>\$ 4,665,000</u>	<u>\$ -</u>	<u>\$ 190,000</u>	<u>\$ 4,475,000</u>

The City has accumulated a long-term liability for absences that have been earned by employees but not yet redeemed. The balance of compensated absences as of June 30, 2020, is \$49,540.

**CITY OF HUDSONVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020**

Net Investment in Capital Assets

The City's net investment in capital assets (Primary Government) increased by \$742,975 during the fiscal year. During the year the City made investments in infrastructure improvements, library equipment, and its utility systems, as well as recognizing depreciation on assets owned by the City. See Note 4 in the notes to the financial statements for more information on capital assets. This can be summarized as follows:

	Balance June 30, 2019	Net Additions/ Deletions	Balance June 30, 2020
Capital assets	\$ 35,107,694	\$ 1,510,219	\$ 36,617,913
Less accumulated depreciation	<u>(15,067,118)</u>	<u>(935,500)</u>	<u>(16,002,618)</u>
	20,040,576	574,719	20,615,295
Add Capital assets not being depreciated	<u>3,659,572</u>	<u>168,256</u>	<u>3,827,828</u>
Net investment in capital assets	<u>\$ 23,700,148</u>	<u>\$ 742,975</u>	<u>\$ 24,443,123</u>

Economic Factors and Next Year's Budgets and Rates

There are several economic factors that will affect the City in the next several years. These include the financial impacts of COVID-19 on City operations, the increase in health insurance costs for employees, accelerated pension costs to fund the net pension liability, street improvements and other infrastructure improvements, the purchase of new City equipment, and increasing principal and interest payments on City debt obligations. These factors were considered in the preparation of the City's fiscal year 2020-2021 budget. On the revenue side, the City anticipates growth in the total taxable value due to new commercial and industrial developments. This should help to offset the economic factors mentioned above. In addition, the City Commission is currently monitoring, and will evaluate and respond as necessary, to various State and Federal legislation regarding pension plans and other changes. The City Commission will also continue to pursue grant funding to help offset the costs of necessary street improvements and other capital project costs.

Contacting the City's Financial Management

This financial report is designed to provide our citizens and taxpayers with a general overview of the City's finances. If you have questions about this report or need additional information, contact Keyla Garcia, Finance Director, City of Hudsonville, Michigan.

BASIC FINANCIAL STATEMENTS

CITY OF HUDSONVILLE
STATEMENT OF NET POSITION
JUNE 30, 2020

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current assets				
Cash, cash equivalents, and pooled investments	\$ 1,071,343	\$ 1,458,602	\$ 2,529,945	\$ 15,540
Receivables	119,994	495,556	615,550	-
Due from other governmental units	398,564	-	398,564	-
Inventories	-	36,688	36,688	-
Prepays	17,659	3,553	21,212	847
Land held for resale and development	-	-	-	1,481,901
Total current assets	1,607,560	1,994,399	3,601,959	1,498,288
Noncurrent assets				
Noncurrent pooled investments	859,307	1,727,328	2,586,635	95,406
Advance to other governmental units	110,000	-	110,000	-
Capital assets not being depreciated	3,489,882	337,946	3,827,828	179
Capital assets, net of accumulated depreciation	13,038,561	7,576,734	20,615,295	313,356
Total noncurrent assets	17,497,750	9,642,008	27,139,758	408,941
TOTAL ASSETS	19,105,310	11,636,407	30,741,717	1,907,229
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows of resources related to pensions	93,573	-	93,573	-
LIABILITIES				
Current liabilities				
Accounts payable	181,432	278,677	460,109	2,806
Accrued wages	98,435	10,653	109,088	-
Other accrued liabilities	-	-	-	1,598
Due to other governmental units	12	-	12	-
Accrued interest payable	16,194	-	16,194	-
Unearned revenue	55,609	-	55,609	-
Current portion of compensated absences	49,540	-	49,540	-
Current portion of long-term debt	211,109	-	211,109	-
Total current liabilities	612,331	289,330	901,661	4,404
Noncurrent liabilities				
Advance from other governmental units	-	-	-	110,000
Noncurrent portion of long-term debt	4,553,849	-	4,553,849	-
Net pension liability	730,105	-	730,105	-
Total noncurrent liabilities	5,283,954	-	5,283,954	110,000
TOTAL LIABILITIES	5,896,285	289,330	6,185,615	114,404
NET POSITION				
Net investment in capital assets	11,763,485	7,914,680	19,678,165	313,535
Restricted for				
Highways and streets	722,382	-	722,382	-
Recreation and culture	1,909	-	1,909	-
Community and economic development	46,076	-	46,076	-
Unrestricted	768,746	3,432,397	4,201,143	1,479,290
TOTAL NET POSITION	\$ 13,302,598	\$ 11,347,077	\$ 24,649,675	\$ 1,792,825

See accompanying notes to financial statements.

**CITY OF HUDSONVILLE
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2020**

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government		
				Governmental Activities	Business-type Activities	Total
						Component Units
Primary government						
Governmental activities						
General government	\$ 923,460	\$ 194,618	\$ 12,262	\$ (716,580)	\$ -	\$ (716,580)
Public safety	916,277	154,284	5,628	(756,365)	-	(756,365)
Public works	1,393,080	-	955,527	(437,553)	-	(437,553)
Community and economic development	570,549	157,328	-	(413,221)	-	(413,221)
Recreation and culture	960,118	14,752	125,566	(819,800)	-	(819,800)
Interest on long-term debt	163,680	-	33,287	(130,393)	-	(130,393)
Total governmental activities	4,927,164	520,982	1,132,270	(3,273,912)	-	(3,273,912)
Business-type activities						
Sewer	1,271,737	1,311,767	140,131	-	180,161	180,161
Water	751,972	1,070,730	-	-	318,758	318,758
Total business-type activities	2,023,709	2,382,497	140,131	-	498,919	498,919
Total primary government	\$ 6,950,873	\$ 2,903,479	\$ 1,272,401	(3,273,912)	498,919	(2,774,993)
Component units						
Downtown Development Authority	\$ 10,609	\$ -	\$ -	\$ -	\$ -	(10,609)
Tax Increment Finance Authority	160,393	-	4,961	-	-	(155,432)
Total component units	\$ 171,002	\$ -	\$ 4,961	\$ -	\$ -	(166,041)
General revenues						
Property taxes				2,650,417	-	2,650,417
Local community stabilization				183,057	-	183,057
State shared revenues				646,451	-	646,451
Investment earnings				110,340	31,922	142,262
Gain on sale of assets				12,744	-	12,744
Miscellaneous				234,903	892	235,795
Total general revenues				3,837,912	32,814	3,870,726
Change in net position				564,000	531,733	1,095,733
Net position, beginning of the year				12,738,598	10,815,344	23,553,942
Net position, end of the year				\$ 13,302,598	\$ 11,347,077	\$ 24,649,675

See accompanying notes to financial statements.

**CITY OF HUDSONVILLE
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2020**

	General	Special Revenue		Nonmajor Governmental Funds	Total
		Major Streets	Terra Square Fund		
ASSETS					
Cash, cash equivalents, and pooled investments	\$ 1,004,757	\$ 433,645	\$ 102,650	\$ 201,226	\$ 1,742,278
Receivables					
Accounts	105,028	-	3,124	-	108,152
Interest	10,658	592	-	592	11,842
Due from other governmental units	288,596	84,489	-	25,479	398,564
Prepays	12,197	1,371	1,621	811	16,000
Advance to other governmental units	110,000	-	-	-	110,000
TOTAL ASSETS	\$ 1,531,236	\$ 520,097	\$ 107,395	\$ 228,108	\$ 2,386,836
LIABILITIES					
Accounts payable	\$ 158,428	\$ 12,711	\$ 2,274	\$ 2,549	\$ 175,962
Accrued wages	82,353	5,462	3,436	3,192	94,443
Due to other governmental units	12	-	-	-	12
Unearned revenue	-	-	55,609	-	55,609
TOTAL LIABILITIES	240,793	18,173	61,319	5,741	326,026
FUND BALANCES					
Nonspendable	122,197	1,371	1,621	811	126,000
Restricted	-	500,553	44,455	221,556	766,564
Assigned	258,816	-	-	-	258,816
Unassigned	909,430	-	-	-	909,430
TOTAL FUND BALANCES	1,290,443	501,924	46,076	222,367	2,060,810
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,531,236	\$ 520,097	\$ 107,395	\$ 228,108	\$ 2,386,836

See accompanying notes to financial statements.

**CITY OF HUDSONVILLE
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2020**

Total fund balances - governmental funds \$ 2,060,810

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

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

The cost of capital assets is	\$ 21,971,306	
Accumulated depreciation is	<u>(6,198,474)</u>	
Capital assets, net		15,772,832

An Internal Service Fund is used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the Internal Service Fund are included in the governmental activities in the statement of net position.

Net position of the governmental activities accounted for in the Internal Service Fund		936,180
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Governmental funds report actual pension expenditures for the fiscal year, whereas the governmental activities will recognize the net pension liability as of the measurement date. Pension contributions subsequent to the measurement date will be deferred in the statement of net position. In addition, resources related to changes of assumptions, differences between expected and actual experience, and differences between projected and actual pension plan investment earnings will be deferred over time in the government-wide financial statements. These amounts consist of:

Deferred outflows of resources related to pensions		93,573
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Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds balance sheet. Long-term liabilities at year-end consist of:

Bonds and installment purchase contract payable	(4,475,000)	
Capitalized bond premiums	(289,958)	
Accrued interest payable on long-term debt	(16,194)	
Net pension liability	(730,105)	
Compensated absences	<u>(49,540)</u>	
		<u>(5,560,797)</u>

Net position of governmental activities \$ 13,302,598

**CITY OF HUDSONVILLE
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2020**

	General	Special Revenue		Nonmajor Governmental Funds	Total
		Major Streets	Terra Square Fund		
REVENUES					
Taxes	\$ 2,708,807	\$ -	\$ -	\$ -	\$ 2,708,807
Licenses and permits	243,435	-	-	-	243,435
Intergovernmental	1,012,334	613,941	-	342,010	1,968,285
Charges for services	13,737	-	37,025	-	50,762
Fines and forfeits	49,670	-	-	-	49,670
Interest and rents	95,267	10,484	97,977	7,178	210,906
Contributions	3,591	-	-	4,926	8,517
Miscellaneous	237,683	481	-	453	238,617
TOTAL REVENUES	4,364,524	624,906	135,002	354,567	5,478,999
EXPENDITURES					
Current					
General government	960,427	-	-	-	960,427
Public safety	918,189	-	-	-	918,189
Public works	256,229	574,709	-	333,548	1,164,486
Community and economic development	389,308	-	171,745	-	561,053
Recreation and culture	658,426	-	-	4,167	662,593
Other	268,342	-	-	-	268,342
Debt service	25,180	-	-	345,125	370,305
Capital outlay	173,351	888	5,795	241,179	421,213
TOTAL EXPENDITURES	3,649,452	575,597	177,540	924,019	5,326,608
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	715,072	49,309	(42,538)	(569,452)	152,391
OTHER FINANCING SOURCES (USES)					
Transfers in	2,670	-	45,000	534,643	582,313
Transfers out	(396,838)	-	-	(222,805)	(619,643)
TOTAL OTHER FINANCING SOURCES (USES)	(394,168)	-	45,000	311,838	(37,330)
NET CHANGE IN FUND BALANCES	320,904	49,309	2,462	(257,614)	115,061
Fund balances, beginning of year	969,539	452,615	43,614	479,981	1,945,749
Fund balances, end of year	\$ 1,290,443	\$ 501,924	\$ 46,076	\$ 222,367	\$ 2,060,810

See accompanying notes to financial statements.

