

PRELIMINARY OFFICIAL STATEMENT

NEW ISSUE

BOND ANTICIPATION NOTES

In the opinion of Rodenhausen Chale & Polidoro LLP, Rhinebeck, New York, Bond Counsel, under existing statutes and court decisions, and assuming continuing compliance with certain tax certifications referred to herein, interest on the Notes is not included in gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and such interest will not be treated as a preference item in calculating the Federal alternative minimum tax that may be imposed on individuals under the Code. It is also the opinion of Bond Counsel that interest on the Notes is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York). See "TAX MATTERS" herein.

The Notes will be designated as "qualified tax-exempt obligations" under Section 265(b)(3) of the Code.

\$3,029,100
CITY of HUDSON
COLUMBIA COUNTY, NEW YORK
CUSIP BASE: 444060

GENERAL OBLIGATIONS
\$3,029,100 Bond Anticipation Notes, Series 2021A
(the "Notes")

Dated: June 25, 2021

Due: June 24, 2022

The Notes are general obligations of the City of Hudson, Columbia County, New York, all the taxable real property within which is subject to the levy of ad valorem taxes to pay the Notes and interest thereon, subject to applicable statutory limits imposed by Chapter 97 of the Laws of 2011 of the State of New York, as amended. See "NATURE OF OBLIGATION" AND "TAX LEVY LIMITATION LAW" herein.

The Notes will not be subject to redemption prior to maturity.

At the option of the successful bidder(s), the Notes will be issued registered in the name of the purchaser in the denominations of \$5,000 or multiples thereof except for a necessary odd denomination. Paying agent fees will be the responsibility of such purchaser.

Alternatively, at the option of the successful bidder(s), the Notes will be registered in the name of Cede & Co. as nominee of The Depository Trust Company (DTC), New York, New York, which will act as the securities depository for the Notes. In such case, Noteholders will not receive certificates representing their ownership interest in the notes purchased. Under this option, payment of the principal of and interest on the Notes to the Beneficial Owner of the Notes will be made by DTC Participants and Indirect Participants in accordance with standing instructions and customary practices. Payment will be the responsibility of the DTC, subject to any statutory and regulatory requirements as may be in effect from time to time. See "BOOK-ENTRY-ONLY SYSTEM" herein.

The Notes are offered when, as and if issued and received by the purchaser(s) and subject to the receipt of the approving legal opinion as to the validity of the Notes of Rodenhausen Chale & Polidoro LLP, Rhinebeck, New York, Bond Counsel. It is anticipated that the Notes will be available for delivery through the facilities of DTC located in Jersey City, New Jersey, or at such place as may be agreed upon with the purchaser(s), on or about June 25, 2021.

ELECTRONIC BIDS for the Notes must be submitted via Fiscal Advisors Auction website ("Fiscal Advisors Auction") accessible via www.fiscaladvisorsauction.com on June 14, 2021 until 11:30 A.M., Prevailing Time, pursuant to the Notice of Sale. No other form of electronic bidding services will be accepted. No bid will be received after the time for receiving bids specified above. Bids may also be submitted by facsimile at (315) 930-2354. Once the bids are communicated electronically via Fiscal Advisors Auction or facsimile to the City, each bid will constitute an irrevocable offer to purchase the Notes pursuant to the terms provided in the Notice of Sale.

June 4, 2021

THE CITY DEEMS THIS PRELIMINARY OFFICIAL STATEMENT TO BE FINAL FOR PURPOSES OF SECURITIES AND EXCHANGE COMMISSION RULE 15c2-12 ("THE RULE"), EXCEPT FOR CERTAIN INFORMATION THAT HAS BEEN OMITTED HEREFROM IN ACCORDANCE WITH SAID RULE AND THAT WILL BE SUPPLIED WHEN THIS OFFICIAL STATEMENT IS UPDATED FOLLOWING THE SALE OF THE OBLIGATIONS HEREIN DESCRIBED. THIS OFFICIAL STATEMENT WILL BE SO UPDATED UPON REQUEST OF THE SUCCESSFUL BIDDER(S), AS MORE FULLY DESCRIBED IN THE NOTICE OF SALE WITH RESPECT TO THE OBLIGATIONS HEREIN DESCRIBED. THE CITY WILL COVENANT IN AN UNDERTAKING TO PROVIDE NOTICE OF CERTAIN ENUMERATED EVENTS AS DEFINED IN THE RULE WITH RESPECT TO THE NOTES. SEE "APPENDIX – C, CONTINUING DISCLOSURE UNDERTAKING" HEREIN.

CITY OF HUDSON, NEW YORK

CITY OFFICIALS

KAMAL JOHNSON

Mayor

BOARD OF ALDERMAN

TOM DEPIETRO

Common Council President

SECOND WARD

DEWAN SAROWAR

TIFFANY GARRIGA

THIRD WARD

SHERSHAH MIZAN

CALVIN LEWIS JR.

FIRST WARD

JANE TROMBLEY

REBECCA WOLFF

FOURTH WARD

MALACHI WALKER

JOHN S. ROSENTHAL

FIFTH WARD

EILEEN HALLORAN

DOMINIC MERANTE



* * * * *

HEATHER S. CAMPBELL

City Treasurer

TRACY S. DELANEY

City Clerk

CHERYL ROBERTS.

Corporation Counsel

MUNICIPAL ADVISOR



Fiscal Advisors & Marketing, Inc.
250 South Clinton Street, Suite 5002
Syracuse, New York 13202
(315) 752-0051

BOND COUNSEL

Rodenhausen Chale & Polidoro LLP
55 Chestnut Street
Rhinebeck, New York 12572

No person has been authorized by the City of Hudson to give any information or to make any representations not contained in this Official Statement, and, if given or made, such information or representations must not be relied upon as having been authorized. This Official Statement does not constitute an offer to sell or solicitation of an offer to buy any of the Bonds in any jurisdiction to any person to whom it is unlawful to make such offer or solicitation in such jurisdiction. The information, estimates and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City of Hudson.

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PREPARED WITH THE ASSISTANCE OF



Fiscal Advisors & Marketing, Inc.
250 South Clinton Street, Suite 502
Syracuse, New York 13202
(315) 752-0051
<http://www.fiscaladvisors.com>

PRELIMINARY OFFICIAL STATEMENT
OF THE
CITY of HUDSON
COLUMBIA COUNTY, NEW YORK
RELATING TO

\$3,029,100 Bond Anticipation Notes, Series 2021A

This Official Statement, which includes the cover page and appendices, has been prepared by the City of Hudson, Columbia County, New York (the “City”, “County” and “State”, respectively) in connection with the sale by the City of Hudson \$3,029,100 principal amount of Bond Anticipation Notes, Series 2021A (the “Notes”).

The factors affecting the City’s financial condition and the Notes are described throughout this Official Statement. Inasmuch as many of these factors, including economic and demographic factors, are complex and may influence the City’s tax base, revenues, and expenditures, this Official Statement should be read in its entirety. No one factor should be considered more or less important than any other by reason of its relative position in this Official Statement.

All quotations from and summaries and explanations of provisions of the Constitution and laws of the State and acts and proceedings of the City contained herein do not purport to be complete and are qualified in their entirety by reference to the official compilations thereof, and all references to the Notes and the proceedings of the City relating thereto are qualified in their entirety by reference to the definitive forms of the Notes and such proceedings.

This Official Statement should be read with the understanding that the ongoing COVID-19 global pandemic has created prevailing economic conditions (at the global, national, State and local levels) that are highly uncertain, generally negative, and rapidly changing, and these conditions are expected to continue for an indefinite period of time. Accordingly, the City’s overall economic situation and outlook (and all of the specific City-related information contained herein) should be carefully reviewed, evaluated and understood in the full light of this unprecedented world-wide event, the effects of which are extremely difficult to predict and quantify. See “MARKET AND RISK FACTORS – COVID-19” herein.

THE NOTES

Description of the Notes

The Notes are general obligations of the City, and will contain a pledge of its faith and credit for the payment of the principal of and interest on the Notes as required by the Constitution and laws of the State (State Constitution, Art. VIII, Section 2; Local Finance Law, Section 100.00). All the taxable real property within the City is subject to the levy of ad valorem taxes to pay the Notes and interest thereon, subject to applicable statutory limits imposed by Chapter 97 of the Laws of 2011 of the State of New York, as amended. See “TAX LEVY LIMITATION LAW” herein.

The Notes are dated June 25, 2021 and will mature, without option of prior redemption, on June 24, 2022. Interest on the Notes will be calculated on a 30-day month and 360-day year basis, payable at maturity.

The Notes will be issued in registered form at the option of the Purchaser(s) either (i) requested in the name of the purchaser, in denominations of \$5,000 or integral multiples thereof except for a necessary odd denomination, or (ii) registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York (“DTC”) which will act as the securities depository for the Notes. See “BOOK-ENTRY-ONLY SYSTEM” herein. If the Notes are registered in the name of the purchaser, principal of and interest on the Notes will be payable in Federal Funds at maturity at such bank(s) or trust company(ies) located and authorized to do business in the State of New York as may be selected by the successful bidder(s), at their expense.

No Optional Redemption

The Notes are not subject to redemption prior to maturity.

Purpose of Issue

The Notes are being issued pursuant to the Constitution and statutes of the State of New York, including among others, the General City Law, the Local Finance Law and City bond ordinances.

<u>Purpose</u>	<u>Authorization Date</u>	<u>Amount</u>
Water Distribution Improvements	August 20, 2019	\$ 300,000
Wastewater Treatment Improvements	March 21, 2020	441,600
Acquisition of a Ladder Truck	December 17, 2019	1,087,500
Promenade Park	January 19, 2021 and April 5, 2021	<u>1,200,000</u>
	Total	<u>\$ 3,029,100</u>

The proceeds of the Notes will provide \$3,029,100 of new money for the aforementioned purposes.

NATURE OF OBLIGATION

Each of the Notes when duly issued and paid for will constitute a contract between the City and the owner thereof.

Owners of any series of notes or bonds of the City may bring an action or commence a proceeding in accordance with the Civil Practice Law and Rules to enforce the rights of the owners of such series of notes or bonds.

The Notes will be general obligations of the City and will contain a pledge of the full faith and credit of the City for the payment of the principal thereof and the interest thereon as required by the Constitution and laws of the State. For the payment of such principal and interest, the City has power and statutory authorization to levy ad valorem taxes on all real property within the City subject to such taxation by the City, subject to applicable statutory limitations. See “Tax Levy Limitation Law” herein.

Although the State Legislature is restricted by Article VIII, Section 12 of the State Constitution from imposing limitations on the power to raise taxes to pay “interest on or principal of indebtedness theretofore contracted” prior to the effective date of any such legislation, the New York State Legislature may from time to time impose additional limitations or requirements on the ability to increase a real property tax levy or on the methodology, exclusions or other restrictions of various aspects of real property taxation (as well as on the ability to issue new indebtedness). Chapter 97 of the Laws of 2011, as amended by Chapter 20 of the Laws of 2015, as amended by Chapter 59 of the Laws of 2019 (as amended, the “Tax Levy Limitation Law”), applies to local governments and school districts in the State (with certain exceptions) and imposes additional procedural requirements on the ability of municipalities and school districts to levy certain year-to-year increases in real property taxes.

Under the Constitution of the State, the City is required to pledge its full faith and credit for the payment of the principal of and interest on the Notes and is required to raise real estate taxes, and without specification, other revenues, if such levy is necessary to repay such indebtedness. While the Tax Levy Limitation Law imposes a statutory limitation on the City’s power to increase its annual tax levy with the amount of such increase limited by the formulas set forth in the Tax Levy Limitation Law, it also provides the procedural method to surmount that limitation. See “TAX LEVY LIMITATION LAW,” herein.

BOOK-ENTRY-ONLY SYSTEM

The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the Notes, if requested. The Notes will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Note certificate will be issued for Notes bearing the same rate of interest and CUSIP number, and will be deposited with DTC.

DTC, the world’s largest depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks,

trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation, and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Notes on DTC’s records. The ownership interest of each actual purchaser of each Note (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Notes are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Notes, except in the event that use of the book-entry system for the Notes is discontinued.

To facilitate subsequent transfers, all Notes deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Notes with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Notes; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Notes are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Principal and interest payments on the Notes will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC’s practice is to credit Direct Participants’ accounts in accordance with their respective holdings shown on DTC’s records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in “street name,” and will be the responsibility of such Participant and not of DTC or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the City, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Notes at any time by giving reasonable notice to the City. Under such circumstances, in the event that a successor depository is not obtained, note certificates are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, note certificates will be printed and delivered.

The information in this section concerning DTC and DTC’s book-entry system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.

Source: The Depository Trust Company.

THE CITY CANNOT AND DOES NOT GIVE ANY ASSURANCES THAT DTC, DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC WILL DISTRIBUTE TO THE BENEFICIAL OWNERS OF THE NOTES (1) PAYMENTS OF PRINCIPAL OF OR INTEREST ON THE NOTES, (2) CONFIRMATIONS OF THEIR OWNERSHIP INTERESTS IN THE NOTES, OR (3) OTHER NOTICES SENT TO DTC OR CEDE & CO., ITS PARTNERSHIP NOMINEE, AS THE REGISTERED OWNER OF THE NOTES, OR THAT THEY WILL DO SO ON A TIMELY BASIS, OR THAT DTC, DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS WILL SERVE AND ACT IN THE MANNER DESCRIBED IN THIS OFFICIAL STATEMENT.

THE CITY WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATIONS TO DTC, THE DIRECT PARTICIPANTS, THE INDIRECT PARTICIPANTS OF DTC OR THE BENEFICIAL OWNERS WITH RESPECT TO (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC; (2) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL AMOUNT OF OR INTEREST ON THE NOTES; (3) THE DELIVERY BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC OF ANY NOTICE TO ANY BENEFICIAL OWNER THAT IS REQUIRED OR PERMITTED TO BE GIVEN TO OWNERS; OR (4) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE REGISTERED HOLDER OF THE NOTES.

THE INFORMATION CONTAINED HEREIN CONCERNING DTC AND ITS BOOK-ENTRY SYSTEM HAS BEEN OBTAINED FROM DTC AND THE CITY MAKES NO REPRESENTATION AS TO THE COMPLETENESS OR THE ACCURACY OF SUCH INFORMATION OR AS TO THE ABSENCE OF MATERIAL ADVERSE CHANGES IN SUCH INFORMATION SUBSEQUENT TO THE DATE HEREOF.

Certificated Notes

DTC may discontinue providing its services with respect to the Notes at any time by giving notice to the City and discharging its responsibilities with respect thereto under applicable law, or the City may terminate its participation in the system of book-entry-only system transfers through DTC at any time. In the event that such book-entry-only system is utilized by a purchaser of the Notes upon issuance and later discontinued, the following provisions will apply:

The Notes will be issued in registered form in denominations of \$5,000 and multiples thereafter, except for one necessary odd denomination. Interest on the Notes will remain payable at maturity. Principal of and interest on the Notes will be payable at a principal corporate trust office of a bank or trust company located and authorized to do business in the State to be named as fiscal agent by the City.

THE CITY

General Information

The City is located on the west border of Columbia County (the “County”) with a land area of 2.2 square miles and an estimated population of 6,072 (2019 U.S. Census estimate).

The City of Albany is approximately 30 miles to the north of the City. Residents find employment within the City or County or commute to governmental professional and business occupations in the New York City and Capital District Region. The two major employment industries within the County include Health Care and Social Assistance (43.7%) and Public Administration & Education (35.3%).

Source: City officials.

Major Employers

City residents find employment within the County. The five major employers located within the County include the following:

<u>Business</u>	<u>Service or Product</u>	<u>Employees</u>
Columbia Memorial Hospital	Healthcare Facility	1,500
Columbia County	Municipal Government	1,156
Taconic Farms	Research Facility	650
Hudson City School District	Public Education	600
Berkshire Farms	Educational Programs	486

Source: Columbia Economic Development Corporation – 2020.

The impact of the COVID-19 pandemic on these employers cannot be predicted at this time.

Population Trends

	<u>City of Hudson</u>	<u>Columbia County</u>	<u>New York State</u>
1990	8,034	62,982	17,990,455
2000	7,524	63,094	18,976,457
2010	6,713	63,096	19,378,102
2019	6,072	59,461	19,453,561

Source: U.S. Bureau of the Census.

Wealth and Income Indicators

Per capita income statistics are available for the City, County and State. Listed below are select figures from the U.S. Census Bureau 2000 census report, and 2006-2010 and 2015-2019 American Community Survey 5-Year Estimates.

	<u>Per Capita Income</u>			<u>Median Family Income</u>		
	<u>2000</u>	<u>2006-2010</u>	<u>2015-2019</u>	<u>2000</u>	<u>2006-2010</u>	<u>2015-2019</u>
City of:						
Hudson	\$ 15,759	\$ 24,628	\$ 25,033	\$ 27,594	\$ 56,591	\$ 50,135
County of:						
Columbia	22,265	31,844	38,268	49,357	69,132	79,775
State of:						
New York	23,389	30,948	39,326	51,691	67,405	84,385

Note: 2016-2020 American Community Survey estimates are not available as of the date of this Official Statement.

Unemployment Rate Statistics

Unemployment statistics are not available for the City as such. The smallest area for which such statistics are available (which includes the City) is the County. The information set forth below with respect to the County is included for information purposes only. It should not be implied from the inclusion of such data in this Official Statement that the County is necessarily representative of the City, or vice versa.

	<u>Annual Average</u>						
	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Hudson NY, MSA	4.7%	4.0%	3.7%	3.8%	3.3%	3.2%	6.2
Columbia County	4.7	4.0	3.7	3.8	3.3	3.2	6.2
New York State	6.3	5.3	4.9	4.7	4.1	4.0	10.0%

	<u>2021 Monthly Figures</u>				
	<u>Jan</u>	<u>Feb</u>	<u>Mar</u>	<u>Apr</u>	<u>May</u>
Hudson NY, MSA	5.6%	5.9%	5.3%	4.5%	N/A
Columbia County	5.6	5.9	5.3	4.5	N/A
New York State	9.4	9.7	8.5	7.8	N/A

Source: Department of Labor, State of New York. (Note: Figures not seasonally adjusted).

Note: Unemployment rates for May 2021 are not available as of the date of this Official Statement.

