

# **City of Hudson, Ohio**

**Single Audit  
For the Year Ended December 31, 2013**





# Dave Yost • Auditor of State

Members of Council  
City of Hudson  
115 Executive Parkway  
Hudson, Ohio 44236

We have reviewed the *Independent Auditor's Report* of the City of Hudson, Summit County, prepared by Ciuni & Panichi, Inc., for the audit period January 1, 2013 through December 31, 2013. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The City of Hudson is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

July 24, 2014



# City of Hudson, Ohio

For the Year Ended December 31, 2013

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**City of Hudson, Ohio**

For the Year Ended December 31, 2013

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## Independent Auditor's Report

Members of the City Council  
City of Hudson, Ohio

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Hudson, Ohio (the "City"), as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the 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 City'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 City'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, each major fund, and the aggregate remaining fund information of the City, as of December 31, 2013, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General and Street Construction Funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Emphasis of Matter***

As described in Note 3 to the basic financial statements, in 2013, the City adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 to 12 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 23, 2014 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

*Ciuni & Panichi, Inc.*

Cleveland, Ohio  
June 23, 2014



# City of Hudson, Ohio

## Management's Discussion and Analysis (Unaudited)

### For the Year Ended December 31, 2013

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The discussion and analysis of the City of Hudson's (the "City") financial performance provides an overall review of the City's financial activities for the year ended December 31, 2013. The intent of this discussion and analysis is to look at the City's financial performance as a whole; along with the review of the basic financial statements for the reader to enhance their understanding of the City's financial performance.

#### **Using this Annual Financial 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 as a financial whole.

The Statement of Net Position and Statement of Activities (referred collectively as the government-wide statements) provide information about the activities of the entire City and present a longer-term view of the City's finances. Major fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what dollars remain for future spending. The fund financial statements also look at the City's most significant funds with all other nonmajor funds presented in total in one column. The proprietary funds' statements are prepared on the same basis as the government-wide statements. The remaining statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government.

#### **Reporting the City of Hudson as a Whole**

##### *Statement of Net Position and the Statement of Activities*

These government-wide statements answer the question, "How did the City as a whole do financially during 2013?" They are prepared on the accrual basis of accounting, including all assets and deferred outflows of resources and liabilities and deferred inflows of resources, much the same way as for a private enterprise. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when the cash is received or paid.

These two statements report the City's net position and the changes in net position. This is important, as it tells the reader whether, for the City as a whole, the financial position of the City has improved or diminished. However, in evaluating the overall position of the City, nonfinancial information such as changes in the tax base will also need to be evaluated.

- *The Statement of Net Position.* This Statement (page 13) reports all assets and deferred outflows of resources and liabilities and deferred inflows of resources of the City as of December 31, 2013. The difference between all elements is reported as net position. Increases in net position generally indicate an improvement in financial position while decreases may indicate a deterioration of financial position.
- *The Statement of Activities.* This Statement (page 14) reports the results of all activities of the City for the year ended December 31, 2013. Changes in net position are recorded in the period in which the underlying event takes place, which may differ from the period in which cash is received or disbursed. The Statement of Activities displays the expense of the City's various programs net of related revenues, as well as the separate presentation of revenues available for general purposes.

# City of Hudson, Ohio

## Management's Discussion and Analysis (Unaudited) (continued)

### For the Year Ended December 31, 2013

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- In the Statement of Net Position and the Statement of Activities, we divide the City into two kinds of activities:
  - **Governmental activities** The reporting of services including public safety, administration and all departments, with the exception of the Water Fund, Wastewater Fund, Electric Fund, Storm Sewer Fund and Golf Course Fund, which are reported as business-type activities.
  - **Business-type activities** The City reports the activity of services (Water, Wastewater, Electric, Storm Sewer and Golf Course) where the City charges the user fees to recover the cost of providing the service as well as all capital expenses associated with the facilities.

### Reporting the City of Hudson's Most Significant Funds

#### *Fund Financial Statements*

These statements provide financial position and results of the City's major funds. A fund is an accounting entity created to account for a specific activity or purpose. The creation of some funds is mandated by law and others are created by management to demonstrate financial compliance with budgetary or legal requirements. Funds are classified into three broad categories: governmental funds, proprietary funds, and fiduciary funds.

- **Governmental Funds.** Governmental funds are used to account for "Government-Type" activities. Unlike the government-wide financial statements, governmental fund statements use a "flow of financial resources" measurement focus. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Increases in spendable resources are reported in the operating statement as "Revenues" or "Other Financing Sources". Decreases in spendable resources are reported as "Expenditures" or "Other Financing Uses". Income taxes, property taxes, charges for services and grants finance most of these activities.
- **Proprietary Funds.** There are two types of proprietary funds: enterprise funds and internal service funds.

Enterprise Funds – Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises for which either 1) the intent is that the costs (expenses, including depreciation) be recovered primarily through user charges, or 2) determination of net income is appropriate for management control, accountability or other purposes.

The City of Hudson's Water Fund, Wastewater Fund, Electric Fund, Storm Sewer Fund, and Golf Course Fund are all considered to be major funds and are displayed separately in the proprietary fund statements on pages 24 through 31.

## City of Hudson, Ohio

### Management's Discussion and Analysis (Unaudited) (continued)

#### For the Year Ended December 31, 2013

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Internal Service Funds – Often, governments wish to allocate the cost of providing certain centralized services (e.g., motor pools, garages, data processing) to the other departments of the government entity that use the services. An internal service fund is the appropriate accounting mechanism when it is the intent of the government to recover the full cost of providing the service through user charges to other departments.

The Equipment and Reserve and Fleet Maintenance Fund, Self-Insurance Fund, Flexible Benefits Fund, Information Services Fund and Medical Self-Insurance Fund are the City of Hudson's internal service funds.

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

A Fiduciary Fund statement is on page 32 of this report.

#### ***Other Information***

##### ***Notes to the Financial Statements***

The notes provide additional and explanatory data. They are an integral part of the basic financial statements.

##### **The City of Hudson as a Whole**

As noted earlier, net position may serve over time as a useful indicator of the City's financial position. In the case of the City of Hudson, assets exceed liabilities by \$108,569,196 in governmental activities and \$35,841,356 in business-type activities as of December 31, 2013. The largest portion of net position reflects its investment in capital assets (i.e.; land, buildings, equipment and machinery, infrastructure), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The next largest portion of the City's net position reflects its unrestricted portion. Table 1 provides a summary of the City's net position for 2013 compared to 2012 balances.

# City of Hudson, Ohio

## Management's Discussion and Analysis (Unaudited) (continued)

### For the Year Ended December 31, 2013

Table 1  
Net Position

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
<b>Assets:</b>						
Current assets	\$ 41,502,511	\$ 36,256,800	\$ 21,227,015	\$ 20,411,180	\$ 62,729,526	\$ 56,667,980
Investment in joint venture	-	-	556,025	556,025	556,025	556,025
Capital assets, net	<u>107,606,295</u>	<u>106,893,138</u>	<u>33,023,364</u>	<u>33,484,747</u>	<u>140,629,659</u>	<u>140,377,885</u>
Total assets	<u>149,108,806</u>	<u>143,149,938</u>	<u>54,806,404</u>	<u>54,451,952</u>	<u>203,915,210</u>	<u>197,045,865</u>
Deferred outflows of resources	<u>859,791</u>	<u>983,607</u>	<u>1,040,447</u>	<u>1,129,957</u>	<u>1,900,238</u>	<u>2,113,564</u>
<b>Liabilities:</b>						
Current and other liabilities	3,509,513	1,777,990	1,521,647	2,405,332	5,031,160	4,183,322
Long-term liabilities						
Due within one year	5,001,098	4,114,403	2,452,528	2,126,437	7,453,626	6,240,840
Due in more than one year	<u>28,341,994</u>	<u>26,904,989</u>	<u>16,031,320</u>	<u>17,408,302</u>	<u>44,373,314</u>	<u>44,313,291</u>
Total liabilities	<u>36,852,605</u>	<u>32,797,382</u>	<u>20,005,495</u>	<u>21,940,071</u>	<u>56,858,100</u>	<u>54,737,453</u>
Deferred inflows of resources	<u>4,546,796</u>	<u>4,559,392</u>	-	-	<u>4,546,796</u>	<u>4,559,392</u>
<b>Net position:</b>						
Net investment in capital assets	84,504,455	82,940,233	17,399,480	16,978,031	101,903,935	99,918,264
Restricted	11,079,000	11,620,301	-	-	11,079,000	11,620,301
Unrestricted	<u>12,985,741</u>	<u>12,216,237</u>	<u>18,441,876</u>	<u>16,663,807</u>	<u>31,427,617</u>	<u>28,880,044</u>
Total net position	\$ <u>108,569,196</u>	\$ <u>106,776,771</u>	\$ <u>35,841,356</u>	\$ <u>33,641,838</u>	\$ <u>144,410,552</u>	\$ <u>140,418,609</u>

An additional portion of the City's net position (7.7 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position of \$31,427,617 may be used to meet the City's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City is able to report a positive balance for the government as a whole.

For governmental activities, there was a \$5,245,711 increase in current assets. This was primarily due to an increase in cash balances in the governmental funds due to the issuance of bonds.

For governmental activities, there was a \$1,731,523 increase in current liabilities. This was primarily due to an increase in accounts payable.

There was also an increase of \$1,437,005 in long-term liabilities due in more than one year primarily due to the new general obligation bond issued and the increase in compensated absences (see Note 14 for further discussion).

Net investment in capital assets increased \$1,564,222 due to an increase in capital assets less related debt and accumulated depreciation on those items. The restricted net position decreased \$541,301 primarily due to decreases in the fund balances of the restricted funds. The net result of the changes in net position was an increase of \$1,792,425 in net position.

# City of Hudson, Ohio

## Management's Discussion and Analysis (Unaudited) (continued)

### For the Year Ended December 31, 2013

Within the business-type activities, assets increased \$354,452 primarily due to an increase in cash and cash equivalents. Long-term liabilities due in more than one year decreased \$1,376,982 primarily due to the debt payments. Net investment in capital assets increased \$421,449 due to increase in capital assets less related debt and accumulated depreciation on those items. The balance of the unrestricted net position increased \$1,778,069 primarily due to the decrease in contractual services in the Electric Fund.

Table 2 below, indicates the changes in net position for the years ended December 31, 2013 and 2012.

Table 2  
Changes in Net Position

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Program Revenues:						
Charges for services and sales	\$ 1,277,438	\$ 1,948,605	\$ 23,994,395	\$ 23,128,801	\$ 25,271,833	\$ 25,077,406
Operating grants and contributions	46,323	25,697	-	-	46,323	25,697
Capital grants and contributions	1,832,158	3,177,826	-	130,000	1,832,158	3,307,826
General Revenues:						
Taxes	21,962,873	21,494,172	-	-	21,962,873	21,494,172
Grants and entitlements not restricted to specific programs	5,365,065	5,135,777	-	-	5,365,065	5,135,777
Investment income (loss)	203,120	368,787	(694)	5,135	202,426	373,922
Miscellaneous income	592,959	491,067	336,547	329,519	929,506	820,586
Transfers - in	-	-	<u>2,900,000</u>	<u>2,975,000</u>	<u>2,900,000</u>	<u>2,975,000</u>
Total revenues	<u>31,279,936</u>	<u>32,641,931</u>	<u>27,230,248</u>	<u>26,568,455</u>	<u>58,510,184</u>	<u>59,210,386</u>
Program Expenses:						
General government	7,610,661	7,091,681	-	-	7,610,661	7,091,681
Security of persons and property	6,466,923	7,023,900	-	-	6,466,923	7,023,900
Public health	1,074,671	1,070,730	-	-	1,074,671	1,070,730
Leisure time services	1,340,385	1,316,246	-	-	1,340,385	1,316,246
Community and economic development	1,332,617	1,558,321	-	-	1,332,617	1,558,321
Transportation	7,438,324	6,386,598	-	-	7,438,324	6,386,598
Interest and fiscal charges	1,323,930	1,324,037	-	-	1,323,930	1,324,037
Water system	-	-	1,623,347	1,677,950	1,623,347	1,677,950
Wastewater system	-	-	3,415,901	3,254,023	3,415,901	3,254,023
Electric system	-	-	17,340,371	18,488,350	17,340,371	18,488,350
Storm Sewer system	-	-	1,154,881	1,142,041	1,154,881	1,142,041
Golf Course	-	-	1,496,230	1,297,972	1,496,230	1,297,972
Transfers - out	<u>2,900,000</u>	<u>2,975,000</u>	<u>-</u>	<u>-</u>	<u>2,900,000</u>	<u>2,975,000</u>
Total program expenses	<u>29,487,511</u>	<u>28,746,513</u>	<u>25,030,730</u>	<u>25,860,336</u>	<u>54,518,241</u>	<u>54,606,849</u>
Change in net position	1,792,425	3,895,418	2,199,518	708,119	3,991,943	4,603,537
Net position, beginning of the year	<u>106,776,771</u>	<u>102,881,353</u>	<u>33,641,838</u>	<u>32,933,719</u>	<u>140,418,609</u>	<u>135,815,072</u>
Net position, end of the year	\$ <u>108,569,196</u>	\$ <u>106,776,771</u>	\$ <u>35,841,356</u>	\$ <u>33,641,838</u>	\$ <u>144,410,552</u>	\$ <u>140,418,609</u>

# City of Hudson, Ohio

## Management's Discussion and Analysis (Unaudited) (continued)

### For the Year Ended December 31, 2013

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#### *Governmental Activities*

The City's income tax is the largest contributor of revenues sources in governmental activities accounting for 56.2 percent of total revenues. Property and other local taxes generate 14.0 percent and grants and entitlements generate 17.2 percent of total revenues.

Community and economic development expenses accounts for 4.5 percent of governmental expenses, general government accounts for 25.8 percent of governmental expenses, security of persons and property accounts for 21.9 percent of governmental expenses, and transportation costs represent 25.2 percent of governmental expenses, respectively.

Governmental activities increased the City's net position by \$1,792,425. Total revenues decreased approximately \$1,362,000 primarily due to capital grants received. Grants and entitlements not restricted to specific programs increased approximately \$229,000 due to an increase in inheritance tax and state and county funding. Lastly, the investment income of the City decreased approximately \$166,000 due to low interest rates and having fewer investments.

The increase in overall net position of \$1,792,425 as compared to the increase of \$3,895,418 in 2012 was due to the decrease in capital grants and contributions.

#### *Business-Type Activities*

The City's business-type activities are the Water, Wastewater, Electric, Storm Sewer, and Golf Course Funds. Charges for services generated 88.1 percent of all revenues in the business-type activities.

Business-type activities increased the City's net position by \$2,199,518. Charges for services and sales increased \$865,594 due to increased sales in water, wastewater and electric. Miscellaneous revenues remained consistent and increased by \$7,028. Expenses decreased \$829,606 due primarily to decrease in Electric Fund expenses.

#### **Individual Funds Summary and Analysis**

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

#### *Governmental Funds*

The focus of the City's governmental funds is to provide information on near term outflows, inflows and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the City's net resources available for spending at the end of the year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$28,898,278, an increase of \$4,814,366 in comparison with the prior year, primarily due to the bond proceeds from the issuance of debt.

## City of Hudson, Ohio

### Management's Discussion and Analysis (Unaudited) (continued)

#### For the Year Ended December 31, 2013

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Approximately 50.4 percent of this total amount or \$14,570,991, which represents the *assigned* and *unassigned* classifications, is available for spending at the government's discretion. The remainder of fund balance, *nonspendable*, *restricted*, and *committed*, is reserved to indicate that it is not readily available for new spending since it has already been committed to liquidate contracts and purchase commitments, to pay debt service or for a variety of other restricted purposes.

The General Fund is the primary operating fund of the City of Hudson. At the end of the current year, the General Funds' unassigned balance was \$12,142,229, while the total fund balance was \$15,523,226. The fund balance for the General Fund increased by \$1,182,127 or 8.2 percent from the prior year due to a combination of several items including the increases in municipal income tax and intergovernmental revenues and decrease in operating transfers out.

The other major governmental funds of the City are Street Construction, Street Sidewalk Construction, and Youth Development Center.

The fund balance for the Street Construction Fund decreased \$259,934. The decrease is due to the increase in expenditures.

The fund balance of the Street Sidewalk Construction Fund increased \$509,334. The increase is due to an increase in federal grant monies received.

The fund balance of the Youth Development Center Fund decreased \$1,500,519. The decrease is due to less intergovernmental revenues received and an increase in expenses.

#### *Proprietary Funds*

The City's proprietary funds provide the same type of information found in the government-wide and business-type activity financial statements, but in more detail. Net position in the Water, Wastewater, Electric, Storm Sewer, and Golf Course increased/(decreased) by \$236,911 or 5.1 percent, \$596,632 or 12.4 percent, \$1,432,327 or 6.6 percent, \$54,059 or 6.6 percent, and (\$120,411) or (6.6 percent), respectively.

## City of Hudson, Ohio

### Management's Discussion and Analysis (Unaudited) (continued)

#### **For the Year Ended December 31, 2013**

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##### *Budgetary Highlights*

As required by State statute, City Council (Council) adopts an annual appropriation (budget) resolution for all City funds.

In the General Fund, the final budgeted revenues as compared to the original budgeted revenue increased by approximately \$1,492,000. The increase was primarily in intergovernmental and interest income revenues due to higher than expected collections.

Actual General Fund expenditures compared to the budget reflected approximately \$665,000 remaining in unencumbered funds as of December 31, 2013. The security of persons and property activity accounted for approximately \$238,000 of those unencumbered funds and general government accounted for approximately \$222,000.