CITY OF HUDSONVILLE
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2020

Net change in fund balances - total governmental funds \$ 115,061

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

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

Capital outlay	\$ 981,133	
Depreciation expense	<u>(637,261)</u>	
Excess of capital outlay over depreciation expense		343,872

Certain transactions related to long-term debt are reported as expenditures or other financing sources/uses in governmental funds, but are reflected as increases or decreases of the applicable deferred outflows of resources or liabilities in the statement of net position. In the current year, these amounts consist of:

Principal payments on long-term debt		190,000
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Internal service funds are used by management to charge the costs of certain activities to individual funds.

Change in net position of the Internal Service Fund		(21,749)
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Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

Decrease in net pension liability	36,723	
(Decrease) in deferred outflows of resources	(171,154)	
Decrease in deferred inflows of resources	66,813	
Decrease in accrued interest payable	516	
Amortization of bond premium on long-term debt	16,109	
(Increase) in compensated absences	<u>(12,191)</u>	
		<u>(63,184)</u>

Change in net position of governmental activities \$ 564,000

**CITY OF HUDSONVILLE
 PROPRIETARY FUNDS
 STATEMENT OF NET POSITION
 JUNE 30, 2020**

	<u>Business-type Activities</u>			<u>Governmental Activities</u>
	<u>Sewer Fund</u>	<u>Water Fund</u>	<u>Total</u>	<u>Internal Service Funds</u>
ASSETS				
Current assets				
Cash, cash equivalents, and pooled investments	\$ 726,321	\$ 732,281	\$ 1,458,602	\$ 180,493
Accounts receivable	272,880	222,676	495,556	-
Inventories	9,288	27,400	36,688	-
Prepays	1,687	1,866	3,553	1,659
Total current assets	<u>1,010,176</u>	<u>984,223</u>	<u>1,994,399</u>	<u>182,152</u>
Noncurrent assets				
Noncurrent pooled investments	860,135	867,193	1,727,328	7,879
Capital assets not being depreciated	5,299	332,647	337,946	-
Capital assets, net of accumulated depreciation	<u>2,308,532</u>	<u>5,268,202</u>	<u>7,576,734</u>	<u>755,611</u>
Total noncurrent assets	<u>3,173,966</u>	<u>6,468,042</u>	<u>9,642,008</u>	<u>763,490</u>
TOTAL ASSETS	<u>4,184,142</u>	<u>7,452,265</u>	<u>11,636,407</u>	<u>945,642</u>
LIABILITIES				
Current liabilities				
Accounts payable	192,884	85,793	278,677	5,470
Accrued wages	<u>5,099</u>	<u>5,554</u>	<u>10,653</u>	<u>3,992</u>
TOTAL LIABILITIES	<u>197,983</u>	<u>91,347</u>	<u>289,330</u>	<u>9,462</u>
NET POSITION				
Net investment in capital assets	2,313,831	5,600,849	7,914,680	755,611
Unrestricted	<u>1,672,328</u>	<u>1,760,069</u>	<u>3,432,397</u>	<u>180,569</u>
TOTAL NET POSITION	<u>\$ 3,986,159</u>	<u>\$ 7,360,918</u>	<u>\$ 11,347,077</u>	<u>\$ 936,180</u>

See accompanying notes to financial statements.

**CITY OF HUDSONVILLE
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
 YEAR ENDED JUNE 30, 2020**

	<u>Business-type Activities</u>			<u>Governmental Activities</u>
	<u>Sewer Fund</u>	<u>Water Fund</u>	<u>Total</u>	<u>Internal Service Funds</u>
OPERATING REVENUES				
Charges for services	\$ 1,302,627	\$ 1,064,186	\$ 2,366,813	\$ 255,820
Penalties and interest	9,140	6,544	15,684	-
Intergovernmental operating grant	140,131	-	140,131	-
TOTAL OPERATING REVENUES	<u>1,451,898</u>	<u>1,070,730</u>	<u>2,522,628</u>	<u>255,820</u>
OPERATING EXPENSES				
Personnel services	153,849	166,637	320,486	96,427
Contractual services	891,503	330,879	1,222,382	488
Utilities	22,248	5,448	27,696	20,864
Repairs and maintenance	37,720	41,121	78,841	60,258
Other	14,408	32,170	46,578	22,029
Depreciation	152,009	175,717	327,726	126,998
TOTAL OPERATING EXPENSES	<u>1,271,737</u>	<u>751,972</u>	<u>2,023,709</u>	<u>327,064</u>
OPERATING INCOME (LOSS)	<u>180,161</u>	<u>318,758</u>	<u>498,919</u>	<u>(71,244)</u>
NONOPERATING REVENUES (EXPENSES)				
Investment earnings	14,966	16,956	31,922	(579)
Miscellaneous	-	892	892	-
Gain on sale of capital assets	-	-	-	12,744
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>14,966</u>	<u>17,848</u>	<u>32,814</u>	<u>12,165</u>
INCOME (LOSS) BEFORE TRANSFERS	<u>195,127</u>	<u>336,606</u>	<u>531,733</u>	<u>(59,079)</u>
TRANSFERS				
Transfers in	-	-	-	173,781
Transfers out	-	-	-	(136,451)
TOTAL TRANSFERS	<u>-</u>	<u>-</u>	<u>-</u>	<u>37,330</u>
CHANGE IN NET POSITION	<u>195,127</u>	<u>336,606</u>	<u>531,733</u>	<u>(21,749)</u>
Net position, beginning of year	<u>3,791,032</u>	<u>7,024,312</u>	<u>10,815,344</u>	<u>957,929</u>
Net position, end of year	<u>\$ 3,986,159</u>	<u>\$ 7,360,918</u>	<u>\$ 11,347,077</u>	<u>\$ 936,180</u>

See accompanying notes to financial statements.

**CITY OF HUDSONVILLE
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2020**

	Business-type Activities			Governmental Activities
	Sewer Fund	Water Fund	Total	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash receipts from customers	\$ 1,436,084	\$ 1,042,247	\$ 2,478,331	\$ 255,860
Cash paid to employees	(153,801)	(166,276)	(320,077)	(93,702)
Cash paid to suppliers	(966,083)	(397,517)	(1,363,600)	(103,400)
	<u>316,200</u>	<u>478,454</u>	<u>794,654</u>	<u>58,758</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES				
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Transfers in	-	-	-	173,781
Transfers out	-	-	-	(136,451)
Purchase of capital assets	(19,373)	(697,730)	(717,103)	(136,724)
Proceeds from sale of capital assets	-	-	-	12,744
	<u>(19,373)</u>	<u>(697,730)</u>	<u>(717,103)</u>	<u>(86,650)</u>
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES				
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Miscellaneous	-	892	892	-
	<u>-</u>	<u>892</u>	<u>892</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment earnings	14,966	16,956	31,922	(579)
	<u>14,966</u>	<u>16,956</u>	<u>31,922</u>	<u>(579)</u>
NET INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS AND POOLED INVESTMENTS				
	311,793	(201,428)	110,365	(28,471)
Cash, cash equivalents, and pooled investments, beginning of year	1,274,663	1,800,902	3,075,565	216,843
	<u>1,274,663</u>	<u>1,800,902</u>	<u>3,075,565</u>	<u>216,843</u>
Cash, cash equivalents, and pooled investments, end of year	<u>\$ 1,586,456</u>	<u>\$ 1,599,474</u>	<u>\$ 3,185,930</u>	<u>\$ 188,372</u>
Reconciliation of operating income (loss) to net cash provided by operating activities				
Operating income (loss)	\$ 180,161	\$ 318,758	\$ 498,919	\$ (71,244)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities				
Depreciation	152,009	175,717	327,726	126,998
(Increase) decrease in				
Accounts receivable	(15,814)	(28,483)	(44,297)	40
Inventories	(4,215)	(5,577)	(9,792)	-
Prepays	424	418	842	(61)
Increase in				
Accounts payable	3,587	17,260	20,847	300
Accrued wages	48	361	409	2,725
	<u>48</u>	<u>361</u>	<u>409</u>	<u>2,725</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES				
	<u>\$ 316,200</u>	<u>\$ 478,454</u>	<u>\$ 794,654</u>	<u>\$ 58,758</u>

See accompanying notes to financial statements.

**CITY OF HUDSONVILLE
 COMPONENT UNITS
 COMBINING STATEMENT OF NET POSITION
 JUNE 30, 2020**

	Downtown Development Authority	Tax Increment Finance Authority	Total
ASSETS			
Current assets			
Cash, cash equivalents, and pooled investments	\$ 7,490	\$ 8,050	\$ 15,540
Land held for resale and development	-	1,481,901	1,481,901
Prepays	-	847	847
Total current assets	<u>7,490</u>	<u>1,490,798</u>	<u>1,498,288</u>
Noncurrent assets			
Noncurrent pooled investments	45,984	49,422	95,406
Capital assets not of being depreciated	-	179	179
Capital assets, net of accumulated depreciation	<u>-</u>	<u>313,356</u>	<u>313,356</u>
Total noncurrent assets	<u>45,984</u>	<u>362,957</u>	<u>408,941</u>
TOTAL ASSETS	<u>53,474</u>	<u>1,853,755</u>	<u>1,907,229</u>
LIABILITIES			
Current liabilities			
Accounts payable	2,402	404	2,806
Accrued liabilities	<u>-</u>	<u>1,598</u>	<u>1,598</u>
Total current liabilities	<u>2,402</u>	<u>2,002</u>	<u>4,404</u>
Noncurrent liabilities			
Advance from other governmental units	<u>-</u>	<u>110,000</u>	<u>110,000</u>
TOTAL LIABILITIES	<u>2,402</u>	<u>112,002</u>	<u>114,404</u>
NET POSITION			
Investment in capital assets	-	313,535	313,535
Unrestricted	<u>51,072</u>	<u>1,428,218</u>	<u>1,479,290</u>
TOTAL NET POSITION	<u>\$ 51,072</u>	<u>\$ 1,741,753</u>	<u>\$ 1,792,825</u>

See accompanying notes to financial statements.