Economic Development

- Since 2010, the City has had an established Local Development Corporation: the Hudson Development Corporation housed in a fully renovated historic Hudson Firehouse, with its co-tenants, the Columbia County Chamber of Commerce.
- In 2012, the City approved its Local Waterfront Development Plan with its principal provision being a comprehensive rezoning of two-thirds of the City that focuses on a balance of commercial shipping and tourism related areas on the Hudson waterfront.
- Minutes from the Amtrak station, a 300,000 square foot former manufacturing building was converted to a facility, The Warehouse, to house small businesses with ten commercial enterprises now housed there, including a brewery, digital fabrication shop, and multiple antique outlets.
- In 2010, owners and producers of fine dining and popular music renovated a former school bus garage as Helsinki Hudson.
- In 2012, the Etsy Corporation established a customer service center in Hudson and now employs 70 people.
- In 2015, the thirty-year old Harney and Son Fine Tea Company of Millerton, NY purchased a 65,000 square foot building on North 2nd Street from which it produces and distributes its products. The company employs 200 employees across all locations.
- The City is home to the Columbia Memorial Hospital, which serves all of Columbia and Greene Counties.
- In 2016, the Galvan Initiatives Foundation rehabilitated the historic Armory as the new home for the Hudson Library Association.
- The retail sector of the City, for thirty years an antiques and home furnishing mecca, recently estimated its annual sales and inventory value at \$40 Million.
- The City has become a tourist destination of note with the recent renovations of three boutique hotels, the 20-room Rivertown Lodge and the 17-room Barlow, and the 55-room Wick Hotel, located in a historic tallow candle and soap manufactory into. In 2018, the Maker Lounge, housed on a 19th century carriage house, and the Maker Café, on a prominent block of Warren Street, opened, followed by the Maker in 2019. This is in addition to nearly 90 hotel and bed and breakfast rooms, approximately 200 short-term lodging providers, and twelve fine dining restaurants in the City.
- The residential and commercial real estate market continues to grow significantly. In 2010, there were 36 sales with a mean price of \$213K. In 2013 there were 84 sales with a mean sale price of \$264K. In 2015, there were 92 sales with a mean sale price of \$286K. In 2016 there were 66 sales with a mean sale price of \$379K. In 2017 there were 94 sales with a mean sale price of \$366k. In 2018, there were 102 Sales, with an Average Price of 372,082. In 2019, there were 113 sales with a mean sales price of \$399,671. In 2020, there were 45 sales with a mean sales price of \$436,976.
- In 2017, downtown Hudson was selected as the Capital region winner of the \$10 million NYS Downtown Revitalization Initiative. The intent of the DRI is to advance downtown revitalization through transformative housing, economic development, transportation and community projects that will attract and retain residents, visitors and businesses.
- In 2019, River House, an impeccably restored historic schoolhouse one block from the Amtrak station, opened its doors with the goal of creating a film, media, design and innovation hub in Hudson by offering creative studio spaces and common co-working spaces for Filmmakers, Architects, Publishers, Designers, Producers, Photographers, Tech Designers, and all creatives.
- The Hudson Industrial Agency awarded a PILOT (payment in lieu of taxes) for the renovation of a property to a hotel, restaurant, and bar, with a total proposed investment of \$14.3 million.

The impact of the COVID-19 pandemic on these projects cannot be predicted at this time.

Source: City officials.

Elected and Appointed Officials

Elected Officials

The City of Hudson is governed by the following elected officials: the Mayor, the City Treasurer, the Common Council President and 10 aldermen who compose the Common Council. Each is elected to a two-year term. The City also elects a City Judge and 5 ward Supervisors who are the City's representatives on the Board of Supervisors of Columbia County.

It is the responsibility of the Common Council to approve all legislation, including ordinances and local laws, to adopt and modify, as required, operating and capital budgets, to levy real property taxes and to authorize the issuance of all indebtedness.

The Mayor is elected at a general election for a two-year term and there is no restriction on the number of terms that may be served. The Mayor is the Chief Executive Officer of the City.

The City Treasurer is the Chief Fiscal Officer, and is responsible for the receiving and collecting of funds. It is the responsibility of the City Treasurer to disburse and account for all financial transactions.

The Treasurer's office is responsible for accounting for all revenues and disbursements of the City, for the administration of employee payrolls, for custody and investment of all City funds, supervision of city tax billing, city and county tax and revenue collections, delinquent school tax billing and collection, administration of tax lien sales, registration and collection of the city's lodging tax, management of bank accounts, the preparation and monitoring of the annual operating budget, and state and local financial reporting.

Appointed Officials

The Mayor appoints the Assessor for six years, City Clerk for four years, and members of the Planning Commission for three years. The Mayor appoints the following officers to serve at his pleasure: Commissioner of Public Works, Commissioner of Police, Commissioner of Fire, Commissioner of Aging, Commissioner of Grants and Commissioner of Youth. The Mayor is also authorized to appoint a Commissioner of Purchases and a Harbor Master. The Mayor appoints an Assessment Board of Review and the members of each board and commission authorized by the City Charter. The Mayor may also, in his discretion, appoint a City Marshal and such legal counsel as he may deem necessary.

The Common Council designates Commissioners of Deeds as provided by law.

The Commissioner of Public Works appoints the following to serve at his pleasure: Superintendent of Public Works, Superintendent of Cemeteries.

The Commissioner of Youth appoints the following to serve at his pleasure: Director of Youth

The Mayor appoints the following from the civil service list: Code Enforcement Officer, Building Inspector.

Budgetary Procedures

The Board of Estimate and Apportionment (BEA) is comprised of the Mayor, City Treasurer and President of the Common Council. The BEA, with input from department heads, prepares a proposed budget each year and a public hearing is held thereon pursuant to State Law. Subsequent to the public hearing, revisions, if any, are made and the budget is then adopted by the Common Council. The budget is not subject to referendum.

The City has not voted to exceed its tax cap since 2012.

The budget for the 2021 fiscal year was adopted on November 19, 2020.

Investment Policy

Pursuant to Section 39 of the State's General Municipal Law and the City Charter, the City has an investment policy applicable to the investment of all moneys and financial resources of the City. The responsibility for the investment program has been delegated by the Common Council to the Chief Financial Officer who was required to establish written operating procedures consistent with the City's investment policy guidelines. According to the investment policy of the City, all investments must conform to the applicable requirements of law and provide for: the safety of the principal; sufficient liquidity; and a reasonable rate of return.

Authorized Investments. The Common Council annually designates the banks or trust companies located and authorized to conduct business in the State to receive deposits of money in accordance with the City Charter. The City is permitted to invest in special time deposits or certificates of deposit.

In addition to bank deposits, the City is permitted to invest moneys in direct obligations of the United States of America, obligations guaranteed by agencies of the United States where the payment of principal and interest are further guaranteed by the United States of America, and obligations of the State, unless otherwise provided by law. All purchased obligations, unless registered or inscribed in the name of the City, must be purchased through, delivered to and held in the custody of a bank or trust company located and authorized to conduct business in the State.

Collateral Requirements. All City deposits in excess of the applicable insurance coverage provide by the Federal Deposit Insurance Act must be secured in accordance with the provisions of and subject to the limitations of Section 10 of the General Municipal Law of the State. Such collateral must consist of the “eligible securities” with an aggregate “market value” equal to the aggregate amount of deposits.

Eligible securities include (i) obligations issued, or fully insured or guaranteed as to the payment of principal and interest, by the United States of America, an agency thereof or a United States government sponsored corporation, and (ii) obligations issued or fully insured or guaranteed by the State of New York, obligations issued by a municipal corporation, school district, or district corporation of such State or obligation of any public benefit corporation which under a specific State statute may be accepted as security for deposit of public moneys. Eligible securities pledged to secure deposits must be held by the depository or third party bank or trust company pursuant to written security and custodial agreements. Securities not registered or inscribed in the name of the City must be delivered, in a form suitable for transfer or with an assignment in blank, to the City or its designated custodial bank. The custodial agreements used by the City provide that pledged securities must be kept separate and apart from the general assets of the custodian and will not, under any circumstances, be commingled with or become part of the backing for any other deposit or liability.

State Aid

The City’s actual State aid revenues for past six completed fiscal years, the 2020 unaudited amount, and the 2021 budgeted amounts, are listed below:

<u>Fiscal Year</u>	<u>State Aid Revenues</u>	<u>Total Revenues</u>	<u>Percentage of Total Revenues Consisting of State Aid</u>
2014	\$ 1,772,466	\$ 9,908,121	17.89%
2015	1,972,696	10,205,707	19.33
2016	1,779,530	10,111,049	17.59
2017	2,130,698	10,707,193	19.90
2018	1,757,415	10,848,676	16.20
2019	2,192,829	11,896,895	18.43
2020 (Unaudited)	1,800,278	10,887,082	16.54
2021 (Budgeted)	1,879,254	11,854,839	15.85

The State is not constitutionally obligated to maintain or continue State aid to the City. No assurance can be given that present State aid levels will be maintained this year or in the future. State budgetary restrictions which eliminate or substantially reduce State aid could have a material adverse effect upon the City requiring either a counterbalancing increase in revenues from other sources to the extent available, or a curtailment of expenditures. Delays in State aid due to delays in state budget approval and/or delays or difficulties in State financing could adversely affect the City’s revenues. (See also “MARKET AND RISK FACTORS”).

Source: City officials.

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Employees

The City currently has a total of 124 employees including 84 full-time and elected, 38 part-time and 2 per diem employees. Employees are represented by collective bargaining agents as summarized below:

<u>Bargaining Unit</u>	<u>Number Represented</u>	<u>Contract Expiration Date</u>
CSEA	31	December 31, 2021
POLICE	25 ⁽¹⁾	December 31, 2023
Part-Time	30 ⁽²⁾	Nonunionized
Per Diem	2	Nonunionized
Elected	13 ⁽³⁾	Nonunionized
Appointed/Other Full-Time	15 ⁽⁴⁾	Nonunionized
Appointed Part-Time	8 ⁽⁵⁾	Nonunionized

⁽¹⁾ 21 officers and 4 dispatchers.

⁽²⁾ Within Youth & Senior, DPW/Cemetery, Parking Enforcement, and Code Enforcement.

⁽³⁾ Mayor, Common Council President, City Treasurer and 10 Council Members.

⁽⁴⁾ DPW Superintendent, Code Enforcement Officer, City Clerk, Police Chief, Youth Director, Janitor, Secretary, Rec Attendant and Rec Program Coordinator.

⁽⁵⁾ City Attorney, Mayor's Aide, Assessor, and Commissioners of DPW, Youth, Senior, Police and Fire.

Source: City officials.

Pension Payments

Substantially all employees of the City are members of the New York State and Local Employees' Retirement System ("ERS") or the New York State and Local Police and Fire Retirement System ("PFRS"; with ERS, the "Retirement Systems"). The ERS is generally also known as the "Common Retirement Fund". The Retirement Systems are cost-sharing multiple public employer retirement systems. The obligation of employers and employees to contribute and the benefit to employees are governed by the New York State Retirement System and Social Security Law (the "Retirement System Law"). The Retirement Systems offers a wide range of plans and benefits which are related to years of service and final average salary, vesting of retirement benefits, death and disability benefits and optional methods of benefit payments. All benefits generally vest after five years of credited service. The Retirement System Law generally provides that all participating employers in each retirement system are jointly and severally liable for any unfunded amounts. Such amounts are collected through annual billings to all participating employers. Generally, all employees, except certain part-time employees, participate in the Retirement Systems.

The ERS is non- contributory with respect to members hired prior to July 27, 1976 (Tier 1 & 2); members hired from July 27, 1976 through December 31, 2009 (Tier 3 & 4) contribute 3% for the first 10 years of service and then become non-contributory; members hired from January 1, 2010 through March 31, 2012 (Tier 5) must contribute 3% for their entire careers; members hired April 1, 2012 (Tier 6) or after will contribute between 3 and 6 percent for their entire careers based on their annual wage.

The PFRS is non- contributory with respect to members hired prior to January 8, 2010 (Tier 1, 2 & 3); members hired from January 9, 2010 through March 31, 2012 (Tier 5) must contribute 3% for their entire careers; members hired April 1, 2012 (Tier 6) or after will contribute between 3 and 6 percent for their entire careers based on their annual wage.

For both ERS & PFRS, Tier 5 provides for:

- Raising the minimum age at which most civilians can retire without penalty from 55 to 62 and imposing a penalty of up to 38% for any civilian who retires prior to age 62
- Requiring employees to continue contributing 3% of their salaries toward pension costs so long as they accumulate additional pension credits.
- Increasing the minimum years of service required to draw pension from 5 years to 10 years.
- Capping the amount of overtime that can be considered in the calculation of pension benefits for civilians at \$15,000 per year, and for police & firefighters at 15% of non-overtime wages.

For both ERS & PFRS, Tier 6 provides for:

- Increase contribution rates of between 3% and 6% base on annual wage
- Increase in the retirement age from 62 years to 63 years
- A readjustment of the pension multiplier
- A change in the period for final average salary calculation from 3 years to 5 years

The City's payments to the Retirement System for the past five completed fiscal years and the budgeted amounts for the 2021 fiscal year are as follows:

<u>Fiscal Year</u>	<u>ERS</u>	<u>PFRS</u>
2015	\$ 359,668	\$ 461,620
2016	318,304	455,039
2017	308,264	446,917
2018	305,892	466,892
2019	293,847	483,575
2020 (Unaudited)	303,500	510,270
2021 (Budgeted)	347,407	631,767

Source: City officials.

Pursuant to various laws enacted between 1991 and 2002, the State Legislature authorized local governments to make available certain early retirement incentive programs to its employees. The City does not have any early retirement incentives outstanding.

Historical Trends and Contribution Rates: Historically there has been a State mandate requiring full (100%) funding of the annual actuarially required local governmental contribution out of current budgetary appropriations. With the strong performance of the Retirement System in the 1990s, the locally required annual contribution declined to zero. However, with the subsequent decline in the equity markets, the pension system became underfunded. As a result, required contributions increased substantially to 15% to 20% of payroll for the employees' and the police and fire retirement systems, respectively. Wide swings in the contribution rate resulted in budgetary planning problems for many participating local governments.

A chart of average ERS and PFRS rates (2017 to 2021) is shown below:

<u>Year</u>	<u>ERS</u>	<u>PFRS</u>
2017	15.5%	24.3%
2018	15.3	24.4
2019	14.9	23.5
2020	14.6	23.5
2021	14.6	24.4

Chapter 49 of the Laws of 2003 amended the Retirement and Social Security Law and Local Finance Law. The amendments empowered the State Comptroller to implement a comprehensive structural reform program that establishes a minimum contribution for any employer equal to 4.5% of pensionable salaries for required contributions due December 15, 2003 and for all years thereafter where the actual rate would otherwise be 4.5% or less. In addition, it instituted a billing system that will advise employers over one year in advance concerning actual pension contribution rates.

Chapter 57 of the Laws of 2010 (Part TT) amended the Retirement and Social Security Law to authorize participating local government employers, if they so elect, to amortize an eligible portion of their annual required contributions to both ERS and PFRS, when employer contribution rates rise above certain levels. The option to amortize the eligible portion began with the annual contribution due February 1, 2011. The amortizable portion of an annual required contribution is based on a "graded" rate by the State Comptroller in accordance with formulas provided in Chapter 57. Amortized contributions are to be paid in equal annual installments over a ten-year period, but may be prepaid at any time. Interest is to be charged on the unpaid amortized portion at a rate to be determined by State Comptroller, which approximates a market rate of return on taxable fixed rate securities of a comparable duration issued by comparable issuers. The interest rate is established annually for that year's amortized amount and then applies to the entire ten years of the amortization cycle of that amount. When in any fiscal year, the participating employer's graded payment eliminates all balances owed on prior amortized amounts, any remaining graded payments are to be paid into an employer contribution reserve fund established by the State Comptroller for the employer, to the extent that amortizing employer has no currently unpaid prior amortized amounts, for future such use.

Stable Rate Pension Contribution Option: The 2013-14 Adopted State Budget included a provision that authorized local governments, including the City, with the option to “lock-in” long-term, stable rate pension contributions for a period of years determined by the State Comptroller and ERS and PFRS. For 2014 and 2015 the rate is 12.0% for ERS and 20% for PFRS; the rates applicable to 2016 and thereafter are subject to adjustment. The pension contribution rates under this program would reduce near-term payments for employers, but require higher than normal contributions in later years.

The City is not amortizing or smoothing any pension payments nor does it intend to do so in the foreseeable future.

The investment of monies and assumptions underlying same, of the Retirement Systems covering the City’s employees is not subject to the direction of the City. Thus, it is not possible to predict, control or prepare for future unfunded accrued actuarial liabilities of the Retirement Systems (“UAALs”). The UAAL is the difference between total actuarially accrued liabilities and actuarially calculated assets available for the payment of such benefits. The UAAL is based on assumptions as to retirement age, mortality, projected salary increases attributed to inflation, across-the-board raises and merit raises, increases in retirement benefits, cost-of-living adjustments, valuation of current assets, investment return and other matters. Such UAALs could be substantial in the future, requiring significantly increased contributions from the City which could affect other budgetary matters. Concerned investors should contact the Retirement Systems administrative staff for further information on the latest actuarial valuations of the Retirement Systems.

Other Post-Employment Benefits

Healthcare Benefits. The City provides post-retirement healthcare benefits to various categories of former employees. These costs may be expected to rise substantially in the future. There is now an accounting rule that will require governmental entities, such as the City, to account for post-retirement healthcare benefits as it accounts for vested pension benefits. GASB Statement No. 45 (“GASB 45”) of the Governmental Accounting Standards Board (“GASB”), described below, requires such accounting.

OPEB. Other Post-Employment Benefits (“OPEB”) refers to “other post-employment benefits,” meaning other than pension benefits, disability benefits and OPEB consist primarily of health care benefits and may include other benefits such as disability benefits and life insurance. Until now, these benefits have generally been administered on a pay-as-you-go basis and have not been reported as a liability on governmental financial statements.

GASB 75. GASB has issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, effective for the year ending December 31, 2018. This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans.

The City has not contracted with an actuary to calculate its OPEB liability and did not contract with a firm to complete its actuarial valuation of its OPEB liability in accordance with GASB 75. There is no authority in current State law to establish a trust account or reserve fund for this liability. The City has reserved \$0 towards its OPEB liability. The City funds this liability on a pay-as-you-go basis.

Other Information

The statutory authority for the power to spend money for the object or purpose, or to accomplish the object or purpose, for which the Notes are to be issued is the City Law and the Local Finance Law.

No principal or interest upon any obligation of the City is past due.

The fiscal year of the City is the calendar year.

Except for as shown under “STATUS OF INDEBTEDNESS – Estimated Overlapping Indebtedness”, this Official Statement does not include the financial data of any political subdivision having power to levy taxes within the City. Such entities include the City of Hudson City School District and the County of Columbia.

Financial Statements

The City retains independent certified public accountants. The financial affairs of the City are also subject to periodic compliance audits by the State Comptroller. The last audit was for the fiscal year ended December 31, 2019 and has been filed with the Electronic Municipal Market Access (EMMA) Website. The 2019 audit is also incorporated by reference hereto as “APPENDIX – D”. The Annual Financial Report Update Document (“AUD”) for fiscal year ending December 31, 2020, which is not prepared in accordance with GAAP and is not audited, is available and has been filed with New York State and to the Electronic Municipal Market Access Website. The City’s 2020 audited financial statements are expected to be available on or about October 1, 2021. The Certain financial information may be found in the Appendices to this Official Statement.

The City complies with the Uniform System of Accounts as prescribed for cities in New York State by the Office of the State Comptroller. Except for the accounting for fixed assets, this System conforms to generally accepted accounting principles as prescribed by the American Institute of Certified Public Accountants’ Industry Audit Guide, “Audits of State and Local Governmental Units,” and codified in Government Accounting, Auditing and Financial Reporting (GAAFR), published by the Governmental Accounting Standards Board (GASB).

