

**CITY OF HUDSONVILLE
OTTAWA COUNTY, MICHIGAN**

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

YEAR ENDED JUNE 30, 2019

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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, 2019, 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, 2019, 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.

Manes Costeiran PC

November 11, 2019

**CITY OF HUDSONVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019**

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, 2019. 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 2019. 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, 2019**

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 5 and 6 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, 2019**

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

This table has been restated from last year to reflect the recording of the pension liability and corresponding deferred inflows and outflows of resources that are required to be recorded as a result of a change in accounting principles. The City also reports its investment in capital assets (e.g. land, buildings, equipment, etc.). The City uses these capital assets to provide services to students and residents of the community; consequently, these assets are not available for future spending. Also, a certain amount of net position was restricted for specific purposes. The following summarizes the net position as of June 30, 2019 and 2018.

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Assets						
Current and other assets	\$ 2,358,391	\$ 2,578,313	\$ 925,454	\$ 1,206,884	\$ 3,283,845	\$ 3,785,197
Capital assets, net	16,284,845	12,494,328	10,157,964	12,771,206	26,442,809	25,265,534
Total assets	18,643,236	15,072,641	11,083,418	13,978,090	29,726,654	29,050,731
Deferred Outflows of Resources	264,727	68,106	-	-	264,727	68,106
Liabilities						
Current	570,766	708,609	268,074	590,599	838,840	1,299,208
Noncurrent	5,531,786	3,424,035	-	2,201,598	5,531,786	5,625,633
Total liabilities	6,102,552	4,132,644	268,074	2,792,197	6,370,626	6,924,841
Deferred Inflows of Resources	66,813	32,954	-	-	66,813	32,954
Net Position						
Net investment						
in capital assets	11,203,778	9,604,063	7,525,303	7,356,520	18,729,081	16,960,583
Restricted	976,210	1,322,729	-	-	976,210	1,322,729
Unrestricted	558,610	48,357	3,290,041	3,829,373	3,848,651	3,877,730
Total net position	\$ 12,738,598	\$ 10,975,149	\$ 10,815,344	\$ 11,185,893	\$ 23,553,942	\$ 22,161,042

**CITY OF HUDSONVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019**

Results of Operations

For the fiscal year ended June 30, 2019 and 2018, the government-wide results of operations were:

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues						
Program revenue						
Charges for services	\$ 447,325	\$ 262,869	\$ 2,289,004	\$ 2,382,732	\$ 2,736,329	\$ 2,645,601
Operating grants and contributions	1,142,578	1,042,280	131,313	-	1,273,891	1,042,280
Capital grants and contributions	647,397	545,846	-	5,230	647,397	551,076
General revenues						
Property taxes	2,539,923	2,421,550	-	-	2,539,923	2,421,550
State revenue sharing	652,623	625,836	-	-	652,623	625,836
Local community stabilization	178,527	205,098	-	-	178,527	205,098
Investment earnings	96,044	67,302	56,965	(18,812)	153,009	48,490
Other	252,467	100,018	12,260	6,898	264,727	106,916
Transfers	-	(168,802)	-	168,802	-	-
Total revenues	5,956,884	5,101,997	2,489,542	2,544,850	8,446,426	7,646,847
Expenses						
General government	1,034,351	1,139,493	-	-	1,034,351	1,139,493
Public safety	885,048	950,482	-	-	885,048	950,482
Public works	1,444,842	1,149,173	-	-	1,444,842	1,149,173
Community and economic development	436,337	307,884	-	-	436,337	307,884
Recreation and cultural	797,278	666,339	-	-	797,278	666,339
Sewer	-	-	1,419,026	1,376,249	1,419,026	1,376,249
Water	-	-	689,667	719,133	689,667	719,133
Terra Square	-	-	-	283,587	-	283,587
Interest on long-term debt	167,639	153,570	-	-	167,639	153,570
Total expenses	4,765,495	4,366,941	2,108,693	2,378,969	6,874,188	6,745,910
Change in net position	1,191,389	735,056	380,849	165,881	1,572,238	900,937
Restated net position, beginning of year	11,547,209	10,240,093	10,434,495	11,020,012	21,981,704	21,260,105
Net position, end of year	\$ 12,738,598	\$ 10,975,149	\$ 10,815,344	\$ 11,185,893	\$ 23,553,942	\$ 22,161,042

Analysis of Results of Operations

During fiscal year ended June 30, 2019, the City's net position increased by \$1,512,238. 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 \$1,191,389 for the fiscal year ended June 30, 2019. Total revenues increased by \$854,887, or 16.76%. Total expenses increased \$398,554, or 9.13%. In 2019, the City had additional expenses mainly due to increases in the recreation and cultural and public works 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 a business-type activity previously.

**CITY OF HUDSONVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019**

Business-type Activities Operating Results

The City's revenues from business-type activities operations exceeded expenses by \$380,849 for the fiscal year ended June 30, 2019. Total revenues decreased \$55,308, or 2.17%. Total expenses decreased \$270,276, or 11.36%.

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 \$1,945,749, an increase of \$147,695 in comparison with the prior year. Approximately 43.52% of this (\$846,848) 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 \$477,144 during the current fiscal year to \$969,539; \$413,640 of which was unassigned, \$433,208 was assigned, and \$122,691 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, 2019, represents 11.22% of the total General Fund expenditures and other financing uses. Total revenues and other financing sources increased by \$360,887, or 10.82%, while expenditures and other financing uses decreased by \$96,567, or 2.60%.

Budgetary basis revenues and other financing sources for the General Fund were decreased approximately 1.78% from the original budget. Actual revenues and other financing sources came in \$246,484 more than the amended budget, primarily due to higher than anticipated state revenues, as the City received \$178,527 in Local Community Stabilization revenue from the state. Budgetary basis expenditures and other financing uses were increased by \$55,881 from the original budget primarily due to higher expenditures for transfers to other funds. Expenditures and other financing uses came in \$233,406 below the amended budget. The variances combined to result in the favorable variance of \$479,890.

The Major Streets Fund (major governmental fund) had a fund balance of \$452,615 at the close of the fiscal year. This was an increase of \$233,940, or 106.98%, 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 \$43,614 at the close of the fiscal year. This was an increase of \$64,298, or 310.86%, from the prior year. This increase was primarily due to an increase in charges for services.

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, 2019**

Unrestricted net position of the Sewer Fund and Water Fund at the end of the year amounted to \$1,344,565, and \$1,945,476 respectively. The most recent fiscal year's activity increased the net position in the Sewer Fund and Water Fund by \$30,270, and \$350,579 respectively. Revenues for both funds increased as compared to the previous year. Expenses for the Sewer Fund were increased only approximately \$33,000 from the previous year, while expenses in the Water Fund decreased by about \$38,600 due to decrease in contractual service expenses.

Long-Term Debt Activities

The City decreased its long-term debt obligation during 2018-2019 by making principal payments of \$220,000. This makes the balance of total long-term debt \$4,665,000 as of June 30, 2019. 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:

	Restated Principal Balance June 30, 2018	Debt Proceeds	Principal Payments	Principal Balance June 30, 2019
2012 Installment Purchase Contract	\$ 4,675,000	\$ -	\$ 170,000	\$ 4,505,000
2016 Capital Improvement Bonds	180,000	-	20,000	160,000
1998 Drinking Water Revolving Fund	30,000	-	30,000	-
Total Long-Term Obligations	\$ 4,885,000	\$ -	\$ 220,000	\$ 4,665,000

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, 2019, is \$37,349.

**CITY OF HUDSONVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019**

Net Investment in Capital Assets

The City's net investment in capital assets (Primary Government) increased by \$1,532,390 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 <u>June 30, 2018</u>	Net Additions/ Deletions	Balance <u>June 30, 2019</u>
Capital assets	\$ 31,545,969	\$ 3,561,725	\$ 35,107,694
Less accumulated depreciation	<u>(14,249,320)</u>	<u>(817,798)</u>	<u>(15,067,118)</u>
	17,296,649	2,743,927	20,040,576
Add Capital assets not being depreciated	<u>4,871,110</u>	<u>(1,211,538)</u>	<u>3,659,572</u>
Net investment in capital assets	<u>\$ 22,167,759</u>	<u>\$ 1,532,389</u>	<u>\$ 23,700,148</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 continued changes in health insurance for employees, accelerated pension costs to fund the net pension liability, street improvements and other infrastructure improvements, and the issuance of \$5 million in new debt. These factors were considered in the preparation of the City's fiscal year 2019-2020 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 Janice Sal Syswerda, Finance Director, City of Hudsonville, Michigan.