The Police Department personnel costs and overall operating expenditures were less than budgeted. General government departments' actual costs were generally less than budgeted for personnel costs within several departments.



# City of Hudson, Ohio

## Management's Discussion and Analysis (Unaudited) (continued)

### For the Year Ended December 31, 2013

#### Capital Assets and Debt Administration

##### *Capital Assets*

The City's investment in capital assets for its governmental and business-type activities as of December 31, 2013, amounts to \$140,629,659 (net of accumulated depreciation). This investment in capital assets includes land; buildings; land improvements; vehicles; furniture, fixtures and equipment; infrastructure; and construction in progress.

Table 3 shows fiscal 2013 balances of capital assets as compared to the 2012 balances:

Table 3  
Capital Assets at December 31

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land	\$ 14,618,513	\$ 14,618,513	\$ 2,362,513	\$ 2,362,513	\$ 16,981,026	\$ 16,981,026
Construction in progress	5,435,572	3,873,933	1,046,995	992,060	6,482,567	4,865,993
Buildings	9,242,390	9,242,390	5,362,784	5,351,190	14,605,174	14,593,580
Land improvements	3,177,729	3,138,625	2,123,612	2,123,612	5,301,341	5,262,237
Vehicles	6,620,889	6,174,826	2,011,283	2,054,908	8,632,172	8,229,734
Equipment, furniture and fixtures	3,573,855	3,621,891	4,070,030	4,055,799	7,643,885	7,677,690
Infrastructure:						
Roads	126,787,126	122,982,494	-	-	126,787,126	122,982,494
Sidewalks	3,752,625	3,544,274	-	-	3,752,625	3,544,274
Traffic signals	2,960,234	2,960,234	-	-	2,960,234	2,960,234
Water main lines	-	-	14,707,510	14,707,510	14,707,510	14,707,510
Sewer lines	-	-	10,003,292	9,759,700	10,003,292	9,759,700
Storm sewers	-	-	2,659,711	2,584,536	2,659,711	2,584,536
Electric	-	-	9,122,585	8,686,441	9,122,585	8,686,441
Less: accumulated depreciation	<u>(68,562,638)</u>	<u>(63,264,042)</u>	<u>(20,446,951)</u>	<u>(19,193,522)</u>	<u>(89,009,589)</u>	<u>(82,457,564)</u>
Total capital assets	\$ <u>107,606,295</u>	\$ <u>106,893,138</u>	\$ <u>33,023,364</u>	\$ <u>33,484,747</u>	\$ <u>140,629,659</u>	\$ <u>140,377,885</u>

Additional detailed information relating to the City's capital assets is contained in Note 11 of the notes to the basic financial statements.

# City of Hudson, Ohio

## Management's Discussion and Analysis (Unaudited) (continued)

### For the Year Ended December 31, 2013

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#### *Debt*

At December 31, 2013, the City had \$47,630,651 of long-term bonds, loans and other outstanding obligations, excluding AMP Ohio payable, capital leases, and compensated absences. Details of the individual obligations can be found in Note 14.

The general obligation indebtedness of the City is subject to two statutory debt limitations referred to as the direct debt limitation: (Section 133.05 of the Ohio Revised Code). Certain debt, with a repayment source other than general tax revenue is excluded from the definition of net indebtedness. Under that definition, the City has \$31,449,232 of net indebtedness as of December 31, 2013. The aggregate principal amount of unvoted net indebtedness may not exceed 5.5 percent of the assessed valuation for property tax purposes of all real and personal property located within the City. The legal unvoted debt margin was \$22,770,588 as of December 31, 2013. The total principal amount of voted and unvoted nonexempt net indebtedness of the City may not exceed 10.5 percent of its assessed value of real and personal property. Total net indebtedness for both voted and unvoted issues was \$29,730,600 leaving the City's overall legal debt margin at \$57,154,338 as of December 31, 2013.

#### **Future Funding Considerations**

Effective August 17, 2011, Standard & Poor's upgraded the City's rating to AAA. Additionally, the City maintained its bond rating of Aaa from Moody's Investors Service.

During 2013, the City completed its 2014-2018 Five Year Financial Plan that includes operating and capital cost projections for the City's operating funds. The plan identifies numerous capital expenditures including the reconstruction/resurfacing of streets, replacing various safety forces vehicles and equipment, along with several wastewater, storm sewer and electric system capital improvements.

#### **Contacting the City Finance Department**

This financial report is designed to provide our citizens, taxpayers, creditors, and investors with an overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional information, contact the City's Finance Department at 330-650-1799 or at 115 Executive Parkway, Suite 400, Hudson, Ohio 44236. Electronic copies of the City's 2013 Budget Book and 2014-2018 Five Year Financial Plan are available at the City's website – <http://www.hudson.oh.us>.

# City of Hudson, Ohio

## Statement of Net Position

**December 31, 2013**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets:			
Current assets:			
Equity in pooled cash and cash equivalents	\$ 27,200,255	\$ 16,377,581	\$ 43,577,836
Investment in common stock	22,473	-	22,473
Investments in segregated accounts	2,987	-	2,987
Materials and supplies inventory	524,519	1,499,524	2,024,043
Accounts receivable	291,931	3,878,442	4,170,373
Accrued interest receivable	263,938	1,054	264,992
Internal balances	786,834	(786,834)	-
Intergovernmental receivable	1,357,634	-	1,357,634
Taxes receivable	10,115,195	-	10,115,195
Special assessments receivable	936,745	26,501	963,246
Restricted assets:			
Cash in segregated accounts – customer deposits	-	230,747	230,747
Noncurrent assets:			
Investment in joint venture	-	556,025	556,025
Nondepreciable capital assets	20,054,085	3,409,508	23,463,593
Depreciable capital assets, net	<u>87,552,210</u>	<u>29,613,856</u>	<u>117,166,066</u>
Total assets	<u>149,108,806</u>	<u>54,806,404</u>	<u>203,915,210</u>
Deferred outflows of resources:			
Deferred charges on refunding	<u>859,791</u>	<u>1,040,447</u>	<u>1,900,238</u>
Liabilities:			
Current liabilities:			
Accounts payable	1,460,744	377,347	1,838,091
Accrued wages and benefits	225,399	98,794	324,193
Intergovernmental payable	244,858	730,204	975,062
Matured compensated absences	511	-	511
Accrued interest payable	72,198	84,555	156,753
Retainage payable	89,844	-	89,844
Notes payable	1,400,000	-	1,400,000
Claims payable	15,959	-	15,959
Payable from restricted assets – customer deposits	-	230,747	230,747
Long-term liabilities:			
Due within one year	5,001,098	2,452,528	7,453,626
Due in more than one year	<u>28,341,994</u>	<u>16,031,320</u>	<u>44,373,314</u>
Total liabilities	<u>36,852,605</u>	<u>20,005,495</u>	<u>56,858,100</u>
Deferred inflows of resources:			
Property taxes	<u>4,546,796</u>	<u>-</u>	<u>4,546,796</u>
Net position:			
Net investment in capital assets	84,504,455	17,399,480	101,903,935
Restricted for:			
Capital projects	3,173,464	-	3,173,464
Debt service	1,718,632	-	1,718,632
Street improvements	189,778	-	189,778
Other purposes	5,990,653	-	5,990,653
Permanent fund	6,473	-	6,473
Unrestricted	<u>12,985,741</u>	<u>18,441,876</u>	<u>31,427,617</u>
Total net position	<u>\$ 108,569,196</u>	<u>\$ 35,841,356</u>	<u>\$ 144,410,552</u>

The accompanying notes are an integral part of the financial statements.

# City of Hudson, Ohio

## Statement of Activities

**For the Year Ended December 31, 2013**

	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental activities:				
General government	\$ 7,610,661	\$ 610,023	\$ 10,000	\$ -
Security of persons and property	6,466,923	154,461	36,323	-
Public health	1,074,671	75,708	-	-
Leisure time services	1,340,385	342,717	-	-
Community and economic development	1,332,617	94,529	-	-
Transportation	7,438,324	-	-	1,832,158
Interest and fiscal charges	<u>1,323,930</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total governmental activities	<u>26,587,511</u>	<u>1,277,438</u>	<u>46,323</u>	<u>1,832,158</u>
Business-type activities:				
Water system	1,623,347	1,839,005	-	-
Wastewater system	3,415,901	2,360,737	-	-
Electric system	17,340,371	18,585,619	-	-
Storm Sewer system	1,154,881	8,940	-	-
Golf Course	<u>1,496,230</u>	<u>1,200,094</u>	<u>-</u>	<u>-</u>
Total business-type activities	<u>25,030,730</u>	<u>23,994,395</u>	<u>-</u>	<u>-</u>
Totals	\$ <u>51,618,241</u>	\$ <u>25,271,833</u>	\$ <u>46,323</u>	\$ <u>1,832,158</u>

General revenues:  
 Property and other local taxes  
 Municipal income tax  
 Grants and entitlements not restricted  
 to specific programs  
 Investment income (loss)  
 Miscellaneous income  
 Transfers

Total general revenues and transfers

Change in net position

Net position, beginning of year

Net position, end of year

The accompanying notes are an integral part of the financial statements.

<u>Net (Expense) Revenue and Changes in Net Position</u>		
<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
\$ (6,990,638)	\$ -	\$ (6,990,638)
(6,276,139)	-	(6,276,139)
(998,963)	-	(998,963)
(997,668)	-	(997,668)
(1,238,088)	-	(1,238,088)
(5,606,166)	-	(5,606,166)
<u>(1,323,930)</u>	<u>-</u>	<u>(1,323,930)</u>
<u>(23,431,592)</u>	<u>-</u>	<u>(23,431,592)</u>
-	215,658	215,658
-	(1,055,164)	(1,055,164)
-	1,245,248	1,245,248
-	(1,145,941)	(1,145,941)
<u>-</u>	<u>(296,136)</u>	<u>(296,136)</u>
<u>-</u>	<u>(1,036,335)</u>	<u>(1,036,335)</u>
<u>(23,431,592)</u>	<u>(1,036,335)</u>	<u>(24,467,927)</u>
4,392,398	-	4,392,398
17,570,475	-	17,570,475
5,365,065	-	5,365,065
203,120	(694)	202,426
592,959	336,547	929,506
<u>(2,900,000)</u>	<u>2,900,000</u>	<u>-</u>
<u>25,224,017</u>	<u>3,235,853</u>	<u>28,459,870</u>
1,792,425	2,199,518	3,991,943
<u>106,776,771</u>	<u>33,641,838</u>	<u>140,418,609</u>
\$ <u>108,569,196</u>	\$ <u>35,841,356</u>	\$ <u>144,410,552</u>

# City of Hudson, Ohio

## Balance Sheet Governmental Funds

**December 31, 2013**

	<u>General</u>	<u>Street Construction</u>	<u>Street Sidewalk Construction</u>	<u>Youth Development Center</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:						
Current assets:						
Equity in pooled cash and cash equivalents	\$ 11,374,632	\$ 174,618	\$ 2,460,419	\$ 424,738	\$ 11,815,655	\$ 26,250,062
Investment in common stock	-	-	-	-	22,473	22,473
Investments in segregated accounts	-	-	-	-	2,987	2,987
Materials and supplies inventory	36,052	191,747	-	-	37,764	265,563
Accounts receivable	7,643	224	9,760	-	274,304	291,931
Accrued interest receivable	199,090	-	4,261	2,537	57,957	263,845
Interfund receivable	999,740	-	-	-	-	999,740
Intergovernmental receivable	903,021	415,586	-	-	39,027	1,357,634
Taxes receivable	6,928,277	-	-	-	3,186,918	10,115,195
Special assessments receivable	155,526	-	-	-	781,219	936,745
Noncurrent assets:						
Advances to other funds	<u>100,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>100,000</u>
<b>Total assets</b>	<b>\$ <u>20,703,981</u></b>	<b>\$ <u>782,175</u></b>	<b>\$ <u>2,474,440</u></b>	<b>\$ <u>427,275</u></b>	<b>\$ <u>16,218,304</u></b>	<b>\$ <u>40,606,175</u></b>
Liabilities, deferred inflows of resources and fund balances:						
Liabilities:						
Accounts payable	\$ 243,009	\$ 240,140	\$ 140,648	\$ 237,743	\$ 188,698	\$ 1,050,238
Accrued wages and benefits	139,724	26,134	-	-	47,702	213,560
Intergovernmental payable	141,401	22,030	-	-	72,073	235,504
Interfund payable	2,502	38,696	155,000	-	167,322	363,520
Matured compensated absences	-	-	-	-	511	511
Retainage payable	-	-	46,905	-	42,939	89,844
Notes payable	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,400,000</u>	<u>-</u>	<u>1,400,000</u>
<b>Total liabilities</b>	<b><u>526,636</u></b>	<b><u>327,000</u></b>	<b><u>342,553</u></b>	<b><u>1,637,743</u></b>	<b><u>519,245</u></b>	<b><u>3,353,177</u></b>
Deferred inflows of resources:						
Property taxes	2,581,514	-	-	-	1,965,282	4,546,796
Unavailable revenue	<u>2,072,605</u>	<u>274,639</u>	<u>4,208</u>	<u>2,506</u>	<u>1,453,966</u>	<u>3,807,924</u>
<b>Total deferred inflows of resources</b>	<b><u>4,654,119</u></b>	<b><u>274,639</u></b>	<b><u>4,208</u></b>	<b><u>2,506</u></b>	<b><u>3,419,248</u></b>	<b><u>8,354,720</u></b>
Fund balances:						
Nonspendable	136,052	191,747	-	-	44,237	372,036
Restricted	-	-	-	-	908,323	908,323
Committed	-	-	2,127,679	-	10,919,249	13,046,928
Assigned	3,244,945	-	-	-	433,014	3,677,959
Unassigned (deficit)	<u>12,142,229</u>	<u>(11,211)</u>	<u>-</u>	<u>(1,212,974)</u>	<u>(25,012)</u>	<u>10,893,032</u>
<b>Total fund balances</b>	<b><u>15,523,226</u></b>	<b><u>180,536</u></b>	<b><u>2,127,679</u></b>	<b><u>(1,212,974)</u></b>	<b><u>12,279,811</u></b>	<b><u>28,898,278</u></b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ <u>20,703,981</u></b>	<b>\$ <u>782,175</u></b>	<b>\$ <u>2,474,440</u></b>	<b>\$ <u>427,275</u></b>	<b>\$ <u>16,218,304</u></b>	<b>\$ <u>40,606,175</u></b>

The accompanying notes are an integral part of the financial statements.

# City of Hudson, Ohio

## Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities

**December 31, 2013**

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Total governmental funds balances \$ 28,898,278

*Amounts reported for governmental activities in the Statement of Net  
Position are different because*

Capital assets used in governmental activities are not financial resources  
and therefore are not reported in the funds 106,430,233

Other long-term assets are not available to pay for current-period  
expenditures and therefore are deferred inflows of resources in the funds:

Taxes	\$ 1,884,988	
Special assessments	936,745	
Charges for services	143,167	
Interest	260,588	
Intergovernmental	<u>582,436</u>	
Total		3,807,924

In the Statement of Activities, interest is accrued on outstanding bonds,  
whereas in governmental funds, an interest expenditure is reported when  
due. (72,198)

An internal service fund is used by management to charge the costs of  
insurance to individual funds, the assets and liabilities of the internal  
service fund are included in governmental activities in the statement of net  
position 1,949,167

Long-term liabilities, including bonds payable and accrued interest  
payable, are not due and payable in the current period and therefore are not  
reported in the funds:

General obligation bonds	(30,049,232)	
Special assessment bonds	(872,434)	
Ohio Public Works Commission loan	(118,563)	
Deferred charges on refunding	859,791	
Compensated absences	<u>(2,263,770)</u>	
Total		<u>(32,444,208)</u>

Net position of governmental activities \$ 108,569,196

The accompanying notes are an integral part of the financial statements.