Beginning with the fiscal year ending December 31, 2003 the City was required to issue its financial statements in accordance with GASB Statement No. 34. This statement includes reporting of all assets including infrastructure and depreciation in the Government Wide Statement of Activities, as well as a Management’s Discussion and Analysis. The City has not implemented GASB Statement No. 34 in its entirety and implementation of this standard is not a New York State Comptroller’s office requirement.

Unaudited Estimated Results for the Fiscal Year Ending December 31, 2020

The City expects to end the fiscal year ending December 31, 2020 with an unassigned fund balance of \$2,394,240.

Summary unaudited information for the General Fund for the period ending December 31, 2020 is as follows:

Revenues:	\$	10,887,082
Expenditures:		<u>11,399,894</u>
Excess (Deficit) Revenues Over Expenditures:	\$	<u>(512,812)</u>
Total General Fund Balance at December 31, 2019:	\$	4,748,607
Total Estimated General Fund Balance at December 31, 2020:	\$	4,235,795

Note: These projections are based upon certain current assumptions and estimates and the audited results may vary therefrom.

New York State Comptroller Report of Examination

The State Comptroller's office, i.e., the Department of Audit and Control, periodically performs a compliance review to ascertain whether the City has complied with the requirements of various State and Federal statutes. These audits can be found by visiting the Audits of Local Governments section of the Office of the State Comptroller website.

The State Comptroller’s office released an audit report of the City on March 13, 2020. The purpose of the audit was to Determine whether City officials ensured employees’ salaries and the amounts withheld for benefits were accurate and leave accrual records were properly maintained and recorded for the period January 1, 2018 through July 31, 2019.

Key Findings:

- City officials did not segregate the duties of the clerks inputting payroll or implement compensating controls.
- The Council did not adopt policies that address how compensatory (comp) time will be authorized, earned and used.
- City officials did not have a process to verify accrual balances prior to approving the use of leave accruals.

Key Recommendations:

- Ensure compensating controls are implemented to address the lack of segregation of duties within the payroll process.
- Adopt policies and procedures that address how comp time will be earned and used.
- Develop a process to verify leave balances prior to approving leave slips and periodically review leave records for accuracy.

The City provided a complete response to the State Comptroller's office on March 4, 2020. A copy of the complete report and response can be found via the website of the Office of the New York State Comptroller.

There are no other State Comptrollers audits of the City that are currently in progress or pending release.

Note: Reference to website implies no warranty of accuracy of information therein.

The State Comptroller's Fiscal Stress Monitoring System

The New York State Comptroller has reported that New York State's school districts and municipalities are facing significant fiscal challenges. As a result, the Office of the State Comptroller has developed a Fiscal Stress Monitoring System ("FSMS") to provide independent, objectively measured and quantifiable information to school district and municipal officials, taxpayers and policy makers regarding the various levels of fiscal stress under which the State's school districts and municipalities are operating.

The fiscal stress scores are based on financial information submitted as part of each school district's ST-3 report filed with the State Education Department annually, and each municipality's annual report filed with the State Comptroller. Using financial indicators that include year-end fund balance, cash position and patterns of operating deficits, the system creates an overall fiscal stress score which classifies whether a school district or municipality is in "Significant Fiscal Stress", in "Moderate Fiscal Stress," as "Susceptible Fiscal Stress" or "No Designation". Entities that do not accumulate the number of points that would place them in a stress category will receive a financial score but will be classified in a category of "no designation." This classification should not be interpreted to imply that the entity is completely free of fiscal stress conditions. Rather, the entity's financial information, when objectively scored according to the FSMS criteria, did not generate sufficient points to place them in one of the three established stress categories.

The reports of the State Comptroller for the past four fiscal years classified the City as follows:

<u>Fiscal Year Ending In</u>	<u>Stress Designation</u>	<u>Fiscal Score</u>
2016	No Designation	12.5
2017	No Designation	3.3
2018	No Designation	6.7
2019	No Designation	6.7

Source: Website of the Office of the New York State Comptroller.

Note: Reference to website implies no warranty of accuracy of information therein.

TAX INFORMATION

Valuations

<u>Fiscal Year Ending December 31:</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Assessed Valuations	\$ 391,437,997	\$ 406,583,811	\$ 406,571,562	\$ 718,291,503	\$ 711,945,896
New York State					
Equalization Rate	93.21%	85.00%	77.00%	100.00% ⁽¹⁾	100.00%
Total Taxable Full Valuation	\$ 419,952,792	\$ 478,333,895	\$ 528,015,016	\$ 718,291,503	\$ 711,945,896

⁽¹⁾ Significant change due to revaluation.

Tax Rate Per \$1,000 (Assessed)

<u>Fiscal Year Ending December 31:</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
	\$ 12.69	\$ 12.58	\$ 12.96	\$ 7.59 ⁽¹⁾	\$ 7.66

⁽¹⁾ Significant change due to revaluation.

Uncollected City Property Taxes

<u>Fiscal Year Ending December 31:</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Total City Tax Levy	\$ 4,967,589	\$ 5,116,606	\$ 5,270,104	\$ 5,452,273	\$ 5,452,273
Uncollected End of Year ⁽¹⁾	190,550	189,052	187,835	301,123	N/A
% Uncollected End of Year	3.84%	3.69%	3.56%	5.52%	N/A

⁽¹⁾ See "Tax Collection Procedure" herein.

Uncollected Taxes (City, County, Water/Sewer, Prorates & Delinquent School)

<u>Fiscal Year Ending December 31:</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Total Levied Taxes + Del. School	\$ 7,629,073	\$ 8,073,802	\$ 8,401,588	\$ 9,454,276	\$ 9,345,655
Uncollected End of Year	352,658	404,916	360,723	570,404	N/A
% Uncollected End of Year	4.62%	5.02%	4.29%	6.03%	N/A

Tax Collection Procedure

City real property taxes are levied annually on January 1st and are payable in four equal installments on January 1st, April 1st, July 1st and September 1st. Taxes are collected without penalty or interest for a period of 30 calendar days for the first and third installments and for 15 calendar days for the second and fourth installments. Taxes for County purposes apportioned to the area within the City are levied together with taxes for the City and payable per the City Charter in two equal installments due January 1st and July 1st and are collected without penalty or interest for 30 calendar days. Penalties for Late Payments are 1 percent per month. The City assumes enforcement responsibility for all taxes levied in the City.

Unpaid City school district taxes are turned over to the City for collection. The City receives payment on these unpaid school taxes until foreclosure.

Constitutional Tax Margin

The City derives its power to levy an ad valorem real property tax from the Constitution of the State, subject to applicable statutory limitations. The City's property tax levying powers, other than for debt service and certain other purposes, are limited by the State Constitution to two percent of the five year average full valuation of taxable real property of the City, subject to certain exclusions. See also "TAX LEVY LIMITATION LAW" herein.

Computation of Constitutional Tax Margin for fiscal years ending December 31st:

<u>Fiscal Year Ending December 31:</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Five Year Average Full Valuation.....	\$571,421,428	\$ 506,042,392	\$ 437,591,335
Tax Limit - 2% Five Year Average.....	\$11,428,429	10,120,848	8,751,827
Add: Exclusions from Tax Limit.....	\$842,155	830,816	931,469
Total Taking Power.....	\$ 12,270,584	\$ 10,951,664	\$ 9,683,296
Less: Total Levy.....	\$5,452,273	5,452,273	5,270,104
Constitutional Tax Margin.....	\$ 6,818,311	\$ 5,499,391	\$ 4,413,192

Larger Taxpayers – 2020 Assessment Roll for 2021 Taxes

<u>Name</u>	<u>Type</u>	<u>Taxable Assessed Valuation</u>	<u>% of City Tax Base</u>	<u>Cumulative Taxable Assessed Value</u>	<u>Cumulative % of City Tax Base</u>
Galvan Initiatives Foundation	Investor/Developer	\$17,936,050	2.52%	17,936,050	2.52%
Columbia Memorial Hospital	Hospital	13,560,000	1.90%	31,496,050	4.42%
Niagara Mohawk Power	Utility	10,652,884	1.50%	42,148,934	5.92%
South 99 LLC	Warehouse/Rental	6,670,250	0.94%	48,819,184	6.86%
Haddad Nicholas & Carrie	Investor/Developer	5,500,000	0.77%	54,319,184	7.63%
Colarusso Ventures	Industrial	4,720,600	0.66%	59,039,784	8.29%
Eight Iron Buildings Inc.	Bank/Office	3,900,000	0.55%	62,939,784	8.84%
Hudson Gardens	Apt. Complex	3,165,000	0.44%	66,104,784	9.29%
Galvan Civic Inc.	Investor/Developer	3,000,000	0.42%	69,104,784	9.71%
Hudson City Housing	Apt. Complex	2,828,300	0.40%	71,933,084	10.10%

The ten taxpayers listed above have a total taxable assessed valuation of \$71,933,084, which represents 10.10% of the City Tax Base for the 2020 fiscal year. See “LITIGATION” herein.

Note: Above list does not reflect any changes due to impacts of COVID-19 pandemic. (See “MARKET AND RISK FACTORS - COVID-19” herein).

Source: City tax rolls.

TAX LEVY LIMITATION LAW

Chapter 97 of the Laws of 2011, as amended, (the “Tax Levy Limitation Law”) applies to virtually all local governments, including school districts (with the exception of New York City, Yonkers, Syracuse, Rochester and Buffalo, the latter four of which are indirectly affected by applicability to their respective city). It also applies to independent special districts and to town and county improvement districts as part of their parent municipalities tax levies.

The following is a brief summary of certain relevant provisions of the Tax Levy Limitation Law. The summary is not complete and the full text of the Tax Levy Limitation Law should be read in order to understand the details and implications thereof.

The Tax Levy Limitation Law restricts, among other things, the amount of real property taxes (including assessments of certain special improvement districts) that may be levied by or on behalf of a municipality in a particular year, beginning with fiscal years commencing on or after January 1, 2012. Pursuant to the Tax Levy Limitation Law, the tax levy of a municipality cannot increase by more than the lesser of (i) two percent (2%) or (ii) the annual increase in the consumer price index (“CPI”), over the amount of the prior year’s tax levy. Certain adjustments would be permitted for taxable real property full valuation increases due to changes in physical or quantity growth in the real property base as defined in Section 1220 of the Real Property Tax Law. A municipality may exceed the tax levy limitation for the coming fiscal year only if the governing body of such municipality first enacts, by at least a sixty percent vote of the total voting strength of the board, a local law (resolution in the case of fire districts and certain special districts) to override such limitation for such coming fiscal year only. There are exceptions to the tax levy limitation provided in the Tax Levy Limitation Law, including expenditures made on account of certain tort settlements and certain increases in the average actuarial contribution rates of the New York State and Local Employees’ Retirement System, the Police and Fire Retirement System. Municipalities are also permitted to carry forward a certain portion of their unused levy limitation from a prior year. Each municipality prior to adoption of each fiscal year budget must submit for review to the State Comptroller any information that is necessary in the calculation of its tax levy for each fiscal year.

The Tax Levy Limitation Law does not contain an exception from the levy limitation for the payment of debt service on either outstanding general obligation debt of municipalities or such debt incurred after the effective date of the Tax Levy Limitation Law (June 24, 2011).

STATUS OF INDEBTEDNESS

Constitutional Requirements

The New York State Constitution limits the power of the City (and other municipalities and certain school districts of the State) to issue obligations and to otherwise contract indebtedness. Such constitutional limitations in summary form, and as generally applicable to the City and the Notes include the following:

Purpose and Pledge. Subject to certain enumerated exceptions, the City shall not give or loan any money or property to or in aid of any individual or private corporation or private undertaking or give or loan its credit to or in aid of any of the foregoing or any public corporation.

The City may contract indebtedness only for a City purpose and shall pledge its faith and credit for the payment of principal of and interest thereon.

Payment and Maturity. Except for certain short-term indebtedness contracted in anticipation of taxes or to be paid within three fiscal year periods, indebtedness shall be paid in annual installments commencing no later than two years after the date such indebtedness shall have been contracted and ending no later than the expiration of the period of probable usefulness of the object or purpose as determined by statute; unless substantially level or declining annual debt service is authorized and utilized, no installment may be more than fifty per centum in excess of the smallest prior installment. The City is required to provide an annual appropriation for the payment of interest due during the year on its indebtedness and for the amounts required in such year for amortization and redemption of its notes and such required annual installments on its bonds.

Debt Limit. The City has the power to contract indebtedness for any City purpose so long as the principal amount thereof, subject to certain limited exceptions, shall not exceed seven per centum of the average full valuation of taxable real estate of the City and subject to certain enumerated exclusions and deductions such as water and certain sewer facilities and cash or appropriations for current debt service. The constitutional method for determining full valuation is by taking the assessed valuation of taxable real estate as shown upon the latest completed assessment roll and dividing the same by the equalization rate as determined by the State Office of Real Property Services. The State Legislature is required to prescribe the manner by which such ratio shall be determined. Average full valuation is determined by taking the sum of the full valuation of the last completed assessment roll and the four preceding assessment rolls and dividing such sum by five.

Pursuant to Article VIII of the State Constitution and Title 9 of Article 2 of the Local Finance Law, the debt limit of the City is calculated by taking 7% of the latest five year average of the full valuation of all taxable real property.

Statutory Procedure

In general, the State Legislature has, by the enactment of the Local Finance Law, authorized the powers and procedure for the City to borrow and incur indebtedness, subject, of course, to the constitutional provisions set forth above. The power to spend money, however, generally derives from other law, including specifically the General City Law, the General Municipal Law and the City Charter.

Pursuant to the Local Finance Law, the City authorizes the issuance of bonds by the adoption of a bond resolution, approved by at least two-thirds of the members of the Common Council, the finance board of the City. Customarily, the Common Council has delegated to the Treasurer, as chief fiscal officer of the City, the power to authorize and sell bond anticipation notes in anticipation of authorized bonds.

The Local Finance Law also provides that where a bond resolution is published with a statutory form of notice, the validity of the bonds authorized thereby, including bond anticipation notes issued in anticipation of the sale thereof, may be contested only if:

- (1) Such obligations are authorized for a purpose for which the City is not authorized to expend money, or
- (2) There has not been substantial compliance with the provisions of law which should have been complied within the authorization of such obligations and an action contesting such validity, is commenced within twenty days after the date of such publication or,
- (3) Such obligations are authorized in violation of the provisions of the Constitution.

Except on rare occasions the City complies with this estoppel procedure. It is a procedure that is recommended by Bond Counsel, but it is not an absolute legal requirement.

Each bond resolution usually authorizes the construction, acquisition or installation of the object or purpose to be financed, sets forth the plan of financing and specifies the maximum maturity of the bonds subject to the legal (Constitution, Local Finance Law and case law) restrictions relating to the period of probable usefulness with respect thereto.

Statutory Law in New York permits bond anticipation notes to be renewed each year provided annual principal installments are made in reduction of the total amount of such notes outstanding, commencing no later than two years from the date of the first of such notes and provided, generally, that such renewals do not exceed five years beyond the original date of borrowing. (See "Payment and Maturity" under "Constitutional Requirements" herein, and "Details of Outstanding Indebtedness" herein).

In general, the Local Finance Law contains provisions providing the City with the power to issue certain other short-term general obligations indebtedness including revenue and tax anticipation notes and budget and capital notes (see "Details of Outstanding Indebtedness" herein).

Debt Outstanding End of Fiscal Year

<u>Fiscal Years Ending December 31st:</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Bonds	\$ 13,997,993	\$ 13,355,042	\$ 13,079,079	\$ 12,367,994	\$ 11,649,926
Leases ⁽¹⁾	1,550,000	1,540,976	1,372,575	1,202,281	1,030,000
Bond Anticipation Notes	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Debt Outstanding	\$ 15,527,993	\$ 14,896,018	\$ 14,451,654	\$ 13,570,275	\$ 12,679,926

⁽¹⁾ See "Other Obligations" herein.

Details of Outstanding Indebtedness

The following table sets forth the indebtedness of the City as evidenced by bonds as of June 4, 2021.

<u>Type of Indebtedness</u>	<u>Maturity</u>	<u>Amount</u>
Bonds	2021-2043	\$ <u>11,574,926</u>
	Total Indebtedness	\$ <u>11,574,926</u>

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Debt Statement Summary

Summary of Indebtedness, Debt Limit and Net Debt-Contracting Margin prepared as of June 4, 2021:

Five Year Average Full Valuation of Taxable Real Property	\$ 571,307,820
Debt Limit 7% thereof ⁽¹⁾	39,991,547

Inclusions:

Bonds.....	\$ 11,574,926	
Bond Anticipation Notes	0	
Total Inclusions		\$ 11,574,926

Exclusions:

Water Indebtedness ⁽²⁾	\$ 3,740,284	
Sewer Indebtedness ⁽³⁾	3,811,100	
Appropriations ⁽⁴⁾	190,614	
Total Exclusions		\$ 7,741,998

Total Net Indebtedness Subject to Debt Limit.....	\$ 3,832,928
Net Debt-Contracting Margin.....	\$ 36,158,619
The percent of debt contracting power exhausted is	9.58%

The issuance of the Notes will increase the Total Net Indebtedness of the City by \$2,729,100. The balance of \$300,000 of the Notes to be issued is excluded as water debt.

- (1) The City has a debt contracting limitation equal to seven percent of average full valuation (See “Constitutional Requirements; Debt Limit” and “TAX LEVY LIMITATION LAW”, herein.)
- (2) Water Debt is excluded pursuant to Article VIII, Section 5B of the New York State Constitution.
- (3) Sewer Debt may be excluded pursuant to Section 124.10 of the Local Finance Law, subject to certain requirements. The City received a certificate from the State Comptroller’s Office on April 14, 2014 with respect to obligations issued December 19, 2013 to NYS EFC in the original principal amount of \$4,968,647.
- (4) Appropriations are excluded pursuant to Section 136.00 of the Local Finance Law.

Other Obligations

The City issued a \$3,815,000 lease for a Firehouse in 2005. The principal amount outstanding as of December 31, 2020 is \$1,030,000. The lease has a variable rate of interest based on LIBOR plus 55 basis points. The last payment is scheduled to be made on December 1, 2029.

Authorized But Unissued Items

The City anticipates short-term borrowing in order to initiate and complete the capital projects identified in the \$10 million NYS Downtown Revitalization Initiative (“DRI”) won by Hudson in 2017 for approximately \$6.5 million. These funds will be reimbursed by the DRI award.

In 2019, the city authorized the issuance of serial bonds in an aggregate principal amount not to exceed \$150,000 for the acquisition of a fire boat for fire department purposes, dependent on a successful grant application to FEMA. The grant was not awarded.

The City is also considering participating in the NYPA replacement street light program. If the City undertakes this project, the anticipated debt would \$1.3-\$1.6 million with the debt to be largely offset by operational savings, a project breakeven of 10 years and anticipated savings of approximately \$200,000 per year post breakeven.

The City has authorized obligations in the principal amount of \$475,000 to finance ADA improvements to City Hall.

Cash Flow Borrowings

The City has not found it necessary to issue revenue anticipation notes or tax anticipation notes in the past 20 years and has no current plans to issue either in the future.