BASIC FINANCIAL STATEMENTS

CITY OF HUDSONVILLE
STATEMENT OF NET POSITION
JUNE 30, 2019

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current assets				
Cash, cash equivalents, and pooled investments	\$ 948,832	\$ 442,904	\$ 1,391,736	\$ 12,456
Receivables	78,713	451,259	529,972	-
Due from other governmental units	248,909	-	248,909	-
Inventories	-	26,896	26,896	-
Prepays	19,322	4,395	23,717	817
Land held for resale and development	-	-	-	1,481,901
Total current assets	1,295,776	925,454	2,221,230	1,495,174
Noncurrent assets				
Noncurrent pooled investments	1,062,615	2,632,661	3,695,276	76,470
Advance to other governmental units	110,000	-	110,000	-
Capital assets not being depreciated	3,522,246	137,326	3,659,572	179
Capital assets, net of accumulated depreciation	12,652,599	7,387,977	20,040,576	335,527
Total noncurrent assets	17,347,460	10,157,964	27,505,424	412,176
TOTAL ASSETS	18,643,236	11,083,418	29,726,654	1,907,350
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows of resources related to pensions	264,727	-	264,727	-
LIABILITIES				
Current liabilities				
Accounts payable	167,024	257,830	424,854	15,596
Accrued wages	68,831	10,244	79,075	-
Other accrued liabilities	2,463	-	2,463	1,567
Due to other governmental units	125	-	125	-
Accrued interest payable	16,710	-	16,710	-
Unearned revenue	72,155	-	72,155	-
Current portion of compensated absences	37,349	-	37,349	-
Current portion of long-term debt	206,109	-	206,109	-
Total current liabilities	570,766	268,074	838,840	17,163
Noncurrent liabilities				
Advance from other governmental units	-	-	-	110,000
Noncurrent portion of long-term debt	4,764,958	-	4,764,958	-
Net pension liability	766,828	-	766,828	-
Total noncurrent liabilities	5,531,786	-	5,531,786	110,000
TOTAL LIABILITIES	6,102,552	268,074	6,370,626	127,163
DEFERRED INFLOW OF RESOURCES				
Deferred inflows of resources related to pensions	66,813	-	66,813	-
NET POSITION				
Net investment in capital assets	11,203,778	7,525,303	18,729,081	335,706
Restricted for				
Highways and streets	913,072	-	913,072	-
Capital projects	18,374	-	18,374	-
Recreation and culture	1,150	-	1,150	-
Community and economic development	43,614	-	43,614	-
Unrestricted	558,610	3,290,041	3,848,651	1,444,481
TOTAL NET POSITION	\$ 12,738,598	\$ 10,815,344	\$ 23,553,942	\$ 1,780,187

See accompanying notes to financial statements.

**CITY OF HUDSONVILLE
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2019**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Units
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	
Primary government								
Governmental activities								
General government	\$ 1,034,351	\$ 209,628	\$ 11,661	\$ 500,000	\$ (313,062)	\$ -	\$ (313,062)	\$ -
Public safety	885,048	29,530	4,317	-	(851,201)	-	(851,201)	-
Public works	1,444,842	-	1,020,081	147,397	(277,364)	-	(277,364)	-
Community and economic development	436,337	182,288	-	-	(254,049)	-	(254,049)	-
Recreation and culture	797,278	25,879	78,826	-	(692,573)	-	(692,573)	-
Interest on long-term debt	167,639	-	27,693	-	(139,946)	-	(139,946)	-
Total governmental activities	4,765,495	447,325	1,142,578	647,397	(2,528,195)	-	(2,528,195)	-
Business-type activities								
Sewer	1,419,026	1,281,276	131,313	-	-	(6,437)	(6,437)	-
Water	689,667	1,007,728	-	-	-	318,061	318,061	-
Total business-type activities	2,108,693	2,289,004	131,313	-	-	311,624	311,624	-
Total primary government	\$ 6,874,188	\$ 2,736,329	\$ 1,273,891	\$ 647,397	(2,528,195)	311,624	(2,216,571)	-
Component units								
Downtown Development Authority	\$ 18,980	\$ -	\$ -	\$ -	-	-	-	(18,980)
Tax Increment Finance Authority	143,576	-	4,141	-	-	-	-	(139,435)
Total component units	\$ 162,556	\$ -	\$ 4,141	\$ -	-	-	-	(158,415)
General revenues								
Property taxes					2,539,923	-	2,539,923	148,078
Local community stabilization					178,527	-	178,527	-
State shared revenues					652,623	-	652,623	-
Investment earnings					96,044	56,965	153,009	1,066
Gain on sale of assets					100,000	-	100,000	-
Miscellaneous					152,467	12,260	164,727	400
Total general revenues and transfers					3,719,584	69,225	3,788,809	149,544
Change in net position					1,191,389	380,849	1,572,238	(8,871)
Restated net position, beginning of the year					11,547,209	10,434,495	21,981,704	1,789,058
Net position, end of the year					\$ 12,738,598	\$ 10,815,344	\$ 23,553,942	\$ 1,780,187

See accompanying notes to financial statements.

**CITY OF HUDSONVILLE
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2019**

	General	Special Revenue		Capital Projects	Nonmajor	Total
		Major Streets	Terra Square Fund	Quality of Life Enhancement	Governmental Funds	
ASSETS						
Cash, cash equivalents, and pooled investments	\$ 836,241	\$ 376,467	\$ 121,238	\$ 24,699	\$ 435,959	\$ 1,794,604
Receivables						
Accounts	65,149	-	1,949	-	-	67,098
Interest	10,649	463	-	-	463	11,575
Due from other governmental units	117,641	100,855	-	-	30,413	248,909
Prepays	12,691	2,183	1,555	-	1,295	17,724
Advance to other governmental units	110,000	-	-	-	-	110,000
TOTAL ASSETS	\$ 1,152,371	\$ 479,968	\$ 124,742	\$ 24,699	\$ 468,130	\$ 2,249,910
LIABILITIES						
Accounts payable	\$ 124,522	\$ 21,689	\$ 6,094	\$ 6,325	\$ 3,224	\$ 161,854
Accrued wages	55,722	5,664	2,879	-	3,299	67,564
Other accrued liabilities	2,463	-	-	-	-	2,463
Due to other governmental units	125	-	-	-	-	125
Unearned revenue	-	-	72,155	-	-	72,155
TOTAL LIABILITIES	182,832	27,353	81,128	6,325	6,523	304,161
FUND BALANCES						
Nonspendable	122,691	2,183	1,555	-	1,295	127,724
Restricted	-	450,432	42,059	18,374	460,312	971,177
Assigned	433,208	-	-	-	-	433,208
Unassigned	413,640	-	-	-	-	413,640
TOTAL FUND BALANCES	969,539	452,615	43,614	18,374	461,607	1,945,749
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,152,371	\$ 479,968	\$ 124,742	\$ 24,699	\$ 468,130	\$ 2,249,910

See accompanying notes to financial statements.