**CITY OF HUDSONVILLE
 COMPONENT UNITS
 COMBINING STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2020**

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenues and Changes in Net Position	
		Operating Grants and Contributions	Downtown Development Authority	Tax Increment Finance Authority	Total
Downtown Development Authority	\$ 10,609	\$ -	\$ (10,609)	\$ -	\$ (10,609)
Tax Increment Finance Authority	160,393	4,961	-	(155,432)	(155,432)
TOTALS	\$ 171,002	\$ 4,961	(10,609)	(155,432)	(166,041)
General revenues					
Property taxes			16,430	161,119	177,549
Investment earnings			-	185	185
Miscellaneous			-	945	945
Total general revenues			16,430	162,249	178,679
Change in net position			5,821	6,817	12,638
Net position, beginning of year			45,251	1,734,936	1,780,187
Net position, end of year			\$ 51,072	\$ 1,741,753	\$ 1,792,825

See accompanying notes to financial statements.

**CITY OF HUDSONVILLE
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Hudsonville, Michigan (the City), operates under an elected City Commission, which consists of the Mayor, Mayor Pro Tem, and five Commission members. The City Commission appoints the City Manager. The City provides services to its more than 7,000 residents in many areas including law enforcement, fire protection, public works, recreation and culture, planning and zoning, and general administrative services.

The financial statements of the City have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to city governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The City's more significant accounting policies are described below.

Reporting Entity

As required by accounting principles generally accepted in the United States of America, these financial statements present the financial activities of the City (primary government), and its component units, entities for which the government is considered to be financially accountable. Discretely presented component units, are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the City.

The inclusion of the activities of various agencies is based on the manifestation of oversight criteria, relying on such guidelines as the selection of the governing authority, the designation of management, the ability to exert significant influences on operations, and the accountability for fiscal matters. The accountability for fiscal matters considers the possession of the budgetary authority, the responsibility for surplus or deficit, the controlling of fiscal management, and the revenue characteristics, whether a levy or a charge. Consideration is also given to the scope of public service. The scope of public service considers whether the activity is for the benefit of the reporting entity and/or its residents and is within the geographic boundaries of the reporting entity and the general available to its citizens.

Blended Component Unit

The Building Authority is governed by a five member board appointed by the City Commission. Its purpose is to provide for the acquisition and construction of certain public buildings, parking lots or structures, recreational facilities, and the necessary site or sites therefore for the use of the City.

Discretely Presented Component Units

- a. Downtown Development Authority - The Downtown Development Authority (DDA) was created to correct and prevent deterioration in the downtown district, encourage historical preservation, and to promote economic growth within the downtown district. The DDA's governing body, which consists of 11 members, is selected by the Mayor and City Commission. In addition, the DDA's budget is subject to approval by the City Commission. The financial statements of the DDA are included in the City's financial statements and are not audited separately.
- b. Tax Increment Finance Authority - The Tax Increment Finance Authority (TIFA) was created to provide means and methods for the encouragement and assistance of industrial and commercial enterprises in relocating, purchasing, constructing, improving, or expanding within the City so as to provide needed services and facilities of such enterprises to the residents of the City. The financial statements of the TIFA are included in the City's financial statements and are not audited separately.

**CITY OF HUDSONVILLE
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net position and the statement of activities (the government-wide financial statements) present information for the primary government and its component units as a whole. All non-fiduciary activities of the primary government are included (i.e., fiduciary fund activities are not included in the government-wide financial statements). For the most part, interfund activity has been eliminated in the preparation of these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities presents the direct functional expenses of the primary government and its component units and the program revenues that support them. Direct expenses are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues are associated with specific functions and include charges to recipients of goods or services and grants and contributions that are restricted to meeting the operational or capital requirements of that function. Revenues that are not required to be presented as program revenues are general revenues. This includes all taxes, interest, and unrestricted State revenue sharing payments and other general revenues and shows how governmental functions are either self-financing or supported by general revenues.

FUND FINANCIAL STATEMENTS

The fund financial statements present the City's individual major funds and aggregated nonmajor funds. Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and the major individual enterprise fund are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

- a. The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government except for those that are required to be accounted for in another fund.
- b. The Major Streets Fund is used to account for the restricted financial resources that are used for repairs and maintenance of the City's major streets.
- c. The Terra Square Fund is used to account for the operations of the City's Terra Square farmers' market and event space, the financial resources of which are restricted for such operations.

The City reports the following major enterprise funds:

- a. The Sewer Fund is used to account for the operations required to provide sewer services to the general public. The costs (expenses, including depreciation) are financed or recovered primarily through user charges.

**CITY OF HUDSONVILLE
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation (continued)

FUND FINANCIAL STATEMENTS (continued)

- b. The Water Fund is used to account for the operations required to provide water services to the general public. The costs (expenses, including depreciation) are financed or recovered primarily through user charges.

Additionally, the City reports two internal service funds to account for the management of equipment provided to other departments of the City on a cost reimbursement basis.

Measurement Focus

The government-wide and proprietary funds financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, reconciliations to the government-wide financial statements are provided that explain the differences in detail.

All governmental funds are presented using the current financial resources measurement focus. With this measurement focus, only current assets, deferred outflows of resources, current liabilities, and deferred inflows of resources generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in fund balance.

Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

All governmental funds are accounted for using the modified accrual basis of accounting. Under this method, revenues are recognized when they become susceptible to accrual (when they become both “measurable” and “available to finance expenditures of the current period”). The length of time used for “available” for purposes of revenue recognition in the governmental fund financial statements is 60 days. Revenues that are considered measurable but not available are recorded as a receivable and unavailable revenue. Significant revenues susceptible to accrual are special assessments and certain intergovernmental revenues. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for interest on long-term debt which is recorded when due.

All proprietary funds are accounted for using the accrual basis of accounting. The revenues are recognized when they are earned, and the expenses are recognized when they are incurred. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues of the Enterprise Funds are charges to customers for sales and services. Operating expenses for enterprise funds include the costs of sales and services, administrative expenses, and other costs of running the activity. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

**CITY OF HUDSONVILLE
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Accounting (continued)

If/when both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

Budgets and Budgetary Accounting

The General and major Special Revenue Funds budgets shown as required supplementary information were prepared on the same modified accrual basis used to reflect actual results. The General Fund budget shown as required supplementary information does not include Parks and Recreation, Library, or CARES Act activities that are included in the General Fund as a result of GASB Statement No. 54. A reconciling schedule is included in the required supplementary information. This basis is consistent with accounting principles generally accepted in the United States of America. The City employs the following procedures in establishing the budgetary data reflected in the financial statements.

- a. The City Manager submits to the City Commission the proposed operating budgets for the fiscal year commencing the following July 1. The operating budgets include proposed expenditures and resources to finance them.
- b. A Public Hearing is conducted to obtain taxpayers' comments.
- c. Prior to July 1, the budget is legally enacted through passage of resolution.
- d. The budget is legally adopted at the departmental expenditure level for the General Fund and the total expenditure level for the Special Revenue Funds; however, they are maintained at the account level for control purposes. Any revisions that alter the total expenditures of any fund must be approved by the City Commission. Violations, if any, are noted in the required supplementary information section.
- e. Appropriations unused at June 30 are not carried forward to the following fiscal year.
- f. Budgeted amounts are reported as originally adopted or amended by the City Commission during the year. Individual amendments were appropriately approved by the City Commission as required.

Cash and Cash Equivalents

Cash and cash equivalents consist of checking, savings, and money market accounts. The cash equivalents are recorded at cost, which approximates market value.

Investments

Investments are stated at fair value in accordance with the applicable GASB Statement. In accordance with GASB Statement No. 72, the City has accounted for its land held for resale as investments of the City.

**CITY OF HUDSONVILLE
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments (continued)

In accordance with Michigan Compiled Laws, the City is authorized to invest in the following investment vehicles:

- a. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a State or nationally chartered bank or a State or Federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or branch office located in this State under the laws of the State of the United States, but only if the bank, savings and loan association, savings bank, or credit union is eligible to be a depository of surplus funds belong to the State under Section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of Michigan Compiled Laws.
- c. Commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase.
- d. The United States government or federal agency obligations repurchase agreements.
- e. Bankers' acceptances of United States banks.
- f. Mutual funds composed of investment vehicles, which are legal for direct investment by local units of government in Michigan.

Due from Other Governmental Units

Due from other governmental units consists of amounts due from the State of Michigan for various payments.

Receivables

Receivables consist of amounts due from various individuals and businesses related to charges for services and interest.

Inventories

Inventories are valued at cost. Cost is determined using the first-in, first-out method. Inventories consist of water and sewer system supplies.

Prepays

Prepaid expenditures in the governmental funds, such as insurance premiums, which are expected to be written off within the next fiscal year, are included in net current assets. Reported prepaid expenditures are equally offset by nonspendable fund balance, which indicates they do not constitute "available spendable resources" even though they are a component of net current assets.

CITY OF HUDSONVILLE
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital Assets

Capital assets are recorded (net of accumulated depreciation, if applicable) in the government-wide financial statements under the governmental activities, business-type activities, and component unit columns. Capital assets are those with an initial individual cost of \$5,000 or more and an estimated useful life of more than one year. Capital assets are not recorded in the governmental funds. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the government-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated acquisition cost on the date received. In accordance with the provisions of GASB Statement No. 34, the City has only capitalized infrastructure assets acquired or constructed since 1980.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation is computed using the straight-line method over the following useful lives:

Land improvements	5 - 30 years
Buildings	25 - 50 years
Machinery and equipment	3 - 35 years
Office equipment	5 - 20 years
Vehicles	3 - 35 years
Utility systems	5 - 50 years

Long-Term Obligations

Long-term debt and other long-term obligations are recognized as a liability in the government-wide financial statements and proprietary fund types when incurred. The portion of those liabilities expected to be paid within the next year is a current liability with the remaining amounts shown as long-term.