Bonded Debt Service

A schedule of Bonded Debt Service may be found as APPENDIX - B to this Official Statement.

Estimated Overlapping Indebtedness

In addition to the City, the following political subdivisions have the power to issue bonds and to levy taxes or cause taxes to be levied on taxable real property in the City. Bonded indebtedness, including bond anticipation notes, is estimated as of the close of the fiscal year of the respective governmental units not adjusted to include subsequent bond issues, if any.

<u>Municipality</u>	<u>Status of Debt as of</u>	<u>Gross Indebtedness</u> ⁽¹⁾	<u>Estimated Exclusions</u>	<u>Net Indebtedness</u>	<u>City Share</u>	<u>Applicable Indebtedness</u>
County of:						
Columbia	12/31/2019	\$ 48,762,400 ⁽²⁾	\$ -	\$ 48,762,400	8.36%	\$ 4,076,537
School District:						
Hudson City SD	6/30/2020	16,975,000 ⁽³⁾	12,120,150	4,854,850	41.28%	2,004,082
					Total:	<u>\$ 6,080,619</u>

⁽¹⁾ Outstanding bonds and bond anticipation notes. Not adjusted to include subsequent bond sales, if any.

⁽²⁾ Water and sewer debt and appropriations. Pursuant to the Local Finance Law, this indebtedness is excluded from the constitutional debt limit.

⁽³⁾ State Building aid.

Source: The State Comptroller's Special Report on Municipal Affairs for Local Finance Years Ended in 2019 and 2020.

Debt Ratios

The following table sets forth certain ratios relating to the City's Net Indebtedness as of June 4, 2021.

	<u>Amount</u>	<u>Per Capita</u> ^(a)	<u>Percentage of Full Value</u> ^(b)
Net Indebtedness ^(c)	\$ 3,832,928	\$ 631.25	0.54%
Net Indebtedness Plus Net Overlapping Indebtedness ^(d)	9,913,547	1,632.67	1.39

^(a) The current population of the City is estimated to be 6,072. (See "THE CITY – Population Trends" herein.)

^(b) The City's full value of taxable real estate for the 2021 fiscal year is \$711,307,820. (See "TAX INFORMATION – Taxable Valuations" herein.)

^(c) See "Debt Statement Summary" for the calculation of Net Indebtedness, herein.

^(d) The City's applicable share of Net Overlapping Indebtedness is estimated to be \$6,080,619. (See "Estimated Overlapping Indebtedness" herein.)

SPECIAL PROVISIONS AFFECTING REMEDIES UPON DEFAULT

General Municipal Law Contract Creditors' Provision. Each Note when duly issued and paid for will constitute a contract between the City and the holder thereof. Under current law, provision is made for contract creditors of the City to enforce payments upon such contracts, if necessary, through court action. Section 3-a of the General Municipal Law provides, subject to exceptions not pertinent, that the rate of interest to be paid by the City upon any judgment or accrued claim against it on an amount adjudged due to a creditor shall not exceed nine per centum per annum from the date due to the date of payment. This provision might be construed to have application to the holders of the Notes in the event of a default in the payment of the principal of and interest on the Notes.

Execution/Attachment of Municipal Property. As a general rule, property and funds of a municipal corporation serving the public welfare and interest have not been judicially subjected to execution or attachment to satisfy a judgment, although judicial mandates have been issued to officials to appropriate and pay judgments out of certain funds or the proceeds of a tax levy. In accordance with the general rule with respect to municipalities, judgments against the City may not be enforced by levy and execution against property owned by the City.

Authority to File for Municipal Bankruptcy. The Federal Bankruptcy Code allows public bodies, such as the City, recourse to the protection of a Federal Court for the purpose of adjusting outstanding indebtedness. Section 85.80 of the Local Finance Law contains specific authorization for any municipality in the State or its emergency control board to file a petition under any provision of Federal bankruptcy law for the composition or adjustment of municipal indebtedness.

The State has consented that any municipality in the State may file a petition with the United States District Court or court of bankruptcy under any provision of the laws of the United States, now or hereafter in effect, for the composition or adjustment of municipal indebtedness. Subject to such State consent, under the United States Constitution, Congress has jurisdiction over such matters and has enacted amendments to the existing federal bankruptcy statute, being Chapter 9 thereof, generally to the effect and with the purpose of affording municipal corporations, under certain circumstances, with easier access to judicially approved adjustment of debt including judicial control over identifiable and unidentifiable creditors.

No current state law purports to create any priority for holders of the Notes should the City be under the jurisdiction of any court, pursuant to the laws of the United States, now or hereafter in effect, for the composition or adjustment of municipal indebtedness.

The rights of the owners of Notes to receive interest and principal from the City could be adversely affected by the restructuring of the City's debt under Chapter 9 of the Federal Bankruptcy Code. No assurance can be given that any priority of holders of debt obligations issued by the City to payment from monies retained in any debt service fund or from other cash resources would be recognized if a petition were filed by or on behalf of the City under the Federal Bankruptcy Code or pursuant to other subsequently enacted laws relating to creditors' rights; such monies might, under such circumstances, be paid to satisfy the claims of all creditors generally.

Under the Federal Bankruptcy Code, a petition may be filed in the Federal Bankruptcy court by a municipality which is insolvent or unable to meet its debts as they mature. Generally, the filing of such a petition operates as a stay of any proceeding to enforce a claim against the municipality. The Federal Bankruptcy Code also requires that a plan be filed for the adjustment of the municipality's debt, which may modify or alter the rights of creditors and which could be secured. Any plan of adjustment confirmed by the court must be approved by the requisite number of creditors. If confirmed by the bankruptcy court, the plan would be binding upon all creditors affected by it.

State Debt Moratorium Law. There are separate State law provisions regarding debt service moratoriums enacted into law in 1975.

At the Extraordinary Session of the State Legislature held in November 1975, legislation was enacted which purported to suspend the right to commence or continue an action in any court to collect or enforce certain short-term obligations of The City of New York. The effect of such act was to create a three-year moratorium on actions to enforce the payment of such obligations. On November 19, 1976, the Court of Appeals, the State's highest court, declared such act to be invalid on the ground that it violates the provisions of the State Constitution requiring a pledge by such City of its faith and credit for the payment of obligations.

As a result of the Court of Appeals decision in *Flushing National Bank v. Municipal Assistance Corporation for the City of New York*, 40 N.Y.2d 731 (1976), the constitutionality of that portion of Title 6-A of Article 2 of the Local Finance Law enacted at the 1975 Extraordinary Session of the State legislature authorizing any county, city, town or village with respect to which the State has declared a financial emergency to petition the State Supreme Court to stay the enforcement against such municipality of any claim for payment relating to any contract, debt or obligation of the municipality during the emergency period, is subject to doubt. In any event, no such emergency has been declared with respect to the City.

Right of Municipality or State to Declare a Municipal Financial Emergency and Stay Claims Under State Debt Moratorium Law. The State Legislature is authorized to declare by special act that a state of financial emergency exists in any county, city, town or village. (The provision does not by its terms apply to school districts or fire districts.) In addition, the State Legislature may authorize by special act establishment of an "emergency financial control board" for any county, city, town or village upon determination that such a state of financial emergency exists. Thereafter, unless such special act provides otherwise, a voluntary petition to stay claims may be filed by any such municipality (or by its emergency financial control board in the event said board requests the municipality to petition and the municipality fails to do so within five days thereafter). A petition filed in supreme court in county in which the municipality is located in accordance with the

requirements of Title 6-A of the Local Finance Law (“Title 6-A”) effectively prohibits the doing of any act for ninety days in the payment of claims, against the municipality including payment of debt service on outstanding indebtedness.

This includes staying the commencement or continuation of any court proceedings seeking payment of debt service due, the assessment, levy or collection of taxes by or for the municipality or the application of any funds, property, receivables or revenues of the municipality to the payment of debt service. The stay can be vacated under certain circumstances with provisions for the payment of amounts due or overdue upon a demand for payment in accordance with the statutory provisions set forth therein. The filing of a petition may be accompanied with a proposed repayment plan which upon court order approving the plan, may extend any stay in the payment of claims against the municipality for such “additional period of time as is required to carry out fully all the terms and provisions of the plan with respect to those creditors who accept the plan or any benefits thereunder.” Court approval is conditioned, after a hearing, upon certain findings as provided in Title 6-A.

A proposed plan can be modified prior to court approval or disapproval. After approval, modification is not permissible without court order after a hearing. If not approved, the proposed plan must be amended within ten days or else the stay is vacated and claims including debt service due or overdue must be paid. It is at the discretion of the court to permit additional filings of amended plans and continuation of any stay during such time. A stay may be vacated or modified by the court upon motion of any creditor if the court finds after a hearing, that the municipality has failed to comply with a material provision of an accepted repayment plan or that due to a “material change in circumstances” the repayment plan is no longer in compliance with statutory requirements.

Once an approved repayment plan has been completed, the court, after a hearing upon motion of any creditor, or a motion of the municipality or its emergency financial control board, will enter an order vacating any stay then in effect and enjoining of creditors who accepted the plan or any benefits thereunder from commencing or continuing any court action, proceeding or other act described in Title 6-A relating to any debt included in the plan.

Title 6-A requires notice to all creditors of each material step in the proceedings. Court determinations adverse to the municipality or its financial emergency control board are appealable as of right to the appellate division in the judicial department in which the court is located and thereafter, if necessary, to the Court of Appeals. Such appeals stay the judgment or appealed from and all other actions, special proceedings or acts within the scope of Section 85.30 of Title 6-A pending the hearing and determination of the appeals.

Whether Title 6-A is valid under the Constitutional provisions regarding the payment of debt service is not known. However, based upon the decision in the *Flushing National Bank* case described above, its validity is subject to doubt.

While the State Legislature has from time to time adopted legislation in response to a municipal fiscal emergency and established public benefit corporations with a broad range of financial control and oversight powers to oversee such municipalities, generally such legislation has provided that the provisions of Title 6-A are not applicable during any period of time that such a public benefit corporation has outstanding indebtedness issued on behalf of such municipality.

Fiscal Stress and State Emergency Financial Control Boards. Pursuant to Article IX Section 2(b)(2) of the State Constitution, any local government in the State may request the intervention of the State in its “property, affairs and government” by a two-thirds vote of the total membership of its legislative body or on request of its chief executive officer concurred in by a majority of such membership. This has resulted in the adoption of special acts for the establishment of public benefit corporations with varying degrees of authority to control the finances (including debt issuance) of the cities of Buffalo, Troy and Yonkers and the County of Nassau. The specific authority, powers and composition of the financial control boards established by these acts varies based upon circumstances and needs. Generally, the State legislature has granted such boards the power to approve or disapprove budget and financial plans and to issue debt on behalf of the municipality, as well as to impose wage and/or hiring freezes and approve collective bargaining agreements in certain cases. Implementation is left to the discretion of the board of the public benefit corporation. Such a State financial control board was first established for New York City in 1975. In addition, on a certificate of necessity of the governor reciting facts which in the judgment of governor constitute an emergency requiring enactment of such laws, with the concurrences of two-thirds of the members elected in each house of the State legislature the State is authorized to intervene in the “property, affairs and governments” of local government units. This occurred in the case of the County of Erie in 2005. The authority of the State to intervene in the financial affairs of local government is further supported by Article VIII, Section 12 of the Constitution which declares it to be the duty of the State legislature to restrict, subject to other provisions of the Constitution, the power of taxation, assessment, borrowing money and contracting indebtedness and loaning the credit of counties, cities, towns and villages so as to prevent abuses in taxation and assessment and in contracting indebtedness by them.

In 2013, the State established a new state advisory board to assist counties, cities, towns and villages in financial distress. The Financial Restructuring Board for Local Governments (the “FRB”), is authorized to conduct a comprehensive review of the finances and operations of any such municipality deemed by the FRB to be fiscally eligible for its services upon request by resolution of the municipal legislative body and concurrence of its chief executive. The FRB is authorized to make

recommendations for, but cannot compel improvement of fiscal stability, management and delivery of municipal services, including shared services opportunities and is authorized to offer grants and/or loans of up to \$5,000,000 through a Local Government Performance and Efficiency Program to undertake certain recommendations. If a municipality agrees to undertake the FRB recommendations, it will be automatically bound to fulfill the terms in order to receive the aid.

The FRB is also authorized to serve as an alternative arbitration panel for binding arbitration.

Although from time to time, there have been proposals for the creation of a statewide financial control board with broad authority over local governments in the State, the FRB does not have emergency financial control board powers to intervene such as the public benefit corporations established by special acts as described above.

Several municipalities in the State are presently working with the FRB. The City has not requested FRB assistance, nor does it reasonably expect to do so in the foreseeable future. School districts and fire districts are not eligible for FRB assistance.

Constitutional Non-Appropriation Provision. There is in the Constitution of the State, Article VIII, Section 2, the following provision relating to the annual appropriation of monies for the payment of due principal of and interest on indebtedness of every county, city, town, village and school district in the State: “If at any time the respective appropriating authorities shall fail to make such appropriations, a sufficient sum shall be set apart from the first revenues thereafter received and shall be applied to such purposes. The fiscal officer of any county, city, town, village or school district may be required to set aside and apply such revenues as aforesaid at the suit of any holder of obligations issued for any such indebtedness.” This constitutes a specific non-exclusive constitutional remedy against a defaulting municipality or school district; however, it does not apply in a context in which monies have been appropriated for debt service, but the appropriating authorities decline to use such monies to pay debt service. However, Article VIII, Section 2 of the Constitution of the State also provides that the fiscal officer of any county, city, town, village or school district may be required to set apart and apply such revenues at the suit of any holder of any obligations of indebtedness issued with the pledge of the faith of the credit of such political subdivision. See “General Municipal Law Contract Creditors’ Provision” herein.

The Constitutional provision providing for first revenue set asides does not apply to tax anticipation notes, revenue anticipation notes or bond anticipation notes.

Default Litigation. In prior years, certain events and legislation affecting a holder’s remedies upon default have resulted in litigation. While courts of final jurisdiction have upheld and sustained the rights of bondholders, such courts might hold that future events including financial crises as they may occur in the State and in political subdivisions of the State require the exercise by the State or its political subdivisions of emergency and police powers to assure the continuation of essential public services prior to the payment of debt service. See “Nature of Obligation” and “State Debt Moratorium Law” herein.

No Past Due Debt. No principal of or interest on City indebtedness is past due.

CONTINUING DISCLOSURE

In order to assist the purchasers in complying with Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended (“Rule 15c2-12” or the “Rule”), the City will enter into an Undertaking to provide notice of certain enumerated events as described in Rule 15c2-12 with respect to the Notes, the form, substantially of which, is attached hereto as “APPENDIX – C”.

Historical Compliance

Except as noted below, the City is in compliance in all material respects within the last five years with all previous undertakings made pursuant to the Rule.

On January 2, 2018, the City’s submitted notice of its failure to provide audited financial statements for the fiscal year ending December 31, 2016 by the last business day of the respective succeeding fiscal year. The City’s 2016 audited financial report was submitted to the EMMA system on February 21, 2018.

On March 4, 2021, the City's submitted notice of its failure to provide audited financial statements for the fiscal year ending December 31, 2019 by the last business day of the respective succeeding fiscal year. The City's 2019 audited financial report was submitted to the EMMA system on March 4, 2021.

The City currently retains Fiscal Advisors & Marketing, Inc. as a dissemination agent to assist the City with filings required under Rule 15c2-12. Such dissemination agent works with the City to help ensure that proper information is filed as required under the City's disclosure undertakings.

MARKET AND RISK FACTORS

There are various forms of risk associated with investing in the Notes. The following is a discussion of certain events that could affect the risk of investing in the Notes. In addition to the events cited herein, there are other potential risk factors that an investor must consider. In order to make an informed investment decision, an investor should be thoroughly familiar with the entire Official Statement, including its appendices, as well as all areas of potential risk.

The financial and economic condition of the City as well as the market for the Notes could be affected by a variety of factors, some of which are beyond the City's control. There can be no assurance that adverse events in the State and in other jurisdictions in the country, including, for example, the seeking by a municipality or large taxable property owner of remedies pursuant to the Federal Bankruptcy Code or otherwise, will not occur which might affect the market price of and the market for the Notes. If a significant default or other financial crisis should occur in the affairs of the State or another jurisdiction or any of its agencies or political subdivisions thereby further impairing the acceptability of obligations issued by borrowers within the State, both the ability of the City to arrange for additional borrowings, and the market for and market value of outstanding debt obligations, including the Notes, could be adversely affected.

The City is dependent in part on financial assistance from the State. However, if the State should experience difficulty in borrowing funds in anticipation of the receipt of State taxes and revenues in order to pay State aid to municipalities and school districts in the State, including the City, in any year, the City may be affected by a delay, until sufficient taxes have been received by the State to make State aid payments to the City. In several recent years, the City has received delayed payments of State aid which resulted from the State's delay in adopting its budget and appropriating State aid to municipalities and school districts, and consequent delay in State borrowing to finance such appropriations. (See also "State Aid" herein).

If a holder elects to sell his investment prior to its scheduled maturity date, market access or price risk may be incurred. If and when a holder of any of the Notes should elect to sell a Note prior to its maturity, there can be no assurance that a market shall have been established, maintained and be in existence for the purchase and sale of any of the Notes. Recent global financial crises have included limited periods of significant disruption. In addition, the price and principal value of the Notes is dependent on the prevailing level of interest rates; if interest rates rise, the price of a bond or note will decline, causing the bondholder or noteholder to incur a potential capital loss if such bond or note is sold prior to its maturity.

Amendments to U.S. Internal Revenue Code could reduce or eliminate the favorable tax treatment granted to municipal debt, including the Notes and other debt issued by the City. Any such future legislation would have an adverse effect on the market value of the Notes (See "TAX MATTERS" herein).

The enactment of the Tax Levy Limitation Law, which imposes a tax levy limitation upon municipalities, school districts and fire districts and have restrictions in the State, including the City without providing an exclusion for debt service on obligations issued by municipalities or fire districts, including the City, could have an impact upon the market price of the Notes. See "TAX LEVY LIMITATION" herein.

COVID -19

An outbreak of disease or similar public health threat, such as the COVID-19 outbreak, or fear of such an event, could have an adverse impact on the City's financial condition and operating results by potentially delaying the receipt of real property taxes or resulting in a delay or reduction by the State in the payment of State aid. Currently, the spread of COVID-19, a respiratory disease caused by a new strain of coronavirus, has spread globally, including to the United States, and has been declared a pandemic by the World Health Organization. The outbreak of the disease has affected travel, commerce and financial markets globally and is widely expected to affect economic growth worldwide. The current outbreak has caused the Federal government to declare a national state of emergency. The State has also declared a state of emergency and the Governor has taken steps designed to mitigate the spread and impacts of COVID-19. These steps have had a material impact on public gatherings and the operations of schools, non-essential businesses and other entities. The outbreak of COVID-19 and the dramatic steps taken by the State to address it are expected to negatively impact the State's economy and financial condition. The full impact of COVID-19 upon the State is not expected to be known for some time. Similarly, the degree of

the impact to the City's operations and finances is extremely difficult to predict due to the dynamic nature of the COVID-19 outbreak, including uncertainties relating to its (i) duration, and (ii) severity, as well as with regard to what actions may be taken by governmental and other health care authorities, including the State, to contain or mitigate its impact. The continued spread of the outbreak could have a material adverse effect on the State and municipalities and school districts located in the State, including the City. The City is monitoring the situation and will take such proactive measures as may be required to maintain its operations and meet its obligations. (See "State Aid" herein).