**CITY OF HUDSONVILLE
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2019**

Total fund balances - governmental funds \$ 1,945,749

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	\$ 21,067,580	
Accumulated depreciation is	<u>(5,638,620)</u>	
Capital assets, net		15,428,960

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	957,929
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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	264,727	
Deferred inflows of resources related to pensions	<u>(66,813)</u>	
		197,914

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	(4,665,000)	
Capitalized bond premiums	(306,067)	
Accrued interest payable on long-term debt	(16,710)	
Net pension liability	(766,828)	
Compensated absences	<u>(37,349)</u>	
		<u>(5,791,954)</u>

Net position of governmental activities \$ 12,738,598

**CITY OF HUDSONVILLE
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2019**

	General	Special Revenue		Capital Projects	Nonmajor	Total
		Major Streets	Terra Square Fund	Quality of Life Enhancement	Governmental Funds	
REVENUES						
Taxes	\$ 2,595,649	\$ -	\$ -	\$ -	\$ -	\$ 2,595,649
Licenses and permits	121,300	-	-	-	-	121,300
Intergovernmental	929,243	684,058	-	500,000	305,500	2,418,801
Charges for services	19,349	-	46,428	-	-	65,777
Fines and forfeits	55,630	-	-	-	-	55,630
Interest and rents	81,207	8,319	136,020	-	9,168	234,714
Contributions	86,299	87,397	263	-	5,850	179,809
Miscellaneous	174,642	10,562	-	-	-	185,204
TOTAL REVENUES	4,063,319	790,336	182,711	500,000	320,518	5,856,884
EXPENDITURES						
Current						
General government	948,552	-	-	-	-	948,552
Public safety	877,165	-	-	-	-	877,165
Public works	313,327	558,780	-	-	251,218	1,123,325
Community and economic development	277,901	-	145,854	-	-	423,755
Recreation and culture	626,999	-	-	-	42,987	669,986
Other	250,255	-	-	-	-	250,255
Debt service	25,740	-	-	-	348,525	374,265
Capital outlay	14,897	376	12,582	1,114,031	-	1,141,886
TOTAL EXPENDITURES	3,334,836	559,156	158,436	1,114,031	642,730	5,809,189
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	728,483	231,180	24,275	(614,031)	(322,212)	47,695
OTHER FINANCING SOURCES (USES)						
Proceeds from sale of assets	100,000	-	-	-	-	100,000
Transfers in	-	2,760	40,023	245,446	321,139	609,368
Transfers out	(351,339)	-	-	-	(258,029)	(609,368)
TOTAL OTHER FINANCING SOURCES (USES)	(251,339)	2,760	40,023	245,446	63,110	100,000
NET CHANGE IN FUND BALANCES	477,144	233,940	64,298	(368,585)	(259,102)	147,695
Restated fund balances (deficit), beginning of year	492,395	218,675	(20,684)	386,959	720,709	1,798,054
Fund balances, end of year	\$ 969,539	\$ 452,615	\$ 43,614	\$ 18,374	\$ 461,607	\$ 1,945,749

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, 2019

Net change in fund balances - total governmental funds \$ 147,695

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	\$ 1,468,027	
Depreciation expense	<u>(596,547)</u>	
Excess of capital outlay over depreciation expense		871,480

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		(82,554)
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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:

(Increase) in net pension liability	(115,696)	
Increase in deferred outflows of resources	196,621	
(Increase) in deferred inflows of resources	(33,859)	
Decrease in accrued interest payable	517	
Amortization of bond premium on long-term debt	16,109	
Decrease in compensated absences	<u>1,076</u>	
		<u>64,768</u>

Change in net position of governmental activities \$ 1,191,389

**CITY OF HUDSONVILLE
 PROPRIETARY FUNDS
 STATEMENT OF NET POSITION
 JUNE 30, 2019**

	<u>Business-type Activities</u>			<u>Governmental Activities</u>
	<u>Sewer Fund</u>	<u>Water Fund</u>	<u>Total</u>	<u>Internal Service Fund</u>
ASSETS				
Current assets				
Cash, cash equivalents, and pooled investments	\$ 183,561	\$ 259,343	\$ 442,904	\$ 31,227
Accounts receivable	257,066	194,193	451,259	40
Inventories	5,073	21,823	26,896	-
Prepays	2,111	2,284	4,395	1,598
Total current assets	<u>447,811</u>	<u>477,643</u>	<u>925,454</u>	<u>32,865</u>
Noncurrent assets				
Noncurrent pooled investments	1,091,102	1,541,559	2,632,661	185,616
Capital assets not being depreciated	5,299	132,027	137,326	-
Capital assets, net of accumulated depreciation	<u>2,441,168</u>	<u>4,946,809</u>	<u>7,387,977</u>	<u>745,885</u>
Total noncurrent assets	<u>3,537,569</u>	<u>6,620,395</u>	<u>10,157,964</u>	<u>931,501</u>
TOTAL ASSETS	<u>3,985,380</u>	<u>7,098,038</u>	<u>11,083,418</u>	<u>964,366</u>
LIABILITIES				
Current liabilities				
Accounts payable	189,297	68,533	257,830	5,170
Accrued wages	<u>5,051</u>	<u>5,193</u>	<u>10,244</u>	<u>1,267</u>
TOTAL LIABILITIES	<u>194,348</u>	<u>73,726</u>	<u>268,074</u>	<u>6,437</u>
NET POSITION				
Net investment in capital assets	2,446,467	5,078,836	7,525,303	745,885
Unrestricted	<u>1,344,565</u>	<u>1,945,476</u>	<u>3,290,041</u>	<u>212,044</u>
TOTAL NET POSITION	<u>\$ 3,791,032</u>	<u>\$ 7,024,312</u>	<u>\$ 10,815,344</u>	<u>\$ 957,929</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, 2019**

	<u>Business-type Activities</u>			<u>Governmental Activities</u>
	<u>Sewer Fund</u>	<u>Water Fund</u>	<u>Total</u>	<u>Internal Service Fund</u>
OPERATING REVENUES				
Charges for services	\$ 1,270,308	\$ 999,818	\$ 2,270,126	\$ 227,796
Penalties and interest	10,968	7,910	18,878	-
Intergovernmental operating grant	131,313	-	131,313	-
TOTAL OPERATING REVENUES	<u>1,412,589</u>	<u>1,007,728</u>	<u>2,420,317</u>	<u>227,796</u>
OPERATING EXPENSES				
Personnel services	150,167	162,133	312,300	87,797
Contractual services	985,496	278,213	1,263,709	473
Utilities	22,042	5,854	27,896	26,563
Repairs and maintenance	96,777	39,501	136,278	50,234
Other	12,917	26,826	39,743	20,034
Depreciation	151,627	176,577	328,204	132,824
TOTAL OPERATING EXPENSES	<u>1,419,026</u>	<u>689,104</u>	<u>2,108,130</u>	<u>317,925</u>
OPERATING INCOME (LOSS)	<u>(6,437)</u>	<u>318,624</u>	<u>312,187</u>	<u>(90,129)</u>
NONOPERATING REVENUES (EXPENSES)				
Investment earnings	25,529	31,436	56,965	3,790
Miscellaneous	11,178	1,082	12,260	3,785
Interest expense	-	(563)	(563)	-
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>36,707</u>	<u>31,955</u>	<u>68,662</u>	<u>7,575</u>
CHANGE IN NET POSITION	<u>30,270</u>	<u>350,579</u>	<u>380,849</u>	<u>(82,554)</u>
Restated net position, beginning of year	<u>3,760,762</u>	<u>6,673,733</u>	<u>10,434,495</u>	<u>1,040,483</u>
Net position, end of year	<u>\$ 3,791,032</u>	<u>\$ 7,024,312</u>	<u>\$ 10,815,344</u>	<u>\$ 957,929</u>

See accompanying notes to financial statements.