Long-term debt is recognized as a liability of a governmental fund when due or when resources have been accumulated in a Debt Service Fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund.

Compensated Absences

It is the City's policy to permit employees to accumulate earned, but unused vacation pay in accordance with the various contracts. Applicable vacation pay is accrued when incurred in the government-wide financial statements.

The cost of the accumulated vacation, including related payroll taxes, is recorded entirely in the government-wide financial statements.

Accrued Interest Payable

Accrued interest is presented for long-term obligations in the government-wide financial statements.

**CITY OF HUDSONVILLE
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred Outflows/Inflows of Resources

In addition to assets and liabilities, the statement of financial position and balance sheet will, when applicable, report separate sections for deferred outflows of resources and deferred inflows of resources. *Deferred outflows of resources*, a separate financial statement element, represents a consumption of net position or fund balance, respectively, that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until that time. *Deferred inflows of resources*, a separate financial statement element, represents an acquisition of net position or fund balance, respectively, that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

Property Tax

The City of Hudsonville bills and collects its own property taxes and also taxes for other governmental units. The City's property tax revenue recognition policy and related tax calendar disclosures are highlighted in the following paragraph:

Property taxes are levied by the City of Hudsonville on July 1 and December 1 and are payable without penalty through August 15 and February 14, respectively. The July 1 levy is composed of the City's millage, County's millage, City DDA, special assessments, school taxes, and school debt. The December 1 levy is composed of Ottawa County Parks, Roads, Mental Health, and E-911 millages. All real property taxes not paid to the City by March 1 are turned over to the Ottawa County Treasurer for collection. The Ottawa County Treasurer remits pay-off payments to all taxing districts on any delinquent real property taxes. Delinquent personal property taxes receivable is retained by the City for subsequent collection. Collections and remittances of all taxes are accounted for in the Current Tax Collection Agency Fund. City property tax revenues are recognized as revenues in the fiscal year levied.

The City is permitted by charter to levy taxes up to 17.3440 mills (\$17.3440 per \$1,000 of taxable valuation) for general governmental services. For the year ended June 30, 2020, the City levied 11.2303 mills per \$1,000 of taxable valuation. In addition, the City levied 1.0000 mills for the DDA. The total taxable value for the 2019 levy for the property within the City was \$237,023,014.

Interfund Transactions

During the course of normal operations, the City has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as operating transfers.

The Internal Service Fund (Equipment Fund) records charges for services provided to various departments and funds as operating revenue. All funds record these payments as operating expenditures/expenses.

Restricted Net Position

Restrictions of net position shown in the government-wide financial statements indicate that restrictions imposed by the funding source or some other outside source which preclude their use for unrestricted purposes.

**CITY OF HUDSONVILLE
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Balance Classifications

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, established fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The following are the five classifications of fund balance under this standard:

Nonspendable - assets that are not available in a spendable form such as inventory, prepaid expenditures, and long-term receivables not expected to be converted to cash in the near term. It also includes funds that are legally or contractually required to be maintained intact such as the corpus of a permanent fund or foundation.

Restricted - amounts that are required by external parties to be used for a specific purpose. Constraints are externally imposed by creditors, grantors, contributors or laws, regulations or enabling legislation.

Committed - amounts constrained on use imposed by formal action of the government's highest level of decision making authority (i.e., Board, Council, etc.).

Assigned - amounts intended to be used for specific purposes. This is determined by the governing body, the budget or finance committee or a delegated municipality official.

Unassigned - all other resources; the remaining fund balance after nonspendable, restrictions, commitments, and assignments. This class only occurs in the General Fund, except for cases of negative fund balances. Negative fund balances are always reported as unassigned, no matter which fund the deficit occurs in.

Fund Balance Classification Policies and Procedures

For committed fund balance, the City of Hudsonville's highest level of decision-making authority is the City Commission. Formal action that is required to be taken to establish a fund balance commitment is a resolution of the City Commission.

For assigned fund balance, the City Commission has not approved a policy indicating who is authorized to assign amount to a specific purpose. As a result, this authority is retained by the City Commission.

The City of Hudsonville has not adopted a policy that defines the order of usage for fund balance amounts classified as restricted, committed, assigned, or unassigned. In the absences of such a policy, resources with the highest level of restriction will be used first.

**CITY OF HUDSONVILLE
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Comparative Data

Comparative data has not been presented in the accompanying financial statements since their inclusion would make the statements unduly complex and difficult to read.

NOTE 2 - DEPOSITS AND INVESTMENTS

As of June 30, 2020, the City had deposits and investments subject to the following risk.

Custodial Credit Risk - Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. As of June 30, 2020, \$933,794 of the City's bank balance of \$5,261,940 was exposed to custodial credit risk because it was uninsured and uncollateralized. Money market accounts are included in the above totals. \$5,227,026 is reported as deposits on the financial statements as of June 30, 2020. The financial statements report \$500 of imprest cash on hand.

Custodial Credit Risk - Investments

For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The City will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the City will do business.

**CITY OF HUDSONVILLE
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

Interest Rate Risk

In accordance with its investment policy, the City will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the City's cash requirements.

Credit Risk

State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs). Obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality.

Concentration of Credit Risk

The City will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the City's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Foreign Currency Risk

The City is not authorized to invest in investments which have this type of risk.

Fair Value Measurements

The City is required to disclose amounts within a framework established for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

- Level 1: Quoted prices in active markets for identical securities.
- Level 2: Prices determined using other significant observable inputs. Observable inputs are inputs that other market participants may use in pricing a security. These may include quoted prices for similar securities, interest rates, prepayment speeds, credit risk and others.
- Level 3: Prices determined using significant unobservable inputs. Unobservable inputs may be used in situations where quoted prices or observable inputs are unavailable or deemed less relevant (for example, when there is little or no market activity for an investment at the end of the period). Unobservable inputs reflect the organization's own assumptions about the factors market participants would use in pricing an investment, and would be based on the best information available.

**CITY OF HUDSONVILLE
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. Investments that are measured at fair value using net asset per value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below.

	Fair Value Measurements			Moody's/ S&P Rating
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
COMPONENT UNITS				
Land held for resale and development	\$ -	\$ -	1,481,901	N/A

The cash, cash equivalents, and investments referred to above have been reported in the cash, cash equivalents, and pooled investments captions on the basic financial statements, based on criteria disclosed in Note 1.

The following summarizes the categorization of these amounts as of June 30, 2020:

	Primary Government	Component Units	Reporting Entity
Cash, cash equivalents, and investments	\$ 2,529,945	\$ 15,540	\$ 2,545,485
Noncurrent investments	2,586,635	95,406	2,682,041
Total cash, cash equivalents, and investments	\$ 5,116,580	\$ 110,946	\$ 5,227,526

**CITY OF HUDSONVILLE
NOTES TO FINANCIAL STATEMENTS**

NOTE 3 - INTERFUND TRANSFERS

Permanent reallocation of resources between funds of the reporting entity is classified as interfund transfers. For the purpose of the statement of activities, all interfund transfers between individual governmental funds have been eliminated.

Transfer to General Fund from Internal Service Funds	<u>\$ 2,670</u>
Transfer to Terra Square Fund from General Fund	<u>\$ 45,000</u>
Transfer to Internal Service Funds from General Fund	\$ 40,000
Internal Service Funds	<u>133,781</u>
	<u>\$ 173,781</u>
Transfer to nonmajor governmental funds from General Fund	\$ 311,838
Nonmajor governmental funds	<u>222,805</u>
	<u>\$ 534,643</u>

The transfers to the General Fund and Terra Square Fund were to finance projects and general operating expenditures. The transfers to the internal services funds and the nonmajor governmental funds were to cover general operating expenditures and to finance the annual debt service requirements.

**CITY OF HUDSONVILLE
NOTES TO FINANCIAL STATEMENTS**

NOTE 4 - CAPITAL ASSETS

Primary Government

	Balance July 1, 2019	Additions/ Reclassifications	Deletions/ Reclassifications	Balance June 30, 2020
Governmental activities				
Capital assets not being depreciated				
Land	\$ 3,405,171	\$ -	\$ -	\$ 3,405,171
Construction in progress	117,075	534,007	(566,371)	84,711
Total capital assets not being depreciated	<u>3,522,246</u>	<u>534,007</u>	<u>(566,371)</u>	<u>3,489,882</u>
Capital assets being depreciated				
Land improvements	7,239,517	734,765	(16,163)	7,958,119
Buildings and improvements	8,678,856	-	-	8,678,856
Machinery and equipment	860,293	368,237	(140,322)	1,088,208
Office equipment	1,188,866	47,219	-	1,236,085
Vehicles	1,832,837	-	-	1,832,837
Total capital assets being depreciated	<u>19,800,369</u>	<u>1,150,221</u>	<u>(156,485)</u>	<u>20,794,105</u>
Less accumulated depreciation				
Land improvements	(1,943,378)	(382,926)	16,163	(2,310,141)
Buildings and improvements	(2,341,386)	(175,173)	-	(2,516,559)
Machinery and equipment	(685,947)	(49,884)	140,322	(595,509)
Office equipment	(958,868)	(58,263)	-	(1,017,131)
Vehicles	(1,218,191)	(98,013)	-	(1,316,204)
Total accumulated depreciation	<u>(7,147,770)</u>	<u>(764,259)</u>	<u>156,485</u>	<u>(7,755,544)</u>
Net capital assets being depreciated	<u>12,652,599</u>	<u>385,962</u>	<u>-</u>	<u>13,038,561</u>
Capital assets, net	<u>\$ 16,174,845</u>	<u>\$ 919,969</u>	<u>\$ (566,371)</u>	<u>\$ 16,528,443</u>

Depreciation expense for the governmental activities was charged to the following functions:

General government	\$ 53,708
Public safety	8,327
Public works	535,985
Recreation and culture	<u>166,239</u>
Total depreciation expense	<u>\$ 764,259</u>

**CITY OF HUDSONVILLE
NOTES TO FINANCIAL STATEMENTS**

NOTE 4 - CAPITAL ASSETS (continued)

Primary Government (continued)

	Balance July 1, 2019	Additions/ Reclassifications	Deletions/ Reclassifications	Balance June 30, 2020
Business-type activities				
Capital assets not being depreciated				
Land	\$ 45,235	\$ -	\$ -	\$ 45,235
Construction in progress	92,091	675,498	(474,878)	292,711
Total capital assets not being depreciated	137,326	675,498	(474,878)	337,946
Capital assets being depreciated				
Sewer system	6,719,400	19,373	-	6,738,773
Water system	8,587,925	497,110	-	9,085,035
Total capital assets being depreciated	15,307,325	516,483	-	15,823,808
Less accumulated depreciation				
Sewer system	(4,278,232)	(152,009)	-	(4,430,241)
Water system	(3,641,116)	(175,717)	-	(3,816,833)
Total accumulated depreciation	(7,919,348)	(327,726)	-	(8,247,074)
Net capital assets being depreciated	7,387,977	188,757	-	7,576,734
Capital assets, net	\$ 7,525,303	\$ 864,255	\$ (474,878)	\$ 7,914,680

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

Sewer System	\$ 152,009
Water System	175,717
Total depreciation expense	<u>\$ 327,726</u>

	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020
Tax Increment Finance Authority				
Capital assets not being depreciated				
Construction in progress	\$ 179	\$ -	\$ -	\$ 179
Capital assets being depreciated				
Land improvements	533,075	-	-	533,075
Less accumulated depreciation for				
Land improvements	(197,548)	(22,171)	-	(219,719)
Net capital assets being depreciated	335,527	(22,171)	-	313,356
Capital assets, net	\$ 335,706	\$ (22,171)	\$ -	\$ 313,535

**CITY OF HUDSONVILLE
NOTES TO FINANCIAL STATEMENTS**

NOTE 5 - LONG-TERM DEBT

The City issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the City.