Cybersecurity

The City, like many other public and private entities, relies on a large and complex technology environment to conduct its operations. As such, it may face multiple cybersecurity threats including, but not limited to, hacking, viruses, malware and other attacks on computer or other sensitive digital systems and networks. There can be no assurances that any security and operational control measures implemented by the City will be completely successful to guard against and prevent cyber threats and attacks. The result of any such attacks could impact business operations and/or digital networks and systems and the costs of remedying any such damage could be significant.

TAX MATTERS

Opinion of Bond Counsel. In the opinion of Rodenhausen Chale & Polidoro LLP, Rhinebeck, New York, Bond Counsel to the City, under existing law, and assuming continuing compliance with certain tax certifications described herein, interest on the Notes is not included in gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"). In addition, interest on the Notes is not treated as an "item of tax preference" for purposes of the federal alternative minimum tax applicable to individuals under the Code. The Arbitrage and Use of Proceeds Certificates of the City which will be delivered concurrently with the delivery of the Notes, respectively, will contain provisions and procedures relating to compliance with applicable provisions of the Code.

It is also the opinion of Bond Counsel to the City that interest on the Notes is exempt from personal income taxes imposed by the State and its political subdivisions (including The City of New York).

Bond Counsel expresses no opinion with respect to any other federal, state or local tax consequences arising with respect to the Notes or the ownership or disposition thereof.

The Notes will be designated as "qualified tax-exempt obligations" under Section 265(b)(3) of the Code.

Bond Counsel's opinion is rendered as of its date, and no opinion is expressed as to matters referred to herein on any subsequent date. Certain requirements and procedures contained or referred to in the Arbitrage and Use of Proceeds Certificates delivered in connection with the issuance of the Notes may be changed, and certain actions may be taken, under the circumstances and subject to the terms and conditions set forth in such document, upon the advice or with the approving opinion of Bond Counsel. Bond Counsel expresses no opinion as to the Notes or the interest thereon if any change occurs or action is taken upon the advice or approval of bond counsel other than Rodenhausen Chale & Polidoro LLP, Rhinebeck, New York.

Certain Requirements of the Code. The Code establishes certain requirements that must be met subsequent to the issuance and delivery of the Notes in order that interest on the Notes be and remain not included in gross income for Federal income tax purposes pursuant to Section 103 of the Code. These requirements include but are not limited to restrictions on the investment and use of proceeds of the Notes and the rebate of certain earnings in respect of such investments to the United States. Noncompliance may cause interest on the Notes to become subject to Federal income taxes retroactive to the date of issue of the Notes, irrespective of the date on which such noncompliance occurs or is ascertained. The City will execute and deliver an Arbitrage and Use of Proceeds Certificate with respect to the Notes which will contain provisions and procedures relating to compliance with applicable requirements of the Code. The Arbitrage and Use of Proceeds Certificates will include the City's certification to the effect that the City will comply with the provisions and procedures set forth therein and that it will do and perform all acts and things necessary or desirable to assure that interest on the Notes is not included in gross income pursuant to Section 103(a) of the Code.

In rendering its opinion, Bond Counsel has relied upon the representations, certifications of fact and statements of reasonable expectations made by the City in connection with the Notes, and Bond Counsel has assumed compliance with such covenants and warranties and the accuracy, in all material respects, of such representations and certifications.

Certain Additional Federal Tax Consequences. The following is a brief discussion of certain federal income tax matters with respect to the Notes under existing law. It does not purport to deal with all aspects of federal taxation that may be relevant to a particular owner of a Note. Prospective investors are advised to consult their own tax advisors regarding the federal tax consequences of owning and disposing of the Notes. Bond Counsel expresses no opinion regarding any such consequences.

Prospective purchasers of Notes should be aware that the ownership of such obligations may result in collateral Federal income tax consequences to various categories of persons, such as corporations (including S Corporations and foreign corporations), financial institutions, property and casualty and life insurance companies, and individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise eligible for the earned income credit, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry obligations. Interest on the Notes may be taken into account in determining the tax liability of foreign corporations subject to the branch profits tax imposed by Section 884 of the Code.

Owners of the Notes subject to any such taxes or who might fall into any such category should consult their own tax advisors as to the computation of any such tax and the applicability of these consequences.

Legislation affecting municipal obligations, such as the Notes, is considered from time to time by the United States Congress. There can be no assurance that legislation enacted or proposed after the date of issuance of the Notes will not have an adverse effect on the tax-exempt status or market price of the Notes.

Original Issue Discount. “Original issue discount” (“OID”) is the excess of the sum of all amounts payable at the stated maturity of a Tax-Exempt Obligation (excluding certain “qualified stated interest” that is unconditionally payable at least annually at prescribed rates) over the issue price of that maturity. In general, the “issue price” of a maturity means the first price at which a substantial amount of each of the Notes of that maturity was sold (excluding sales to bond houses, brokers, or similar persons acting in the capacity as underwriters, placement agents or wholesalers). In general, the issue price for the Notes is expected to be the initial public offering price set forth in this Official Statement. For any Notes having OID (a “Discount Bond”), OID that has accrued and is properly allocable to the owners of the Discount Bonds under Section 1288 of the Code is excludable from gross income for Federal income tax purposes to the same extent as other interest on the Notes.

In general, under Section 1288 of the Code, OID on a Discount Bond accrues under a constant yield method, based on periodic compounding of interest over prescribed accrual periods using a compounding rate determined by reference to the yield on that Discount Bond. An owner’s adjusted basis in a Discount Bond is increased by accrued OID for purposes of determining gain or loss on sale, exchange, or the other disposition of such Discount Bond. Accrued OID may be taken into account as an increase in the amount of tax-exempt income received or deemed to have been received for purposes of determining various other tax consequences of owning a Discount Bond even though there will not be a corresponding cash payment.

Owners of Discount Bonds should consult their own tax advisors with respect to the treatment of original issue discount for Federal income tax purposes, including various special rules relating thereto, and the state and local tax consequences of acquiring, holding, and disposing of Discount Bonds.

Note Premium. In general, if an owner acquires a note for a purchase price (excluding accrued interest) or otherwise at a tax basis that reflects a premium over the sum of all amounts payable on the Notes after the acquisition date (excluding certain “qualified stated interest” that is unconditionally payable at least annually at prescribed rates), that premium constitutes a “bond premium” on that Note (a “Premium Bond”). In general, under Section 171, of the Code, an owner of a Premium Bond must amortize the premium over the remaining term of the Premium Bond, based on the owner’s yield over the remaining term of the Premium Bond, determined based on constant yield principles (in certain cases involving a Premium Bond callable prior to its stated maturity date, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on such Bond). An owner of a Premium Bond must amortize the bond premium by offsetting the qualified stated interest allocable to each interest accrual period under the owner’s regular method of accounting against the bond premium allocable to that period. In the case of a tax-exempt Premium Bond, if the bond premium allocable to an accrual period exceeds the qualified stated interest allocable to that accrual period, the excess is a nondeductible loss. Under certain circumstances, the owner of a Premium Bond may realize a taxable gain upon disposition of the Premium Bond even though it is sold or redeemed for an amount less than or equal to the owner’s original acquisition cost. Owners of any Premium Bond should consult their own tax advisors regarding the treatment of bond premium for Federal income tax purposes, including various special rules relating thereto, and state and local tax consequences, in connection with the acquisition, ownership, amortization of bond premium on, sale, exchange, or other disposition of Premium Bonds.

Information Reporting and Backup Withholding. Information reporting requirements apply to interest on tax-exempt obligations, including the Notes. In general, such requirements are satisfied if the interest recipient completes, and provides the payor with, a Form W-9, "Request for Taxpayer Identification Number and Certification," or unless the recipient is one of a limited class of exempt recipients. A recipient not otherwise exempt from information reporting who fails to satisfy the information reporting requirements will be subject to "backup withholding," which means that the payor is required to deduct and withhold a tax from the interest payment, calculated in the manner set forth in the Code. For the foregoing purpose, a "payor" generally refers to the person or entity from whom a recipient receives its payments of interest or who collects such payments on behalf of the recipient.

Miscellaneous. Tax legislation, administrative action taken by tax authorities, and court decisions, whether at the federal or state level, may adversely affect the tax-exempt status of interest on the Notes under Federal or state law or otherwise prevent beneficial owners of the Notes from realizing the full current benefit of the tax status of such interest. In addition, such legislation or actions (whether currently proposed, proposed in the future, or enacted) and such decisions could affect the market price or marketability of the Notes.

The IRS has an ongoing program of auditing the tax-exempt status of the interest on tax-exempt obligations. If an audit of the Notes is commenced, under current procedures the IRS is likely to treat the City as the "taxpayer," and the owners of the Notes would have no right to participate in the audit process. In responding to or defending an audit of the tax-exempt status of the interest on the Notes, the City may have different or conflicting interests from the owners of the Notes. Public awareness of any future audit of the Notes could adversely affect the value and liquidity of the Notes during the pendency of the audit, regardless of its ultimate outcome.

PROSPECTIVE PURCHASERS OF THE NOTES SHOULD CONSULT THEIR OWN TAX ADVISORS REGARDING THE FOREGOING MATTERS.

LEGAL MATTERS

Legal matters incident to the authorized issuance and sale of the Notes will be subject to the final approving opinion of Rodenhausen Chale & Polidoro LLP, Rhinebeck, New York, Bond Counsel. The form of the approving opinions of bond counsel with respect to the Notes expected to be delivered at closing is attached to this Official Statement as "APPENDIX-E", and made a part thereof. Certain legal matters will be passed on for the City by its Corporation Counsel.

RATINGS

The Notes are not rated. Subject to the approval of the City, the purchaser(s) of the Notes may have a rating completed after the sale at the expense of the purchaser(s), including any fees to be incurred by the City, such as a rating action that may require the filing of a material event notification to EMMA, and/or the provision of a supplement to the final Official Statement.

S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P") has assigned their underlying rating of "A+" with a stable outlook to the City's serial bonds. A rating reflects only the view of the rating agency assigning such rating and an explanation of the significance of such rating may be obtained from such rating agency. Any desired explanation of the significance of such rating should be obtained from Standard & Poor's Credit Market Services, Public Finance Ratings, 55 Water Street, 38th Floor, New York, New York 10041, Phone: (212) 553-0038, Fax: (212) 553-1390.

Generally, rating agencies base their ratings on the information and materials furnished to it and on investigations, studies and assumptions by the respective rating agency. There is no assurance that a particular rating will apply for any given period of time or that it will not be lowered or withdrawn entirely if, in the judgment of the agency originally establishing the rating, circumstances so warrant. Any downward revision or withdrawal of the rating of the Bonds may have an adverse effect on the market price of the Bonds.

LITIGATION

The City is subject to a number of lawsuits in the ordinary conduct of its affairs, some of which are being defended by the City's insurance carrier. For those matters covered by the carrier, all have been reserved well within the applicable limits of the City's insurance coverage.

The status of pending or recently pending litigation is as follows:

Notices of Claim. Notices of Claim were filed by two parties, Mc Donald and Mc Gee, for damages alleged to have been caused by the backup of sewage into two basements. The City is represented in the matter by its carrier. The Mc Donald matter has been closed. The carrier denied any coverage of the event and advised the claimant that the City is neither negligent nor responsible for damages. The same outcome is expected in the Mc Gee matter.

Notices of Claim were also filed by complainants Kravitz and Lowman against the police department, however, a formal lawsuit in either matter was never filed, and no further legal action is anticipated.

Slip and Fall Matters. Two slip and fall personal injury actions commenced by complainants Heffernan and Heath-Folds alleging defects in City property have been resolved. The Heffernan case settled, and Heath-Folds was dismissed on summary judgment.

A third slip and fall case, Metheny v. City of Hudson is proceeding. The City is represented in the matter by its carrier who will move for summary judgment due to a lack of prior written notice of the defect to the City. The summary judgement will be filed in March or April depending the court's schedule due to COVID-19.

The Metheny matter is still in discovery. The City will file a motion for summary judgement shortly.

Hess v. City of Hudson. In the matter of Hess v. City of Hudson, the initial lawsuit was filed against the City for a trench that collapsed while the plaintiff was working on a construction project. The City sued the insurance carrier for the contractor seeking insurance coverage and that carrier agreed to pay. The city is finalizing the settlement documents.

Hudson Collective Realty, LLC. Hudson Collective Realty, LLC. sought to have it declared the successful bidder in a tax foreclosure sale. The matter has been settled. Hudson Collective Realty, LLC was awarded the property and paid the full asking price.

City of Hudson v. Hudson Police Local 3979. This matter involves a grievance filed by the local Union against the City claiming an entitlement for certain members to enhanced retirement benefits. The City's lawsuit seeks to stay the Union's request for arbitration and a determination that the Union members are not entitled to the enhanced retirement benefit. The City's insurance carrier has denied coverage for this matter. The litigation could have a significant impact on the financial condition of the City. It is estimated that the enhanced benefit could cost the City over \$900,000 if the Union is successful and an additional \$75,000 annually for the next several decades. The City's request for a stay was denied, and the City has appealed the decision. Arbitration is currently stayed pending the appeal. The appeal is due in March.

The City is currently in settlement negotiations with Hudson Police Local 3979 and anticipates that the parties will reach agreement. The court has granted a final extension in this matter to June 2021.

Tax Certiorari Proceedings. The City is often a named party in certiorari proceedings instituted commenced pursuant to Article 7 of the N.Y. Real Property Tax Law. In these proceedings, taxpayers claim that their current real property assessment is excessive and ask that such assessment be reduced. Generally, tax claims request a refund of taxes applicable to the alleged over-assessment. Claims of this nature are filed continuously and some cases may not be settled for several years or more. It is not unusual for certain taxpayers to have multiple pending claims affecting a period of years. None of the outstanding claims are expected to result in any refunds that would have a substantial material impact on the City.

MUNICIPAL ADVISOR

Fiscal Advisors & Marketing, Inc. (the "Municipal Advisor"), is a municipal advisor, registered with the SEC and the MSRB. The Municipal Advisor serves as independent financial advisor to the City on matters relating to debt management. The Municipal Advisor is a financial advisory and consulting organization and is not engaged in the business of underwriting, marketing, or trading municipal securities or any other negotiated instruments. The Municipal Advisor has provided advice as to the plan of financing and the structuring of the Notes. The advice on the plan of financing and the structuring of the Notes was based on materials provided by the City and other sources of information believed to be reliable. The Municipal Advisor has not audited, authenticated, or otherwise verified the information provided by the City or the information set forth in this Official Statement or any other information available to the City with respect to the appropriateness, accuracy, or completeness of disclosure of such information and no guarantee, warranty, or other representation is made by the Municipal Advisor respecting the accuracy and completeness of or any other matter related to such information and this Official Statement. The fees to be paid by the City to the Municipal Advisor are partially contingent on the successful closing of the Notes.

CUSIP IDENTIFICATION NUMBERS

It is anticipated that CUSIP (an acronym that refers to Committee on Uniform Security Identification Procedures) identification numbers will be printed on the Notes. All expenses in relation to the printing of CUSIP numbers on the Notes will be paid for by the City; provided, however, the City assumes no responsibility for any CUSIP Service Bureau charge or other charge that may be imposed for the assignment of such numbers.

MISCELLANEOUS

Statements in the Official Statement, and the documents included by specific reference, that are not historical facts are “forward-looking statements”, within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, and as defined in the Private Securities Litigation Reform Act of 1995, which involve a number of risks and uncertainties, and which are based on the City management’s beliefs as well as assumptions made by, and information currently available to, the City management and staff. Because the statements are based on expectations about future events and economic performance and are not statements of fact, actual results may differ materially from those projected. Important factors that could cause future results to differ include legislative and regulatory changes, changes in the economy, and other factors discussed in this and other documents that the City’s files with the repositories. When used in City documents or oral presentation, the words “anticipate”, “believe”, “intend”, “plan”, “foresee”, “likely”, “estimate”, “expect”, “objective”, “projection”, “forecast”, “goal”, “will”, or “should”, or similar words or phrases are intended to identify forward-looking statements.

To the extent any statements made in this Official Statement involve matters of opinion or estimates, whether or not expressly stated, they are set forth as such and not as representations of fact, and no representation is made that any of the statements will be realized. Neither this Official Statement nor any statement which may have been made verbally or in writing is to be construed as a contract with the holder of the Bonds.

References herein to the Constitution of the State and various State and federal laws are only brief outlines of certain provisions thereof and do not purport to summarize or describe all of such provisions.

Rodenhausen, Chale, & Polidoro, LLP Bond Counsel to the City, expresses no opinions as to the accuracy or completeness of information in any documents prepared by or on behalf of the City for use in connection with the offer and sale of the, including but not limited to, the financial or statistical information in this Official Statement.

The City hereby disclaims any obligation to update developments of the various risk factors or to announce publicly any revision to any of the forward-looking statements contained herein or to make corrections to reflect future events or developments except to the extent required by Rule 15c2-12 promulgated by the Securities and Exchange Commission.

The City’s Bond Counsel contact information is as follows: Christine Chale, Esq., Rodenhausen Chale & Polidoro LLP, 55 Chestnut Street, Rhinebeck, New York 12572, Phone: (845) 516-4323, Fax (845) 516-4528, Email: cchale@rodenhausenchale.com.

The City’s contact information is as follows: Ms. Heather S. Campbell, City Treasurer, City of Hudson, 520 Warren Street, Hudson, New York 12534, phone: (518) 828-0212, telefax: (518) 828-3579, email: citytreasurer@cityofhudson.org.

This Official Statement has been duly executed and delivered by the City Treasurer of the City of Hudson on behalf of the City.