# City of Hudson, Ohio

## Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds

**For the Year Ended December 31, 2013**

	<u>General</u>	<u>Street Construction</u>	<u>Street Sidewalk Construction</u>	<u>Youth Development Center</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:						
Property and other local taxes	\$ 2,298,629	\$ -	\$ -	\$ -	\$ 2,113,087	\$ 4,411,716
Municipal income tax	14,318,485	-	-	-	3,902,771	18,221,256
Intergovernmental	3,428,693	866,352	1,832,158	-	590,547	6,717,750
Charges for services	387,257	-	256	522	870,604	1,258,639
Fines and forfeitures	67,239	-	-	-	1,388	68,627
Special assessments	51,773	-	-	-	269,884	321,657
Interest	151,529	-	3,057	2,630	42,037	199,253
Other	<u>141,407</u>	<u>6,671</u>	<u>119,488</u>	<u>-</u>	<u>157,642</u>	<u>425,208</u>
Total revenues	<u>20,845,012</u>	<u>873,023</u>	<u>1,954,959</u>	<u>3,152</u>	<u>7,947,960</u>	<u>31,624,106</u>
Expenditures:						
Current:						
General government	4,897,776	-	-	122,500	58,739	5,079,015
Security of persons and property	3,851,343	-	-	-	2,612,882	6,464,225
Public health	854,671	-	-	-	198,064	1,052,735
Leisure time services	-	-	-	-	1,172,512	1,172,512
Community and economic development	1,128,000	-	-	-	290,159	1,418,159
Transportation	-	3,025,339	-	-	-	3,025,339
Capital outlay	142,624	25,757	3,450,625	1,381,171	1,445,361	6,445,538
Debt service:						
Principal retirement	-	-	-	-	3,311,186	3,311,186
Interest and fiscal charges	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>960,771</u>	<u>960,771</u>
Total expenditures	<u>10,874,414</u>	<u>3,051,096</u>	<u>3,450,625</u>	<u>1,503,671</u>	<u>10,049,674</u>	<u>28,929,480</u>
Excess of revenues over (under) expenditures	<u>9,970,598</u>	<u>(2,178,073)</u>	<u>(1,495,666)</u>	<u>(1,500,519)</u>	<u>(2,101,714)</u>	<u>2,694,626</u>
Other financing sources (uses):						
Proceeds from sale of assets	3,725	1,139	-	-	3,653	8,517
Transfers - in	-	1,917,000	2,005,000	-	2,273,150	6,195,150
Transfers - out	(8,792,196)	-	-	-	(302,954)	(9,095,150)
Proceeds from issuance of debt	-	-	-	-	5,000,000	5,000,000
Premium on issuance of debt	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,223</u>	<u>11,223</u>
Total other financing sources (uses)	<u>(8,788,471)</u>	<u>1,918,139</u>	<u>2,005,000</u>	<u>-</u>	<u>6,985,072</u>	<u>2,119,740</u>
Net change in fund balances	1,182,127	(259,934)	509,334	(1,500,519)	4,883,358	4,814,366
Fund balance at beginning of year	<u>14,341,099</u>	<u>440,470</u>	<u>1,618,345</u>	<u>287,545</u>	<u>7,396,453</u>	<u>24,083,912</u>
Fund balance at end of year	\$ <u>15,523,226</u>	\$ <u>180,536</u>	\$ <u>2,127,679</u>	\$ <u>(1,212,974)</u>	\$ <u>12,279,811</u>	\$ <u>28,898,278</u>

The accompanying notes are an integral part of the financial statements.



# City of Hudson, Ohio

## Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities

### For the Year Ended December 31, 2013

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Net change in fund balances - total governmental funds \$ 4,814,366

*Amounts reported for governmental activities in the Statement of Activities are different because*

Governmental funds report capital outlay as expenditures. However in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlay	\$ 5,767,559	
Depreciation	<u>(5,380,975)</u>	
Total		(386,584)

In the Statement of Activities, a gain or loss is reported for each disposal, whereas, the governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. (4,518)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the Funds.

Property and other taxes	(19,318)	
Municipal income taxes	(650,781)	
Special assessments	(217,167)	
Charges for services	(299,079)	
Interest	3,867	
Intergovernmental	<u>111,668</u>	
Total		(1,070,810)

Other financing sources in the governmental funds increase long-term obligations in the Statement of Net Position.

General obligation bonds issued	(5,000,000)	
Premium on bonds issued	<u>(8,171)</u>	
Total		(5,008,171)

Repayment of long-term obligations is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.

General obligation bonds	3,114,000	
Special assessment bonds	190,000	
Ohio Public Works Commission loan	7,186	
Compensated absences	<u>(672,072)</u>	
Total		2,639,114

(Continued)

The accompanying notes are an integral part of the financial statements.

## City of Hudson, Ohio

### Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities (Continued)

#### For the Year Ended December 31, 2013

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Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Accretion on capital appreciation bonds	(62,532)	
Accrued interest on debt	(176,811)	
Amortization of loss on refunding	<u>(123,816)</u>	
Total		(363,159)

Internal service funds are used by management to charge costs of certain activities, such as insurance to individual funds. The net revenue (expense) of the internal service fund is reported with governmental activities

399,019

Change in net position of governmental activities

\$ 1,792,425

The accompanying notes are an integral part of the financial statements.

# City of Hudson, Ohio

## Statement of Revenues, Expenditures and Changes in Fund Balances – Budget (Non-GAAP Budgetary Basis) and Actual General Fund

**For the Year Ended December 31, 2013**

	Budgeted Amounts		Actual	Variance with final budget over (under)
	Original	Final		
Revenues:				
Property and other local taxes	\$ 2,263,305	\$ 2,263,305	\$ 2,298,629	\$ 35,324
Municipal income tax	13,071,096	13,703,621	13,703,309	(312)
Intergovernmental	2,329,909	3,007,246	2,984,456	(22,790)
Charges for services	354,607	388,231	387,327	(904)
Fines and forfeitures	47,054	65,750	65,633	(117)
Special assessment	37,118	51,773	51,773	-
Interest	189,255	263,230	263,983	753
Other	103,579	144,990	144,476	(514)
<b>Total revenues</b>	<b>18,395,923</b>	<b>19,888,146</b>	<b>19,899,586</b>	<b>11,440</b>
Expenditures:				
Current:				
General government	4,978,085	5,302,418	5,080,262	222,156
Security of persons and property	4,342,254	4,228,544	3,990,124	238,420
Public health	860,910	907,354	865,235	42,119
Community and economic development	1,382,037	1,291,541	1,182,877	108,664
Capital outlay	235,901	235,901	193,259	42,642
<b>Total expenditures</b>	<b>11,799,187</b>	<b>11,965,758</b>	<b>11,311,757</b>	<b>654,001</b>
Excess of revenues over expenditures	6,596,736	7,922,388	8,587,829	665,441
Other financing sources (uses):				
Proceeds from sale of capital assets	2,671	3,725	3,725	-
Transfers - out	(8,195,196)	(8,792,196)	(8,792,196)	-
Advances - in	35,000	35,000	35,000	-
<b>Total other financing sources (uses)</b>	<b>(8,157,525)</b>	<b>(8,753,471)</b>	<b>(8,753,471)</b>	<b>-</b>
Net change in fund balance	(1,560,789)	(831,083)	(165,642)	665,441
Fund balance at beginning of fiscal year	10,698,064	10,698,064	10,698,064	-
Prior fiscal year encumbrances appropriated	401,567	401,567	401,567	-
Fund balance at end of fiscal year	\$ 9,538,842	\$ 10,268,548	\$ 10,933,989	\$ 665,441

The accompanying notes are an integral part of the financial statements.

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# City of Hudson, Ohio

## Statement of Revenues, Expenditures and Changes in Fund Balances – Budget (Non-GAAP Budgetary Basis) and Actual Street Construction Fund

**For the Year Ended December 31, 2013**

	Budgeted Amounts		Actual	Variance with final budget over (under)
	Original	Final		
Revenues:				
Intergovernmental	\$ 866,066	\$ 853,137	\$ 853,129	\$ (8)
Other	<u>6,545</u>	<u>6,450</u>	<u>6,447</u>	<u>(3)</u>
Total revenues	<u>872,611</u>	<u>859,587</u>	<u>859,576</u>	<u>(11)</u>
Expenditures:				
Current:				
Transportation	2,690,875	2,863,689	2,844,282	19,407
Capital outlay	<u>38,539</u>	<u>38,539</u>	<u>25,757</u>	<u>12,782</u>
Total Expenditures	<u>2,729,414</u>	<u>2,902,228</u>	<u>2,870,039</u>	<u>32,189</u>
Excess of revenues over (under) expenditures	<u>(1,856,803)</u>	<u>(2,042,641)</u>	<u>(2,010,463)</u>	<u>32,178</u>
Other financing sources (uses):				
Proceeds from sale of capital assets	1,156	1,140	1,139	(1)
Transfers - in	<u>1,700,000</u>	<u>1,917,000</u>	<u>1,917,000</u>	<u>-</u>
Total other financing sources (uses)	<u>1,701,156</u>	<u>1,918,140</u>	<u>1,918,139</u>	<u>(1)</u>
Net change in fund balance	(155,647)	(124,501)	(92,324)	32,177
Fund balance at beginning of fiscal year	91,088	91,088	91,088	-
Prior fiscal year encumbrances appropriated	<u>84,573</u>	<u>84,573</u>	<u>84,573</u>	<u>-</u>
Fund balance at end of fiscal year	\$ <u>20,014</u>	\$ <u>51,160</u>	\$ <u>83,337</u>	\$ <u>32,177</u>

The accompanying notes are an integral part of the financial statements.

# City of Hudson, Ohio

## Statement of Fund Net Position Proprietary Funds

**December 31, 2013**

	<u>Water</u>	<u>Wastewater</u>	<u>Electric</u>
Assets:			
Current assets:			
Equity in pooled cash and cash equivalents	\$ 547,603	\$ 1,300,764	\$ 13,284,186
Materials and supplies inventory	303,530	7,548	1,131,517
Accounts receivable	306,792	413,187	3,158,401
Accrued interest receivable	-	1,054	-
Due from other funds	-	-	-
Special assessments receivable	26,501	-	-
Restricted assets:			
Cash in segregated accounts	-	-	230,747
Total current assets	<u>1,184,426</u>	<u>1,722,553</u>	<u>17,804,851</u>
Noncurrent assets:			
Investment in joint venture	-	-	556,025
Nondepreciable capital assets	269,448	623,733	313,526
Depreciable capital assets, net	<u>8,604,368</u>	<u>8,890,131</u>	<u>8,037,552</u>
Total noncurrent assets	<u>8,873,816</u>	<u>9,513,864</u>	<u>8,907,103</u>
Total assets	<u>10,058,242</u>	<u>11,236,417</u>	<u>26,711,954</u>
Deferred outflows of resources:			
Deferred charges on refunding	<u>301,839</u>	<u>198,826</u>	<u>155,320</u>
Liabilities:			
Current liabilities:			
Accounts payable	36,212	28,494	234,307
Accrued wages and benefits	27,076	2,632	45,810
Intergovernmental payable	23,014	625,017	57,764
Interfund payable	1,267	39	5,731
Accrued interest payable	12,161	59,776	4,083
Claims payable	-	-	-
Payable from restricted assets – customer deposits	-	-	230,747
AMP Ohio payable	-	-	194,237
Capital lease payable	-	-	-
Compensated absences payable	238,733	8,812	242,777
OWDA loans payable	-	501,569	-
General obligation bonds payable	<u>502,981</u>	<u>188,000</u>	<u>136,000</u>
Total current liabilities	<u>841,444</u>	<u>1,414,339</u>	<u>1,151,456</u>
Long-term liabilities (net of current portion):			
Advances from other funds	-	100,000	-
AMP Ohio payable	-	-	194,236
Compensated absences payable	112,641	53,813	488,031
OWDA loans payable	-	2,219,480	-
General obligation bonds payable	<u>4,558,702</u>	<u>2,222,311</u>	<u>2,042,762</u>
Total long-term liabilities	<u>4,671,343</u>	<u>4,595,604</u>	<u>2,725,029</u>
Total liabilities	<u>5,512,787</u>	<u>6,009,943</u>	<u>3,876,485</u>
Net position:			
Net investment in capital assets	4,113,972	4,581,330	5,939,163
Unrestricted (deficit)	<u>733,322</u>	<u>843,970</u>	<u>17,051,626</u>
Total net position	<u>\$ 4,847,294</u>	<u>\$ 5,425,300</u>	<u>\$ 22,990,789</u>

The accompanying notes are an integral part of the financial statements.

	<u>Storm Sewer</u>	<u>Golf Course</u>	<u>Totals</u>	<u>Governmental Activities - Internal Service Funds</u>
\$	1,202,356	\$ 42,672	\$ 16,377,581	\$ 950,193
	43,756	13,173	1,499,524	258,956
	-	62	3,878,442	-
	-	-	1,054	93
	-	-	-	50,614
	-	-	26,501	-
	-	-	230,747	-
	<u>1,246,112</u>	<u>55,907</u>	<u>22,013,849</u>	<u>1,259,856</u>
	-	-	556,025	-
	194,576	2,008,225	3,409,508	11,967
	<u>2,395,057</u>	<u>1,686,748</u>	<u>29,613,856</u>	<u>1,164,095</u>
	<u>2,589,633</u>	<u>3,694,973</u>	<u>33,579,389</u>	<u>1,176,062</u>
	<u>3,835,745</u>	<u>3,750,880</u>	<u>55,593,238</u>	<u>2,435,918</u>
	<u>336,736</u>	<u>47,726</u>	<u>1,040,447</u>	<u>-</u>
	47,371	30,963	377,347	410,506
	13,437	9,839	98,794	11,839
	12,340	12,069	730,204	9,354
	80,628	599,169	686,834	-
	6,179	2,356	84,555	-
	-	-	-	15,959
	-	-	230,747	-
	-	-	194,237	-
	-	46,368	46,368	-
	36,947	109,104	636,373	22,083
	-	-	501,569	-
	<u>146,000</u>	<u>101,000</u>	<u>1,073,981</u>	<u>-</u>
	<u>342,902</u>	<u>910,868</u>	<u>4,661,009</u>	<u>469,741</u>
	-	-	100,000	-
	-	-	194,236	-
	40,705	127,022	822,212	17,010
	-	-	2,219,480	-
	<u>2,911,504</u>	<u>1,060,113</u>	<u>12,795,392</u>	<u>-</u>
	<u>2,952,209</u>	<u>1,187,135</u>	<u>16,131,320</u>	<u>17,010</u>
	<u>3,295,111</u>	<u>2,098,003</u>	<u>20,792,329</u>	<u>486,751</u>
	274,428	2,490,587	17,399,480	1,176,062
	<u>602,942</u>	<u>(789,984)</u>	<u>18,441,876</u>	<u>773,105</u>
\$	<u>877,370</u>	\$ <u>1,700,603</u>	\$ <u>35,841,356</u>	\$ <u>1,949,167</u>

# City of Hudson, Ohio

## Statement of Revenues, Expenses and Changes in Fund Net Position Proprietary Funds

**For the Year Ended December 31, 2013**

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	<u>Water</u>	<u>Wastewater</u>	<u>Electric</u>
Operating revenues:			
Charges for services	\$ 1,839,005	\$ 2,360,737	\$ 18,585,619
Other	<u>21,253</u>	<u>2,490</u>	<u>187,079</u>
Total operating revenues	<u>1,860,258</u>	<u>2,363,227</u>	<u>18,772,698</u>
Operating expenses:			
Personal services	570,987	561,754	2,652,202
Materials and supplies	120,331	15,397	118,350
Contractual services	375,731	2,320,732	14,054,339
Claims	-	-	-
Other	1,410	-	41,164
Depreciation	<u>335,678</u>	<u>317,931</u>	<u>416,797</u>
Total operating expenses	<u>1,404,137</u>	<u>3,215,814</u>	<u>17,282,852</u>
Operating income (loss)	<u>456,121</u>	<u>(852,587)</u>	<u>1,489,846</u>
Non-operating revenues (expenses):			
Investment income (loss)	-	(694)	-
Interest and fiscal charges	(225,518)	(200,087)	(78,657)
Gain (loss) on disposal of capital assets	<u>6,308</u>	<u>-</u>	<u>21,138</u>
Total non-operating (expenses)	<u>(219,210)</u>	<u>(200,781)</u>	<u>(57,519)</u>
Income (loss) before transfers	236,911	(1,053,368)	1,432,327
Transfers - in	<u>-</u>	<u>1,650,000</u>	<u>-</u>
Change in net position	236,911	596,632	1,432,327
Net position at beginning of year	<u>4,610,383</u>	<u>4,828,668</u>	<u>21,558,462</u>
Net position at end of year	\$ <u>4,847,294</u>	\$ <u>5,425,300</u>	\$ <u>22,990,789</u>

The accompanying notes are an integral part of the financial statements.



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	<u>Storm Sewer</u>	<u>Golf Course</u>	<u>Totals</u>	<u>Governmental Activities - Internal Service Funds</u>
\$	8,940	\$ 1,200,094	\$ 23,994,395	\$ 2,321,663
	<u>-</u>	<u>125,725</u>	<u>336,547</u>	<u>168,165</u>
	<u>8,940</u>	<u>1,325,819</u>	<u>24,330,942</u>	<u>2,489,828</u>
	714,701	812,427	5,312,071	558,440
	97,862	323,747	675,687	547,853
	143,097	136,588	17,030,487	164,455
	-	-	-	601,465
	-	34,082	76,656	-
	<u>94,524</u>	<u>139,119</u>	<u>1,304,049</u>	<u>207,813</u>
	<u>1,050,184</u>	<u>1,445,963</u>	<u>24,398,950</u>	<u>2,080,026</u>
	<u>(1,041,244)</u>	<u>(120,144)</u>	<u>(68,008)</u>	<u>409,802</u>
	-	-	(694)	19
	(104,697)	(50,267)	(659,226)	-
	<u>-</u>	<u>-</u>	<u>27,446</u>	<u>(10,802)</u>
	<u>(104,697)</u>	<u>(50,267)</u>	<u>(632,474)</u>	<u>(10,783)</u>
	(1,145,941)	(170,411)	(700,482)	399,019
	<u>1,200,000</u>	<u>50,000</u>	<u>2,900,000</u>	<u>-</u>
	54,059	(120,411)	2,199,518	399,019
	<u>823,311</u>	<u>1,821,014</u>	<u>33,641,838</u>	<u>1,550,148</u>
\$	<u><u>877,370</u></u>	\$ <u><u>1,700,603</u></u>	\$ <u><u>35,841,356</u></u>	\$ <u><u>1,949,167</u></u>

# City of Hudson, Ohio

## Statement of Cash Flows Proprietary Funds

**For the Year Ended December 31, 2013**

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	<u>Water</u>	<u>Wastewater</u>	<u>Electric</u>
Cash flows from operating activities:			
Cash received from customers	\$ 1,821,690	\$ 2,319,943	\$ 18,640,724
Cash received from interfund services provided	-	-	-
Cash payments to employees for services	(552,285)	(559,310)	(2,706,968)
Cash payments for goods and services	(490,766)	(2,306,219)	(15,048,826)
Cash payments for claims	-	-	-
Cash payments for interfund services used	-	-	-
Other operating revenues	72,213	2,490	122,834
Other operating expenses	<u>(1,259)</u>	<u>-</u>	<u>(59,849)</u>
Net cash provided by (used for) operating activities	<u>849,593</u>	<u>(543,096)</u>	<u>947,915</u>
Cash flows from noncapital financing activities:			
Transfer - in	<u>-</u>	<u>1,650,000</u>	<u>-</u>
Cash flows from capital and related financing activities:			
Acquisition of capital assets	-	(243,592)	(135,426)
Proceeds from sale of capital assets	6,308	-	24,738
Principal payments	(474,000)	(664,903)	(152,000)
Interest payments	<u>(161,428)</u>	<u>(187,399)</u>	<u>(54,548)</u>
Net cash used for capital and related financing activities	<u>(629,120)</u>	<u>(1,095,894)</u>	<u>(317,236)</u>
Cash flows from investing activities:			
Interest on investments	<u>-</u>	<u>1,032</u>	<u>-</u>
Net increase (decrease) cash and cash equivalents	220,473	12,042	630,679
Cash and cash equivalents at beginning of year	<u>327,130</u>	<u>1,288,722</u>	<u>12,884,254</u>
Cash and cash equivalents at end of year	\$ <u><u>547,603</u></u>	\$ <u><u>1,300,764</u></u>	\$ <u><u>13,514,933</u></u>

The accompanying notes are an integral part of the financial statements.