The following is a summary of changes in long-term debt (including current portion) of the City for the year ended June 30, 2020.

Primary Government

	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020	Amounts Due Within One Year
Governmental Activities					
General Obligation Bonds					
2016 Capital Improvement Bonds	\$ 4,505,000	\$ -	\$ (170,000)	\$ 4,335,000	\$ 175,000
Direct Borrowings and Direct Placements					
2012 Installment Purchase Contract	160,000	-	(20,000)	140,000	20,000
Other long-term obligations					
Compensated absences	37,349	57,816	(45,625)	49,540	49,540
Subtotal	4,702,349	57,816	(235,625)	4,524,540	244,540
Bond Premium	306,067	-	(16,109)	289,958	16,109
Total Governmental Activities	<u>5,008,416</u>	<u>57,816</u>	<u>(251,734)</u>	<u>4,814,498</u>	<u>260,649</u>

Significant details regarding outstanding long-term debt (including current portion) are presented below:

Governmental Activities

\$300,000 2012 Installment Purchase Contract, dated February 1, 2012, due in annual installments of \$20,000 through February 1, 2027, with interest ranging from 2.80% to 3.50% payable annually.	\$ 140,000
\$4,675,000 2016 Capital Improvement Bonds, dated December 13, 2016, due in annual installments ranging from \$170,000 to \$330,000 through February 1, 2038, with interest ranging from 2.00% to 4.50% payable annually.	<u>4,335,000</u>
	<u>\$ 4,475,000</u>

Compensated Absences

Individual employees have vested rights upon termination of employment to receive payments for unused sick and vacation leave in accordance with the various contracts. The dollar amounts of these vested rights have been recorded in the government-wide financial statements. They amount to \$49,540 at June 30, 2020.

**CITY OF HUDSONVILLE
NOTES TO FINANCIAL STATEMENTS**

NOTE 5 - LONG-TERM DEBT (continued)

Primary Government (continued)

Annual Requirements for Debt Principal and Interest

The annual requirements to pay the debt principal and interest outstanding for bonds and the installment purchase contract are as follows:

Year Ending June 30,	Governmental Activities			
	Capital Improvement Bonds		Direct Borrowings	
	Principal	Interest	Principal	Interest
2021	\$ 175,000	\$ 171,225	\$ 20,000	\$ 4,620
2022	180,000	165,975	20,000	4,060
2023	185,000	160,575	20,000	3,500
2024	190,000	155,025	20,000	2,800
2025	200,000	147,425	20,000	2,100
2026-2030	1,105,000	612,325	40,000	2,100
2031-2035	1,350,000	372,125	-	-
2036-2038	950,000	85,100	-	-
	<u>\$ 4,335,000</u>	<u>\$ 1,869,775</u>	<u>\$ 140,000</u>	<u>\$ 19,180</u>

NOTE 6 - DEFINED BENEFIT PENSION PLAN

Plan Description

The employer's defined benefit pension plan provides certain retirement, disability and death benefits to plan members and beneficiaries. The employer participates in the Municipal Employees' Retirement System (MERS) of Michigan. MERS is an agent multiple-employer, statewide public employee pension plan established by the Michigan's Legislature under Public Act 135 of 1945 and administered by a nine member Retirement Board. MERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained accessing MERS website at www.mersofmich.com.

Summary of Significant Accounting Policies

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

**CITY OF HUDSONVILLE
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 - DEFINED BENEFIT PENSION PLAN (continued)

Benefits Provided

The plan provides certain retirement, disability, and death benefits to plan members and beneficiaries. Public Act 427 of 1984, as amended, established and amends the benefit provisions of the participants in MERS. The MERS plan covers full-time employees at the City including Local 586 union employees, police and fire employees, non-union employees, and the City Manager. The plan is closed to new hires.

Retirement benefits for employees are calculated as 2.25% or 2.50% of the employee's five-year final average compensation times the employee's years of service with a maximum of 80% of final average compensation. Normal retirement age is 60 with a reduced benefit at age 50 with 25 years of service or age 55 with 15 years of service. Deferred retirement benefits vest after 10 years of credited service, but are not paid until the date retirement would have occurred had the member remained an employee. Employees are eligible for non-duty disability benefits after 10 years of service and for duty-related disability benefits upon hire. Disability retirement benefits are determined in the same manner as retirement benefits but are payable immediately and if duty-related without an actuarial reduction for retirement before age 60 is not applied. An employee who leaves service may withdraw his or her contributions, plus any accumulated interest.

Benefit terms, within the parameters established by MERS, are generally established and amended by authority of the City Commission, generally after negotiations of these terms with the affected unions. Benefits terms may be subjected to binding arbitration in certain circumstances.

At the December 31, 2019, valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries receiving benefits	12
Inactive employees entitled to but not yet receiving benefits	<u>10</u>
Total employees covered by MERS	<u><u>22</u></u>

Contributions

The City is required to contribute amounts at least equal to the actuarially determined rate, as established by the MERS Retirement Board. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer may establish contribution rates to be paid by its covered employees.

**CITY OF HUDSONVILLE
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 - DEFINED BENEFIT PENSION PLAN (continued)

Net Pension Liability

The employer's net pension liability was measured as of December 31, 2019, and the total pension liability used to calculate the net pension liability was determined by an annual actuarial valuation as of that date.

Changes in the net pension liability during the measurement year were as follows:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances at December 31, 2018	\$ 2,369,372	\$ 1,602,544	\$ 766,828
Interest on total pension liability	182,252	-	182,252
Difference between expected and actual experience	66,209	-	66,209
Changes in assumptions	90,848	-	90,848
Employer contributions	-	162,870	(162,870)
Net investment income	-	216,898	(216,898)
Benefit payments, including employee refunds	(182,452)	(182,452)	-
Administrative expense	-	(3,738)	3,738
Other changes	(1)	1	(2)
Net changes	156,856	193,579	(36,723)
Balances as of December 31, 2019	\$ 2,526,228	\$ 1,796,123	\$ 730,105

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2020, the City recognized pension expense of \$239,687. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ 7,539	\$ -
Contributions subsequent to the measurement date*	86,034	-
Total	\$ 93,573	\$ -

*The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability for the year ending June 30, 2021.

**CITY OF HUDSONVILLE
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 - DEFINED BENEFIT PENSION PLAN (continued)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows. These amounts are exclusive of the employer contributions to the plan made subsequent to the measurement date (\$86,034), which will impact the net pension liability in fiscal year 2021, rather than pension expense.

Amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Years Ending June 30,</u>	<u>Effect on Pension Expense</u>
2021	\$ (3,151)
2022	6,334
2023	22,283
2024	<u>(17,927)</u>
	<u>\$ 7,539</u>

Actuarial Assumptions

The total pension liability in the December 31, 2019, annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation: 2.5%

Salary increases: 3.00% in the long-term plus a percentage based on age related scale to reflect merit, longevity, and promotional pay increases.

Investment rate of return: 7.35%, net of investment expenses, including inflation.

The mortality table used to project the mortality experience of non-disabled plan members is a 50% Male - 50% Female blend of the following tables: 1. the RP-2014 Healthy Annuitant Mortality Tables, with rates multiplied by 105%, 2. the RP-2014 Employee Mortality Tables, and 3. the RP-2014 Juvenile Mortality Tables. The mortality table used to project the mortality experience of disabled plan members is a 50% Male - 50% Female blend of the RP-2014 Disabled Retiree Mortality Tables.

The actuarial assumptions used in the valuation were based on the results of the 2009-2013 Five-Year Experience Study.

**CITY OF HUDSONVILLE
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 - DEFINED BENEFIT PENSION PLAN (continued)

Discount Rate

The discount rate used to measure the total pension liability is 8.00%. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Projected Cash Flows

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	55.50%	6.15%
Global Fixed Income	18.50%	1.26%
Real Assets	13.50%	7.22%
Diversifying Strategies	12.50%	5.00%

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the employer, calculated using the discount rates of 8.00%, as well as what the employer's net pension liability would be using a discount rate that is 1% lower (7.00%) or 1% higher (9.00%) than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
Net pension liability	\$ 985,182	\$ 730,105	\$ 513,360

**CITY OF HUDSONVILLE
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - DEFINED CONTRIBUTION PLAN

The City of Hudsonville Governmental Money Purchase Plan and Trust is a defined contribution retirement plan administered by the Michigan Municipal Employees' Retirement System. This Plan provides benefits at retirement to all new City employees and employees requesting conversion to the Plan during the appropriate conversion window. The City is required to contribute up to 13% of employee covered payroll depending on employee bargaining unit and employee contributions. Employees are required to contribute 2% of covered payroll with a 100% match of employee contributions paid by the City. Plan provisions and contribution requirements are established and may be amended by the City of Hudsonville City Commission. During the current year the City contributed \$149,173, while participants contributed \$27,252.