**CITY OF HUDSONVILLE
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 YEAR ENDED JUNE 30, 2019**

	Business-type Activities			Governmental Activities
	Sewer Fund	Water Fund	Total	Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash receipts from customers	\$ 1,425,198	\$ 1,027,465	\$ 2,452,663	\$ 227,756
Cash paid to employees	(150,793)	(162,954)	(313,747)	(89,507)
Cash paid to suppliers	(1,259,833)	(349,200)	(1,609,033)	(101,313)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>14,572</u>	<u>515,311</u>	<u>529,883</u>	<u>36,936</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Payments of borrowing	-	(30,000)	(30,000)	-
Purchase of capital assets	(500,140)	(566,347)	(1,066,487)	(55,450)
Interest and fees paid	-	(751)	(751)	-
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(500,140)</u>	<u>(597,098)</u>	<u>(1,097,238)</u>	<u>(55,450)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Miscellaneous	11,178	1,082	12,260	3,785
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment earnings	<u>25,529</u>	<u>31,436</u>	<u>56,965</u>	<u>3,790</u>
NET (DECREASE) IN CASH, CASH EQUIVALENTS AND POOLED INVESTMENTS	<u>(448,861)</u>	<u>(49,269)</u>	<u>(498,130)</u>	<u>(10,939)</u>
Cash, cash equivalents, and pooled investments, beginning of year	<u>1,723,524</u>	<u>1,850,171</u>	<u>3,573,695</u>	<u>227,782</u>
Cash, cash equivalents, and pooled investments, end of year	<u><u>\$ 1,274,663</u></u>	<u><u>\$ 1,800,902</u></u>	<u><u>\$ 3,075,565</u></u>	<u><u>\$ 216,843</u></u>
Reconciliation of operating income (loss) to net cash provided by operating activities				
Operating income (loss)	\$ (6,437)	\$ 318,624	\$ 312,187	\$ (90,129)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities				
Depreciation	151,627	176,577	328,204	132,824
(Increase) decrease in				
Accounts receivable	12,609	19,737	32,346	(40)
Inventories	(1,862)	(6,681)	(8,543)	-
Prepays	23	18	41	(44)
Increase (decrease) in				
Accounts payable	(140,739)	7,875	(132,864)	(4,009)
Accrued liabilities	(649)	(839)	(1,488)	(1,666)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ 14,572</u></u>	<u><u>\$ 515,311</u></u>	<u><u>\$ 529,883</u></u>	<u><u>\$ 36,936</u></u>

See accompanying notes to financial statements.

**CITY OF HUDSONVILLE
 COMPONENT UNITS
 COMBINING STATEMENT OF NET POSITION
 JUNE 30, 2019**

	Downtown Development Authority	Tax Increment Finance Authority	Total
ASSETS			
Current assets			
Cash, cash equivalents, and pooled investments	\$ 6,765	\$ 5,691	\$ 12,456
Land held for resale and development	-	1,481,901	1,481,901
Prepays	-	817	817
Total current assets	<u>6,765</u>	<u>1,488,409</u>	<u>1,495,174</u>
Noncurrent assets			
Noncurrent pooled investments	41,534	34,936	76,470
Capital assets not of being depreciated	-	179	179
Capital assets, net of accumulated depreciation	-	335,527	335,527
Total noncurrent assets	<u>41,534</u>	<u>370,642</u>	<u>412,176</u>
TOTAL ASSETS	<u>48,299</u>	<u>1,859,051</u>	<u>1,907,350</u>
LIABILITIES			
Current liabilities			
Accounts payable	3,048	12,548	15,596
Accrued liabilities	-	1,567	1,567
Total current liabilities	<u>3,048</u>	<u>14,115</u>	<u>17,163</u>
Noncurrent liabilities			
Advance from other governmental units	-	110,000	110,000
TOTAL LIABILITIES	<u>3,048</u>	<u>124,115</u>	<u>127,163</u>
NET POSITION			
Investment in capital assets	-	335,706	335,706
Unrestricted	45,251	1,399,230	1,444,481
TOTAL NET POSITION	<u>\$ 45,251</u>	<u>\$ 1,734,936</u>	<u>\$ 1,780,187</u>

See accompanying notes to financial statements.

**CITY OF HUDSONVILLE
 COMPONENT UNITS
 COMBINING STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2019**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>	<u>Net (Expense) Revenues and Changes in Net Position</u>		
		<u>Operating Grants and Contributions</u>	<u>Downtown Development Authority</u>	<u>Tax Increment Finance Authority</u>	<u>Total</u>
Downtown Development Authority	\$ 18,980	\$ -	\$ (18,980)	\$ -	\$ (18,980)
Tax Increment Finance Authority	143,576	4,141	-	(139,435)	(139,435)
TOTALS	<u>\$ 162,556</u>	<u>\$ 4,141</u>	<u>(18,980)</u>	<u>(139,435)</u>	<u>(158,415)</u>
General revenues					
Property taxes			14,764	133,314	148,078
Investment earnings			-	1,066	1,066
Miscellaneous			-	400	400
Total general revenues			<u>14,764</u>	<u>134,780</u>	<u>149,544</u>
Change in net position			(4,216)	(4,655)	(8,871)
Net position, beginning of year			<u>49,467</u>	<u>1,739,591</u>	<u>1,789,058</u>
Net position, end of year			<u>\$ 45,251</u>	<u>\$ 1,734,936</u>	<u>\$ 1,780,187</u>

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 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.
- d. The Quality of Life Enhancement Fund is used to account for the financial resources that are used for the City's capital projects.

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 an internal service fund 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 and agency 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 Special Revenue Funds' budgets shown as required supplementary information were prepared on the same modified accrual basis used to reflect actual results. 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, Cash Equivalents, and Pooled Investments

Cash and pooled investments consist of checking, certificates of deposits, and pooled investment accounts. Investments are stated at fair value and short-term investments are reported at cost, which approximates fair value. Earnings from investments are allocated to numerous funds as required by Federal regulations, State statutes, and local ordinances. Cash equivalents consist of temporary investments in certificates of deposit with original maturities of 90 days or less.

Investments include government securities and certificates of deposits with maturities of greater than 90 days from the date of purchase. The City has also accounted for its land held for resale and development as investments of the City. Investments are recorded at fair value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*, as applicable.

Due from Other Governmental Units

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

CITY OF HUDSONVILLE
NOTES TO FINANCIAL STATEMENTS

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

Receivables

Receivables consist of amounts due from various individuals and businesses related to charges for services, amounts owed to the City from special assessments, 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.

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.

**CITY OF HUDSONVILLE
NOTES TO FINANCIAL STATEMENTS**

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

Long-Term Obligations (continued)

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 sick pay benefits and vacation pay in accordance with the various contracts. Applicable sick pay and vacation pay are accrued when incurred in the governmental-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.

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.

**CITY OF HUDSONVILLE
NOTES TO FINANCIAL STATEMENTS**

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

Property Tax (continued)

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, 2019, 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 2018 levy for the property within the City was \$226,506,413.

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.

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

The City deposits consist of a common checking account and various savings accounts, checking accounts, pooled investment accounts, and certificates of deposit maintained by individual funds and are reported as cash, cash equivalents, and investments on the basic financial statements.

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.

**CITY OF HUDSONVILLE
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

- 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.

Deposits

As of June 30, 2019, the carrying amounts and bank balances for each type of bank account are as follows:

	Carrying Amount	Bank Balance
Checking/savings accounts	\$ 780,364	\$ 954,508
Certificates of deposits (due within one year)	623,328	623,328
Certificates of deposits (due in more than one year)	2,719,920	2,719,920
Total deposits	\$ 4,123,612	\$ 4,297,756

The primary government cash, cash equivalents, and pooled investments captions on the basic financial statements included \$500 of imprest cash.

Deposits of the City are at federally insured banks located in the State of Michigan with all accounts maintained in the name of the City. As of June 30, 2019, the City's accounts were insured by the FDIC for \$2,356,022 and the amount of \$1,941,734 was uninsured and uncollateralized.

Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value hierarchy is also established which requires an entity to maximize the use of observable and minimize the use of unobservable inputs. There are three levels of inputs that may be used to measure fair value:

- 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.

**CITY OF HUDSONVILLE
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

Fair Value Measurements (continued)

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.

Following is a description of the valuation methodologies used for instruments measured at fair value on a recurring basis and recognized in the accompanying financial statements, as well as the general classification of such instruments pursuant to the valuation hierarchy.

The City had the following fair value measurements as of June 30, 2019:

	Fair Value Measurements				
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Moody's/ S&P Rating	Weighted Average Maturity
PRIMARY GOVERNMENT					
Federal Home Loan Banks	\$ -	\$ 396,863	\$ -	Aaa/AA+	1.85 yrs
Federal Home Loan Mortgage Corporation	-	654,963	-	Aaa/AA+	1.46 yrs
COMPONENT UNITS					
Land held for resale and development	-	-	1,481,901	N/A	N/A
Total investments at fair value	<u>\$ -</u>	<u>\$ 1,051,826</u>	<u>\$ 1,481,901</u>		1.61 yrs

Credit Risk

State law limits investments in certain types of investments to a prime or better rating issued by nationally recognized statistical rating organizations (NRSRO's). As of June 30, 2019, rating information on the City's investments is presented above.