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	<u>Storm Sewer</u>	<u>Golf Course</u>	<u>Totals</u>	<u>Governmental Activities - Internal Service Funds</u>			
\$	8,940	\$	1,200,094	\$	23,991,391	\$	-
	-		-		-		2,320,258
	(713,715)		(699,830)		(5,232,108)		(545,082)
	(220,546)		(441,566)		(18,507,923)		(383,769)
	-		-		-		(606,293)
	-		-		-		(30,928)
	-		127,878		325,415		168,165
	<u>-</u>		<u>(33,998)</u>		<u>(95,106)</u>		<u>-</u>
	<u>(925,321)</u>		<u>152,578</u>		<u>481,669</u>		<u>922,351</u>
	<u>1,200,000</u>		<u>50,000</u>		<u>2,900,000</u>		<u>-</u>
	(75,175)		-		(454,193)		(550,081)
	-		-		31,046		375
	(131,000)		(150,631)		(1,572,534)		-
	<u>(79,074)</u>		<u>(36,058)</u>		<u>(518,507)</u>		<u>-</u>
	<u>(285,249)</u>		<u>(186,689)</u>		<u>(2,514,188)</u>		<u>(549,706)</u>
	<u>-</u>		<u>-</u>		<u>1,032</u>		<u>17</u>
	(10,570)		15,889		868,513		372,662
	<u>1,212,926</u>		<u>26,783</u>		<u>15,739,815</u>		<u>577,531</u>
\$	<u><u>1,202,356</u></u>	\$	<u><u>42,672</u></u>	\$	<u><u>16,608,328</u></u>	\$	<u><u>950,193</u></u>

(Continued)

# City of Hudson, Ohio

## Statement of Cash Flows Proprietary Funds (continued)

**For the Year Ended December 31, 2013**

	<u>Water</u>	<u>Wastewater</u>	<u>Electric</u>
Reconciliation of operating income (loss) to net cash from operating activities:			
Operating income (loss)	\$ 456,121	\$ (852,587)	\$ 1,489,846
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation	335,678	317,931	416,797
(Increase) decrease in operating assets:			
Accounts receivables	(17,315)	(40,794)	(87,790)
Materials and supplies inventory	(10,457)	307	53,962
Intergovernmental receivable	-	-	-
Due from other fund			
Special assessments receivable	50,960	-	-
Increase (decrease) in operating liabilities:			
Accounts payable	24,672	(35,313)	(928,367)
Accrued wages and benefits	2,648	(746)	4,299
Intergovernmental payable	1,927	85,722	(23,523)
Due to other funds	1,267	39	5,731
Retainage payable	(11,291)	(22,478)	-
Matured compensated absences	-	-	(58,229)
Claims payable	-	-	-
Customer deposits	-	-	57,658
Compensated absences payable	<u>15,383</u>	<u>4,823</u>	<u>17,531</u>
Total adjustments	<u>393,472</u>	<u>309,491</u>	<u>(541,931)</u>
Net cash provided by (used for) operating activities	\$ <u>849,593</u>	\$ <u>(543,096)</u>	\$ <u>947,915</u>
Non-cash capital financing activities:			
Amortization of premium on general obligation bonds	\$ (9,320)	\$ (5,711)	\$ (3,686)
Amortization of loss on refunding	24,651	28,521	12,481
Increase in capital assets due to AMP Ohio payable	-	-	388,473

The accompanying notes are an integral part of the financial statements.

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<u>Storm Sewer</u>	<u>Golf Course</u>	<u>Totals</u>	<u>Governmental Activities - Internal Service Funds</u>
\$ (1,041,244)	\$ (120,144)	\$ (68,008)	\$ 409,802
94,524	139,119	1,304,049	207,813
-	(19)	(145,918)	-
542	579	44,933	20,491
-	2,172	2,172	-
-	-	-	(50,614)
-	-	50,960	-
19,748	18,425	(900,835)	326,206
563	2,686	9,450	2,959
(6,595)	(2,833)	54,698	(4,887)
278	61	7,376	-
-	-	(33,769)	-
-	-	(58,229)	-
-	-	-	(4,828)
-	-	57,658	-
<u>6,863</u>	<u>112,532</u>	<u>157,132</u>	<u>15,409</u>
<u>115,923</u>	<u>272,722</u>	<u>549,677</u>	<u>512,549</u>
\$ <u><u>(925,321)</u></u>	\$ <u><u>152,578</u></u>	\$ <u><u>481,669</u></u>	\$ <u><u>922,351</u></u>
\$ (2,719)	\$ (2,526)	\$ (23,962)	\$ -
17,847	6,010	89,510	-
-	-	388,473	-

# City of Hudson, Ohio

## Statement of Fiduciary Net Position Fiduciary Funds

**December 31, 2013**

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	<u>Agency</u>
Assets:	
Equity in pooled cash and cash equivalents	\$ 581,651
Taxes receivable	2,407,824
Accounts receivable	<u>50</u>
Total assets	\$ <u>2,989,525</u>
Liabilities and deferred inflows of resources:	
Liabilities:	
Accounts payable	\$ 12,492
Intergovernmental payable	494,188
Undistributed monies	436,906
Deposits held and due to others	<u>130,622</u>
Total liabilities	<u>1,074,208</u>
Deferred inflows of resources:	
Property taxes	<u>1,915,317</u>
Total deferred inflows of resources	<u>2,407,824</u>
Total liabilities and deferred inflows of resources	\$ <u>2,989,525</u>

The accompanying notes are an integral part of the financial statements.

# City of Hudson, Ohio

## Notes to Basic Financial Statements

### For the Year Ended December 31, 2013

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#### **Note 1: Description of the City and Reporting Entity**

The City of Hudson, Ohio (the “City”) is a charter municipal corporation established and operating under the laws of the State of Ohio. The City was incorporated as a village in 1837, and became a city on March 20, 1991. The City merged with Hudson Township on January 1, 1994. The municipal government provided by the Charter is known as a Mayor – Council – Manager form of government. Legislative power is vested in a seven-member Council, each elected to a four-year term. The Mayor is also elected to a four-year term and is the official and ceremonial head of the municipal government. The City Manager is the chief executive officer and the head of the administrative agencies of the City. The City Manager appoints all department managers while Council appoints the Clerk of Council.

The reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the basic financial statements of the City are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the City. For the City of Hudson, this includes police and fire protection, emergency medical, parks, planning, zoning, street maintenance and repair, and general administrative services. Overall, City activities are directly controlled by Council through the budgetary process.

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization’s governing board and (1) the City is able to significantly influence the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization’s resources; or (3) the City is legally obligated or has otherwise assumed the responsibility to finance deficits of, or provide financial support to, the organization. Component units may also include organizations that are fiscally dependent on the City in that the City approves the budget, the issuance of debt, or the levying of taxes. The City has no component units.

The City is associated with a joint venture and a shared risk pool. The joint venture is the Ohio Municipal Electric Generation Agency Joint Venture 5. The Northern Ohio Risk Management Association (NORMA) is the shared risk pool. These organizations are presented in Notes 22 and 23, respectively.

#### **Note 2: Summary of Significant Accounting Politics**

The basic financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial principles. The most significant of the City’s accounting policies are described below.

##### **A. Basis of Presentation**

The City’s basic financial statements consist of government-wide statements, including a Statement of Net Position and a Statement of Activities, and fund financial statements which provide a more detailed level of financial information.

# City of Hudson, Ohio

## Notes to Basic Financial Statements (continued)

### For the Year Ended December 31, 2013

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#### Note 2: Summary of Significant Accounting Policies (continued)

##### A. *Basis of Presentation (continued)*

**Government-Wide Financial Statements** The Statement of Net Position and the Statement of Activities display information about the City as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is eliminated to avoid “doubling up” revenues and expenses. The statements distinguish between those activities of the City that are governmental and those that are considered business-type activities.

The Statement of Net Position presents the financial condition of the governmental and business-type activities of the City at year-end. The Statement of Activities presents a comparison between direct expenses and program revenues for each program or function of the City’s governmental activities and for the business-type activities of the City. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the City.

**Fund Financial Statements** During the year, the City segregates transactions related to certain City functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The internal service fund is presented in a single column on the face of the proprietary fund statements. Fiduciary funds are reported by type.

##### B. *Fund Accounting*

The City uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary.

**Governmental Funds** Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used.

Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and deferred outflows of resources and liabilities and deferred inflows of resources is reported as fund balance. The following are the City’s major governmental funds:



# City of Hudson, Ohio

## Notes to Basic Financial Statements (continued)

### For the Year Ended December 31, 2013

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#### Note 2: Summary of Significant Accounting Policies (continued)

##### B. Fund Accounting (continued)

**General Fund** The General Fund accounts for all financial resources except those required to be accounted for in another fund. The general fund balance is available to the City for any purpose provided it is expended or transferred according to the charter of the City of Hudson and/or the general laws of Ohio.

**Street Construction Fund** The Street Construction Special Revenue Fund accounts for proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

**Street Sidewalk Construction Fund** The Street Sidewalk Construction Capital Projects Fund accounts for the costs of the City's annual street and sidewalk maintenance and construction program.

**Youth Development Center Fund** The Youth Development Center Capital Projects Fund accounts for the costs of the City's acquisition of the property and related projects.

The other governmental funds of the City account for grants and other resources whose use is restricted to a particular purpose.

**Proprietary Funds** Proprietary fund reporting focuses on changes in net position, financial position and cash flows. Proprietary funds are classified as either enterprise or internal service.

**Enterprise Funds** Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The following are the City's major enterprise funds:

**Water Fund** The Water Fund accounts for the provision of water treatment and distribution to its residential and commercial users located within the City.

**Wastewater Fund** The Wastewater Fund accounts for the cost of operating the municipally-owned wastewater system and the related revenue from charges for services.

**Electric Fund** The Electric Fund accounts for the cost of operating the municipally-owned electric utility and the related revenue from charges for services.

**Storm Sewer Fund** The Storm Sewer Fund accounts for the cost of operating the City's storm sewer system.

**Golf Course Fund** The Golf Course Fund accounts for the cost of operating the City's golf course.

**Internal Service Funds** Internal service funds account for the financing of services provided by one department or agency to other departments or agencies of the City on a cost-reimbursement basis. The City's internal service funds report on equipment and reserve and fleet management, a self-insurance program for employee medical benefits, flexible benefits, and information services.

# City of Hudson, Ohio

## Notes to Basic Financial Statements (continued)

### For the Year Ended December 31, 2013

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#### Note 2: Summary of Significant Accounting Policies (continued)

##### **B. Fund Accounting (continued)**

**Fiduciary Funds** Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. The agency funds account for contractor's deposits and bonds held by the City, property taxes levied by the City on behalf of Hudson Library and Historical Society and Hudson Schools, insurance proceeds held as deposits on fire claims as well as traffic fines and associated state costs that are distributed to the City's General Fund and the State of Ohio, as required. The City has no trust funds.

##### **C. Measurement Focus**

**Government-Wide Financial Statements** The government-wide financial statements are prepared using the economic resources measurement focus. All assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of the City are included on the Statement of Net Position.

**Fund Financial Statements** All governmental fund types are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and deferred outflows of resources and current liabilities and deferred inflows of resources are generally included on the Balance Sheet.

The Statement of Revenues, Expenditures and Changes in Fund Balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Like the government-wide statements, all proprietary funds are accounted for on a flow of economic resources measurement focus. All assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of these funds are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Fund Net Position presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position. The statement of cash flows provides information about how the City finances and meets the cash flow needs of its proprietary activities.

##### **D. Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred inflows/outflows of resources and in the presentation of expenses versus expenditures.

# City of Hudson, Ohio

## Notes to Basic Financial Statements (continued)

### For the Year Ended December 31, 2013

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#### Note 2: Summary of Significant Accounting Policies (continued)

##### D. Basis of Accounting (continued)

**Revenues – Exchange and Non-Exchange Transactions** Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the City, available means expected to be received within sixty days of year-end.

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. On an accrual basis, revenue from income taxes is recognized in the period in which the income is earned. Revenue from property taxes is recognized in the year for which the taxes are levied (See Note 8). Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: income tax, state-levied locally shared taxes (including gasoline tax), fines and forfeitures, interest, grants, fees, and rentals.

**Deferred Outflows/Inflows of Resources** In addition to assets, the Statements of Net Position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the City, deferred outflows of resources include a deferred charge on refunding reported in the government-wide and proprietary fund Statements of Net Position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the Statements of Net Position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the City, deferred inflows of resources include property taxes and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of December 31, 2013, but which were levied to finance year 2014 operations. These amounts have been recorded as a deferred inflow on both the government-wide Statement of Net Position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds Balance Sheet, and represents receivables which will not be collected within the available period. For the City, unavailable revenue includes delinquent property taxes, income taxes, special assessments, and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

# City of Hudson, Ohio

## Notes to Basic Financial Statements (continued)

### For the Year Ended December 31, 2013

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#### Note 2: Summary of Significant Accounting Policies (continued)

##### *D. Basis of Accounting (continued)*

**Expenses/Expenditures** On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

##### *E. Budgetaries*

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget (or the alternative tax budget, as permitted by law), the certificate of estimated resources, and the annual appropriation ordinance, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the annual appropriation ordinance are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control is at the object level within each department. Any budgetary modifications at this level may only be made by resolution of the Council.

**Tax Budget** At the first Council meeting in July, the City Manager presents the annual tax budget for the following year to Council for consideration and passage. The adopted budget is submitted to the Fiscal Officer, as Secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year.

**Estimated Resources** The County Budget Commission (“Commission”) determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews the estimated revenue. The Commission certifies its actions to the City by September 1. As part of this certification, the City receives the official certificate of estimated resources, which states the projected revenue of each fund. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation ordinance. On or about January 1, the certificate of estimated resources is amended to include unencumbered fund balances at December 31 of the preceding year. The certificate may be further amended during the year if the Finance Director determines, and the Commission agrees, that an estimate needs to be either increased or decreased. The amounts reported on the budgetary statements reflect the amounts in the final amended official certificate of estimated resources issued during 2013.

**Appropriations** For management, a temporary appropriation ordinance to control expenditures may be passed on or about January 1 of each year for the period January 1 to March 31. The annual appropriation ordinance must be passed by April 1 of each year for the period January 1 to December 31. Appropriations by fund must be within the estimated resources as certified by the Commission, and the total of expenditures and encumbrances may not exceed the appropriations at any level of control. Any revisions that alter the appropriations among departments within a fund must first be approved by Council.

# City of Hudson, Ohio

## Notes to Basic Financial Statements (continued)

### For the Year Ended December 31, 2013

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#### Note 2: Summary of Significant Accounting Policies (continued)

##### *E. Budgetaries (continued)*

Council may pass supplemental fund appropriations so long as the total appropriations by fund does not exceed the amounts set forth in the most recent certificate of estimated resources.

Formal budgetary integration is employed as a management control device during the year for all funds consistent with statutory provisions. Appropriation amounts are as originally adopted, or as amended by Council throughout the year by supplemental appropriations which either reallocate or increase the original appropriation amounts. During the year, supplemental appropriation measures were legally enacted; however, none of these amendments were significant. The budgetary figures which appear in the statements of budgetary comparisons, represent the final appropriation amounts, including all amendments and modifications.

**Encumbrances** As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. The Ohio Revised Code prohibits expenditures plus encumbrances from exceeding appropriations at the legal level of budgetary control.

**Lapsing of Appropriations** At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding year and is not reappropriated.

##### *F. Cash and Cash Equivalents*

To improve cash management, cash received by the City is pooled. Monies for all funds, including the proprietary funds, are maintained in this pool. Individual fund integrity is maintained through City records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the financial statements.

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as overnight repurchase agreements and nonnegotiable certificates of deposit are reported at cost.

Following Ohio statutes, the City has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during the year 2013 amounted to \$151,529, which includes \$53,367 assigned from other City funds.

The City has segregated bank accounts and investments for monies held separate from the City's central bank accounts. These accounts and investments are presented on the financial statements as "Cash in Segregated Accounts" and "Investments in Segregated Accounts" since they are not required to be deposited into the City treasury.