NOTE 8 - RISK MANAGEMENT

The City participates in a pool, the Michigan Municipal League Workers' Compensation Fund, with other municipalities for workers' compensation losses. The pool is organized under Public Act 317 of 1969, as amended. In the event the pool's claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The City has not been informed of any special assessments being required in any of the past three fiscal years.

The City is exposed to various risk of loss including commercial property, general liability, government crime, inland marine, auto liability, and public officials and employment practices liability for which the City carries commercial insurance. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

NOTE 9 - ASSETS HELD BY FOUNDATION

On November 14, 2017, the City entered into an agreement with Holland/Zeeland Area Community Foundation (the Foundation) to create the City of Hudsonville Gary Byker Memorial Library Fund (the Fund). The purpose of the Fund is to create a charitable fund with respect to which the City may benefit from charitable grants. The assets of the Fund shall be all those assets contributed to the Fund by the Gary Byker Memorial Library, and by any other persons or legal entities along withal earnings attributed to such assets. The Foundation retained variance power to modify any restriction or condition on the distribution of the funds and therefore the Fund is not recorded as an asset in the City's financial statements. The balance of the Fund as of June 30, 2020, was \$81,966. Activity for the year is as follows:

Beginning Balance 7/1/2019	\$	79,895
Add: Contributions		4,167
Add: Investment Earnings		328
Less: Administrative Expenses		(815)
Less: Distributions		(1,609)
		(1,609)
Ending Balance 6/30/2020	\$	81,966

**CITY OF HUDSONVILLE
NOTES TO FINANCIAL STATEMENTS**

NOTE 10 - CODE ENFORCEMENT FINANCIAL INFORMATION

The City has elected to report the financial activities of the code enforcement department in the General Fund. The following is the required information as it relates to this department for the year ended June 30, 2020:

Shortfall at July 1, 2019	\$ (934,988)
REVENUES	
Licenses and permits	139,190
EXPENDITURES	
Inspection	
Contractual services	<u>(120,080)</u>
Cumulative shortfall at June 30, 2020	<u>\$ (915,878)</u>

NOTE 11 - TAX ABATEMENTS

INDUSTRIAL FACILITIES EXEMPTION (IFT)

The City has entered into property tax abatement agreements with local businesses under the Plant Rehabilitation and Industrial Development Districts Act, (known as the Industrial Facilities Exemption) PA 198 of 1974, as amended. The IFT on a new plant and non-industrial property, such as some high-tech personal property, is computed at 50% of the property tax bill for new property. For rehabilitation properties, the taxable values can be frozen.

For the year ended June 30, 2020, the City's property tax revenue for general operations was reduced by \$49,697.

BROWNFIELD REDEVELOPMENT AUTHORITY

At June 30, 2020, the County had entered into a single Brownfield Redevelopment agreement. This agreement resulted in a reduction of City tax revenue for general operations of \$2,937.

NOTE 12 - SUBSEQUENT EVENTS

The extent of the impact of COVID-19 on the City's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on services, employees, and vendors all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact the financial condition and results of operations is uncertain.

At the July 14, 2020 City Commission meeting, the City Commission approved the purchase of approximately \$93,952 of vehicles and equipment. Existing fund balance and future anticipated revenues are expected to be sufficient to fund these purchases.

**CITY OF HUDSONVILLE
NOTES TO FINANCIAL STATEMENTS**

NOTE 13 - DETAILS OF FUND BALANCE CLASSIFICATIONS

Details of the City's fund balance classifications as of June 30, 2020 are as follows;

	General	Major Streets	Terra Square Fund	Nonmajor Governmental Funds	Total
FUND BALANCES					
Nonspendable					
Prepays	\$ 12,197	\$ 1,371	\$ 1,621	\$ 811	\$ 16,000
Advances	110,000	-	-	-	110,000
Restricted					
Public works	-	500,553	-	219,647	720,200
Recreation and culture	-	-	-	1,909	1,909
Community and economic development	-	-	44,455	-	44,455
Assigned					
Recreation and culture	258,816	-	-	-	258,816
Unassigned	909,430	-	-	-	909,430
TOTAL FUND BALANCES	\$ 1,290,443	\$ 501,924	\$ 46,076	\$ 222,367	\$ 2,060,810

NOTE 14 - UPCOMING ACCOUNTING PRONOUNCEMENTS

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. The Statement establishes criteria for identifying fiduciary activities for all state and local governments, focusing on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries for whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The City is currently evaluating the impact this standard will have on the financial statements when adopted during the 2020-2021 fiscal year.

In June 2017, the GASB issued Statement No. 87, *Leases*. The Statement increase the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases than previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provision of the contract. The City is currently evaluating the impact this standard will have on the financial statements when adopted during the 2021-2022 fiscal year.

Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements*, was issued by the GASB in May 2020. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset-an intangible asset-and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. The City is currently evaluating the impact this standard will have on the financial statements when adopted during the 2022-2023 fiscal year.

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF HUDSONVILLE
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE (NON-GAAP BASIS)
YEAR ENDED JUNE 30, 2020**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes				
Property taxes	\$ 2,601,588	\$ 2,601,588	\$ 2,598,952	\$ (2,636)
Penalties and interest	2,000	2,000	3,224	1,224
Administration fees	97,000	97,000	106,631	9,631
Total taxes	<u>2,700,588</u>	<u>2,700,588</u>	<u>2,708,807</u>	<u>8,219</u>
Licenses and permits				
Business licenses	36,400	139,400	161,831	22,431
Non-business licenses	25,800	25,800	2,400	(23,400)
Franchise fees	80,800	80,800	79,204	(1,596)
Total licenses and permits	<u>143,000</u>	<u>246,000</u>	<u>243,435</u>	<u>(2,565)</u>
Intergovernmental				
State	765,006	765,006	865,141	100,135
Local	-	-	9,005	9,005
Total intergovernmental	<u>765,006</u>	<u>765,006</u>	<u>874,146</u>	<u>109,140</u>
Charges for services	<u>3,860</u>	<u>3,860</u>	<u>3,159</u>	<u>(701)</u>
Fines and forfeits	<u>14,000</u>	<u>14,000</u>	<u>14,910</u>	<u>910</u>
Interest and rents				
Investment earnings	57,200	57,200	90,207	33,007
Rent	2,200	2,200	2,010	(190)
Total interest and rents	<u>59,400</u>	<u>59,400</u>	<u>92,217</u>	<u>32,817</u>
Other				
Reimbursements	117,826	120,376	220,311	99,935
Other	3,300	17,300	7,348	(9,952)
Total other	<u>121,126</u>	<u>137,676</u>	<u>227,659</u>	<u>89,983</u>
TOTAL REVENUES	<u>3,806,980</u>	<u>3,926,530</u>	<u>4,164,333</u>	<u>237,803</u>

**CITY OF HUDSONVILLE
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE (NON-GAAP BASIS) (continued)
YEAR ENDED JUNE 30, 2020**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES				
Current				
General government				
City Commission	\$ 58,358	\$ 58,358	\$ 49,249	\$ 9,109
Manager	136,313	136,313	128,162	8,151
Attorney	21,500	21,500	20,871	629
Clerk	97,145	100,645	94,859	5,786
Information services	63,817	63,817	49,741	14,076
Board of Review	1,729	1,729	1,626	103
Administrative services	33,478	34,008	28,819	5,189
Treasurer	149,210	157,110	151,563	5,547
Assessor	123,948	145,023	109,494	35,529
Elections	28,670	28,670	14,264	14,406
Buildings and grounds	325,657	334,857	311,779	23,078
Total general government	1,039,825	1,082,030	960,427	121,603
Public safety				
Police department	761,849	702,910	695,132	7,778
Fire department	166,834	224,504	198,400	26,104
Emergency services	25,510	25,510	14,418	11,092
Total public safety	954,193	952,924	907,950	44,974
Public works	319,242	321,432	256,229	65,203
Community and economic development				
Planning and zoning	164,170	268,170	268,064	106
City promotion	123,150	123,150	121,244	1,906
Total community and economic development	287,320	391,320	389,308	2,012

**CITY OF HUDSONVILLE
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE (NON-GAAP BASIS) (continued)
YEAR ENDED JUNE 30, 2020**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES (continued)				
Current (continued)				
Other				
Employee fringe benefits	\$ 214,768	\$ 225,568	\$ 225,179	\$ 389
Other	48,875	48,875	43,163	5,712
Total other	<u>263,643</u>	<u>274,443</u>	<u>268,342</u>	<u>6,101</u>
Debt service				
Principal	20,000	20,000	20,000	-
Interest	5,180	5,180	5,180	-
Total debt service	<u>25,180</u>	<u>25,180</u>	<u>25,180</u>	<u>-</u>
TOTAL EXPENDITURES	<u>2,889,403</u>	<u>3,047,329</u>	<u>2,807,436</u>	<u>239,893</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>917,577</u>	<u>879,201</u>	<u>1,356,897</u>	<u>477,696</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of assets	2,000	2,000	-	(2,000)
Transfers in	-	2,670	2,670	-
Transfers out	<u>(809,567)</u>	<u>(861,867)</u>	<u>(854,867)</u>	<u>7,000</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(807,567)</u>	<u>(857,197)</u>	<u>(852,197)</u>	<u>5,000</u>
NET CHANGE IN FUND BALANCE	110,010	22,004	504,700	482,696
Fund balance, beginning of year (budgetary basis)	<u>534,159</u>	<u>534,159</u>	<u>534,159</u>	<u>-</u>
Fund balance, end of year (budgetary basis)	<u>\$ 644,169</u>	<u>\$ 556,163</u>	1,038,859	<u>\$ 482,696</u>
Accounting basis difference			<u>251,584</u>	
Fund balance, end of year (GAAP basis)			<u>\$ 1,290,443</u>	

**CITY OF HUDSONVILLE
MAJOR STREET FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED JUNE 30, 2020**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Intergovernmental	\$ 611,725	\$ 611,725	\$ 613,941	\$ 2,216
Interest	3,337	3,337	10,484	7,147
Other	500	500	481	(19)
TOTAL REVENUES	<u>615,562</u>	<u>615,562</u>	<u>624,906</u>	<u>9,344</u>
EXPENDITURES				
Current				
Public works				
Construction - streets	206,229	206,229	198,767	7,462
Preservation - streets	174,215	188,010	158,973	29,037
Traffic services	56,473	68,973	59,856	9,117
Winter maintenance	143,326	143,326	131,786	11,540
Administration, engineering & record keeping	24,666	28,426	25,327	3,099
Total public works	604,909	634,964	574,709	60,255
Capital outlay	1,000	1,000	888	112
TOTAL EXPENDITURES	<u>605,909</u>	<u>635,964</u>	<u>575,597</u>	<u>60,367</u>
NET CHANGE IN FUND BALANCE	9,653	(20,402)	49,309	69,711
Fund balance, beginning of year	452,615	452,615	452,615	-
Fund balance, end of year	<u>\$ 462,268</u>	<u>\$ 432,213</u>	<u>\$ 501,924</u>	<u>\$ 69,711</u>