Interest Rate Risk

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 on the open market prior to maturity, and investing operating funds primarily in shorter-term securities, money market mutual funds, or similar investment pools and limiting the average maturity of the portfolio.

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.

**CITY OF HUDSONVILLE
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

Custodial Credit Risk

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 authorized by the Commission and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the City will do business in accordance with Commission approved policy.

The cash, cash equivalents, and pooled 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, 2019:

	Primary Government	Component Units	Reporting Entity
Cash, cash equivalents, and pooled investments	\$ 1,391,736	\$ 12,456	\$ 1,404,192
Noncurrent pooled investments	3,695,276	76,470	3,771,746
Total cash, cash equivalents, and investments	\$ 5,087,012	\$ 88,926	\$ 5,175,938

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 Major Streets Fund from General Fund	<u><u>\$ 2,760</u></u>
Transfer to Quality of Life Enhancement Fund from Nonmajor governmental funds	<u><u>\$ 245,446</u></u>
Transfer to Terra Square Fund from General Fund	\$ 27,440
Nonmajor governmental funds	<u>12,583</u>
	<u><u>\$ 40,023</u></u>
Transfer to nonmajor governmental funds from General Fund	<u><u>\$ 321,139</u></u>

The transfers to the Quality of Life Enhancement Fund were to finance projects. The transfers to the Major Streets Fund and the nonmajor governmental funds were to cover general operating expenditures, finance road projects, and to finance the annual debt service requirements. The transfers to the Terra Square Fund were to finance projects.

CITY OF HUDSONVILLE
NOTES TO FINANCIAL STATEMENTS

NOTE 4 - CAPITAL ASSETS

Primary Government

	Restated Balance July 1, 2018	Additions/ Reclassifications	Deletions/ Reclassifications	Balance June 30, 2019
Governmental activities				
Capital assets not being depreciated				
Land	\$ 3,360,256	\$ 56,915	\$ (12,000)	\$ 3,405,171
Construction in progress	<u>1,231,663</u>	<u>1,201,161</u>	<u>(2,315,749)</u>	<u>117,075</u>
Total capital assets not being depreciated	<u>4,591,919</u>	<u>1,258,076</u>	<u>(2,327,749)</u>	<u>3,522,246</u>
Capital assets being depreciated				
Land improvements	4,872,014	2,485,959	(118,456)	7,239,517
Buildings and improvements	8,678,856	-	-	8,678,856
Machinery and equipment	849,638	10,655	-	860,293
Office equipment	1,147,780	41,086	-	1,188,866
Vehicles	<u>1,830,585</u>	<u>55,450</u>	<u>(53,198)</u>	<u>1,832,837</u>
Total capital assets being depreciated	<u>17,378,873</u>	<u>2,593,150</u>	<u>(171,654)</u>	<u>19,800,369</u>
Less accumulated depreciation				
Land improvements	(1,708,247)	(353,587)	118,456	(1,943,378)
Buildings and improvements	(2,167,722)	(173,664)	-	(2,341,386)
Machinery and equipment	(656,409)	(29,538)	-	(685,947)
Office equipment	(899,635)	(59,233)	-	(958,868)
Vehicles	<u>(1,158,040)</u>	<u>(113,349)</u>	<u>53,198</u>	<u>(1,218,191)</u>
Total accumulated depreciation	<u>(6,590,053)</u>	<u>(729,371)</u>	<u>171,654</u>	<u>(7,147,770)</u>
Net capital assets being depreciated	<u>10,788,820</u>	<u>1,863,779</u>	<u>-</u>	<u>12,652,599</u>
Capital assets, net	<u>\$ 15,380,739</u>	<u>\$ 3,121,855</u>	<u>\$ (2,327,749)</u>	<u>\$ 16,174,845</u>

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

General government	\$ 55,413
Public safety	7,883
Public works	512,594
Recreation and culture	<u>153,481</u>
Total depreciation expense	<u>\$ 729,371</u>

CITY OF HUDSONVILLE
NOTES TO FINANCIAL STATEMENTS

NOTE 4 - CAPITAL ASSETS (continued)

Primary Government (continued)

	Restated Balance July 1, 2018	Additions/ Reclassifications	Deletions/ Reclassifications	Balance June 30, 2019
Business-type activities				
Capital assets not being depreciated				
Land	\$ 45,235	\$ -	\$ -	\$ 45,235
Construction in progress	233,956	818,627	(960,492)	92,091
Total capital assets not being depreciated	279,191	818,627	(960,492)	137,326
Capital assets being depreciated				
Sewer system	6,076,229	711,294	(68,123)	6,719,400
Water system	8,090,867	497,058	-	8,587,925
Total capital assets being depreciated	14,167,096	1,208,352	(68,123)	15,307,325
Less accumulated depreciation				
Sewer system	(4,194,728)	(151,627)	68,123	(4,278,232)
Water system	(3,464,539)	(176,577)	-	(3,641,116)
Total accumulated depreciation	(7,659,267)	(328,204)	68,123	(7,919,348)
Net capital assets being depreciated	6,507,829	880,148	-	7,387,977
Capital assets, net	<u>\$ 6,787,020</u>	<u>\$ 1,698,775</u>	<u>\$ (960,492)</u>	<u>\$ 7,525,303</u>

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

Sewer System	\$ 151,627
Water System	<u>176,577</u>
Total depreciation expense	<u>\$ 328,204</u>

**CITY OF HUDSONVILLE
NOTES TO FINANCIAL STATEMENTS**

NOTE 4 - CAPITAL ASSETS (continued)

Component Unit

	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019
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	(175,377)	(22,171)	-	(197,548)
Net capital assets being depreciated	357,698	(22,171)	-	335,527
Capital assets, net	<u>\$ 357,698</u>	<u>\$ (21,992)</u>	<u>\$ -</u>	<u>\$ 335,706</u>

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, 2019.

Primary Government

	Restated Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019	Amounts Due Within One Year
Governmental Activities					
General Obligation Bonds					
2016 Capital Improvement Bonds	\$ 4,675,000	\$ -	\$ (170,000)	\$ 4,505,000	\$ 170,000
Direct Borrowings and Direct Placements					
2012 Installment Purchase Contract	180,000	-	(20,000)	160,000	20,000
Other long-term obligations					
Compensated absences	38,425	66,502	(67,578)	37,349	37,349
Subtotal	4,893,425	66,502	(257,578)	4,702,349	227,349
Bond Premium	322,176	-	(16,109)	306,067	16,109
Total Governmental Activities	5,215,601	66,502	(273,687)	5,008,416	243,458
Business-Type Activities					
Direct Borrowings and Direct Placements					
1998 Drinking Water Revolving Fund	30,000	-	(30,000)	-	-
TOTAL PRIMARY GOVERNMENT	<u>\$ 5,245,601</u>	<u>\$ 66,502</u>	<u>\$ (303,687)</u>	<u>\$ 5,008,416</u>	<u>\$ 243,458</u>

**CITY OF HUDSONVILLE
NOTES TO FINANCIAL STATEMENTS**

NOTE 5 - LONG-TERM DEBT (continued)

Primary Government (continued)

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.	\$ 160,000
\$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>4,505,000</u>
	<u><u>\$ 4,665,000</u></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 \$37,349 at June 30, 2019.

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:

<u>Year Ending June 30,</u>	Governmental Activities			
	Capital Improvement Bonds		Direct Borrowings	
	Principal	Interest	Principal	Interest
2020	\$ 170,000	\$ 174,625	\$ 20,000	\$ 5,180
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
2025-2029	1,065,000	654,925	60,000	4,200
2030-2034	1,300,000	424,125	-	-
2035-2038	1,240,000	137,295	-	-
	<u>\$ 4,505,000</u>	<u>\$ 2,043,770</u>	<u>\$ 160,000</u>	<u>\$ 24,360</u>

**CITY OF HUDSONVILLE
NOTES TO FINANCIAL STATEMENTS**

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 (9) 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.

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.

**CITY OF HUDSONVILLE
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 - DEFINED BENEFIT PENSION PLAN (continued)

Benefits Provided - continued

At the December 31, 2018, valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries receiving benefits	11	
Inactive employees entitled to but not yet receiving benefits	11	
Total employees covered by MERS	22	

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.