CITY of HUDSON

Dated: June 4, 2021

HEATHER S. CAMPBELL
City Treasurer

GENERAL FUND
Balance Sheets

Fiscal Years Ending December 31:

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u> (Unaudited)
ASSETS					
Cash:					
Unrestricted	\$ 4,229,341	\$ 2,674,188	\$ 3,997,061	\$ 4,286,558	\$ 2,725,055
Restricted	836,485	428,775	677,645	437,234	606,615
Taxes receivable, net	1,259,481	1,395,085	1,384,516	1,555,079	1,811,387
Other, net of allowance	440,030	700,066	741,993	524,653	896,484
Prepaid Expenditures	58,285	55,846	67,328	23,252	10,601
Due from Other Governments	-	401,367	-	342,449	73,899
Due from Other Funds	100,000	1,353,208	80,023	909,009	2,104,025
TOTAL ASSETS	<u>\$ 6,923,622</u>	<u>\$ 7,008,535</u>	<u>\$ 6,948,566</u>	<u>\$ 8,078,234</u>	<u>\$ 8,228,066</u>
LIABILITIES AND FUND EQUITY					
Accounts Payable	\$ 147,866	\$ 531,612	\$ 478,038	\$ 1,143,226	\$ 1,329,707
Accrued Liabilities	36,830	74,473	83,491	99,758	138,700
Other Liabilities	19,896	20,104	16,184	6,386	86,530
Due to Other Governments	797,708	811,273	926,717	766,655	923,647
Due to Other Funds	-	148,508	149,003	141,386	146,306
Deferred Revenue	461,773	435,304	308,796	647,184	804,885
Due to Employees' Retirement System	172,853	164,314	167,773	525,036	562,494
Due to Police and Firemens' Retirement System	336,321	335,996	354,894	-	-
Overpayments & collections in advance	-	-	-	-	-
TOTAL LIABILITIES	<u>1,973,247</u>	<u>2,521,584</u>	<u>2,484,896</u>	<u>3,329,631</u>	<u>3,992,269</u>
FUND EQUITY					
Non Spendable	\$ 58,285	\$ 55,846	\$ 67,328	\$ 23,252	\$ 10,601
Restricted	856,347	428,775	677,645	871,972	606,615
Committed	-	-	-	-	-
Assigned	330,316	437,954	444,848	1,015,972	1,224,341
Unassigned	3,705,427	3,564,376	3,273,849	2,837,407	2,394,240
TOTAL FUND EQUITY	<u>4,950,375</u>	<u>4,486,951</u>	<u>4,463,670</u>	<u>4,748,603</u>	<u>4,235,797</u>
TOTAL LIABILITIES and FUND EQUITY	<u>\$ 6,923,622</u>	<u>\$ 7,008,535</u>	<u>\$ 6,948,566</u>	<u>\$ 8,078,234</u>	<u>\$ 8,228,066</u>

Source: Audited financial reports and 2020 Annual update document (unaudited) of the City. This Appendix is not itself audited.

GENERAL FUND
Revenues, Expenditures and Changes in Fund Balance

<u>Fiscal Years Ending December 31:</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
REVENUES					
Real Property Taxes	\$ 5,072,585	\$ 5,043,654	\$ 5,078,803	\$ 5,200,606	\$ 5,224,376
Real Property Tax Items	345,348	454,452	353,803	333,325	-
Non-Property Taxes	1,568,686	1,617,252	1,889,963	2,205,843	2,258,746
Departmental Income	504,067	552,652	549,514	613,030	924,107
Use of Money & Property	101,155	78,405	75,060	74,726	83,942
Licenses and Permits	160,754	169,070	183,549	160,584	205,052
Fines and Forfeitures	388,542	317,986	293,280	376,058	395,595
Sale of Property and Compensation for Loss	33,057	33,073	57,973	55,608	469,909
Miscellaneous	59,593	64,975	94,550	71,481	139,924
Revenues from State Sources	1,972,696	1,779,530	2,130,698	1,757,415	2,192,829
Revenues from Federal Sources	-	-	-	-	-
Total Revenues	<u>\$ 10,206,483</u>	<u>\$ 10,111,049</u>	<u>\$ 10,707,193</u>	<u>\$ 10,848,676</u>	<u>\$ 11,894,480</u>
EXPENDITURES					
General Government Support	\$ 1,138,860	\$ 1,207,541	\$ 1,247,369	\$ 1,296,302	\$ 1,312,146
Public Safety	3,109,282	3,149,059	3,301,970	3,575,420	3,707,157
Health	8,264	8,304	8,363	8,575	8,556
Transportation	1,474,971	1,045,817	1,729,714	1,210,452	1,535,652
Economic Assistance and Opportunity	3,346	3,350	3,160	3,232	3,938
Culture and Recreation	546,034	472,070	585,408	880,759	1,053,594
Home and Community Services	270,927	376,008	316,903	237,476	313,318
Employee Benefits	2,669,787	2,524,345	2,602,107	2,885,783	2,701,164
Debt Service	382,672	403,596	527,741	523,959	603,076
Total Expenditures	<u>\$ 9,604,143</u>	<u>\$ 9,190,090</u>	<u>\$ 10,322,735</u>	<u>\$ 10,621,958</u>	<u>\$ 11,238,601</u>
Other Financing Sources (Uses):					
Operating Transfers In	-	-	-	-	2,415
Operating Transfers Out	-	(281,983)	(847,880)	(250,000)	(373,360)
Total Other Financing	<u>-</u>	<u>(281,983)</u>	<u>(847,880)</u>	<u>(250,000)</u>	<u>(370,945)</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>602,340</u>	<u>638,976</u>	<u>(463,422)</u>	<u>(23,282)</u>	<u>284,934</u>
FUND BALANCE					
Fund Balance - Beginning of Year	3,709,058	4,311,397	4,950,373	4,486,951	4,463,669
Prior Period Adjustments (net)	(1)	-	-	-	-
Fund Balance - End of Year	<u>\$ 4,311,397</u>	<u>\$ 4,950,373</u>	<u>\$ 4,486,951</u>	<u>\$ 4,463,669</u>	<u>\$ 4,748,603</u>

Source: Audited financial reports of the City. This Appendix is not itself audited.

GENERAL FUND
Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

Fiscal Years Ending December 31:

	2020		2021
	<u>Adopted Budget</u>	<u>Unaudited Actual</u>	<u>Adopted Budget</u>
<u>REVENUES</u>			
Real Property Taxes	\$ 5,535,949	\$ 5,177,383	\$ 5,490,745
Real Property Tax Items	415,476	397,097	528,912
Non-Property Taxes	2,356,000	2,179,157	2,124,000
Departmental Income	628,018	560,012	555,080
Use of Money & Property	83,600	50,468	80,600
Licenses and Permits	191,750	172,861	202,500
Fines and Forfeitures	390,000	300,092	390,000
Sale of Property and Compensation for Loss	35,000	31,152	32,750
Miscellaneous	76,250	217,155	50,550
Revenues from State Sources	1,861,551	1,800,277	1,879,254
Revenues from Federal Sources	18,344	-	19,180
Total Revenues	<u>\$ 11,591,938</u>	<u>\$ 10,885,654</u>	<u>\$ 11,353,571</u>
<u>EXPENDITURES</u>			
General Government Support	\$ 1,421,666	\$ 1,264,412	\$ 1,466,889
Public Safety	3,723,333	3,590,646	3,645,073
Health	8,964	7,632	9,810
Transportation	1,342,666	1,165,676	1,321,814
Economic Assistance and Opportunity	149,200	173,921	4,000
Culture and Recreation	997,093	1,122,178	1,030,550
Home and Community Services	311,935	367,028	324,065
Employee Benefits	3,045,066	2,644,650	3,154,459
Debt Service	598,754	598,751	533,615
Total Expenditures	<u>\$ 11,598,677</u>	<u>\$ 10,934,894</u>	<u>\$ 11,490,275</u>
Other Financing Sources:			
Operating Transfers In	-	1,428	1,500
Operating Transfers Out	(347,161)	(465,000)	(364,564)
Total Other Financing	<u>(347,161)</u>	<u>(463,572)</u>	<u>(363,064)</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>(353,900)</u>	<u>(512,812)</u>	<u>(499,768)</u>
<u>FUND BALANCE</u>			
Fund Balance - Beginning of Year	353,900	4,748,609	499,768
Prior Period Adjustments (net)	-	-	-
Fund Balance - End of Year	<u>\$ -</u>	<u>\$ 4,235,797</u>	<u>\$ -</u>

Source: 2020 Annual update document (unaudited) and adopted budgets of the City. This Appendix is not itself audited.

BONDED DEBT SERVICE

Fiscal Year Ending December 31st	Principal	Interest	Total
2021	\$ 708,950	\$ 137,998	\$ 846,948
2022	716,499	130,545	847,044
2023	729,526	122,139	851,665
2024	604,763	112,688	717,451
2025	613,573	107,813	721,386
2026	627,382	102,681	730,063
2027	636,192	97,294	733,486
2028	645,001	91,750	736,751
2029	653,811	86,050	739,861
2030	667,620	79,775	747,395
2031	676,430	72,925	749,355
2032	690,239	65,800	756,039
2033	414,320	58,400	472,720
2034	424,780	50,725	475,505
2035	430,240	42,775	473,015
2036	440,700	34,550	475,250
2037	405,700	26,050	431,750
2038	420,700	17,175	437,875
2039	320,700	9,500	330,200
2040	325,700	3,200	328,900
2041	165,700	-	165,700
2042	165,700	-	165,700
2043	165,700	-	165,700
TOTALS	\$ 11,649,926	\$ 1,449,832	\$ 13,099,758

CURRENT BONDS OUTSTANDING

Fiscal Year Ending Dec 31st	2003 NYS EFC - Water			2006 NYS EFC - Water		
	Principal	Interest	Total	Principal	Interest	Total
2021	\$ 244,532	\$ -	244,532.00	\$ 33,104	\$ -	33,104.00
2022	247,881	-	247,881.00	33,563	-	33,563.00
2023	251,231	-	251,231.00	34,022	-	34,022.00
2024	254,581	-	254,581.00	34,482	-	34,482.00
2025	257,931	-	257,931.00	34,942	-	34,942.00
2026	261,280	-	261,280.00	35,402	-	35,402.00
2027	264,630	-	264,630.00	35,862	-	35,862.00
2028	267,980	-	267,980.00	36,321	-	36,321.00
2029	271,330	-	271,330.00	36,781	-	36,781.00
2030	274,679	-	274,679.00	37,241	-	37,241.00
2031	278,029	-	278,029.00	37,701	-	37,701.00
2032	281,379	-	281,379.00	38,160	-	38,160.00
2033	-	-	-	38,620	-	38,620.00
2034	-	-	-	39,080	-	39,080.00
2035	-	-	-	39,540	-	39,540.00
2036	-	-	-	40,000	-	40,000.00
TOTALS	\$ 3,155,463	\$ -	\$ 3,155,463.00	\$ 584,821	\$ -	\$ 584,821.00

Fiscal Year Ending Dec 31st	2013 Statutory Installment Bond		
	Principal	Interest	Total
2021	\$ 54,534	\$ 5,422.01	59,956.11
2022	56,285	3,671.47	59,956.11
2023	58,091	1,864.73	59,956.05
TOTALS	\$ 168,910	\$ 10,958.21	\$ 179,868.27

CURRENT BONDS OUTSTANDING

Fiscal Year Ending Dec 31st	2013 NYS EFC - Sewer			2014 Serial Bond		
	Principal	Interest	Total	Principal	Interest	Total
2021	165700	0	165700	75000	86175	161175
2022	165,700	-	165,700.00	75,000	83,925.00	158,925.00
2023	165,700	-	165,700.00	80,000	81,200.00	161,200.00
2024	165,700	-	165,700.00	80,000	78,000.00	158,000.00
2025	165,700	-	165,700.00	85,000	74,700.00	159,700.00
2026	165,700	-	165,700.00	90,000	71,200.00	161,200.00
2027	165,700	-	165,700.00	95,000	67,500.00	162,500.00
2028	165,700	-	165,700.00	95,000	63,700.00	158,700.00
2029	165,700	-	165,700.00	100,000	59,800.00	159,800.00
2030	165,700	-	165,700.00	105,000	55,700.00	160,700.00
2031	165,700	-	165,700.00	110,000	51,400.00	161,400.00
2032	165,700	-	165,700.00	115,000	46,900.00	161,900.00
2033	165,700	-	165,700.00	120,000	42,200.00	162,200.00
2034	165,700	-	165,700.00	125,000	37,300.00	162,300.00
2035	165,700	-	165,700.00	130,000	32,200.00	162,200.00
2036	165,700	-	165,700.00	135,000	26,900.00	161,900.00
2037	165,700	-	165,700.00	140,000	21,400.00	161,400.00
2038	165,700	-	165,700.00	150,000	15,600.00	165,600.00
2039	165,700	-	165,700.00	155,000	9,500.00	164,500.00
2040	165,700	-	165,700.00	160,000	3,200.00	163,200.00
2041	165,700	-	165,700.00	-	-	-
2042	165,700	-	165,700.00	-	-	-
2043	165,700	-	165,700.00	-	-	-
TOTALS	\$ 3,811,100	\$ -	\$ 3,811,100.00	\$ 2,220,000	\$ 1,008,500.00	\$ 3,228,500.00

CURRENT BONDS OUTSTANDING

Fiscal Year Ending Dec 31st	2016 Serial Bond			2018 Bond - Airpacks		
	Principal	Interest	Total	Principal	Interest	Total
2021	\$ 65,000	\$ 39,131.25	\$ 104,131.25	\$ 71,080	\$ 7,269.74	\$ 78,349.64
2022	65,000	37,668.75	102,668.75	73,070	5,279.78	78,350.14
2023	65,000	36,206.25	101,206.25	75,482	2,868.02	78,349.70
2024	70,000	34,687.50	104,687.50	-	-	-
2025	70,000	33,112.50	103,112.50	-	-	-
2026	75,000	31,481.25	106,481.25	-	-	-
2027	75,000	29,793.75	104,793.75	-	-	-
2028	80,000	28,050.00	108,050.00	-	-	-
2029	80,000	26,250.00	106,250.00	-	-	-
2030	85,000	24,075.00	109,075.00	-	-	-
2031	85,000	21,525.00	106,525.00	-	-	-
2032	90,000	18,900.00	108,900.00	-	-	-
2033	90,000	16,200.00	106,200.00	-	-	-
2034	95,000	13,425.00	108,425.00	-	-	-
2035	95,000	10,575.00	105,575.00	-	-	-
2036	100,000	7,650.00	107,650.00	-	-	-
2037	100,000	4,650.00	104,650.00	-	-	-
2038	105,000	1,575.00	106,575.00	-	-	-
2039	-	-	-	-	-	-
2040	-	-	-	-	-	-
TOTALS	\$ 1,490,000	\$ 414,956.25	\$ 1,904,956.25	\$ 219,632	\$ 15,417.54	\$ 235,049.48

CONTINUING DISCLOSURE UNDERTAKING

In accordance with the provisions of Rule 15c2-12, as the same may be amended or officially interpreted from time to time (the "Rule"), promulgated by the United States Securities and Exchange Commission (the "SEC") pursuant to the Securities Exchange Act of 1934, the City has agreed to provide or cause to be provided, in a timely manner not in excess of ten (10) business days after the occurrence of the event, during the period in which the Notes are outstanding, to the Electronic Municipal Market Access System ("EMMA") of the Municipal Securities Rulemaking Board ("MSRB") or any other entity designated or authorized by the Commission to receive reports pursuant to the Rule, notice of the occurrence of any of the following events with respect to the Notes:

- (a) principal and interest payment delinquencies
- (b) non-payment related defaults, if material
- (c) unscheduled draws on debt service reserves reflecting financial difficulties
- (d) in the case of credit enhancement, if any, provided in connection with the issuance of the Notes, unscheduled draws on credit enhancements reflecting financial difficulties
- (e) substitution of credit or liquidity providers, or their failure to perform
- (f) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701 TEB) or other material notices or determinations with respect to the tax status of the Note, or other material events affecting the tax status of the Notes
- (g) modifications to rights of Note holders, if material
- (h) note calls, if material and tender offers
- (i) defeasances
- (j) release, substitution, or sale of property securing repayment of the Note
- (k) rating changes
- (l) bankruptcy, insolvency, receivership or similar event of the City
- (m) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material
- (n) appointment of a successor or additional trustee or the change of name of a trustee, if material
- (o) incurrence of a financial obligation of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the City, any of which affect Note holders, if material; and
- (p) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the City, any of which reflect financial difficulties.

Event (c) is included pursuant to a letter from the SEC staff to the National Association of Bond Lawyers dated September 19, 1995. However, event (c) is not applicable, since no "debt service reserves" will be established for the Notes.

With respect to event (d) the City does not undertake to provide any notice with respect to credit enhancement added after the primary offering of the Notes.

For the purposes of the event identified in paragraph (l) of this section, the event is considered to occur when any of the following occur: The appointment of a receiver, fiscal agent or similar officer for the City in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City.

With respect to events (o) and (p), the term “financial obligation” means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term “financial obligation” shall not include municipal securities as to which a final official statement has been provided to the Municipal Securities Rulemaking Board consistent with the Rule.

The City may from time to time choose to provide notice of the occurrence of certain other events, in addition to those listed above, if the City determines that any such other event is material with respect to the Notes; but the City does not undertake to commit to provide any such notice of the occurrence of any material event except those events listed above.

The City reserves the right to terminate its obligation to provide the aforescribed notices of material events, as set forth above, if and when the City no longer remains an obligated person with respect to the Notes within the meaning of the Rule. The City acknowledges that its undertaking pursuant to the Rule described under this heading is intended to be for the benefit of the holders of the Notes (including holders of beneficial interests in the Notes). The right of holders of the Notes to enforce the provisions of the undertaking will be limited to a right to obtain specific enforcement of the City’s obligations under its continuing disclosure undertaking and any failure by the City to comply with the provisions of the undertaking will neither be a default with respect to the Notes nor entitle any holder of the Notes to recover monetary damages.

The City reserves the right to modify from time to time the specific types of information provided or the format of the presentation of such information, to the extent necessary or appropriate in the judgment of the City; provided that the City agrees that any such modification will be done in a manner consistent with the Rule.

A "Continuing Disclosure Undertaking" to this effect shall be provided to the purchaser(s) at closing.

CITY OF HUDSON
COLUMBIA COUNTY, NEW YORK
FINANCIAL REPORT
For the Year Ended December 31, 2019

Such Audited Financial Statement and opinion were prepared as of date thereof and have not been reviewed and/or updated in connection with the preparation and dissemination of this Official Statement.

CITY OF HUDSON, NEW YORK

**Financial Statements as of
December 31, 2019
Together with
Independent Auditor's Report**

Bonadio & Co., LLP
Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

February 26, 2021

The Honorable Mayor and City Council of the
City of Hudson, New York

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Hudson, New York (City) as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents. We did not audit the Hudson Industrial Development Agency (IDA), which represents 100% of the assets, net position, and revenues of the discretely presented component unit.

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 did not audit the financial statements of the Hudson Industrial Development Agency, which represents 100% of the assets, net position, and revenues of the discretely presented component unit. We did not audit the financial statements of the Hudson Community Development and Planning Agency which represents 5.99%, -7.10%, and .05%, respectively, of the assets, net position, and revenues of the governmental activities, 10.15%, 4.61%, and .29%, respectively, of the assets, fund balance, and revenues of the aggregate remaining fund information. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for these entities, is based solely on the report of the other auditors. 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.

6 Wembley Court
Albany, New York 12205
p (518) 464-4080
f (518) 464-4087

www.bonadio.com

(Continued)

INDEPENDENT AUDITOR'S REPORT (Continued)

Auditor's Responsibility (Continued)

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Summary of Opinions

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Governmental Activities	Adverse
General Fund	Unmodified
Capital Projects Fund	Unmodified
Aggregate Remaining Fund Information	Unmodified
Aggregate Discretely Presented Component Unit	Unmodified

Basis for Adverse Opinion on Governmental Activities

As discussed in Note 1 to the financial statements, management has not recorded other post-employment benefits (OPEB), capital assets and general infrastructure assets in governmental activities and, accordingly, has not recorded employee benefits or depreciation expense. Accounting principles generally accepted in the United States of America require that capital assets and general infrastructure assets be capitalized and depreciated over their estimated useful lives and OPEB obligations be accrued and related expenses recognized, which would increase assets and liabilities, change net position, and increase expenses of the governmental activities. The amount by which this departure would affect the assets and liabilities, net position, and expenses of the governmental activities has not been determined.