**CITY OF HUDSONVILLE
TERRA SQUARE FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED JUNE 30, 2020**

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Charges for services	\$ 44,372	\$ 44,672	\$ 37,025	\$ (7,647)
Interest and rents	165,120	165,120	97,977	(67,143)
Contributions	1,200	1,200	-	(1,200)
TOTAL REVENUES	210,692	210,992	135,002	(75,990)
EXPENDITURES				
Current				
Community and economic development				
Recreation and culture	4,400	4,400	1,507	2,893
Personnel services	107,058	115,058	100,202	14,856
Contractual and professional services	50,091	36,391	26,184	10,207
Repairs and maintenance	8,910	8,910	7,801	1,109
Utilities	27,185	27,185	27,317	(132)
Other	13,048	13,048	8,734	4,314
Total community and economic development	210,692	204,992	171,745	33,247
Capital outlay	-	6,000	5,795	205
TOTAL EXPENDITURES	210,692	210,992	177,540	33,452
EXCESS OF REVENUES (UNDER) EXPENDITURES	-	-	(42,538)	(42,538)
OTHER FINANCING SOURCES				
Transfers in	-	52,000	45,000	(7,000)
NET CHANGE IN FUND BALANCE	-	52,000	2,462	(49,538)
Fund balance, beginning of year	43,614	43,614	43,614	-
Fund balance, end of year	\$ 43,614	\$ 95,614	\$ 46,076	\$ (49,538)

CITY OF HUDSONVILLE
SCHEDULE OF CHANGES IN EMPLOYER'S NET PENSION LIABILITY AND RELATED RATIOS
LAST SIX MEASUREMENT DATES (ULTIMATELY TEN YEARS WILL BE DISPLAYED)
(AMOUNTS WERE DETERMINED AS OF 12/31 OF EACH YEAR)

	2014	2015	2016	2017	2018	2019
Total Pension Liability						
Service cost	\$ 7,969	\$ 8,154	\$ 9,240	\$ -	\$ -	\$ -
Interest	162,595	161,248	174,350	175,800	181,338	182,252
Difference between expected and actual experience	-	10,233	(24,182)	50,793	9,902	66,209
Changes in assumptions	-	110,599	-	-	-	90,848
Benefit payments, including employee refunds	(123,492)	(128,320)	(135,767)	(137,561)	(177,176)	(182,452)
Other	1	5,038	(1)	-	-	(1)
Net Change in Total Pension Liability	47,073	166,952	23,640	89,032	14,064	156,856
Total Pension Liability, beginning	2,028,611	2,075,684	2,242,636	2,266,276	2,355,308	2,369,372
Total Pension Liability, ending	<u>\$ 2,075,684</u>	<u>\$ 2,242,636</u>	<u>\$ 2,266,276</u>	<u>\$ 2,355,308</u>	<u>\$ 2,369,372</u>	<u>\$ 2,526,228</u>
Plan Fiduciary Net Position						
Contributions - employer	\$ 105,792	\$ 100,945	\$ 111,853	\$ 126,744	\$ 144,942	162,870
Net investment income (loss)	86,640	(21,410)	157,338	200,579	(66,118)	216,898
Benefit payments, including employee refunds	(123,492)	(128,320)	(135,767)	(137,561)	(177,176)	(182,452)
Administrative expense	(3,187)	(3,136)	(3,105)	(3,173)	(3,280)	(3,738)
Other	-	-	-	-	-	1
Net Change in Plan Fiduciary Net Position	65,753	(51,921)	130,319	186,589	(101,632)	193,579
Plan Fiduciary Net Position, beginning	1,373,436	1,439,189	1,387,268	1,517,587	1,704,176	1,602,544
Plan Fiduciary Net Position, ending	<u>\$ 1,439,189</u>	<u>\$ 1,387,268</u>	<u>\$ 1,517,587</u>	<u>\$ 1,704,176</u>	<u>\$ 1,602,544</u>	<u>\$ 1,796,123</u>
Employer Net Pension Liability	<u>\$ 636,495</u>	<u>\$ 855,368</u>	<u>\$ 748,689</u>	<u>\$ 651,132</u>	<u>\$ 766,828</u>	<u>\$ 730,105</u>
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	69%	62%	67%	72%	68%	71%
Covered employee payroll	\$ 75,464	\$ 77,212	\$ 84,458	\$ -	\$ -	\$ -
Employer's Net Pension Liability as a percentage of covered employee payroll	843%	1108%	886%	N/A	N/A	N/A

CITY OF HUDSONVILLE
SCHEDULE OF EMPLOYER CONTRIBUTIONS
LAST SIX FISCAL YEARS (ULTIMATELY TEN FISCAL YEARS WILL BE DISPLAYED)
(AMOUNTS WERE DETERMINED AS OF 6/30 OF EACH FISCAL YEAR)

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Actuarial determined contributions	\$ 95,460	\$ 105,932	\$ 116,364	\$ 136,212	\$ 153,672	\$ 172,068
Contributions in relation to the actuarially determined contribution	<u>95,460</u>	<u>105,932</u>	<u>116,364</u>	<u>136,212</u>	<u>153,672</u>	<u>172,068</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 76,732	\$ 81,066	\$ 88,626	\$ -	\$ -	\$ -
Contributions as a percentage of covered employee payroll	124%	131%	131%	N/A	N/A	N/A

**CITY OF HUDSONVILLE
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2020**

NOTE 1 - DEFINED BENEFIT PENSION PLAN

Changes in benefit terms: There were no changes of benefit terms in plan year 2019.

Changes in assumptions: The investment rate of return assumption was reduced from 7.75% to 7.35%. The assumed rate of wage inflation was reduced from 3.75% to 3.00%.

NOTE 2 - BUDGET/GAAP RECONCILIATION

The City budgets the activities of various funds separately from the General Fund. For financial reporting purposes and the GAAP-basis basic financial statements, however, these funds are combined with the General Fund as required by GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The budgetary perspective difference shown on the Budgetary Comparison Schedule (Non-GAAP budgetary basis) reconciles the change in fund balance to the GAAP-basis basic financial statements and the details related to these amounts are as follows:

Net change in fund balance (budgetary basis)	\$	504,700
To adjust for revenues related to various activities accounted for in separate funds		200,191
To adjust for expenditures related to various activities accounted for in separate funds		(842,016)
To remove the transfer out from the budgetary basis schedule		<u>458,029</u>
Net change in fund balance (GAAP basis)	\$	<u><u>320,904</u></u>

OTHER SUPPLEMENTARY INFORMATION

**CITY OF HUDSONVILLE
GENERAL FUND
COMBINING BALANCE SHEET
JUNE 30, 2020**

	General	Parks and Recreation	Library	Cares Act	Total
ASSETS					
Cash, cash equivalents, and pooled investments	\$ 813,665	\$ 141,181	\$ 49,911	\$ -	\$ 1,004,757
Receivables					
Accounts	73,555	-	31,473	-	105,028
Interest	10,658	-	-	-	10,658
Due from other funds	10,239	-	-	-	10,239
Due from other governmental units	209,162	75,000	4,434	-	288,596
Prepays	9,190	618	2,389	-	12,197
Advances to other governmental units	110,000	-	-	-	110,000
TOTAL ASSETS	\$ 1,236,469	\$ 216,799	\$ 88,207	\$ -	\$ 1,541,475
LIABILITIES					
Accounts payable	\$ 128,688	\$ 22,986	\$ 6,754	\$ -	\$ 158,428
Accrued wages	68,922	3,420	10,011	-	82,353
Due to other funds	-	-	-	10,239	10,239
Due to other governmental units	-	-	12	-	12
TOTAL LIABILITIES	197,610	26,406	16,777	10,239	251,032
FUND BALANCES					
Nonspendable	119,190	618	2,389	-	122,197
Assigned	-	189,775	69,041	-	258,816
Unassigned	919,669	-	-	(10,239)	909,430
TOTAL FUND BALANCES	1,038,859	190,393	71,430	(10,239)	1,290,443
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,236,469	\$ 216,799	\$ 88,207	\$ -	\$ 1,541,475

**CITY OF HUDSONVILLE
GENERAL FUND
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2020**

	General	Parks and Recreation	Library	Cares Act	Total
REVENUES					
Taxes	\$ 2,708,807	\$ -	\$ -	\$ -	\$ 2,708,807
Licenses and permits	243,435	-	-	-	243,435
Intergovernmental	874,146	75,000	63,188	-	1,012,334
Charges for services	3,159	5,665	4,913	-	13,737
Fines and forfeits	14,910	-	34,760	-	49,670
Interest and rents	92,217	2,814	236	-	95,267
Contributions	-	-	3,591	-	3,591
Miscellaneous	227,659	-	10,024	-	237,683
TOTAL REVENUES	4,164,333	83,479	116,712	-	4,364,524
EXPENDITURES					
Current					
General government	960,427	-	-	-	960,427
Public safety	907,950	-	-	10,239	918,189
Public works	256,229	-	-	-	256,229
Community and economic development	389,308	-	-	-	389,308
Recreation and culture	-	231,397	427,029	-	658,426
Other	268,342	-	-	-	268,342
Debt service	25,180	-	-	-	25,180
Capital outlay	-	138,404	34,947	-	173,351
TOTAL EXPENDITURES	2,807,436	369,801	461,976	10,239	3,649,452
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	1,356,897	(286,322)	(345,264)	(10,239)	715,072
OTHER FINANCING SOURCES (USES)					
Transfers in	2,670	100,000	358,029	-	460,699
Transfers out	(854,867)	-	-	-	(854,867)
TOTAL OTHER FINANCING SOURCES (USES)	(852,197)	100,000	358,029	-	(394,168)
NET CHANGE IN FUND BALANCES	504,700	(186,322)	12,765	(10,239)	320,904
Fund balances, beginning of year	534,159	376,715	58,665	-	969,539
Fund balances, end of year	\$ 1,038,859	\$ 190,393	\$ 71,430	\$ (10,239)	\$ 1,290,443