Net Pension Liability

The employer's net pension liability was measured as of December 31, 2018, 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, 2017	\$ 2,355,308	\$ 1,704,176	\$ 651,132
Interest on total pension liability	181,338	-	181,338
Difference between expected and actual experience	9,902	-	9,902
Employer contributions	-	144,942	(144,942)
Net investment income	-	(66,118)	66,118
Benefit payments, including employee refunds	(177,176)	(177,176)	-
Administrative expense	-	(3,280)	3,280
Net changes	14,064	(101,632)	115,696
Balances as of December 31, 2018	\$ 2,369,372	\$ 1,602,544	\$ 766,828

**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

For the year ended June 30, 2019, the City recognized pension expense of \$106,605. 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	\$ 187,891	\$ 66,813
Contributions subsequent to the measurement date*	76,836	-
Total	\$ 264,727	\$ 66,813

*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, 2020.

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 (\$76,836), which will impact the net pension liability in fiscal year 2020, rather than pension expense.

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

Years Ending June 30,	Effect on Pension Expense
2020	\$ 41,837
2021	14,774
2022	24,259
2023	40,208
	\$ 121,078

**CITY OF HUDSONVILLE
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 - DEFINED BENEFIT PENSION PLAN (continued)

Actuarial Assumptions

The total pension liability in the December 31, 2018, annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation: 2.5%

Salary increases: 3.75% in the long-term plus a percentage based on age related scale to reflect merit, longevity, and promotional pay increases.

Investment rate of return: 7.75%, 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.

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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
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%

**CITY OF HUDSONVILLE
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 - DEFINED BENEFIT PENSION PLAN (continued)

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.

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Net pension liability	\$ 1,002,269	\$ 766,828	\$ 556,513

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 \$143,033 while participants contributed \$26,062.

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.

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.

**CITY OF HUDSONVILLE
NOTES TO FINANCIAL STATEMENTS**

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, 2019, was \$79,895.

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, 2019:

Shortfall at July 1, 2018	\$ (951,356)
REVENUES	
Licenses and permits	124,872
EXPENDITURES	
Inspection	
Contractual services	<u>(108,504)</u>
Cumulative shortfall at June 30, 2019	<u><u>\$ (934,988)</u></u>

**CITY OF HUDSONVILLE
NOTES TO FINANCIAL STATEMENTS**

NOTE 11 - DETAILS OF 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.

	General	Major Streets	Terra Square Fund	Quality of Life Enhancement	Nonmajor Governmental Funds	Total
FUND BALANCES						
Nonspendable						
Prepays	\$ 12,691	\$ 2,183	\$ 1,555	\$ -	\$ 1,295	\$ 17,724
Advances	110,000	-	-	-	-	110,000
Restricted						
Highways and streets	-	450,432	-	-	459,162	909,594
Capital projects	-	-	-	18,374	-	18,374
Library	-	-	-	-	1,150	1,150
Terra Square	-	-	42,059	-	-	42,059
Assigned						
Parks and recreation	375,829	-	-	-	-	375,829
Library	57,379	-	-	-	-	57,379
Unassigned	413,640	-	-	-	-	413,640
TOTAL FUND BALANCES	\$ 969,539	\$ 452,615	\$ 43,614	\$ 18,374	\$ 461,607	\$ 1,945,749

**CITY OF HUDSONVILLE
NOTES TO FINANCIAL STATEMENTS**

NOTE 12 - 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, 2019, the City's property tax revenue for general operations was reduced by \$45,250.

BROWNFIELD REDEVELOPMENT AUTHORITY

At June 30, 2019, 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 13 - 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 2019-2020 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 2020-2021 fiscal year.

NOTE 14 - RESTATEMENT OF NET POSITION

During the year, the City restated the beginning net position of the business-type activities by (\$179,338), the Water Fund (\$88,155), and the Sewer Fund (\$91,183) due to utility receivables being overstated as of June 30, 2018. The beginning net position of the business-type activities was also restated due to an change in accounting principles. Details of the restatements are noted below:

	Business-Type Activities	Water Fund	Sewer Fund	Governmental Activities
Net position as of June 30, 2018	\$ 11,185,893	\$ 6,761,888	\$ 3,851,945	\$ 10,975,149
Transfer of business-type activities to governmental activities due to change in accounting principles (see Note 15)	(572,060)	-	-	572,060
Restated beginning net position for overstated utility receivables	<u>(179,338)</u>	<u>(88,155)</u>	<u>(91,183)</u>	<u>-</u>
Restated net position as of June 30, 2018	<u>\$ 10,434,495</u>	<u>\$ 6,673,733</u>	<u>\$ 3,760,762</u>	<u>\$ 11,547,209</u>

**CITY OF HUDSONVILLE
NOTES TO FINANCIAL STATEMENTS**

NOTE 15 - CHANGE IN ACCOUNTING PRINCIPLE

During 2019, the City changed its method of accounting for the Terra Square Fund from the full accrual method of accounting to the modified accrual method of accounting. The City determined that the fund activities no longer met the criteria to be reported as an enterprise fund. The effect of the change is explained in the table below.

	Terra Square Fund
Net position as of June 30, 2018	\$ 572,060
Removal of capital assets	(2,886,411)
Removal of accrued interest payable	6,756
Removal of long-term debt due to conversion to modified accrual	2,286,911
Restated fund balance (deficit) as of June 30, 2018	\$ (20,684)

NOTE 16 - SUBSEQUENT EVENTS

In July and August 2019, the City Council approved various infrastructure projects for watermain improvements, streetscape and parking enhancements, and asphalt resurfacing work totaling approximately \$839,000. Existing net position/fund balance and future revenues are expected to be sufficient to pay the cost of these improvements.

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF HUDSONVILLE
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED JUNE 30, 2019**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes				
Property taxes	\$ 2,498,667	\$ 2,498,667	\$ 2,494,253	\$ (4,414)
Penalties and interest	3,000	3,000	3,134	134
Administration fees	93,000	93,000	98,262	5,262
Total taxes	<u>2,594,667</u>	<u>2,594,667</u>	<u>2,595,649</u>	<u>982</u>
Licenses and permits				
Business licenses	42,500	42,500	38,065	(4,435)
Non-business licenses	4,400	4,400	2,469	(1,931)
Franchise fees	91,000	91,000	80,766	(10,234)
Total licenses and permits	<u>137,900</u>	<u>137,900</u>	<u>121,300</u>	<u>(16,600)</u>
Intergovernmental				
State	842,098	753,215	867,824	114,609
Local	50	50	-	(50)
Total intergovernmental	<u>842,148</u>	<u>753,265</u>	<u>867,824</u>	<u>114,559</u>
Charges for services	<u>4,192</u>	<u>4,192</u>	<u>3,369</u>	<u>(823)</u>
Fines and forfeits	<u>16,000</u>	<u>16,000</u>	<u>13,162</u>	<u>(2,838)</u>
Interest and rents				
Investment earnings	49,677	49,677	69,407	19,730
Rent	1,500	1,500	2,650	1,150
Total interest and rents	<u>51,177</u>	<u>51,177</u>	<u>72,057</u>	<u>20,880</u>
Other				
Reimbursements	103,807	113,807	121,551	7,744
Other	3,300	19,050	38,998	19,948
Total other	<u>107,107</u>	<u>132,857</u>	<u>160,549</u>	<u>27,692</u>
TOTAL REVENUES	<u>3,753,191</u>	<u>3,690,058</u>	<u>3,833,910</u>	<u>143,852</u>