The City has donated stock. The account is presented on the financial statements as "Investment in Common Stock" since they are not required to be deposited into the City treasury. See Note 6, Deposits and Investments.

# City of Hudson, Ohio

## Notes to Basic Financial Statements (continued)

### For the Year Ended December 31, 2013

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#### Note 2: Summary of Significant Accounting Policies (continued)

##### *F. Cash and Cash Equivalents (continued)*

For purposes of the Statement of Cash Flows and for presentation on the Statements of Net Position/Balance Sheet, investments with original maturities of three months or less at the time they are purchased by the City and investments of the cash management pool are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

##### *G. Interfund Balances*

On the fund financial statements, interfund loans are classified as “Interfund Receivable/Payable” on the Balance Sheet. Long-term interfund loans are classified as “Advances To/From Other Funds” on the Balance Sheet and are equally offset as part of nonspendable fund balance which indicates that they do not constitute available expendable resources. These amounts are eliminated in the governmental and business-type activities columns of the Statement of Net Position, except for any net residual amounts due between governmental and business-type activities, which are presented as internal balances.

##### *H. Inventory*

Inventories of all funds are stated at cost which is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as expenditures in the governmental fund types and as expenses in the proprietary fund types when used.

##### *I. Capital Assets*

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide Statement of Net Position but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide Statement of Net Position and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The City maintains a capitalization threshold of \$5,000. The City’s infrastructure consists of bridges, culverts, curbs, sidewalks, storm sewers, streets, traffic signals, irrigation systems, and water and sewer lines. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset’s life are not capitalized. Interest incurred during the construction of capital assets is also capitalized.

All reported capital assets are depreciated except for land and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the City’s historical records of necessary improvements and replacement. Depreciation is computed using the straight-line method over the following useful lives:

# City of Hudson, Ohio

## Notes to Basic Financial Statements (continued)

### For the Year Ended December 31, 2013

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#### Note 2: Summary of Significant Accounting Policies (continued)

##### I. Capital Assets (continued)

<u>Description</u>	Governmental Activities <u>Estimated Lives</u>	Business-Type Activities <u>Estimated Lives</u>
Buildings	50 years	50 years
Land improvements	15 to 50 years	15 to 50 years
Vehicles	5 to 8 years	5 to 8 years
Equipment, furniture and fixtures	5 to 30 years	5 to 30 years
Infrastructure	30 to 65 years	30 to 65 years

##### J. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the City will compensate the employees for the benefits through paid time off or some other means. The City records a liability for all accumulated unused vacation time when earned for all eligible employees with more than one year of service.

Sick leave benefits are reported as a liability using the vesting method. An accrual for sick leave is made for those employees who are currently eligible to receive termination payments, as well as other employees who are expected to become eligible in the future to receive such payments. The liability is an estimate based on the City's past experience of making termination payments. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

The entire compensated liability is reported on the government-wide financial statements.

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "Compensated Absences Payable" in the fund from which the employees who have accumulated unpaid leave are paid. The non-current portion of the liability is not reported.

##### K. Payables, Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds, capital leases and long-term loans are recognized as a liability on the fund financial statements when due.

# City of Hudson, Ohio

## Notes to Basic Financial Statements (continued)

### For the Year Ended December 31, 2013

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#### Note 2: Summary of Significant Accounting Policies (continued)

##### L. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

***Nonspendable*** The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable, as well as property acquired for resale, unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed, or assigned.

***Restricted*** Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions or enabling legislation (Council’s Resolutions).

Enabling legislation authorizes the City to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the City can be compelled by an external party—such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specified by the legislation.

***Committed*** The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of Council. Those committed amounts cannot be used for any other purpose unless the Council removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, committed fund balance classification may be re-deployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by the Council, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints are not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

***Assigned*** Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the Council or a City official delegated that authority by the Council.

Council assigned fund balance to cover a gap between estimated revenue and appropriations in the 2014 appropriated budget.



# City of Hudson, Ohio

## Notes to Basic Financial Statements (continued)

### For the Year Ended December 31, 2013

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#### Note 2: Summary of Significant Accounting Policies (continued)

##### **L. Fund Balance (continued)**

**Unassigned** Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The City applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

##### **M. Net Position**

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The City applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

##### **N. Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City, these revenues are charges for services for water services, waste water treatment, electric services, storm sewer services, and self-insurance programs. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund. Revenues and expenses not meeting these definitions are reported as nonoperating.

##### **O. Contributions of Capital**

Contributions of capital in proprietary fund financial statements arise from outside contributions of capital assets, tap-in fees to the extent they exceed the cost of the connection to the system, or from grants or outside contributions of resources restricted to capital acquisition and construction.

##### **P. Interfund Activity**

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues.

# City of Hudson, Ohio

## Notes to Basic Financial Statements (continued)

### For the Year Ended December 31, 2013

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#### **Note 2: Summary of Significant Accounting Policies (continued)**

##### ***P. Interfund Activity (continued)***

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

##### ***Q. Deferred Charge on Refunding***

The difference between the reacquisition price (funds required to refund the old debt) of various refunding bonds and the net carrying amount of the old debt, the deferred amount (loss) on refunding, is being amortized as a component of interest expense. This accounting loss is amortized over the remaining life of the old debt or the life of the new debt whichever is shorter, using the effective interest method and is presented as deferred outflows of resources on the Statement of Net Position.

##### ***R. Bond Premiums and Discounts***

On the government-wide financial statements, bond premiums and discounts are deferred and amortized over the term of the bonds using the straight line method. Bond premiums are presented as an increase of the face amount of the general obligation bonds payable. On fund financial statements, bond premiums are received in the year the bonds are issued.

##### ***S. Extraordinary and Special Items***

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City Administration and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2013.

##### ***T. Estimates***

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

##### ***U. Reclassification***

Prior year data presented in the Management's Discussion and Analysis have been reclassified in order to be comparative and provide an understanding of the changes in financial position and operations. Certain reclassifications have been made to the 2012 data in order to conform to the 2013 presentation.

# City of Hudson, Ohio

## Notes to Basic Financial Statements (continued)

### For the Year Ended December 31, 2013

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#### Note 2: Summary of Significant Accounting Policies (continued)

##### V. Subsequent Events

In preparing these financial statements, the City has evaluated events and transactions for potential recognition or disclosure through June 23, 2014, the date the financial statements were available to be issued.

#### Note 3: Changes in Accounting Principles

For fiscal year 2013, the City implemented Governmental Accounting Standards Board (“GASB”) Statement No. 65, *Items Previously Reported as Assets and Liabilities*.

GASB Statement No. 65 provides guidance for accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The City’s financial statements have been updated to reflect the implementation of this standard. There was no effect on beginning net position/fund balance.

#### Note 4: Budgetary Basis of Accounting

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP basis), the budgetary basis as provided by law and described previously is based upon accounting for transactions on a basis of cash receipts, disbursements, appropriations, and encumbrances.

The Statement of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Budgetary Basis) and Actual presented for the General Fund and all major special revenue funds is presented on the budgetary basis to provide a relevant comparison of actual results with the budget and to demonstrate compliance with State statute.

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the General Fund and Street Construction Fund:

	Net Change In Fund Balance	
	<u>General Fund</u>	<u>Street Construction</u>
GAAP basis	\$ 1,182,127	\$ (259,934)
Net adjustment for revenue accruals	(902,964)	(13,447)
Fair market value adjustment	(7,462)	-
Net adjustment for expenditure accruals	10,762	272,338
Encumbrances	<u>(448,105)</u>	<u>(91,281)</u>
Budgetary basis	\$ <u><u>(165,642)</u></u>	\$ <u><u>(92,324)</u></u>

# City of Hudson, Ohio

## Notes to Basic Financial Statements (continued)

### For The Year Ended December 31, 2013

#### Note 5: Fund Balances

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on a fund for the major governmental funds and all other governmental funds are presented below:

	General Fund	Street Construction	Street Sidewalk Construction	Youth Development Center	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:						
Inventory	\$ 36,052	\$ 191,747	\$ -	\$ -	\$ 37,764	\$ 265,563
Interfund loan receivable	100,000	-	-	-	-	100,000
Principal trust	-	-	-	-	6,473	6,473
Total nonspendable	<u>136,052</u>	<u>191,747</u>	<u>-</u>	<u>-</u>	<u>44,237</u>	<u>372,036</u>
Restricted for:						
Streets and highways	-	-	-	-	43,059	43,059
Cemetery	-	-	-	-	154,021	154,021
Law enforcement and education	-	-	-	-	40,898	40,898
Court computer fees	-	-	-	-	18,427	18,427
Debt service	-	-	-	-	545,432	545,432
Capital improvements	-	-	-	-	106,486	106,486
Total restricted	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>908,323</u>	<u>908,323</u>
Committed to:						
Community and economic development	-	-	-	-	3,193,626	3,193,626
Fire District and EMS	-	-	-	-	1,980,684	1,980,684
Cemetery improvement	-	-	-	-	4,163	4,163
Storm sewer assessment	-	-	-	-	329,047	329,047
Tree trust	-	-	-	-	48,441	48,441
Playground trust	-	-	-	-	15,071	15,071
Poor endowment trust	-	-	-	-	35,101	35,101
Veterans memorial	-	-	-	-	17,531	17,531
Other purposes	-	-	-	-	7,914	7,914
Capital improvements	-	-	2,127,679	-	5,287,671	7,415,350
Total committed	<u>-</u>	<u>-</u>	<u>2,127,679</u>	<u>-</u>	<u>10,919,249</u>	<u>13,046,928</u>
Assigned to:						
2014 Appropriations	2,919,970	-	-	-	-	2,919,970
Other purposes	324,975	-	-	-	-	324,975
Bond retirement	-	-	-	-	433,014	433,014
Total assigned	<u>3,244,945</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>433,014</u>	<u>3,677,959</u>
Unassigned (deficit)	<u>12,142,229</u>	<u>(11,211)</u>	<u>-</u>	<u>(1,212,974)</u>	<u>(25,012)</u>	<u>10,893,032</u>
Total fund balances	\$ <u>15,523,226</u>	\$ <u>180,536</u>	\$ <u>2,127,679</u>	\$ <u>(1,212,974)</u>	\$ <u>12,279,811</u>	\$ <u>28,898,278</u>

# City of Hudson, Ohio

## Notes to Basic Financial Statements (continued)

### For The Year Ended December 31, 2013

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#### **Note 6: Deposits and Investments**

State statutes classify monies held by the City into three categories:

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the City treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Council has identified as not required for use within the current two-year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

Protection of the City's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Interim monies may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily.
4. Investment grade obligations of state and local governments, and public authorities;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAROhio);

# City of Hudson, Ohio

## Notes to Basic Financial Statements (continued)

### For The Year Ended December 31, 2013

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#### **Note 6: Deposits and Investments (continued)**

The City may also invest any monies not required to be used for a period of six months or more in the following:

1. Commercial paper notes issued by an entity that is defined in division (D) of Section 1705.01 of the Ohio Revised Code and that has assets exceeding five hundred million dollars, to which the notes are rated at the time of purchase in the highest classification established by at least two nationally recognized standard rating services; the aggregate value of the notes does not exceed ten percent of the aggregate value of the outstanding commercial paper of the issuing corporation; the notes mature no later than one hundred eighty days after purchase; and
2. Bankers acceptances of banks that are insured by the FDIC and to which the obligations are eligible for purchase by the Federal Reserve System and the obligations mature no later than one hundred eighty days after purchase.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the City, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

#### **Deposits**

*Custodial credit risk* is the risk that in the event of bank failure, the City's deposits may not be returned to it. Protection of the City's deposits is provided by the FDIC, by eligible securities pledged by the financial institution, by surety company bonds or by a single collateral pool established by the financial institution. In accordance with Chapter 135 of the Ohio Revised Code, any public depository receiving deposits pursuant to an award of City funds shall be required to pledge as security for repayment of all public moneys.

At year-end, the carrying amount of the City's deposits was \$29,118,671 and the bank balance was \$29,541,121. Of the bank balance \$5,656,174 was covered by FDIC and \$23,884,947 was uninsured. Of the remaining bank balance, \$23,884,947 was collateralized with securities held by the pledging institution's agent in the City's name. At year-end, the City had \$1,400 in cash on hand.

# City of Hudson, Ohio

## Notes to Basic Financial Statements (continued)

### For The Year Ended December 31, 2013

#### Note 6: Deposits and Investments (continued)

##### Investments

Investments are reported at fair value. As of December 31, 2013, the City had the following investments:

	Fair Value	Maturities (in years)	
		Less than 1	1 - 4
Common Stock (donated)	\$ 22,473	\$ 22,473	\$ -
Federal Farm Credit Bank	2,115,441	-	2,115,441
Federal Home Loan Bank	1,523,565	504,200	1,019,365
Federal Home Loan Mortgage Corporation	2,490,430	499,760	1,990,670
Federal National Mortgage Association	9,136,036	-	9,136,036
Money Market	4,691	4,691	-
Series E Bonds	2,987	2,987	-
Total Portfolio	\$ <u>15,295,623</u>	\$ <u>1,034,111</u>	\$ <u>14,261,512</u>

*Interest Rate Risk* arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The City's investment policy addresses interest rate risk requiring that the City's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments, thereby avoiding that need to sell securities on the open market prior to maturity and by investing operating funds primarily in short-term investments. The City's investment policy also limits security purchases to those that mature not later than five years from purchase unless specifically matched to a specific cash flow. To date, no investments have been purchased with a life greater than five years.

*Custodial Risk* for investments is the risk that, in the event of the failure of the counterparty to a transaction, the City will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. All financial institutions and broker/dealers who desire to become qualified for investment transactions with the City must meet a set of prescribed standards and be periodically reviewed.

*Credit Risk* is addressed by the City's investment policy by the requirements that all investments are authorized by Ohio Revised Code and that the portfolio be diversified both by types of investment and issuer. All investments of the City are registered and carry a rating AA+ by Standard & Poor's.

*Concentration of Credit Risk* is defined by the Governmental Accounting Standards Board as five percent or more in the securities of a single issuer. The City's investment policy requires diversification of the portfolio but does not indicate specific percentage allocations. The following is the City's allocation as of December 31, 2013:

<u>Investment Issuer</u>	<u>Percentage of Investments</u>
Common Stock (donated)	0.15%
Federal Farm Credit Bank	13.83
Federal Home Loan Bank	9.96
Federal Home Loan Mortgage Corporation	16.28
Federal National Mortgage Association	59.73
Money Market	0.03
Series E Bonds	0.02
Total	<u>100.00%</u>

# City of Hudson, Ohio

## Notes to Basic Financial Statements (continued)

### For The Year Ended December 31, 2013

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#### **Note 7: Receivables**

Receivables at December 31, 2013, consisted of taxes, accounts (billings for user charged services, rents and royalties), interfund, special assessments and intergovernmental receivables arising from grants, entitlements, and shared revenues. All accounts, taxes, special assessments and intergovernmental receivables are deemed collectible in full.

#### **Note 8: Property Taxes**

Property taxes include amounts levied against all real and public utility property located in the City. Real property taxes collected in 2013 are levied after October 1, 2012, on assessed value as of January 1, 2012, the lien date. Assessed values are established by State law at 35 percent of appraised market value. All property is required to be revalued every six years. Real property taxes collected in 2013 were intended to finance 2013 operations.

Public utility property taxes are assessed on tangible personal property, as well as land and improvements, at true value (normally 88% of cost). Public utility property taxes paid in 2013 that became a lien on December 31, 2012, are levied after October 1, 2012, and are collected in 2013 with real property taxes.

The full tax rate for all City operations for the year ended December 31, 2013, was \$7.81 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2013 property tax receipts were based are as follows:

	<u>Total Assessed Value</u>
Real Property Valuation:	
Residential/Agriculture	\$ 719,393,860
Commercial/Industrial/Mineral	103,091,320
Public Utilities	138,090
Tangible Personal Property Valuation:	
Public Utilities	<u>4,852,330</u>
Total Valuation	<u>\$ 827,475,600</u>

Real Property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.



# City of Hudson, Ohio

## Notes to Basic Financial Statements (continued)

### For The Year Ended December 31, 2013

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#### **Note 9: Income Tax**

The City levies a municipal income tax of two percent on all gross salaries, wages, and other compensation, earned by the residents of the City and on the earnings of nonresidents working within the City. This tax also applies to the net income of businesses operating within the City. Residents of the City are granted 100 percent credit for taxes paid to other municipalities.

Employers within the City are required to withhold income tax on employee compensation and remit the tax to the Regional Income Tax Agency (RITA) either monthly or quarterly as required. Corporations and other individual taxpayers are required to pay their estimated tax quarterly and file a declaration annually. By City ordinance, disbursement of the revenue received from income taxes is as follows: first, all expenses of collecting the tax and of administering and enforcing the income tax ordinance are paid. Then, the balance remaining after payment of the expenses is deposited in the General Fund for street construction, maintenance and repair, capital improvements and general municipal operations, or as such other fund or funds as Council may, from time to time, establish or designate. The City of Hudson voters approved an increase in the income tax rate from one percent to two percent effective January 1, 2005, with 15 percent of such additional one percent increase being designated for funding of the Fire Department; with nine percent of such additional one percent increase being designated for funding of Emergency Medical Services; with 15 percent of such additional one percent increase being designated for funding of the Park System; and with 13.5 percent of such additional one percent increase being designated for community learning centers in the City, in cooperation with the Hudson City School District. For 2013, municipal income tax revenue was \$17,570,475, which represents the City's portion net of amount due to Hudson City School District.