**CITY OF HUDSONVILLE
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2020**

	Special Revenue	Debt Service		Capital Projects		Permanent		Total
		Quality of Life Enhancement Debt	Bond Money Market	Quality of Life Enhancement	Library Endowment			
ASSETS								
Cash, cash equivalents, and pooled investments	\$ 164,369	\$ -	\$ 32,698	\$ 2,250	\$ 1,909	\$ 201,226		
Interest receivable	592	-	-	-	-	592		
Due from other governmental units	25,479	-	-	-	-	25,479		
Prepays	811	-	-	-	-	811		
TOTAL ASSETS	\$ 191,251	\$ -	\$ 32,698	\$ 2,250	\$ 1,909	\$ 228,108		
LIABILITIES								
Accounts payable	\$ 299	\$ -	\$ -	\$ 2,250	\$ -	\$ 2,549		
Accrued wages	3,192	-	-	-	-	3,192		
Due to other funds	-	-	-	-	-	-		
TOTAL LIABILITIES	3,491	-	-	2,250	-	5,741		
FUND BALANCES								
Nonspendable	811	-	-	-	-	811		
Restricted								
Highways and streets	186,949	-	32,698	-	-	219,647		
Library	-	-	-	-	1,909	1,909		
TOTAL FUND BALANCES	187,760	-	32,698	-	1,909	222,367		
TOTAL LIABILITIES AND FUND BALANCES	\$ 191,251	\$ -	\$ 32,698	\$ 2,250	\$ 1,909	\$ 228,108		

**CITY OF HUDSONVILLE
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2020**

	Special Revenue		Debt Service		Capital Projects			Permanent		Total
	Local Streets		Quality of Life Enhancement Debt		Bond Money Market	Quality of Life Enhancement	Library Endowment			
REVENUES										
Intergovernmental	\$ 308,723	\$	33,287	\$	-	\$	-	\$	-	\$ 342,010
Interest and rents	6,382	-	-	-	796	-	-	-	-	7,178
Contributions	-	-	-	-	-	-	-	4,926	-	4,926
Miscellaneous	453	-	-	-	-	-	-	-	-	453
TOTAL REVENUES	315,558		33,287		796		-	4,926		354,567
EXPENDITURES										
Current										
Public works	333,548	-	-	-	-	-	-	-	-	333,548
Recreation and culture	-	-	-	-	-	-	-	4,167	-	4,167
Debt service	-	-	345,125	-	-	-	-	-	-	345,125
Capital outlay	-	-	-	-	-	241,179	-	-	-	241,179
TOTAL EXPENDITURES	333,548		345,125		-	\$ 241,179		4,167		924,019
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(17,990)		(311,838)		796	(241,179)		759		(569,452)
OTHER FINANCING SOURCES (USES)										
Transfers in	-	-	311,838	-	-	222,805	-	-	-	534,643
Transfers out	-	-	-	-	(222,805)	-	-	-	-	(222,805)
TOTAL OTHER FINANCING SOURCES (USES)	-		311,838		(222,805)	222,805		-		311,838
NET CHANGE IN FUND BALANCES	(17,990)		-		(222,009)	(18,374)		759		(257,614)
Fund balances, beginning of year	205,750	-	-	-	254,707	18,374	-	1,150	-	479,981
Fund balances, end of year	\$ 187,760	\$	-	\$	32,698	\$	-	\$	1,909	\$ 222,367

**CITY OF HUDSONVILLE
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET POSITION
JUNE 30, 2020**

	Equipment Fund	Fire Vehicle Fund	Total
ASSETS			
Current assets			
Cash, cash equivalents, and pooled investments	\$ 6,712	\$ 173,781	\$ 180,493
Prepays	1,659	-	1,659
Total current assets	8,371	173,781	182,152
Noncurrent assets			
Noncurrent pooled investments	7,879	-	7,879
Capital assets, net of accumulated depreciation	755,611	-	755,611
Total noncurrent assets	763,490	-	763,490
TOTAL ASSETS	771,861	173,781	945,642
LIABILITIES			
Current liabilities			
Accounts payable	5,470	-	5,470
Accrued wages	3,992	-	3,992
TOTAL LIABILITIES	9,462	-	9,462
NET POSITION			
Net investment in capital assets	755,611	-	755,611
Unrestricted	6,788	173,781	180,569
TOTAL NET POSITION	\$ 762,399	\$ 173,781	\$ 936,180

**CITY OF HUDSONVILLE
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2020**

	Equipment Fund	Fire Vehicle Fund	Total
OPERATING REVENUES			
Charges for services	\$ 255,820	\$ -	\$ 255,820
OPERATING EXPENSES			
Personnel services	96,427	-	96,427
Contractual services	488	-	488
Utilities	20,864	-	20,864
Repairs and maintenance	60,258	-	60,258
Other	22,029	-	22,029
Depreciation	126,998	-	126,998
TOTAL OPERATING EXPENSES	327,064	-	327,064
OPERATING (LOSS)	(71,244)	-	(71,244)
NONOPERATING REVENUES (EXPENSES)			
Investment earnings	(579)	-	(579)
Gain on sale of capital assets	12,744	-	12,744
TOTAL NONOPERATING REVENUES (EXPENSES)	12,165	-	12,165
(LOSS) BEFORE TRANSFERS	(59,079)	-	(59,079)
TRANSFERS			
Transfers in	-	173,781	173,781
Transfers out	(136,451)	-	(136,451)
TOTAL TRANSFERS	(136,451)	173,781	37,330
CHANGE IN NET POSITION	(195,530)	173,781	(21,749)
Net position, beginning of year	957,929	-	957,929
Net position, end of year	\$ 762,399	\$ 173,781	\$ 936,180

**CITY OF HUDSONVILLE
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2020**

	Equipment Fund	Fire Vehicle Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers	\$ 255,860	\$ -	\$ 255,860
Cash paid to employees	(93,702)	-	(93,702)
Cash paid to suppliers	(103,400)	-	(103,400)
NET CASH PROVIDED BY OPERATING ACTIVITIES	58,758	-	58,758
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Transfers in	-	173,781	173,781
Transfers out	(136,451)	-	(136,451)
Purchase of capital assets	(136,724)	-	(136,724)
Proceeds from sale of capital assets	12,744	-	12,744
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(260,431)	173,781	(86,650)
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment (losses)	(579)	-	(579)
NET INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS AND INVESTMENTS	(202,252)	173,781	(28,471)
Cash, cash equivalents, and investments, beginning of year	216,843	-	216,843
Cash, cash equivalents, and investments, end of year	\$ 14,591	\$ 173,781	\$ 188,372
Reconciliation of operating (loss) to net cash provided by operating activities			
Operating (loss)	\$ (71,244)	\$ -	\$ (71,244)
Adjustments to reconcile operating (loss) to net cash provided by operating activities			
Depreciation	126,998	-	126,998
(Increase) decrease in			
Accounts receivable	40	-	40
Prepays	(61)	-	(61)
Increase in			
Accounts payable	300	-	300
Accrued wages	2,725	-	2,725
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 58,758	\$ -	\$ 58,758

**CITY OF HUDSONVILLE
COMPONENT UNIT FUNDS
BALANCE SHEET - DOWNTOWN DEVELOPMENT AUTHORITY
JUNE 30, 2020**

ASSETS	
Cash, cash equivalents, and pooled investments	<u>\$ 53,474</u>
LIABILITIES	
Account payable	\$ 2,402
FUND BALANCE	
Unassigned	<u>51,072</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 53,474</u>

Note: Reconciliation of the governmental fund balance sheet to the statement of net position for this component unit is not required as the fund balance was equal to the net position as of June 30, 2020.

**CITY OF HUDSONVILLE
 COMPONENT UNIT FUNDS
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCE - DOWNTOWN DEVELOPMENT AUTHORITY
 YEAR ENDED JUNE 30, 2020**

REVENUES	
Taxes	\$ 16,430
EXPENDITURES	
Current	
Community and economic development	10,609
NET CHANGE IN FUND BALANCE	5,821
Fund balance, beginning of year	45,251
Fund balance, end of year	\$ 51,072

Note: Reconciliation of the statement of revenues, expenditures, and changes in fund balance of this component unit's governmental fund to the statement of activities is not required as the net change in fund balance was equal to the change in net position for the year ended June 30, 2020.

**CITY OF HUDSONVILLE
 COMPONENT UNIT FUNDS
 BALANCE SHEET - TAX INCREMENT FINANCE AUTHORITY
 JUNE 30, 2020**

ASSETS	
Cash, cash equivalents, and pooled investments	\$ 57,472
Land held for resale and development	1,481,901
Prepays	<u>847</u>
TOTAL ASSETS	<u><u>\$ 1,540,220</u></u>
LIABILITIES	
Accounts payable	\$ 404
Accrued liabilities	1,598
Advance from other governmental units	<u>110,000</u>
TOTAL LIABILITIES	<u>112,002</u>
FUND BALANCE	
Nonspendable	1,482,748
Unassigned	<u>(54,530)</u>
TOTAL FUND BALANCE	<u>1,428,218</u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 1,540,220</u></u>

**CITY OF HUDSONVILLE
 COMPONENT UNIT FUNDS
 RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
 TO THE STATEMENT OF NET POSITION - TAX INCREMENT FINANCE AUTHORITY
 JUNE 30, 2020**

Total fund balance - governmental fund \$ 1,428,218

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

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

The cost of capital assets is	\$	533,254
Accumulated depreciation is		<u>(219,719)</u>

Capital assets, net		<u>313,535</u>
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Net position of governmental activities		<u><u>\$ 1,741,753</u></u>
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**CITY OF HUDSONVILLE
 COMPONENT UNIT FUNDS
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCE - TAX INCREMENT FINANCE AUTHORITY
 YEAR ENDED JUNE 30, 2020**

REVENUES	
Taxes	\$ 161,119
Intergovernmental	4,961
Realized gain on investments	185
Other	<u>945</u>
TOTAL REVENUES	<u>167,210</u>
EXPENDITURES	
Current	
Community and economic development	<u>138,222</u>
NET CHANGE IN FUND BALANCE	28,988
Fund balance, beginning of year	<u>1,399,230</u>
Fund balance, end of year	<u><u>\$ 1,428,218</u></u>

**CITY OF HUDSONVILLE
 COMPONENT UNIT FUNDS
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCE OF THE GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES -
 TAX INCREMENT FINANCE AUTHORITY
 YEAR ENDED JUNE 30, 2020**

Net change in fund balance - governmental fund \$ 28,988

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

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

Depreciation expense	(22,171)
Change in net position of governmental activities	\$ 6,817