**CITY OF HUDSONVILLE
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE (continued)
YEAR ENDED JUNE 30, 2019**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
EXPENDITURES				
Current				
General government				
City Commission	\$ 52,600	\$ 68,350	\$ 68,350	\$ -
Manager	131,129	131,129	128,652	2,477
Attorney	19,000	76,000	65,685	10,315
Clerk	89,876	89,876	85,292	4,584
Information services	56,869	56,869	47,155	9,714
Board of Review	1,617	1,617	1,616	1
Administrative services	36,025	36,025	33,135	2,890
Treasurer	143,604	143,604	129,801	13,803
Assessor	122,255	122,255	115,840	6,415
Elections	15,150	18,713	15,323	3,390
Buildings and grounds	261,523	257,701	257,703	(2)
Total general government	<u>929,648</u>	<u>1,002,139</u>	<u>948,552</u>	<u>53,587</u>
Public safety				
Police department	768,692	768,692	680,688	88,004
Fire department	181,694	193,282	179,167	14,115
Emergency services	15,216	19,690	17,310	2,380
Total public safety	<u>965,602</u>	<u>981,664</u>	<u>877,165</u>	<u>104,499</u>
Public works	<u>268,785</u>	<u>342,557</u>	<u>313,327</u>	<u>29,230</u>
Community and economic development				
Planning and zoning	218,382	200,772	164,232	36,540
City promotion	112,235	116,800	113,669	3,131
Total community and economic development	<u>330,617</u>	<u>317,572</u>	<u>277,901</u>	<u>39,671</u>

**CITY OF HUDSONVILLE
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE (continued)
YEAR ENDED JUNE 30, 2019**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
EXPENDITURES (continued)				
Current (continued)				
Other				
Employee fringe benefits	\$ 196,372	\$ 205,872	\$ 199,879	\$ 5,993
Other	50,802	50,802	50,376	426
Total other	<u>247,174</u>	<u>256,674</u>	<u>250,255</u>	<u>6,419</u>
Debt service				
Principal	20,000	20,000	20,000	-
Interest	5,740	5,740	5,740	-
Total debt service	<u>25,740</u>	<u>25,740</u>	<u>25,740</u>	<u>-</u>
TOTAL EXPENDITURES	<u>2,767,566</u>	<u>2,926,346</u>	<u>2,692,940</u>	<u>233,406</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>985,625</u>	<u>763,712</u>	<u>1,140,970</u>	<u>377,258</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of assets	1,000	1,000	100,000	99,000
Transfers out	<u>(875,832)</u>	<u>(1,006,339)</u>	<u>(1,006,339)</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(874,832)</u>	<u>(1,005,339)</u>	<u>(906,339)</u>	<u>99,000</u>
NET CHANGE IN FUND BALANCE	110,793	(241,627)	234,631	476,258
Fund balance, beginning of year (budgetary basis)	<u>299,528</u>	<u>299,528</u>	<u>299,528</u>	<u>-</u>
Fund balance, end of year (budgetary basis)	<u>\$ 410,321</u>	<u>\$ 57,901</u>	534,159	<u>\$ 476,258</u>
Accounting basis difference			<u>435,380</u>	
Fund balance, end of year (GAAP basis)			<u>\$ 969,539</u>	

**CITY OF HUDSONVILLE
MAJOR STREET FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED JUNE 30, 2019**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Intergovernmental	\$ 581,788	\$ 670,372	\$ 684,058	\$ 13,686
Interest	2,284	2,284	8,319	6,035
Contributions	-	87,397	87,397	-
Other	500	10,296	10,562	266
TOTAL REVENUES	<u>584,572</u>	<u>770,349</u>	<u>790,336</u>	<u>19,987</u>
EXPENDITURES				
Current				
Public works				
Construction - streets	177,955	316,817	207,518	109,299
Preservation - streets	162,021	168,343	155,053	13,290
Traffic services	54,526	54,526	52,517	2,009
Winter maintenance	122,010	122,010	120,444	1,566
Administration, engineering & record keeping	23,967	23,967	23,248	719
Total public works	<u>540,479</u>	<u>685,663</u>	<u>558,780</u>	<u>126,883</u>
Capital outlay	1,500	1,500	376	1,124
TOTAL EXPENDITURES	<u>541,979</u>	<u>687,163</u>	<u>559,156</u>	<u>128,007</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>42,593</u>	<u>83,186</u>	<u>231,180</u>	<u>147,994</u>
OTHER FINANCING SOURCES				
Transfers in	-	2,760	2,760	-
NET CHANGE IN FUND BALANCE	42,593	85,946	233,940	147,994
Fund balance, beginning of year	218,675	218,675	218,675	-
Fund balance, end of year	<u>\$ 261,268</u>	<u>\$ 304,621</u>	<u>\$ 452,615</u>	<u>\$ 147,994</u>

**CITY OF HUDSONVILLE
TERRA SQUARE FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED JUNE 30, 2019**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Charges for services	\$ 49,531	\$ 49,531	\$ 46,428	\$ (3,103)
Interest and rents	86,000	134,460	136,020	1,560
Contributions	500	530	263	(267)
TOTAL REVENUES	<u>136,031</u>	<u>184,521</u>	<u>182,711</u>	<u>(1,810)</u>
EXPENDITURES				
Current				
Community and economic development				
Recreation and culture	900	4,400	4,887	(487)
Personnel services	37,783	53,817	53,391	426
Contractual and professional services	51,936	51,936	42,929	9,007
Repairs and maintenance	5,000	8,100	8,817	(717)
Utilities	28,168	29,268	27,115	2,153
Other	12,225	12,725	8,715	4,010
Total community and economic development	<u>136,012</u>	<u>160,246</u>	<u>145,854</u>	<u>14,392</u>
Capital outlay	<u>-</u>	<u>12,583</u>	<u>12,582</u>	<u>1</u>
TOTAL EXPENDITURES	<u>136,012</u>	<u>172,829</u>	<u>158,436</u>	<u>14,393</u>
EXCESS OF REVENUES OVER EXPENDITURES	19	11,692	24,275	12,583
OTHER FINANCING SOURCES				
Transfers in	<u>-</u>	<u>32,874</u>	<u>40,023</u>	<u>7,149</u>
NET CHANGE IN FUND BALANCE	19	44,566	64,298	19,732
Fund balance (deficit) , beginning of year	<u>(20,684)</u>	<u>(20,684)</u>	<u>(20,684)</u>	<u>-</u>
Fund balance (deficit), end of year	<u>\$ (20,665)</u>	<u>\$ 23,882</u>	<u>\$ 43,614</u>	<u>\$ 19,732</u>

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

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

CITY OF HUDSONVILLE
SCHEDULE OF EMPLOYER CONTRIBUTIONS
LAST FIVE 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>
Actuarial determined contributions	\$ 95,460	\$ 105,932	\$ 116,364	\$ 136,212	\$ 153,672
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>
Contribution deficiency (excess)	<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

**CITY OF HUDSONVILLE
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2019**

NOTE 1 - DEFINED BENEFIT PENSION PLAN

Changes in benefit terms: There were no changes of benefit terms in plan year 2018.

Changes in assumptions: There were no changes of assumptions in plan year 2018.

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)	\$	234,631
To adjust for revenues related to various activities accounted for in separate funds		229,409
To adjust for expenditures related to various activities accounted for in separate funds		(641,896)
To remove the transfer out from the budgetary basis schedule		<u>655,000</u>
Net change in fund balance (GAAP basis)	\$	<u><u>477,144</u></u>

OTHER SUPPLEMENTARY INFORMATION

**CITY OF HUDSONVILLE
GENERAL FUND
COMBINING BALANCE SHEET
JUNE 30, 2019**

	General	Parks and Recreation	Library	Total
ASSETS				
Cash, cash equivalents, and pooled investments	\$ 392,926	\$ 398,269	\$ 45,046	\$ 836,241
Receivables				
Accounts	29,549	-	35,600	65,149
Interest	10,070	-	579	10,649
Due from other governmental units	113,197	-	4,444	117,641
Prepays	10,519	886	1,286	12,691
Advances to other governmental units	110,000	-	-	110,000
TOTAL ASSETS	\$ 666,261	\$ 399,155	\$ 86,955	\$ 1,152,371
LIABILITIES				
Accounts payable	\$ 86,677	\$ 20,178	\$ 17,667	\$ 124,522
Accrued wages	42,962	2,262	10,498	55,722
Other accrued liabilities	2,463	-	-	2,463
Due to other governmental units	-	-	125	125
TOTAL LIABILITIES	132,102	22,440	28,290	182,832
FUND BALANCES				
Nonspendable	120,519	886	1,286	122,691
Assigned	-	375,829	57,379	433,208
Unassigned	413,640	-	-	413,640
TOTAL FUND BALANCES	534,159	376,715	58,665	969,539
TOTAL LIABILITIES AND FUND BALANCES	\$ 666,261	\$ 399,155	\$ 86,955	\$ 1,152,371