Adverse Opinion

In our opinion, because of the significance of the matters discussed in the *Basis for Adverse Opinion on Governmental Activities* paragraph, the financial statements referred to above do not present fairly the financial position of the governmental activities of the City, as of December 31, 2019, or the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund, the aggregate discretely presented component unit and the aggregate remaining fund information of the City as of December 31, 2019, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITOR'S REPORT (Continued)

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules of proportionate share of net pension liability and contributions-pension plans 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, and other auditors, have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The combining nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America, by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the report of other auditors, the combining nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 26, 2021, on our consideration of the City of Hudson'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 solely 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 the effectiveness of the City of Hudson's 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 of Hudson's internal control over financial reporting and compliance.

CITY OF HUDSON, NEW YORK

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) DECEMBER 31, 2019

INTRODUCTION

The following Management Discussion and Analysis (MD&A) of the City of Hudson, New York's (City) financial statement provides an overview of the financial activities for the year ended December 31, 2019. Please read it in conjunction with the basic financial statements and the accompanying notes to those statements that follow this section.

FINANCIAL HIGHLIGHTS

Key financial highlights for the fiscal year 2019 are as follows:

- As reported in the government-wide financial statements, the net position of the City at December 31, 2019 was a deficit of \$7,350,233 as compared to the deficit of \$8,786,138 at December 31, 2018, an increase of \$1,435,905.
- The City's total governmental fund balance at the end of the year was \$6,630,922, which represents an increase from the prior year of \$85,982. The increase was due to funds received in 2019 via a grant and a community host benefit agreement with corresponding expenditures not yet incurred.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$2,837,407 or 24.4% of total General Fund expenditures. It should also be noted that the restricted fund balance of \$871,972 is restricted to use by the resolution of the Common Council not by law and as such could be made available for use as well.

FINANCIAL HIGHLIGHTS (Continued)

Overview of the Financial Statements

This MD&A is intended to serve as an introduction to the City's basic financial statements. The basic financial statements include three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to financial statements.

Government-Wide Financial Statements

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

The *statement of net position* presents information on all of the City's assets, deferred outflows/inflows or resources, and liabilities, with the difference between these four categories reported as *net position*. Over time increases or decreases in net position may serve as a useful indicator as to whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information reflecting how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as underlying events giving rise to changes occur, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will result in cash flow in future fiscal periods.

Both the statement of net position and statement of activities distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*). The governmental activities of the City include general governmental support, public safety, transportation, economic opportunity and development, culture and recreation, home and community services and interest.

The government-wide financial statements can be found on the pages immediately following this section as the first two pages of the basic financial statements

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City like other local governments uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental and fiduciary funds.

Governmental funds - Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and out flows of expendable resources*, as well as on balances of expendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's short-term financing requirements.

FINANCIAL HIGHLIGHTS (Continued)

Fund Financial Statements – (Continued)

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds and governmental activities*.

The City maintains seven individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balance. The General and Capital Projects funds are considered to be major funds, all other funds are considered non-major.

The City adopts an annual appropriated budget for its General, Water, Sewer, and Cemetery funds. A budgetary comparison statement has been provided for these funds within the basic financial statements to demonstrate compliance with these budgets.

The financial statements for the governmental funds can be found in the basic financial statements section of this report.

Fiduciary Funds - The *Fiduciary Funds* are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are *not* available to support the City's own programs. The City maintains only one type of fiduciary fund - Agency Fund. Resources are held in this fund by the City purely in a custodial capacity. The activity in this fund is limited to the receipt, temporary investment, and remittance of resources to the appropriate individual, organization, or government.

The financial statements for the Fiduciary Fund can be found in the basic financial statements section of this report.

Notes to financial statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are located following the basic financial statements section of this report.

FINANCIAL HIGHLIGHTS (Continued)**Table A-1 – Condensed Statement of Net Position (in Thousands of Dollars)**

	<u>2019</u>	<u>2018</u>	<u>% Change</u>
Current Assets	\$ 10,136	\$ 9,240	9.7%
Noncurrent Assets, Net	<u>454</u>	<u>454</u>	0.0%
Total Assets	<u>10,590</u>	<u>9,693</u>	9.2%
Deferred Outflows of Resources	1,539	585	163.2%
Current Liabilities	3,662	3,180	15.1%
Non-current Liabilities	<u>15,119</u>	<u>15,163</u>	-0.3%
Total Liabilities	<u>18,781</u>	<u>18,343</u>	2.4%
Deferred Inflows of Resources	<u>698</u>	<u>721</u>	-3.2%
Net Position			
Net investment in capital assets	(13,117)	(13,998)	6.3%
Restricted	1,646	1,450	13.5%
Unrestricted	<u>4,121</u>	<u>3,762</u>	9.5%
Total Net Position	<u>\$ (7,350)</u>	<u>\$ (8,786)</u>	16.3%

The increase in deferred outflows is due to the City recording its proportionate share flowing through from participation in NYS ERS and PFRS.

FINANCIAL HIGHLIGHTS (Continued)**Table A-2 – Comparative Statement of Activities**

	<u>2019</u>	<u>2018</u>	<u>% Change</u>
Program Revenue:			
Charges for services	\$ 3,450	\$ 3,104	11.1%
Operating grants and contributions	827	14	5993.4%
General Revenue:			
Real property taxes	5,872	5,201	12.9%
Other tax and non tax items	2,259	2,539	-11.0%
General State Aid	1,609	2,347	-31.5%
Use of money and property	314	305	3.1%
Sale of property and compensation for loss	470	73	546.3%
Miscellaneous	<u>626</u>	<u>400</u>	56.5%
 Total Revenues	 <u>15,426</u>	 <u>13,982</u>	 10.3%
 Expenses:			
General government support	1,864	1,937	-3.8%
Public safety	5,527	5,770	-4.2%
Health	13	13	0.8%
Transportation	2,105	1,635	28.7%
Economic opportunity and development	26	65	-59.2%
Culture and recreation	1,384	1,155	19.9%
Home and community services	2,929	3,186	-8.1%
Debt service interest	<u>142</u>	<u>156</u>	-9.4%
 Total Expenses	 <u>13,990</u>	 <u>13,917</u>	 0.5%
 Change in Net Position	 <u>\$ 1,436</u>	 <u>\$ 65</u>	 2097.4%

FINANCIAL HIGHLIGHTS (Continued)

Table A-3 presents the cost of each of the City's governmental programs and each program's net cost of services (total cost less revenue generated by activities). The net cost shows the financial burden that was placed on the city's taxpayers by each of these functions.

	In Thousands			
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	<u>2019</u>	<u>2019</u>	<u>2018</u>	<u>2018</u>
General Government Support	\$ 1,863.9	\$ 1,156.0	\$ 1,936.7	\$ 1,936.7
Public safety	5,526.9	4,978.3	5,770.0	5,756.4
Health	13.1	13.1	13.0	13.0
Transportation	2,104.6	1,699.2	1,635.4	1,635.4
Economic Opportunity & Assistance	26.3	19.4	64.5	64.5
Culture and Recreation	1,384.0	1,072.8	1,154.5	1,154.5
Home and Community Services	2,929.3	632.9	3,186.3	82.3
Interest	<u>141.5</u>	<u>141.5</u>	<u>156.2</u>	<u>156.2</u>
	<u>\$ 13,989.7</u>	<u>\$ 9,713.1</u>	<u>\$ 13,916.6</u>	<u>\$ 10,799.1</u>

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Governmental Funds:

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

As of the end of the current fiscal year, the City's governmental funds reported a combined ending fund balance of \$6,630,922 as compared to \$6,544,940 in 2018, an increase of \$85,982 from the prior year. This is due to funds received in 2019 via a grant and a community host benefit agreement with corresponding expenditures not yet incurred.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS (Continued)

LONG-TERM DEBT

At the end of the current fiscal year, the City had total bonded debt outstanding of \$12,367,994. This represents a decrease of \$711,085 as the City paid down its outstanding bonds. The City also had total installment purchase debt of \$1,202,281, a decrease of \$170,294 as a result of paying down the debt.

Table A-5: Outstanding Long-Term Debt (in Thousands of Dollars)

	December 31, <u>2019</u>	December 31, <u>2018</u>
General obligation bonds (including unamortized premium)	\$ 12,368	\$ 13,079
Installment purchase debt	1,202	1,373
Compensated absences	802	729
Net pension liability - ERS	591	249
Net pension liability - PFRS	<u>1,047</u>	<u>598</u>
Total	<u>\$ 16,009</u>	<u>\$ 16,028</u>

FACTORS BEARING ON THE FUTURE OF THE CITY

The City continues to look to reduce costs while maintaining basic services for its residents and is closely monitoring the impact of COVID-19 on the local economy and the city's revenue streams. The City has taken some steps to defer expenditures to future years but has so far not significantly reduced employment levels or made significant cuts to services. Future decisions will be guided by the speed and extent that local revenues, state sales tax, and state aid to municipalities rebound, as well as the potential passage of a federal stimulus act which includes aid to local governments.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the:

Heather S. Campbell, Treasurer
City of Hudson
520 Warren Street
Hudson, New York, 12534

CITY OF HUDSON, NEW YORK

STATEMENT OF NET POSITION
DECEMBER 31, 2019

	Primary Government	Component Unit
	Governmental Activities	Hudson Industrial Development Agency
ASSETS:		
CURRENT ASSETS:		
Cash	\$ 5,736,099	\$ 49,491
Restricted cash	1,212,094	-
Taxes receivable, net of allowance for doubtful accounts	1,555,079	-
Accounts receivable	1,089,143	-
Loans receivable	112,648	-
State aid receivable	6,993	-
Due from other governments	342,449	-
Due from fiduciary fund	54,517	-
Prepaid expenses	26,953	-
Total current assets	10,135,975	49,491
NONCURRENT ASSETS:		
Capital assets, net	453,552	40,000
Total noncurrent assets	453,552	40,000
Total assets	10,589,527	89,491
DEFERRED OUTFLOWS OF RESOURCES:		
Deferred outflows of resources - ERS	509,544	-
Deferred outflows of resources - PFRS	1,029,480	-
Total deferred outflows of resources	1,539,024	-
Total assets and deferred outflows of resources	12,128,551	89,491
LIABILITIES:		
CURRENT LIABILITIES:		
Accounts payable	\$ 1,270,598	\$ 1,667
Accrued expenses	125,369	-
Accrued interest	26,180	-
Due to employee retirement system	582,619	-
Due to other governments	766,655	-
Bonds payable, current portion	718,068	-
Installment purchase debt, current portion	172,281	-
Total current liabilities	3,661,770	1,667
LONG-TERM LIABILITIES:		
Bonds payable, net of current portion	11,649,926	-
Installment purchase debt, net of current portion	1,030,000	-
Compensated absences	801,674	-
Net pension liability - ERS	590,741	-
Net pension liability - PFRS	1,046,730	-
Total long-term liabilities	15,119,071	-
Total liabilities	18,780,841	1,667
DEFERRED INFLOWS OF RESOURCES:		
Deferred inflows of resources - ERS	232,142	-
Deferred inflows of resources - PFRS	465,706	-
Total deferred inflows of resources	697,848	-
Total liabilities and deferred inflows or resources	19,478,689	1,667
NET POSITION:		
Net investment in capital assets	(13,116,723)	40,000
Restricted	1,645,698	-
Unrestricted	4,120,792	47,824
TOTAL NET POSITION	\$ (7,350,233)	\$ 87,824

CITY OF HUDSON, NEW YORK

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019**

		Program Revenue			Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges for Services	Operating Grants	Capital Grants	Governmental Activities	Component Units
PRIMARY GOVERNMENT:						
Governmental activities:						
General governmental support	\$ 1,863,929	\$ 124,222	\$ 583,729	\$ -	\$ (1,155,978)	\$ -
Public safety	5,526,926	548,587	-	-	(4,978,339)	-
Health	13,054	-	-	-	(13,054)	-
Transportation	2,104,634	405,436	-	-	(1,699,198)	-
Economic Assistance and Opportunity	26,327	-	6,963	-	(19,364)	-
Culture and recreation	1,383,996	311,211	-	-	(1,072,785)	-
Home and community services	2,929,328	2,060,467	-	235,980	(632,881)	-
Interest	141,518	-	-	-	(141,518)	-
Total governmental activities	<u>\$ 13,989,712</u>	<u>\$ 3,449,923</u>	<u>\$ 590,692</u>	<u>\$ 235,980</u>	<u>(9,713,117)</u>	<u>-</u>
COMPONENT UNITS:						
Hudson Industrial Development Agency	<u>\$ 16,788</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>(16,788)</u>
GENERAL REVENUE:						
Real property taxes and tax items					5,871,560	-
Nonproperty tax items					2,258,746	-
General state aid					1,609,100	-
Sale of property and compensation for loss					469,909	-
Use of money and property					313,844	9,463
Miscellaneous					<u>625,863</u>	<u>-</u>
Total general revenue					<u>11,149,022</u>	<u>9,463</u>
Change in net position					1,435,905	(7,325)
Total net position - beginning of year					<u>(8,786,138)</u>	<u>95,149</u>
Net position - end of year					<u>\$ (7,350,233)</u>	<u>\$ 87,824</u>

The accompanying notes are an integral part of these statements.

CITY OF HUDSON, NEW YORK
BALANCE SHEET - GOVERNMENTAL FUNDS
DECEMBER 31, 2019

	General Fund	Capital Projects Fund	Non-Major Funds	Total
ASSETS				
Cash	\$ 4,286,558	\$ 1,281,518	\$ 168,023	\$ 5,736,099
Restricted cash	437,234	-	774,860	1,212,094
State aid receivable	-	-	6,993	6,993
Due from other governments	342,449	-	-	342,449
Taxes receivable, net	1,555,079	-	-	1,555,079
Accounts receivable	524,653	-	564,490	1,089,143
Loans receivable	-	-	112,648	112,648
Due from other funds	909,009	-	154,940	1,063,949
Prepaid and other assets	23,252	-	3,701	26,953
TOTAL ASSETS	\$ 8,078,234	\$ 1,281,518	\$ 1,785,655	\$ 11,145,407
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE				
LIABILITIES:				
Accounts payable	\$ 1,143,226	15,400	\$ 111,972	\$ 1,270,598
Accrued liabilities	99,758	-	19,225	118,983
Due to NYS Local Retirement System	525,036	-	57,583	582,619
Other liabilities	6,386	-	-	6,386
Due to other governments	766,655	-	-	766,655
Due to other funds	141,386	863,195	4,851	1,009,432
Unearned revenue	-	-	95	95
Total liabilities	2,682,447	878,595	193,726	3,754,768
DEFERRED INFLOWS OF RESOURCES				
Deferred taxes	647,184	-	-	647,184
Deferred revenue	-	-	112,533	112,533
Total deferred inflows of resources	647,184	-	112,533	759,717
FUND BALANCE:				
Nonspendable	23,252	-	116,349	139,601
Restricted	871,972	-	773,726	1,645,698
Assigned	1,015,972	402,923	633,718	2,052,613
Unassigned	2,837,407	-	(44,397)	2,793,010
Total Fund Balance	4,748,603	402,923	1,479,396	6,630,922
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	\$ 8,078,234	\$ 1,281,518	\$ 1,785,655	\$ 11,145,407

The accompanying notes are an integral part of these statements.

CITY OF HUDSON, NEW YORK

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE TO NET POSITION OF GOVERNMENTAL ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2019

Fund balance, all governmental funds	\$ 6,630,922
Amounts reported for governmental activities in the Statement of Net Position are different due to the following:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	453,552
Pension related government-wide activity:	
Deferred outflows of resources - ERS	509,544
Deferred outflows of resources - PFRS	1,029,480
Net pension liability - ERS	(590,741)
Net pension liability - PFRS	(1,046,730)
Deferred inflows of resources - ERS	(232,142)
Deferred inflows of resources - PFRS	(465,706)
Long-term liabilities are not due and payable in the current period and are, therefore not reported in the funds:	
Bonds payable	(12,367,994)
Installment purchase debt	(1,202,281)
Compensated absences	(801,674)
Accrued interest at December 31, 2019 is recorded in the government-wide statements under full accrual accounting	(26,180)
Deferral of property taxes levied in the current year and other deferred revenue is recognized as revenue under the accrual basis of accounting	<u>759,717</u>
Net position of governmental activities	<u>\$ (7,350,233)</u>

The accompanying notes are an integral part of these statements.

CITY OF HUDSON, NEW YORK

**STATEMENTS OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019**

	General Fund	Capital Projects Fund	Non-Major Funds	Total
REVENUES:				
Real property taxes and tax items	\$ 5,224,376	\$ -	\$ -	\$ 5,224,376
Nonproperty tax items	2,258,746	-	-	2,258,746
Departmental income	924,107	-	1,925,169	2,849,276
Use of money and property	83,942	1,994	227,908	313,844
Licenses and permits	205,052	-	-	205,052
Fines and forfeitures	395,595	-	-	395,595
Sale of property and compensation for loss	469,909	-	-	469,909
Miscellaneous	139,924	-	373,406	513,330
Grant revenue	-	-	6,963	6,963
State aid	2,192,829	235,980	-	2,428,809
Total revenues	11,894,480	237,974	2,533,446	14,665,900
EXPENDITURES:				
General governmental support	1,312,146	-	160,878	1,473,024
Public safety	3,707,157	8,259	-	3,715,416
Public health	8,556	-	-	8,556
Transportation	1,535,652	209,975	-	1,745,627
Economic assistance and opportunity	3,938	-	22,389	26,327
Culture and recreation	1,053,594	-	-	1,053,594
Home and community services	313,318	275,880	1,809,837	2,399,035
Employee benefits	2,701,164	-	418,383	3,119,547
Debt Service				
Principal	445,663	-	435,716	881,379
Interest	157,413	-	-	157,413
Total expenditures	11,238,601	494,114	2,847,203	14,579,918
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	655,879	(256,140)	(313,757)	85,982
OTHER FINANCING SOURCES (USES):				
Operating transfers - in	2,415	153,360	307,704	463,479
Operating transfers - out	(373,360)	(2,415)	(87,704)	(463,479)
Total other financing sources (uses)	(370,945)	150,945	220,000	-
CHANGE IN FUND BALANCE	284,934	(105,195)	(93,757)	85,982
FUND BALANCE - beginning of year	4,463,669	508,118	1,573,153	6,544,940
FUND BALANCE - end of year	\$ 4,748,603	\$ 402,923	\$ 1,479,396	\$ 6,630,922

The accompanying notes are an integral part of these statements.