#### **Note 10: Special Assessments**

Special assessments include annually assessed service assessments. Service type special assessments are levied against all property owners who benefit from the provided service. Special assessments are payable by the time and in the manner stipulated in the assessing ordinance and are a lien from the date of the passage of the ordinance.

The City's special assessments include water main and storm sewer improvements, traffic signals, and sidewalks which are billed and collected by the County Fiscal Officer. The County Fiscal Officer periodically remits these collections to the City. Special assessments collected in one calendar year are levied and certified in the preceding calendar year.

# City of Hudson, Ohio

## Notes to Basic Financial Statements (continued)

### For The Year Ended December 31, 2013

#### Note 11: Capital Assets

	Balance 12/31/12	Additions	Disposals	Balance 12/31/13
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 14,618,513	\$ -	\$ -	\$ 14,618,513
Construction in progress	<u>3,873,933</u>	<u>5,274,399</u>	<u>(3,712,760)</u>	<u>5,435,572</u>
Total capital assets, not being depreciated	<u>18,492,446</u>	<u>5,274,399</u>	<u>(3,712,760)</u>	<u>20,054,085</u>
Capital assets, being depreciated:				
Buildings	9,242,390	-	-	9,242,390
Land improvements	3,138,625	39,104	-	3,177,729
Vehicles	6,174,826	520,501	(74,438)	6,620,889
Equipment, furniture and fixtures	3,621,891	183,413	(231,449)	3,573,855
Infrastructure				
Roads	122,982,494	3,804,632	-	126,787,126
Sidewalks	3,544,274	208,351	-	3,752,625
Traffic signals	<u>2,960,234</u>	<u>-</u>	<u>-</u>	<u>2,960,234</u>
Total capital assets, being depreciated	<u>151,664,734</u>	<u>4,756,001</u>	<u>(305,887)</u>	<u>156,114,848</u>
Less accumulated depreciation:				
Buildings	(2,405,361)	(233,494)	-	(2,638,855)
Land improvements	(531,990)	(158,089)	-	(690,079)
Vehicles	(4,124,319)	(524,821)	74,438	(4,574,702)
Equipment, furniture and fixtures	(2,399,234)	(217,187)	215,754	(2,400,667)
Infrastructure				
Roads	(51,036,224)	(4,227,306)	-	(55,263,530)
Sidewalks	(1,205,584)	(121,307)	-	(1,326,891)
Traffic signals	<u>(1,561,330)</u>	<u>(106,584)</u>	<u>-</u>	<u>(1,667,914)</u>
Total accumulated depreciation	<u>(63,264,042)</u>	<u>(5,588,788)</u>	<u>290,192</u>	<u>(68,562,638)</u>
Total capital assets, being depreciated, net	<u>88,400,692</u>	<u>(832,787)</u>	<u>(15,695)</u>	<u>87,552,210</u>
Governmental activities capital assets, net	\$ <u>106,893,138</u>	\$ <u>4,441,612</u>	\$ <u>(3,728,455)</u>	\$ <u>107,606,295</u>

Depreciation expense was charged to governmental functions as follows:

General government	\$ 575,505
Security of persons and property	301,308
Public health	19,019
Leisure time services	198,665
Transportation	<u>4,494,291</u>
Total	\$ <u>5,588,788</u>

# City of Hudson, Ohio

## Notes to Basic Financial Statements (continued)

### For The Year Ended December 31, 2013

#### Note 11: Capital Assets (continued)

	Balance <u>12/31/12</u>	Additions	Disposals	Balance <u>12/31/13</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 2,362,513	\$ -	\$ -	\$ 2,362,513
Construction in progress	<u>992,060</u>	<u>54,935</u>	<u>-</u>	<u>1,046,995</u>
Total capital assets, not being depreciated	<u>3,354,573</u>	<u>54,935</u>	<u>-</u>	<u>3,409,508</u>
Capital assets being depreciated:				
Buildings	5,351,190	11,594	-	5,362,784
Land improvements	2,123,612	-	-	2,123,612
Vehicles	2,054,908	6,995	(50,620)	2,011,283
Equipment, furniture and fixtures	4,055,799	14,231	-	4,070,030
Infrastructure				
Water main lines	14,707,510	-	-	14,707,510
Sewer lines	9,759,700	243,592	-	10,003,292
Storm water lines	2,584,536	75,175	-	2,659,711
Electric	<u>8,686,441</u>	<u>436,144</u>	<u>-</u>	<u>9,122,585</u>
Total capital assets, being depreciated	<u>49,323,696</u>	<u>787,731</u>	<u>(50,620)</u>	<u>50,060,807</u>
Less accumulated depreciation:				
Buildings	(2,065,757)	(111,700)	-	(2,177,457)
Land improvements	(929,386)	(102,827)	-	(1,032,213)
Vehicles	(1,588,618)	(138,460)	50,620	(1,676,458)
Equipment, furniture and fixtures	(2,662,785)	(158,606)	-	(2,821,391)
Infrastructure				
Water main lines	(6,368,839)	(295,292)	-	(6,664,131)
Sewer lines	(3,177,023)	(206,640)	-	(3,383,663)
Storm sewer	(323,365)	(62,205)	-	(385,570)
Electric	<u>(2,077,749)</u>	<u>(228,319)</u>	<u>-</u>	<u>(2,306,068)</u>
Total accumulated depreciation	<u>(19,193,522)</u>	<u>(1,304,049)</u>	<u>50,620</u>	<u>(20,446,951)</u>
Total capital assets, being depreciated, net	<u>30,130,174</u>	<u>(516,318)</u>	<u>-</u>	<u>29,613,856</u>
Business-type activities capital assets, net	\$ <u>33,484,747</u>	\$ <u>(461,383)</u>	\$ <u>-</u>	\$ <u>33,023,364</u>

# City of Hudson, Ohio

## Notes to Basic Financial Statements (continued)

### For The Year Ended December 31, 2013

#### Note 12: Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. The City has joined together with other neighboring cities to form the Northern Ohio Risk Management Association (NORMA), a not-for-profit corporation, for the purpose of obtaining property, liability, and vehicle insurance and providing for a formalized, jointly administered self-insurance fund. The City pays an annual premium to NORMA for its insurance coverage. The agreement for formation of NORMA provides that NORMA will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of limits described in the agreement. This coverage is maintained through the General Fund. There has not been a significant reduction in coverage from the prior year and claims have not exceeded coverage provided by NORMA in any of the last three years.

During 2013, the City contracted its medical insurance through a fully insured plan offered by Summa.

In addition, the City has established a Health Care Self-Insurance Fund. The purpose of this fund is to pay dental and vision claims of the City's employees and their covered dependents in order to minimize the total cost of annual health care insurance. The City has contracted with a third party administrator to direct this program.

The claims liability of \$15,959 reported in the fund at December 31, 2013, is based on the requirements of Governmental Accounting Standards Board (GASB) Statement No. 30, "Risk Financing Omnibus," which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims to be reported. The costs are to be based on the estimated ultimate cost of settling the claims using past experience adjusted for current trends, and any other factors that would modify past experience. The claims liability is based on an estimate supplied by the City's third party administrator. A summary of the fund's claims liability follows:

<u>Year</u>	<u>Balance at Beginning of Year</u>	<u>Current Year Claims</u>	<u>Claims Payments</u>	<u>Balance at End of Year</u>
2012	\$ 18,179	\$ 312,462	\$ 309,854	\$ 20,787
2013	20,787	298,647	303,475	15,959

#### Note 13: Note Debt

The City's note activity, including amounts outstanding, interest rates and maturity dates, is as follows:

	<u>Balance 12/31/12</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 12/31/13</u>
Governmental Activities:				
Various Purpose Notes, Series 2013, Due 7/2014, 1.25%	\$ -	\$ 1,400,000	\$ -	\$ 1,400,000

# City of Hudson, Ohio

## Notes to Basic Financial Statements (continued)

### For The Year Ended December 31, 2013

#### Note 13: Note Debt (continued)

All notes are backed by the full faith and credit of the City. The notes are generally issued in anticipation of long-term bond financing and are refinanced until such bonds are issued. The 2013 note was issued to pay costs of improving City property constituting the former Cuyahoga County Youth Development Center by performing site clearance, improvement and preparation and placing the site in a condition for use and operation for City purposes.

#### Note 14: Long-term Obligations

The original issue date, interest rates, and original issuance amount for each of the City's bonds follows:

<u>Debt Issue</u>	<u>Original Issuance Year</u>	<u>Maturity Year</u>	<u>Interest Rate</u>	<u>Original Issuance Amount</u>
<b>Governmental Funds:</b>				
<b>General Obligation Bonds:</b>				
2002 Community Center Expansion G.O. Bonds	2002	2023	2.800% - 6.500%	\$ 330,000
2002 Police Facility Construction G.O. Bonds	2002	2023	2.800% - 6.500%	3,985,000
2002 Road Improvement G.O. Bonds	2002	2023	2.800% - 6.500%	1,200,000
2004 Downtown TIF G.O. Bond	2004	2015	3.000% - 5.000%	7,000,000
2004 Milford/RT 91 Construction G.O. Bond	2004	2024	3.000% - 5.000%	4,200,000
2008 Park Improvement G.O. Bonds Refunded	2008	2018	3.250% - 5.000%	4,248,000
2008 Recreation G.O. Bonds Refunded	2008	2019	3.250% - 5.000%	1,947,000
2008 Library Improvement G.O. Bonds Refunded	2008	2019	3.250% - 5.000%	5,580,000
2008 Park Improvement G.O. Bonds Refunded	2008	2019	3.000% - 4.000%	710,000
2008 Library Improvement C.A.B. Bonds Refunded	2008	2019	19.920%	95,000
2011 Park Improvement G.O. Bond Refunded	2011	2018	2.000%	510,000
2011 Community Center Expansion G.O. Bond Refunded	2011	2023	2.000%	175,000
2011 Police Facility Construction G.O. Bond Refunded	2011	2023	2.000%	2,120,000
2011 Road Improvement G.O. Bond Refunded	2011	2023	2.000%	640,000
2011 Street Improvement – Seasons Road G.O. Bond	2011	2031	1.250% - 4.000%	1,175,000
2011 Street Improvement – Atterbury Boulevard G.O. Bond	2011	2031	1.250% - 4.000%	3,770,000
2012 Police Facility Construction G.O. Bond Refunded	2012	2015	2.000%	463,000
2012 Community Center Expansion G.O. Bond Refunded	2012	2015	2.000%	36,000
2012 Milford/RT 91 Construction G.O. Bond Refunded	2012	2024	1.500% - 2.000%	2,305,000
2012 Capital Facilities G.O. Bond	2012	2032	1.500% - 2.500%	4,735,000
2013 Street Improvement G.O. Bond	2013	2023	2.000% - 3.000%	5,000,000
<b>Special Assessment Bonds:</b>				
1998 Executive Parkway S.A. Bonds	1998	2018	4.300% - 5.000%	1,060,000
1999 Water Main Construction S.A. Bonds	1999	2019	3.900% - 5.625%	420,000
2008 Sewer Improvements S.A. Bonds Refunded	2008	2016	3.000% - 3.750%	840,000
<b>OPWC Loan</b>	2009	2030	0.000%	143,714

# City of Hudson, Ohio

## Notes to Basic Financial Statements (continued)

### For The Year Ended December 31, 2013

#### Note 14: Long-term Obligations (continued)

<u>Debt Issue</u>	<u>Original Issuance Year</u>	<u>Maturity Year</u>	<u>Interest Rate</u>	<u>Original Issuance Amount</u>
<b>Business Type Funds:</b>				
<b>General Obligation Bonds:</b>				
1998 Golf Course Improvement G.O. Bonds	1998	2019	4.300% - 5.000%	\$ 690,000
2002 Golf Course Improvement G.O. Bonds	2002	2023	2.800% - 6.500%	1,645,000
2002 Storm Water Improvement G.O. Bond	2002	2023	2.800% - 6.500%	1,090,000
2002 Substation Construction G.O. Bonds	2002	2023	2.800% - 6.500%	2,230,000
2002 Water System Improvement G.O. Bonds	2002	2023	2.800% - 6.500%	4,035,000
2004 Electric Issue G.O. Bonds	2004	2034	3.000% - 5.000%	1,000,000
2004 Sewer Improvement G.O. Bonds	2004	2034	3.000% - 5.000%	855,000
2005 Sewer Improvement G.O. Bonds	2005	2035	3.000% - 5.000%	1,230,000
2005 Storm Water Improvement G.O. Bond	2005	2035	3.000% - 5.000%	2,410,000
2005 Water System Improvement G.O. Bonds	2005	2035	3.000% - 5.000%	1,720,000
2008 Water System Improvement G.O. Bond Refunded	2008	2016	3.000% - 3.750%	1,240,000
2011 Golf Course Improvement G.O. Bond Refunded	2011	2023	2.000%	875,000
2011 Storm Water Improvement G.O. Bond Refunded	2011	2023	2.000%	580,000
2011 Substation Construction G.O. Bond Refunded	2011	2023	2.000%	1,190,000
2011 Water System Improvement G.O. Bond Refunded	2011	2033	2.000%	3,210,000
2012 Water System Improvement G.O. Bond Refunded	2012	2015	2.000%	237,000
2012 Substation Construction G.O. Bond Refunded	2012	2015	2.000%	192,000
2012 Storm Water Improvement G.O. Bond Refunded	2012	2015	2.000%	128,000
2012 Golf Course Improvement G.O. Bond Refunded	2012	2015	2.000%	139,000
2012 Water System Improvement G.O. Bond Refunded	2012	2015	1.500% - 3.000%	604,000
2012 Water System Improvement G.O. Bond	2012	2015	2.000%	280,000
2012 Sewer Improvement G.O. Bond Refunded	2012	2015	1.500% - 3.000%	623,000
2012 Sewer Improvement G.O. Bond Refunded	2012	2015	1.500% - 3.000%	1,114,000
2012 Sewer Improvement G.O. Bond	2012	2015	2.000%	605,000
2012 Electric Issue G.O. Bond Refunded	2012	2015	1.500% - 3.000%	722,000
2012 Storm Water Improvement G.O. Bond Refunded	2012	2015	1.500% - 3.000%	2,182,000
<b>OWDA Loan</b>	1999	2018	4.040%	8,266,307

# City of Hudson, Ohio

## Notes to Basic Financial Statements (continued)

### For The Year Ended December 31, 2013

#### Note 14: Long-term Obligations (continued)

The changes in the City's long-term obligations during the year consist of the following:

	Balance 12/31/12	Additions	Deletions	Balance 12/31/13	Amount Due in One Year
<b>Governmental Activities:</b>					
<b>General Obligation Bonds:</b>					
2002 Community Center Expansion	\$ 15,000	\$ -	\$ (15,000)	\$ -	\$ -
2002 Police Facility Construction	185,000	-	(185,000)	-	-
2002 Road Improvement	175,000	-	(55,000)	120,000	60,000
2004 Milford/Rt. 91 Construction	1,020,000	-	(190,000)	830,000	195,000
2004 Downtown TIF	1,565,000	-	(770,000)	795,000	795,000
2008 Park Acquisition Refunded	2,561,143	-	(445,714)	2,115,429	459,429
2008 Village South Refunded	1,173,857	-	(204,286)	969,571	210,571
2008 Park Improvement Refunded	535,000	-	(65,000)	470,000	70,000
2008 Library Construction Refunded	4,105,000	-	(625,000)	3,480,000	640,000
2011 Park Improvement Refunded	440,000	-	(75,000)	365,000	70,000
2011 Community Center Expansion Refunded	175,000	-	-	175,000	5,000
2011 Police Facility Construction Refunded	2,095,000	-	(25,000)	2,070,000	25,000
2011 Road Improvement Refunded	635,000	-	(10,000)	625,000	10,000
2011 Street Improvement – Seasons Road	1,130,000	-	(50,000)	1,080,000	50,000
2011 Street Improvement – Atterbury Boulevard	3,630,000	-	(155,000)	3,475,000	160,000
2012 Police Facility Construction Refunded	450,000	-	(3,000)	447,000	222,000
2012 Community Center Expansion Refunded	35,000	-	(1,000)	34,000	17,000
2012 Milford/Rt. 91 Construction Refunded	2,245,000	-	(45,000)	2,200,000	45,000
2012 Capital Improvement	4,735,000	-	(195,000)	4,540,000	210,000
2013 Street Improvement	-	5,000,000	-	5,000,000	455,000
2008 Library Construction Refunded					
Capital Appreciation Bonds	95,000	-	-	95,000	-
Appreciation on Bonds	267,498	62,532	-	330,030	-
Premium on General Obligation Bonds	946,907	8,171	(121,876)	833,202	-
Total General Obligation Bonds	<u>28,214,405</u>	<u>5,070,703</u>	<u>(3,235,876)</u>	<u>30,049,232</u>	<u>3,699,000</u>
<b>Special Assessment Bonds:</b>					
1998 Executive Parkway	420,000	-	(60,000)	360,000	65,000
1999 Water Main Construction	200,000	-	(25,000)	175,000	25,000
2008 Sewer Improvement Refunded	438,172	-	(105,000)	333,172	107,019
Premium on Special Assessment Bonds	5,684	-	(1,422)	4,262	-
Total Special Assessment Bonds	<u>1,063,856</u>	<u>-</u>	<u>(191,422)</u>	<u>872,434</u>	<u>197,019</u>
<b>Ohio Public Works Commission Loan:</b>					
2009 Atterbury Boulevard Renovations	125,749	-	(7,186)	118,563	7,186
<b>Other Long-Term Obligations:</b>					
Compensated absences	1,615,382	1,165,149	(477,668)	2,302,863	1,097,893
Total Governmental Activities – Long-Term Obligations	\$ <u>31,019,392</u>	\$ <u>6,235,852</u>	\$ <u>(3,912,152)</u>	\$ <u>33,343,092</u>	\$ <u>5,001,098</u>