**CITY OF HUDSONVILLE
GENERAL FUND
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2019**

	General	Parks and Recreation	Library	Total
REVENUES				
Taxes	\$ 2,595,649	\$ -	\$ -	\$ 2,595,649
Licenses and permits	121,300	-	-	121,300
Intergovernmental	867,824	-	61,419	929,243
Charges for services	3,369	8,392	7,588	19,349
Fines and forfeits	13,162	-	42,468	55,630
Interest and rents	72,057	5,013	4,137	81,207
Contributions	-	77,351	8,948	86,299
Miscellaneous	160,549	-	14,093	174,642
TOTAL REVENUES	3,833,910	90,756	138,653	4,063,319
EXPENDITURES				
Current				
General government	948,552	-	-	948,552
Public safety	877,165	-	-	877,165
Public works	313,327	-	-	313,327
Community and economic development	277,901	-	-	277,901
Recreation and culture	-	194,294	432,705	626,999
Other	250,255	-	-	250,255
Debt service	25,740	-	-	25,740
Capital outlay	-	6,978	7,919	14,897
TOTAL EXPENDITURES	2,692,940	201,272	440,624	3,334,836
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	1,140,970	(110,516)	(301,971)	728,483
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of assets	100,000	-	-	100,000
Transfers in	-	335,000	320,000	655,000
Transfers out	(1,006,339)	-	-	(1,006,339)
TOTAL OTHER FINANCING SOURCES (USES)	(906,339)	335,000	320,000	(251,339)
NET CHANGE IN FUND BALANCES	234,631	224,484	18,029	477,144
Fund balances, beginning of year	299,528	152,231	40,636	492,395
Fund balances, end of year	<u>\$ 534,159</u>	<u>\$ 376,715</u>	<u>\$ 58,665</u>	<u>\$ 969,539</u>

**CITY OF HUDSONVILLE
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2019**

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Permanent</u>	
	Local Streets	Quality of Life Enhancement Debt	Bond Money Market	Library Endowment	Total
ASSETS					
Cash, cash equivalents, and pooled investments	\$ 180,102	\$ -	\$ 254,707	\$ 1,150	\$ 435,959
Interest receivable	463	-	-	-	463
Due from other governmental units	30,413	-	-	-	30,413
Prepays	1,295	-	-	-	1,295
	<u>1,295</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,295</u>
TOTAL ASSETS	<u>\$ 212,273</u>	<u>\$ -</u>	<u>\$ 254,707</u>	<u>\$ 1,150</u>	<u>\$ 468,130</u>
LIABILITIES					
Accounts payable	\$ 3,224	\$ -	\$ -	\$ -	\$ 3,224
Accrued wages	3,299	-	-	-	3,299
	<u>3,299</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,299</u>
TOTAL LIABILITIES	<u>6,523</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,523</u>
FUND BALANCES					
Nonspendable	1,295	-	-	-	1,295
Restricted					
Highways and streets	204,455	-	254,707	-	459,162
Library	-	-	-	1,150	1,150
	<u>204,455</u>	<u>-</u>	<u>254,707</u>	<u>1,150</u>	<u>461,607</u>
TOTAL FUND BALANCES	<u>205,750</u>	<u>-</u>	<u>254,707</u>	<u>1,150</u>	<u>461,607</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 212,273</u>	<u>\$ -</u>	<u>\$ 254,707</u>	<u>\$ 1,150</u>	<u>\$ 468,130</u>

**CITY OF HUDSONVILLE
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2019**

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Permanent</u>	
	Local Streets	Quality of Life Enhancement Debt	Bond Money Market	Library Endowment	Total
REVENUES					
Intergovernmental	\$ 277,807	\$ 27,693	\$ -	\$ -	\$ 305,500
Interest and rents	5,804	-	3,328	36	9,168
Contributions	-	-	-	5,850	5,850
TOTAL REVENUES	<u>283,611</u>	<u>27,693</u>	<u>3,328</u>	<u>5,886</u>	<u>320,518</u>
EXPENDITURES					
Current					
Public works	251,218	-	-	-	251,218
Recreation and culture	-	-	-	42,987	42,987
Debt service	-	348,525	-	-	348,525
TOTAL EXPENDITURES	<u>251,218</u>	<u>348,525</u>	<u>-</u>	<u>42,987</u>	<u>642,730</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>32,393</u>	<u>(320,832)</u>	<u>3,328</u>	<u>(37,101)</u>	<u>(322,212)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	307	320,832	-	-	321,139
Transfers out	-	-	(258,029)	-	(258,029)
TOTAL OTHER FINANCING SOURCES (USES)	<u>307</u>	<u>320,832</u>	<u>(258,029)</u>	<u>-</u>	<u>63,110</u>
NET CHANGE IN FUND BALANCES	32,700	-	(254,701)	(37,101)	(259,102)
Fund balances, beginning of year	<u>173,050</u>	<u>-</u>	<u>509,408</u>	<u>38,251</u>	<u>720,709</u>
Fund balances, end of year	<u>\$ 205,750</u>	<u>\$ -</u>	<u>\$ 254,707</u>	<u>\$ 1,150</u>	<u>\$ 461,607</u>

**CITY OF HUDSONVILLE
COMPONENT UNIT FUNDS
BALANCE SHEET - DOWNTOWN DEVELOPMENT AUTHORITY
JUNE 30, 2019**

ASSETS	
Cash, cash equivalents, and pooled investments	<u>\$ 48,299</u>
LIABILITIES	
Account payable	\$ 3,048
FUND BALANCE	
Unassigned	<u>45,251</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 48,299</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, 2019.

**CITY OF HUDSONVILLE
 COMPONENT UNIT FUNDS
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE - DOWNTOWN DEVELOPMENT AUTHORITY
 YEAR ENDED JUNE 30, 2019**

REVENUES	
Taxes	\$ 14,764
EXPENDITURES	
Current	
Community and economic development	<u>18,980</u>
NET CHANGE IN FUND BALANCE	(4,216)
Fund balance, beginning of year	<u>49,467</u>
Fund balance, end of year	<u><u>\$ 45,251</u></u>

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, 2019.

**CITY OF HUDSONVILLE
 COMPONENT UNIT FUNDS
 BALANCE SHEET - TAX INCREMENT FINANCE AUTHORITY
 JUNE 30, 2019**

ASSETS	
Cash, cash equivalents, and pooled investments	\$ 40,627
Land held for resale and development	1,481,901
Prepays	<u>817</u>
TOTAL ASSETS	<u><u>\$ 1,523,345</u></u>
LIABILITIES	
Current	
Accounts payable	\$ 12,548
Accrued liabilities	1,567
Advance from other governmental units	<u>110,000</u>
TOTAL LIABILITIES	<u>124,115</u>
FUND BALANCE	
Nonspendable	1,482,718
Unassigned	<u>(83,488)</u>
TOTAL FUND BALANCE	<u>1,399,230</u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 1,523,345</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, 2019**

Total fund balance - governmental fund \$ 1,399,230

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>(197,548)</u>	
Capital assets, net		<u>335,706</u>
Net position of governmental activities		<u><u>\$ 1,734,936</u></u>

**CITY OF HUDSONVILLE
 COMPONENT UNIT FUNDS
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE - TAX INCREMENT FINANCE AUTHORITY
 YEAR ENDED JUNE 30, 2019**

REVENUES	
Taxes	\$ 133,314
Intergovernmental	4,141
Realized gain on investments	1,066
Other	<u>400</u>
TOTAL REVENUES	<u>138,921</u>
EXPENDITURES	
Current	
Community and economic development	<u>121,584</u>
NET CHANGE IN FUND BALANCE	17,337
Fund balance, beginning of year	<u>1,381,893</u>
Fund balance, end of year	<u><u>\$ 1,399,230</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, 2019**

Net change in fund balance - governmental fund \$ 17,337

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	\$	179	
Depreciation expense		(22,171)	<u> </u>
Excess of depreciation expense over capital outlay			<u> (21,992)</u>
Change in net position of governmental activities			<u><u> \$ (4,655)</u></u>