# City of Hudson, Ohio

## Notes to Basic Financial Statements (continued)

### For The Year Ended December 31, 2013

#### Note 14: Long-term Obligations (continued)

	Balance <u>12/31/12</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>12/31/13</u>	Amount Due <u>in One Year</u>
<b>Business-Type Activities:</b>					
<b>General Obligation Bonds:</b>					
1998 Golf Course Improvement	\$ 180,000	\$ -	\$ (20,000)	\$ 160,000	\$ 25,000
2002 Substation Construction	105,000	-	(105,000)	-	-
2002 Water System Improvement	95,000	-	(95,000)	-	-
2002 Storm Water Improvement	50,000	-	(50,000)	-	-
2002 Golf Course Improvement	75,000	-	(75,000)	-	-
2004 Electric Issue	130,000	-	(25,000)	105,000	25,000
2004 Sewer Improvement	105,000	-	(20,000)	85,000	20,000
2005 Storm Water Improvement	280,000	-	(50,000)	230,000	55,000
2005 Water System Improvement	445,000	-	(130,000)	315,000	140,000
2005 Sewer Improvement	145,000	-	(25,000)	120,000	30,000
2008 Water System Improvement Refunded	646,828	-	(155,000)	491,828	157,981
2011 Substation Construction Refunded	1,175,000	-	(15,000)	1,160,000	15,000
2011 Water System Improvement Refunded	3,185,000	-	(30,000)	3,155,000	30,000
2011 Storm Water Improvement Refunded	575,000	-	(5,000)	570,000	5,000
2011 Golf Course Improvement Refunded	865,000	-	(10,000)	855,000	10,000
2012 Water System Improvement Refunded	230,000	-	(2,000)	228,000	113,000
2012 Substation Construction Refunded	186,000	-	(2,000)	184,000	91,000
2012 Storm Water Improvement Refunded	124,000	-	(1,000)	123,000	61,000
2012 Golf Course Improvement Refunded	135,000	-	(1,000)	134,000	66,000
2012 Water System Improvement Refunded	592,000	-	(7,000)	585,000	7,000
2012 Water System Improvement	280,000	-	(55,000)	225,000	55,000
2012 Sewer Improvement Refunded	616,000	-	(5,000)	611,000	5,000
2012 Sewer Improvement Refunded	1,091,000	-	(13,000)	1,078,000	13,000
2012 Sewer Improvement	605,000	-	(120,000)	485,000	120,000
2012 Electric Issue Refunded	714,000	-	(5,000)	709,000	5,000
2012 Storm Water Improvement Refunded	2,137,000	-	(25,000)	2,112,000	25,000
Premium on General Obligation Bonds	172,507	-	(23,962)	148,545	-
Total General Obligation Bonds	<u>14,939,335</u>	<u>-</u>	<u>(1,069,962)</u>	<u>13,869,373</u>	<u>1,073,981</u>
<b>OWDA Loan:</b>					
OWDA loan	<u>3,202,952</u>	<u>-</u>	<u>(481,903)</u>	<u>2,721,049</u>	<u>501,569</u>
<b>Other Long-Term Obligations:</b>					
AMP Ohio payable	-	388,473	-	388,473	194,237
Capital lease	90,999	-	(44,631)	46,368	46,368
Compensated absences	<u>1,301,453</u>	<u>459,067</u>	<u>(301,935)</u>	<u>1,458,585</u>	<u>636,373</u>
Total Business-Type Activities	\$ <u>19,534,739</u>	\$ <u>847,540</u>	\$ <u>(1,898,431)</u>	\$ <u>18,483,848</u>	\$ <u>2,452,528</u>



# City of Hudson, Ohio

## Notes to Basic Financial Statements (continued)

### For The Year Ended December 31, 2013

#### Note 14: Long-term Obligations (continued)

The annual requirements to amortize all long-term debt outstanding as of December 31, 2013, including interest payments of \$9,788,560, are as follows:

Year ending December 31,	Governmental Activities					
	General Obligation		Special Assessments		OPWC	
	Principal	Interest	Principal	Interest	Principal	
2014	\$ 3,699,000	\$ 900,863	\$ 197,019	\$ 40,148	\$ 7,186	
2015	2,977,000	777,903	206,058	31,680	7,186	
2016	3,045,000	677,898	215,095	22,758	7,186	
2017	3,150,000	523,048	105,000	13,019	7,186	
2018	2,675,000	404,073	110,000	7,656	7,186	
2019-2023	8,369,000	1,943,208	35,000	1,969	35,930	
2024-2028	2,921,000	546,183	-	-	35,930	
2029-2030	2,050,000	146,675	-	-	10,773	
Total	\$ 28,886,000	\$ 5,919,851	\$ 868,172	\$ 117,230	\$ 118,563	

Year ending December 31,	Business-Type Activities					
	General Obligation		OWDA Loan		AMP Ohio	
	Principal	Interest	Principal	Interest	Principal	
2014	\$ 1,073,981	\$ 354,963	\$ 501,569	\$ 104,915	\$ 194,237	
2015	1,096,942	322,915	522,037	84,447	194,236	
2016	1,009,905	290,155	543,341	63,144	-	
2017	870,000	262,160	565,513	40,971	-	
2018	665,000	239,235	588,589	17,894	-	
2019-2023	3,641,000	985,590	-	-	-	
2024-2028	2,234,000	644,750	-	-	-	
2029-2033	2,615,000	318,135	-	-	-	
2034-2035	515,000	20,400	-	-	-	
Total	\$ 13,720,828	\$ 3,438,303	\$ 2,721,049	\$ 311,371	\$ 388,473	

The business-type activities general obligation bonds will be paid with electric, wastewater, water service charges and golf course revenues. The OWDA loan will be repaid with income tax monies and wastewater service charges from the Wastewater Enterprise Fund. The AMP Ohio payable will be paid from the Electric Fund, see Note 22. Governmental activities general obligation bonds will be paid from property taxes received in the debt service funds. The special assessments bonds will be paid from the proceeds of special assessments levied against benefited property owners. In the event that a property owner would fail to pay the assessment, payment would be made by the City. Compensated absences will be paid from the funds from which the employees' salaries are paid.

During 2009, the City entered into an agreement with Ohio Public Works Commission (OPWC) for a loan in the amount of \$143,714, payable in semi-annual payments of \$3,593 at zero percent interest for 20 years. The amounts are included in the amortization table above. This loan will be paid back from income tax monies.

# City of Hudson, Ohio

## Notes to Basic Financial Statements (continued)

### For The Year Ended December 31, 2013

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#### **Note 14: Long-term Obligations (continued)**

In 2012, the City defeased a portion of various general obligation bonds and water, sewer, electric, storm water, and golf course improvement bonds in order to take advantage of lower interest rates. The proceeds of the new bonds were placed in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the City's financial statements. At December 31, 2013, there is \$6,435,000 of defeased bonds still outstanding.

#### **Note 15: Lease Obligations**

The City has entered into capital leases for the acquisition of various equipment and vehicles.

Capital assets acquired by lease have been capitalized as equipment in the amount of \$241,867, accumulated depreciation as of December 31, 2013, for the equipment was \$80,622, leaving a current book value of \$161,245 for equipment. Principal and interest payments in the current year totaled \$44,631 and \$3,540, respectively for business-type activities.

The following is a schedule of the future minimum lease payments required under the capital and operating leases and the present value of the minimum lease payments at year-end:

<u>Year</u>	<u>Capital Lease</u>	<u>Operating Leases</u>	
	<u>Business-Type Lease Payments</u>	<u>Governmental Lease Payments</u>	<u>Business-Type Lease Payments</u>
2014	\$ 48,173	\$ 348,242	\$ 65,940
2015	-	350,133	-
2016	-	<u>69,581</u>	-
Total minimum lease payments	48,173	767,956	65,940
Less: amount representing interest	<u>(1,805)</u>	<u>-</u>	<u>-</u>
Present value of minimum lease payments	\$ <u>46,368</u>	\$ <u>767,956</u>	\$ <u>65,940</u>

Rental expense related to operating leases for equipment totaled \$310,157 for governmental funds, of which \$266,331 was rented from a related party, and \$65,940 for business-type funds for the year ended December 31, 2013.

#### **Note 16: Related Party Transactions**

The City has a lease agreement for office and warehouse space with a company owned by a Councilman's brother. The related Councilman abstained from voting on this matter. As noted in Note 15, the current year expenditure related to this lease was \$266,331. The current lease addendum ends January 1, 2016.

# City of Hudson, Ohio

## Notes to Basic Financial Statements (continued)

### For The Year Ended December 31, 2013

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#### **Note 17: Pension Plans**

##### **A. Ohio Public Employees Retirement System**

The City participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member-directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to, but less than, the traditional pension plan benefit. Member contributions, the investment of which is self-directed by the member, accumulate retirement assets in a manner similar to the member-directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost-of-living adjustments to members of the traditional pension and combined plans. Members of the member-directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtml>, by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-5601 or 800-222-7377.

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2013, the members of all three plans were required to contribute 10 percent of their annual salaries. The City's contribution rate of 14.0 percent was allocated to fund pension benefits for members of the traditional pension plan and combined plan. The pension allocation for the traditional pension and combined plans was 13.0 percent during calendar year 2013.

The City's required contributions for pension obligations, excluding health care, to the traditional pension and combined plans for the years ended December 31, 2013, 2012, and 2011 were \$1,279,470, \$993,972, and \$998,349, respectively; 99.85 percent has been contributed for 2013 and 100 percent for 2011 and 2012. Contributions to the member-directed plan for 2013 were \$45,981 made by the City and \$32,844 made by the plan members.

##### **B. Ohio Police and Fire Pension Fund**

The City contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple-employer defined benefit pension plan. OP&F provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to OP&F, 140 East Town Street, Columbus, Ohio 43215-5164. That report is also available on OP&F's website at [www.op-f.org](http://www.op-f.org).

# City of Hudson, Ohio

## Notes to Basic Financial Statements (continued)

### For The Year Ended December 31, 2013

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#### **Note 17: Pension Plans (continued)**

##### ***B. Ohio Police and Fire Pension Fund (continued)***

From January 1, 2013 thru July 1, 2013, plan members are required to contribute 10 percent of their annual covered salary. From July 2, 2013 thru December 31, 2013, plan members were required to contribution 10.75 percent of their annual covered salary. Throughout 2013, the City is required to contribute 19.5 percent for police officers and 24 percent for firefighters. The portion of the City's contributions to fund pension obligations was 14.8 percent from January 1 thru July 1 and 16.65 percent from July 2 thru December 31 for police officers and 15.7 percent from January 1 thru July 1 and 17.18 percent from July 2 thru December 31 for firefighters. The City's contributions, excluding health care, for the years ended December 31, 2013, 2012, and 2011 for police officers and firefighters were \$343,477, \$279,529, and \$279,658, respectively, equal to the required contributions for each year. The full amount has been contributed for years 2011, 2012, and 2013.

#### **Note 18: Post-Employment Benefits**

##### ***A. Ohio Public Employees Retirement System***

The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan; the member-directed plan is a defined contribution plan; and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing multiple-employer defined benefit post-employment health care plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying members of both the traditional pension and the combined plans. Members of the member-directed plan do not qualify for ancillary benefits, including post-employment health care coverage.

In order to qualify for post-employment health care coverage, age and service retirees under the traditional pension and combined plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability recipients and qualified survivor recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 45.

The Ohio Revised Code permits, but does not mandate, OPERS to provide the OPEB Plan to its eligible members and beneficiaries. Authority to establish and amend the OPEB Plan is provided in Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtml>, by writing to OPERS, 227 East Town Street, Columbus, OH, 43215-4642, or by calling (614)222-5601 or (800)222-7377.

# City of Hudson, Ohio

## Notes to Basic Financial Statements (continued)

### For The Year Ended December 31, 2013

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#### **Note 18: Post-Employment Benefits (continued)**

##### **A. Ohio Public Employees Retirement System (continued)**

The Ohio Revised Code provides statutory authority requiring employers to fund post-retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care coverage. The 2013 local governmental employer contribution rate was 14.0 percent of covered payroll. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14.0 percent of covered payroll for state and local employer units. Active members do not make contributions to the OPEB plan.

OPERS' Post-Employment Health Care plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. The portion of employer contributions allocated to health care for members in the traditional pension and combined plan was one percent during calendar year 2013. Effective January 1, 2014, the portion of employer contributions allocated to health care was raised to two percent for both plans, as recommended by the OPERS Actuary. The OPERS Board of Trustees is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care benefits provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The City's contributions for health care for the years ended December 31, 2013, 2012, and 2011 were \$94,295, \$393,508, and 398,993, respectively; 99.85 percent has been contributed for 2013 and 100 percent for 2012 and 2011.

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under SB 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4 percent to the employer contributions toward the health care fund after the end of the transition period.

##### **B. Ohio Police and Fire Pension Fund**

The City contributes to the Ohio Police and Fire Pension Fund (OP&F) sponsored health care program, a cost-sharing multiple-employer defined post-employment health care plan administered by OP&F. OP&F provides health care benefits including coverage for medical, prescription drugs, dental, vision, Medicare Part B Premium and long term care to retirees, qualifying benefit recipients and their eligible dependents.

OP&F provides access to post-retirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or statutory survivor benefit or is a spouse or eligible dependent child of such person. The health care coverage provided by OP&F meets the definition of an Other Post-Employment Benefit (OPEB) as described in GASB Statement 45.

The Ohio Revised Code allows, but does not mandate OP&F to provide OPEB benefits. Authority for the OP&F Board of Trustees to provide health care coverage to eligible participants and to establish and amend benefits are codified in Chapter 742 of the Ohio Revised Code.

OP&F issues a publicly available financial report that includes financial information and required supplementary information for the Plan. That report may be obtained by writing to OP&F, 140 E. Town St., Columbus, Ohio 43215-5164. That report is also available on OP&F's website at [www.op-f.org](http://www.op-f.org).

# City of Hudson, Ohio

## Notes to Basic Financial Statements (continued)

### For The Year Ended December 31, 2013

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#### Note 18: Post-Employment Benefits (continued)

##### *B. Ohio Police and Fire Pension Fund (continued)*

The Ohio Revised Code provides for contribution requirements of the participating employers and of the plan members to the OP&F (defined benefit pension plan). Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.5 percent and 24.0 percent of covered payroll for police and fire employers, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.5 percent of the covered payroll for police employer units and 24.0 percent of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

OP&F maintains funds for health care in two separate accounts. One for health care benefits under an IRS Code Section 115 trust and one for Medicare Part B reimbursements administered as an Internal Revenue Code 401(h) account, both of which are within the defined benefit pension plan, under the authority granted by the Ohio Revised Code to the OP&F Board of Trustees.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. The portion of employer contribution allocated to health care was 4.69 percent of covered payroll from January 1, 2013 thru May 31, 2013 and 2.85 percent of covered payroll from June 1, 2013 thru December 31, 2013. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

The OP&F Board of Trustees also is authorized to establish requirements for contributions to the health care plan by retirees and their eligible dependents, or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The City's total contributions to OP&F for police and fire for the years ending December 31, 2013, 2012, and 2011 were \$412,298, \$399,907, and \$400,105 and \$9,970, \$25,020, and \$25,020, respectively, of which \$76,847, \$138,368, and \$138,436 and \$1,944, \$7,031, and \$7,031, respectively, was allocated to the health care plan. The full amount has been contributed for 2013, 2012, and 2011.

# City of Hudson, Ohio

## Notes to Basic Financial Statements (continued)

### For The Year Ended December 31, 2013

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#### **Note 19: Compensated Absences**

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Full-time employees earn and accumulate varying hours of vacation per year, depending upon length of service. Maximum vacation accumulations range from 240 to 360 hours, depending upon length of service. All accumulated unused vacation time is paid upon termination of employment.

Employees earn sick leave at the rate of 10 hours per each month of service. Sick leave may be accumulated to a maximum of 1,440 hours. After the maximum accumulation of 1,440 hours, each employee must elect, in writing each year, one of the following options for sick leave time accumulated in excess of the 1,440 hours:

1. In 40 sick leave hour increments, to have that time converted to vacation at the ratio of 40 hours of sick leave to eight hours of vacation; or
2. To be paid for the excess 40 hours accumulated at the employee's current rate of pay. This may be paid only once each year and no further sick leave will be accumulated during that year, unless the total number of hours accumulated is less than 1,440 hours.

Upon resignation, retirement or death, an employee with 10 or more years of service with the City is eligible for a severance payment for his/her accumulated but unused sick leave, but the maximum payment shall not exceed 1,440 hours. Such payment shall be based on the employee's rate of pay at the time of resignation, retirement or death. Individuals who were regular full-time employees as of December 31, 2000, accrue sick leave at a one-for-one cash-out rate up to the next 500, 1,000, or 1,440 hour level – based on their respective aggregate sick leave levels at December 31, 2000. All remaining sick leave hours will be accrued subject to one-for-three cash-out rate, up to an aggregate maximum of 1,440 hours. Employees who dip below their maximum one-for-one cash-out levels can replenish those one-for-one levels with earned sick leave. All regular full-time employees hired after January 1, 2001, will accrue all sick leave up to a maximum of 1,440 hours subject to a one-for-three cash-out rate.

As of December 31, 2013, the total liability for unpaid compensated absences was \$3,761,448.

#### **Note 20: Contingencies**

##### **A. Grants**

The City has received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the City at December 31, 2013.

##### **B. Litigation**

Several claims and lawsuits are pending against the City. The amount of liability, if any, cannot be reasonably estimated at this time. However, in the opinion of management, any such claims and lawsuits will not have a material effect on the overall financial position of the City at December 31, 2013.

# City of Hudson, Ohio

## Notes to Basic Financial Statements (continued)

### For The Year Ended December 31, 2013

#### Note 21: Interfund Transactions

Interfund receivable/payable for the year ended December 31, 2013, consisted of the following:

	<u>Receivable</u>		<u>Total</u>
	<u>General</u>	<u>Internal Service Fund</u>	
Payable:			
General Fund	\$ -	\$ 2,502	\$ 2,502
Street Construction	-	38,696	38,696
Street Sidewalk Construction	155,000	-	155,000
Nonmajor Governmental	165,282	2,040	167,322
Water Fund	-	1,267	1,267
Wastewater Fund	-	39	39
Electric Fund	-	5,731	5,731
Storm Water Fund	80,350	278	80,628
Golf Course Fund	<u>599,108</u>	<u>61</u>	<u>599,169</u>
Total	\$ <u>999,740</u>	\$ <u>50,614</u>	\$ <u>1,050,354</u>

Long-term interfund loans are classified as “Advances To/From Other Funds” and consist of the following at December 31, 2013:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Wastewater	\$ <u>100,000</u>

As of December 31, 2013, interfund transfers were as follows:

	<u>Transfers - Out</u>		<u>Total</u>
	<u>General</u>	<u>Nonmajor Governmental</u>	
Transfers - In:			
Street Construction	\$ 1,917,000	\$ -	\$ 1,917,000
Street Sidewalk Construction	2,005,000	-	2,005,000
Nonmajor Governmental	1,970,196	302,954	2,273,150
Wastewater	1,650,000	-	1,650,000
Storm Sewer	1,200,000	-	1,200,000
Golf Course	<u>50,000</u>	<u>-</u>	<u>50,000</u>
Total	\$ <u>8,792,196</u>	\$ <u>302,954</u>	\$ <u>9,095,150</u>

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations; to segregate money for anticipated capital projects; to provide additional resources for current operations or debt service; and to return money to the fund from which it was originally provided once a project is completed. The transfers from Nonmajor Governmental Funds were: a \$200,000 transfer from the Fire District Special Revenue Fund to the Fire Capital Replacement Capital Projects Fund, which was proper in accordance with Ohio Revised Code (ORC) 5705.13(C); and transfers to the Bond Retirement Fund from the Fire / EMS Debt Service Fund of \$30,914 and the Atterbury Boulevard Reconstruction Capital Improvement Fund of \$72,040 were made in accordance with ORC Section 5705.14 as the transfers were used to pay off related debt and to close the fund to their related Bond Retirement Fund.



## City of Hudson, Ohio

### Notes to Basic Financial Statements (continued)

#### For The Year Ended December 31, 2013

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##### **Note 22: Joint Venture**

##### *Ohio Municipal Electric Generation Agency Joint Venture 5 (JV5)*

The City of Hudson is a Financing Participant with an ownership percentage of 5.69 percent, and shares participation with forty-one other subdivisions within the State of Ohio in the Ohio Municipal Electric Generation Agency Joint Venture 5 (OMEGA JV5). Financing Participants own undivided interests, as tenants in common, without right of partition in the OMEGA JV5 Project.

Pursuant to the OMEGA Joint Venture JV5 Agreement (Agreement), the Participants jointly undertook as Financing Participants, the acquisition, construction, and equipping of OMEGA JV5, including such portions of OMEGA JV5 as have been acquired, constructed or equipped by American Municipal Power (AMP).

OMEGA JV5 was created to construct a 42 Megawatt (MW) run-of-the-river hydroelectric plant (including 40MW of backup generation) and associated transmission facilities (on the Ohio River near Bellville, West Virginia Locks and Dam) and sells electricity from its operations to OMEGA JV5 Participants.

Pursuant to the Agreement, each Participant has an obligation to pay its share of debt service on the Beneficial Interest Certificates (Certificates) from the revenues of its Electric System (System), subject only to the prior payment of Operating & Maintenance Expenses (O&M) of each Participant's System, and shall be on a parity with any outstanding and future senior electric system revenue bonds, notes or other indebtedness payable from any revenues of the System. On dissolution of OMEGA JV5, the net position will be shared by the Financing Participants on a percentage of ownership basis. Under the terms of the Agreement, each Participant is to fix, charge and collect rates, fees and charges at least sufficient in order to maintain a debt coverage ratio equal to 110 percent of the sum of OMEGA JV5 debt service and any other outstanding senior lien electric system revenue obligations. As of December 31, 2013, Hudson has met their debt coverage obligation.

The Agreement provides that the failure of any OMEGA JV5 Participant to make any payment due by the due date thereof constitutes a default. In the event of a default, OMEGA JV5 may take certain actions including the termination of a defaulting OMEGA JV5 Participant's entitlement to Project Power. Each Participant may purchase a pro-rata share of the defaulting OMEGA JV5 Participant's entitlement to Project Power, which together with the share of the other non-defaulting OMEGA JV5 Participants, is equal to the defaulting OMEGA JV5 Participant's ownership share of the Project, in kilowatts ("Step Up Power") provided that the sum of any such increases shall not exceed, without consent of the non-defaulting OMEGA JV5 Participant, an accumulated maximum kilowatts equal to 25 percent of such non-defaulting OMEGA JV5 Participant's ownership share of the project prior to any such increases.

OMEGA JV5 is managed by AMP, which acts as the joint venture's agent. During 1993 and 2001, AMP issued \$153,415,000 and \$13,899,981, respectively, of 30-year fixed rate Beneficial Interest Certificates (Certificates) on behalf of the Financing Participants of OMEGA JV5. The 2001 Certificates accrete to a value of \$56,125,000 on February 15, 2030. The net proceeds of the bond issues were used to construct the OMEGA JV5 Project. On February 17, 2004, the 1993 Certificates were refunded by issuing 2004 Beneficial Interest Refunding Certificates in the amount of \$116,910,000, which resulted in a savings to the membership of \$34,951,833 from the periods 2005 through 2024.

# City of Hudson, Ohio

## Notes to Basic Financial Statements (continued)

### For The Year Ended December 31, 2013

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#### **Note 22: Joint Venture (continued)**

##### *Ohio Municipal Electric Generation Agency Joint Venture 5 (JV5) (continued)*

The City's net investment and its share of operating results of OMEGA JV5 are reported in the City's Electric Fund (an enterprise fund). The City's net investment to date in OMEGA JV5 was \$556,025 at December 31, 2013. Complete financial statements for OMEGA JV5 may be obtained from AMP-Ohio or from the State Auditor's website at [www.ohioauditor.gov](http://www.ohioauditor.gov).

The City is a member of AMP and has participated in the AMP Generating Station (AMPGS) Project. This project intended to develop a pulverized coal power plant in Meigs County, Ohio. The City's share was 6,000 kilowatts of a total 771,281 kilowatts, giving the City a 0.78 percent share. The AMPGS Project required Participants to sign "take or pay" contracts with AMP. As such, the Participants are obligated to pay any costs incurred for the AMPGS Project. In November 2009, the Participants voted to terminate the AMPGS Project due to projected escalating costs. These costs were therefore deemed impaired and Participants were obligated to pay costs already incurred. In prior years, the payment of these costs was not considered probable due to AMP's pursuit of legal action to void them. As a result of a March 31, 2014 legal ruling, the AMP Board of Trustees on April 15, 2014 and the AMPGS Participants on April 16, 2014 approved the collection of the impaired costs and provided the Participants with an estimate of their liability. The City's estimated share at March 31, 2014 of the impaired costs is \$1,038,626. The City received a credit of \$378,804 related to their participation in the AMP.

Fremont Energy Center (AFEC) Project, and another credit of \$271,349 related to the AMPGS Projects costs deemed to have future benefit for the project Participants, leaving a net impaired cost estimate of \$388,473.

Because payment is now probable and reasonably estimable, the City is reporting a payable to AMP in its business-type activities and in its Electric Enterprise Fund for these impaired costs. AMP financed these costs on its revolving line of credit. Any additional costs (including line-of-credit interest and legal fees) or amounts received related to the AMPGS Project will impact the City's liability. These amounts will be recorded as they become estimable.

The City intends to recover these costs and repay AMP over the next two years through a power cost adjustment, thus this incurred cost has been capitalized and reported as a regulated asset, as allowed by GASB Codification Re10.

#### **Note 23: Shared Risk Pool**

The Northern Ohio Risk Management Association (NORMA) is a shared risk pool comprised of various cities. NORMA was formed to enable its members to obtain property and liability insurance, including vehicles, and provide for a formalized, jointly administered self-insurance fund. The members formed a not-for-profit corporation known as NORMA, Inc. to administer the pool. NORMA is governed by a Board of Trustees that consists of the mayor from each of the participating members.

# City of Hudson, Ohio

## Notes to Basic Financial Statements (continued)

### For The Year Ended December 31, 2013

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#### **Note 23: Shared Risk Pool (continued)**

Each entity must remain a member for at least three years from their commencement date. After the initial three years, each City may extend its term in three-year increments. Each member provides operating resources to NORMA based on actuarially determined rates. In the event of losses, the first \$2,500 of any valid claim will be paid by the member. The next payment, generally a maximum of \$100,000 per occurrence, will come from the self-insurance pool with any excess paid from the stop-loss coverage carried by the pool. Any losses over these amounts would be the obligation of the individual member. If the aggregate claims paid by the pool exceed the available resources, the pool may require the members to make additional supplementary payments up to a maximum of the regular annual payment.

In 2013, the City paid \$180,454 for premiums. Financial information can be obtained by contacting the Fiscal Agent: City of Bedford Heights, Finance Director, 5661 Perkins Road, Bedford Heights, Ohio 44146.

#### **Note 24: Accountability**

There were deficits in the following capital projects funds: Police State Acquisition Fund of \$25,000 and the Youth Development Center Fund of \$1,212,974, and in the Self-Insurance Internal Service Fund of \$422. These deficits were caused by the application of accounting principles generally accepted in the United States of America to these funds. The General Fund is liable for any deficit in these funds and provides operating transfers when cash is required, not when accruals occur.

#### **Note 25: Significant Commitments**

##### **A. Contracts**

The City has the following outstanding contractual commitments for various construction projects at December 31, 2013:

<u>Contractor</u>	<u>Contract and Contingency</u>	<u>Amount Expended</u>	<u>Amount Remaining</u>
Baumann Enterprises, Inc.	\$ 1,411,338	\$ 1,120,202	\$ 291,136
Carron Asphalt	1,078,324	577,699	500,625
Chatron	6,491	5,891	600
City of Stow	16,365	11,460	4,905
Emery Electric, Inc.	102,300	73,955	28,345
Hysong Paving Company	30,893	-	30,893
Lockhart Construction Company	927,454	772,081	155,373
Mar-King Construction	124,188	109,337	14,851
Ohio Farmers Insurance Company	1,619,118	1,085,450	533,668
Perk Company, Inc.	63,490	56,606	6,884
Ronyak Paving, Inc.	1,615,653	1,397,772	217,881
Schirmer Construction, LLC	53,934	-	53,934
Vito Girona Construction Co.	27,198	-	27,198

# City of Hudson, Ohio

## Notes to Basic Financial Statements (continued)

### For The Year Ended December 31, 2013

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#### Note 25: Significant Commitments (continued)

##### *B. Encumbrances*

Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year-end, the amount of encumbrances expected to be honored upon performance by the vendor in the next year were as follows:

Governmental funds:		
General	\$	324,975
Street Construction		51,804
Street Sidewalk Construction		1,690,564
Youth Development Center		115,530
Nonmajor Governmental		<u>617,516</u>
Total governmental	\$	<u><u>2,800,389</u></u>

**Independent Auditor's Report on Internal Control over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards***

Members of the City Council  
City of Hudson, Ohio

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Hudson (the "City"), as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 23, 2014, wherein we noted that the City adopted *Governmental Accounting Standards Board Statement No. 65*, as disclosed in Note 3.

**Internal Control over Financial Reporting**

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

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Members of the City Council  
City of Hudson, Ohio

### **Compliance and Other Matters**

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

### **Purpose of this Report**

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

*Cini & Paricki, Inc.*

Cleveland, Ohio  
June 23, 2014

**Independent Auditor’s Report on Compliance for Each Major Federal Program;  
Report on Internal Control over Compliance; and Report on the Schedule of  
Expenditures of Federal Awards Required by OMB Circular A-133**

Members of the City Council  
City of Hudson, Ohio

**Report on Compliance for Each Major Federal Program**

We have audited the City of Hudson, Ohio’s (the “City”) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City’s major federal programs for the year ended December 31, 2013. The City’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings.

***Management’s Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor’s Responsibility***

Our responsibility is to express an opinion on compliance for each of the City’s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City’s compliance.

***Opinion on Each Major Federal Program***

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2013.

## **Report on Internal Control over Compliance**

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Members of the City Council  
City of Hudson, Ohio

**Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133**

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated June 23, 2014, which contained unmodified opinions on those financial statements, wherein we noted that the City adopted *Governmental Accounting Standards Board Statement No. 65*, as disclosed in Note 3. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

*Ciani & Panichi, Inc.*

Cleveland, Ohio  
June 23, 2014

# City of Hudson

## Schedule of Expenditures of Federal Awards

**For the Year Ended December 31, 2013**

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<u>Federal Grantor/Pass-Through Grantor Program Title</u>	<u>Catalog of Federal Domestic Assistance No.</u>	<u>Pass-Through Grantor's Number</u>	<u>Federal Expenditures</u>
<b><u>U.S. Department of Transportation:</u></b>			
Passed through Ohio Department of Transportation			
<u>Highway Planning and Construction</u>			
Stow Road STP Resurfacing Project	20.205	88545	\$ 31,438
Hines Hill Road Resurfacing	20.205	92671	275,805
Barlow/Terex Road Resurfacing	20.205	92665	404,160
Norton Road Resurfacing	20.205	88544	<u>410,755</u>
Total Highway Planning and Construction			1,122,158
<b><u>U.S. Department of Justice:</u></b>			
Passed through Ohio Governor's Office of Criminal Justice Services			
Bulletproof Vest Partnership Program (BVP)	16.803	2009-RA-A02-2302	686
<b><u>U.S. Department of Homeland Security FEMA:</u></b>			
Direct Program			
Residential Fire Safety & Fire Sprinkler Initiatives	97.099	N/A	<u>14,211</u>
Total Federal Expenditures			\$ <u><u>1,137,055</u></u>

The accompanying notes are an integral part of this schedule

# City of Hudson

## Notes to the Schedule of Expenditures of Federal Awards

### For the Year Ended December 31, 2013

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#### **Note 1: Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Hudson, Ohio, and is presented on the cash basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

#### **Note 2: Matching Requirements**

Certain federal programs require that the City contribute non-federal (matching) funds to support the federally funded programs. The City has complied with the matching requirements. The expenditure of non-federal matching funds is not included on the accompanying Schedule.

N/A = Not applicable

# City of Hudson

## Schedule of Findings

OMB Circular A-133, Section .505

**For the Year Ended December 31, 2013**

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### 1. Summary of Auditor's Results

(d)(I)(I)	Type of Financial Statement Opinion	Unmodified
(d)(I)(ii)	Were there any significant deficiencies reported at the financial statement level (GAGAS)?	No
(d)(I)(ii)	Were there any material weaknesses reported at the financial statement level (GAGAS)?	No
(d)(I)(iii)	Was there any material noncompliance reported at the financial statement level (GAGAS)?	No
(d)(I)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(I)(iv)	Were there any other significant control deficiencies reported for major federal programs?	No
(d)(I)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(I)(vi)	Are there any reportable findings under Section .510?	No
(d)(I)(vii)	Major Programs	Highway Planning and Construction – CFDA # 20.205
(d)(I)(viii)	Dollar Threshold: Type A/B Programs	Type A: >\$300,000 Type B: All Others
(d)(I)(ix)	Low Risk Auditee?	No

### 2. Findings Related to the Financial Statements Required to be Reported in Accordance With GAGAS

None noted.

### 3. Findings for Federal Awards

None noted.

# City of Hudson

## Schedule of Prior Audit Findings OMB Circular A-133, Section .315(b)

**For the Year Ended December 31, 2013**

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<b>Finding No.</b>	<b>Finding Summary</b>	<b>Fully Corrected</b>	<b>Explanation</b>
2012-001	The Ohio Department of Transportation made \$617,870 in federal expenditures directly to contractors on behalf of the City of Hudson for the Stow Road Resurfacing Project. The City did not initially post these payments as memorandum receipts and disbursements as required by Auditor of State Bulletin 2000-008. As a result, the City did not initially prepare a schedule of expenditures of federal awards.	Yes	No noncompliance noted for 2013.
2012-002	Finding Number 2012-001 describes deficiencies in preparing the City's schedule of expenditures of federal awards. We believe this finding also represents material noncompliance under the Office of Management (OMB) Circular A-133, <i>Audits of States, Local Governments, and Non-Profit Organizations</i> , Section .320(a).	Yes	No noncompliance noted for 2013.

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# Dave Yost • Auditor of State

CITY OF HUDSON

SUMMIT COUNTY

## CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
AUGUST 5, 2014