CITY OF HUDSON, NEW YORK

RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2019

Net changes in fund balance - Total governmental funds	\$ 85,982
Pension expense resulting from the GASB 68/71 related reporting is not recorded as an expenditure in the government funds but is recorded in the statement of activities	(234,237)
Compensated absences do not require the expenditure of current resources and are, therefore, are not reported as expenditures in the governmental funds	(72,831)
Repayments of long-term debt are recorded as expenditures in the governmental funds, but are recorded as payments of liabilities in the statement of net position	881,379
Accrued interest in the statement of activities does not require the expenditure of current resources and is, therefore, not recorded in the governmental funds	15,895
Certain loans receivable are recognized as revenue in statement of activities	112,533
Property tax revenue is recorded to the extent it is received within 60 days of year-end for governmental funds, but in the statement of activities this revenue is recorded as earned upon levy	<u>647,184</u>
Change in net position - governmental activities	<u>\$ 1,435,905</u>

The accompanying notes are an integral part of these statements.

CITY OF HUDSON, NEW YORK

STATEMENT OF FIDUCIARY NET POSITION DECEMBER 31, 2019

	<u>Agency</u>
ASSETS:	
Cash	\$ 215,906
Prepaid asset	3,400
Deferred compensation plan assets	1,605,014
Service award program assets held in trust	118,671
Due from other funds	<u>3,397</u>
 Total Assets	 <u>\$ 1,946,388</u>
LIABILITIES:	
Accounts payable	\$ 2,964
Due to governmental funds	57,914
Other liabilities	161,825
Deferred compensation plan liability	1,605,014
Service award program	<u>118,671</u>
 Total Liabilities	 <u>\$ 1,946,388</u>

The accompanying notes are an integral part of these statements.

CITY OF HUDSON, NEW YORK

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2019

NOTE 1 – NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

The City of Hudson, New York (City) was incorporated in 1785 and operates in accordance with its Charter and various other applicable laws of the State of New York. The City operates under a Mayor/Council form of government. The City Council is the legislative body responsible for overall operation. The Mayor serves as the chief executive officer and the City Treasurer serves as the chief financial officer. The City provides the following services to its residents: public safety, transportation, economic opportunity and development, culture and recreation, home and community services and general and administrative support.

The accounting policies of the City conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the City's significant accounting policies:

A. Financial Reporting Entity

The financial reporting entity consists of a) the primary government, which is the City, b) organizations for which the City is financially accountable and c) other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete as set forth by GASB.

In evaluating how to define the City for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the City's reporting entity was made by applying the criteria set forth by GASB, including legal standing, fiscal dependency, and financial accountability. Based upon the application of these criteria, the City has determined that the Hudson Industrial Development Agency (HIDA) and Hudson Community Development and Planning Agency (HCDPA) are component units and their activities have been included in the financial reporting entity.

Discretely Presented Component Unit

The basic financial statements include financial data of the City's discretely presented component unit. This unit is reported separately to emphasize that it is legally separate from the City.

Hudson Industrial Development Agency (HIDA) – This component unit is a public benefit corporation created by State legislation to promote the economic welfare, recreation opportunities and prosperity of the City's inhabitants.

NOTE 1 – NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

(Continued)

A. Financial Reporting Entity – Continued

Blended Component Unit

The following blended component unit is legally separate from the City, but is, in substance, part of the City's operations and therefore, data from this unit is combined with data of the primary government.

Hudson Community Development and Planning Agency (HCDPA) – This component unit was established by the City pursuant to Article 15B of the General Municipal Law to encourage economic growth in the City of Hudson. HCDPA's current function is to provide safe and sanitary housing to City residents and to seek economic development opportunities for the City's inhabitants. Although legally separate from the City, HCDPA is considered an affiliated organization under GASB and, therefore, is reported as a blended component unit of the City.

B. Government-Wide Financial Statements

The government-wide financial statements (Statement of Net Position and the Statement of Activities) report information on all non-fiduciary activities of the primary government as a whole. The effect of interfund activity has been removed from these statements, except for interfund services provided and used.

The Statement of Net Position presents the financial position of the City at the end of its fiscal year. The Statement of Activities demonstrates the degree to which direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods or services, or privileges provided by a given function or segment, (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment and (3) interest earned on grants that is required to be used to support a particular program. Taxes and other items not identified as program revenues are reported as general revenues. The City does not allocate indirect expenses to functions in the Statement of Activities.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Fund Financial Statements

The accounts of the City are organized and operated as funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts which comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balance/net position, revenues, and expenditures/expenses. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance related legal and contractual provisions. The City maintains the minimum number of funds consistent with legal and managerial requirements. The focus of governmental fund financial statements is on major funds as that term is defined in authoritative pronouncements. Each major fund is presented in a separate column, with non-major funds, if any, aggregated and presented in a single column. Fiduciary funds are reported by type.

NOTE 1 – NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

(Continued)

C. Fund Financial Statements (Continued)

Because the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental activities column, a reconciliation is presented which explains the adjustments necessary to transform the fund based financial statements into the governmental activities column of the government-wide presentation.

The City's resources are reflected in the fund financial statements in two broad fund categories, in accordance with generally accepted accounting principles as follows:

D. Fund Categories

Governmental Funds - Governmental Funds are those through which most general government functions are financed. The acquisition use and balances of expendable financial resources and the related liabilities are accounted for through governmental funds. The following are the City's major governmental funds:

General Fund –The General Fund constitutes the primary operating fund of the City and is used to account for and report all financial resources not accounted for and reported in another fund.

Capital Projects Fund –The Capital Projects Fund is used to account for and report financial resources that are restricted, committed or assigned to expenditures for capital outlays, including the acquisition or construction of major capital facilities and other capital assets.

The following are the City's nonmajor governmental funds:

Special Revenue Funds – Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted, committed or assigned to expenditures for specified purposes other than debt service or capital projects. The major special revenue funds of the City are as follows:

- Water Fund –The Water Fund is used to record the water utility operations of the City, which render services to the general public. The major revenue of this fund is departmental income.
- Sewer Fund – The Sewer Fund is used to record the sewer operations of the City. The major revenue of this fund is departmental income.
- Cemetery Fund – The Cemetery Fund is used to account for cemetery operations of the City. The major revenue of this fund is departmental income.

Permanent Fund – The Permanent Fund is used to account for resources that are legally restricted to the extent that only earnings, not principal, may be used for cemetery purposes.

Hudson Community Development and Planning Agency (HCDPA) – This fund is used to account for the City's blended component unit.

NOTE 1 – NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

(Continued)

D. Fund Financial Statements (Continued)

Fund Categories (Continued)

Fiduciary Funds – Fiduciary funds are used to account for assets held by the City in an agency capacity on behalf of others. These include agency funds. The City's agency fund is primarily utilized to account for various deposits that are payable to other jurisdictions or individuals and cannot be used to address activities or obligations of the government, accordingly, these funds are not incorporated into the government-wide statements. The City utilizes one fiduciary fund:

Agency Fund – The agency fund is custodial in nature and does not present results of operations or have a measurement focus. This fund is used to account for assets that the City holds for others in an agency capacity.

E. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources (current assets less current liabilities) or economic resources (all assets and liabilities). The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

Accrual Basis of Accounting

The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources focus means all assets and all liabilities associated with the operation (whether current or non-current) of the City are included in the statement of net position and the statement of activities presents increases (revenues) and decreases (expenses) in total assets. Revenue is recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Non-exchange transactions in which the City gives or receives value without directly receiving or giving equal value in exchange include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Modified Accrual Basis of Accounting

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Property taxes are considered to be available if collected within sixty days of the fiscal year end. A ninety-day availability period is used for revenue recognition for all other governmental fund revenues. Property taxes associated with the current fiscal period as well as charges for services and intergovernmental revenues are considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period.

NOTE 1 – NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES
(Continued)

E. Measurement Focus, Basis of Accounting and Financial Statement Presentation
(Continued)

Modified Accrual Basis of Accounting (Continued)

Fees and other similar revenues are not susceptible to accrual because generally they are not measurable until received in cash. If expenditures are the prime factor for determining eligibility, revenues from Federal and State grants are accrued when the expenditure is made. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, retirement incentives and other pension obligations and other post-employment benefit obligations are recorded only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Deposits and Risk Disclosure

The City's investment policies are governed by State statutes. The City has adopted a written investment policy, which provides for the deposit of funds in FDIC insured commercial banks or trust companies located within the State. The City is authorized to use demand deposit accounts, time deposit accounts and certificates of deposit. Permissible investments include obligations of the U.S. Treasury, U.S. Agencies repurchase agreements and obligations of New York State or its political subdivisions.

Collateral is required for demand deposit accounts, time deposit accounts and certificates of deposit at 100% of all deposits not covered by Federal deposit insurance. The City has entered into custodial agreements with the various banks which hold their deposits. These agreements authorize the obligations that may be pledged as collateral. Such obligations include, among other instruments, obligations of the United States and its agencies and obligations of the State and its municipal and school district subdivisions.

Cash and cash equivalents include amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the City.

Property Taxes

City real property taxes attach as an enforceable lien on real property and are levied annually on January 1st. The City collects City, County and school district taxes. City taxes are payable in four installments due January 1st, April 1st, July 1st, and September 1st. City taxes are collected without penalty or interest for a period of 30 days for the first and third installments and for 15 days for the remaining installments. County taxes are due in two installments due January 1st and July 1st. School district taxes for the period July 1st through June 30th are collected by the City School District through November 1st at which time the City assumes the responsibility for the collection. The City guarantees the full payment of the school district tax levy in November of the following year. The City also has the responsibility for conducting in-rem foreclosure proceedings.

The City has established a \$859,139 allowance for uncollectible taxes based on collection history and a review of accounts by management.

NOTE 1 – NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

(Continued)

F. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Fund Balance

Other Receivables

Other receivables include amounts due from other governments and individuals for services provided by the City. Receivables are recorded and revenues recognized as earned or as specific program expenditures are incurred. Allowances are recorded when appropriate.

Due from/To Other Funds

During the course of its operations, the City has numerous transactions between funds to finance operations, provide services and construct assets. To the extent that certain transactions between funds had not been paid or received as of December 31, 2019, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

Prepaid Expenses/Prepaid Expenditures

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items using the consumption method the government-wide and fund financial statements. Prepaid expenses/expenditures consist of employee retirement costs, which have been satisfied prior to the end of the fiscal year but represent items which have been provided for in the subsequent year's budget and will benefit such periods. Reported amounts in governmental funds are equally offset by a reservation of fund balance in the fund financial statements which indicates that these amounts do not constitute available spendable resources even though they are a component of current assets.

Capital Assets

The City does not record property, plant, equipment, and infrastructure assets on its books, which is a departure from generally accepted accounting principles. Accordingly, no provision for these assets has been made in the accompanying financial statements.

Major outlays for capital assets and improvements are capitalized as projects are constructed. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives is not capitalized.

The costs associated with the acquisition or construction of capital assets are shown as capital outlay expenditures on the governmental fund financial statements. Capital assets are not shown on the governmental fund balance sheets.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

The City has reported deferred inflows of resources of \$647,184 for real property taxes in the General Fund. These amounts are deferred and recognized as revenue in the period that the amount becomes available.

NOTE 1 – NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES
(Continued)

F. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Fund Balance (Continued)

Short-Term Debt

The City may issue Revenue Anticipation Notes and Tax Anticipation Notes, in anticipation of the receipt of revenues. These notes are recorded as a liability of the fund that will actually receive the proceeds from the issuance of the notes. The RANs and TANs represent a liability that will be extinguished by the use of expendable, available resources of the fund.

The City may issue budget notes up to an amount not to exceed 5% of the amount of the annual budget during any fiscal year for expenditures for which an insufficient or no provision is made in the annual budget. The budget note must be repaid no later than the close of the second fiscal year succeeding the year in which the note was issued.

The City may issue Bond Anticipation Notes, in anticipation of proceeds from the subsequent sale of bonds. These notes are recorded as current liabilities of the funds that will actually receive the proceeds from the issuance of bonds. State law requires that BANs issued for capital purposes be converted to long-term financing within 5 years after the original issue date.

Long-Term Liabilities

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expended as incurred.

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as General, Water, Sewer or Capital Projects funds expenditures.

Compensated Absences

The various collective bargaining agreements provide for the payment of accumulated sick leave upon separation of service. The liability for such accumulated leave is reflected in the government-wide Statement of Net Position as current and long-term liabilities. A liability for these amounts is reported in the governmental funds only if the liability has matured through employee resignation or retirement. The liability for compensated absences includes salary related payments, where applicable.

NOTE 1 – NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES
(Continued)

F. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Fund Balance (Continued)

Net Position and Fund Balance Classifications

Government Wide Statements

In the government-wide statements, there are three classes of net position:

- a) *Net investment in capital assets* - consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b) *Restricted net position* - consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations for other governments; or (2) law through constitutional provisions or enabling legislation.

Restricted net position and fund balance includes the following:

General Fund

Lodging Tax	\$	424,876	
Capital Reserve - Fire Truck		352,702	
Capital Reserve - Fire House		76,300	
Code Book		9,862	
Schroeder Loan		8,232	
		<u>8,232</u>	\$ 871,972

Permanent Fund

Perpetual Care			773,726
			<u>\$ 1,645,698</u>

- c) *Unrestricted net position* - reports the balance of net position that does not meet the definition of the above two classifications and is deemed to be available for general use by the City.

The City's policy is to use restricted resources prior to utilizing unrestricted funds.

NOTE 1 – NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

(Continued)

F. **Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Fund Balance** (Continued)

Governmental Fund Statements

In the fund basis statements, there are five classifications of fund balance:

- a) *Nonspendable fund balance* – Includes amounts that cannot be spent because they are either not in spendable form (prepaid amounts) or they are legally or contractually required to be maintained intact. All amounts reported as nonspendable at December 31, 2019 by the City are nonspendable in form.
- b) *Restricted fund balance* – Includes amounts with constraints placed on the use of resources either externally imposed by creditors, grantors, contributors or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation.
- c) *Committed fund balance* - Includes amounts that can be used for the specific purposes pursuant to constraints imposed by formal action of the City's highest level of decision-making authority, i.e., the City Council. The City has no committed fund balances as of December 31, 2019.
- d) *Assigned fund balance* – Includes amounts that are constrained by the City's intent to be used for specific purposes but are neither restricted nor committed. All encumbrances of the general fund are classified as assigned fund balance in the general fund.
- e) *Unassigned fund balance* – Includes all other general fund amounts that do not meet the definition of the above four classifications and are deemed to be available for general use by the City. Deficit fund balance in funds other than the general fund are also classified as unassigned fund balance.

Order of Fund Balance Spending Policy

The City policy is to apply expenditures against nonspendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance at the end of the fiscal year. For all funds, nonspendable fund balances are determined first and then restricted fund balances for specific purposes are determined. Any remaining fund balance amounts for funds other than the general fund are classified as restricted fund balance. In the general fund, committed fund balance is determined next and then assigned. The remaining amounts are reported as unassigned. Assignments of fund balance cannot cause a negative unassigned fund balance.

G. **Use of Estimates**

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities and deferred inflows of resources and disclosures of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

NOTE 1 – NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

(Continued)

H. Budgetary Data

The City generally follows the procedures enumerated below in establishing the budgetary data reflected in the financial statements:

- a) No later than the tenth day of November, the Board of Estimate and Apportionment, consisting of the Mayor, City Treasurer, and President of the Common Council, submits a tentative budget to the Common Council for the fiscal year commencing the subsequent calendar year. The tentative budget includes proposed expenditures and the proposed means of financing for all funds of the City except for the following:
 - Capital Projects Fund
 - Permanent Fund
 - Trust and Agency Fund
 - Hudson Community Development and Planning Agency
- b) After public hearings are conducted to obtain taxpayer comments, no later than the 30th day of November, the Common Council adopts the proposed budget. Should the Common Council fail to adopt such a budget before November 30th, the proposed budget as submitted by the Board of Estimate and Apportionment shall be deemed adopted.
- c) The City Treasurer is authorized to transfer any budgeted amounts not prohibited by law up to \$500 upon departmental request; the Treasurer may transfer any amounts not prohibited by law, more than \$500 but less than \$1,000, with approval of the Board of Estimate and Apportionment; the Treasurer may transfer any amounts not prohibited by law in excess of \$1,000 with the approval of both the Board of Estimate and Apportionment and the Common Council.

Budgetary controls are established for the Capital Projects Fund through Common Council resolutions authorizing individual projects which remain in effect for the life of the project.

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded for budgeting control purposes to reserve that portion of the applicable appropriation, is employed in the governmental funds. Open encumbrances at year-end are recorded as reservations of fund balances since the commitments do not constitute expenditures or liabilities. Open encumbrances, after review by the City Council, are added to the subsequent year's budget to provide the modified budget presented in the combining financial statements. Expenditures for such commitments are recorded in the period in which the liability is incurred.

I. Property Tax Limitation

The City is permitted by the Constitution of the State of New York to levy taxes up to 2% of the five year average full valuation of taxable real estate located within the City, exclusive of the amount raised for the payment of interest on and redemption of long-term debt.

On June 24, 2011, the Governor signed Chapter 97 of the Laws of 2011 ("Tax Levy Limitation Law"). This applies to all local governments.

NOTE 1 – NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

(Continued)

I. Property Tax Limitation (Continued)

The Tax Levy Limitation Law restricts the amount of real property taxes that may be levied by a City in a particular year, beginning with the 2012 year. It was set to expire on June 16, 2016, but in June 2015, it was extended four more years.

The following is a brief summary of certain relevant provisions of the Tax Levy Limitation Law. The summary is not complete, and the full text of the Tax Levy Limitation Law should be read in order to understand the details and implementations thereof.

The Tax Levy Limitation Law imposes a limitation on increases in the real property tax levy, subject to certain exceptions. The Tax Levy Limitation Law permits the City to increase its overall real property tax levy over the tax levy of the prior year by no more than the "Allowable Levy Growth Factor," which is the lesser of one and two-one hundredths or the sum of one plus the Inflation Factor; provided, however that in no case shall the levy growth factor be less than one. The "Inflation Factor" is the quotient of: (i) the average of the 20 National Consumer Price Indexes determined by the United States Department of Labor for the twelve-month period ending six months prior to the start of the coming fiscal year minus the average of the National Consumer Price Indexes determined by the United States Department of Labor for the twelve-month period ending six months prior to the start of the prior fiscal year, divided by (ii) The average of the National Consumer Price Indexes determined by the United States with the result expressed as a decimal to four places.

The City is required to calculate its tax levy limit for the upcoming year in accordance with the provision above and provide all relevant information to the New York State Comptroller prior to adopting its budget. The Tax Levy Limitation Law sets forth certain exclusions to the real property tax levy limitation of the City, including exclusions for certain portions of the expenditures for retirement system contributions and tort judgments payable by the City. The City Council may adopt a budget that exceeds the tax levy limit for the coming fiscal year, only if the City Council first enacts, by a vote of at least sixty percent of the total voting power of the City Council, a local law to override such limit for such coming fiscal year.

NOTE 2 – CASH

At December 31, 2019, all of the City's cash balances were either insured or collateralized with securities held by the pledging financial institutions' trust department in the City's name.

	<u>Bank Balance</u>	<u>Carrying Amount</u>
Cash, including fiduciary funds	<u>\$ 7,331,632</u>	<u>\$ 7,100,501</u>
Collateralized with securities held by the financial institution's trust department or agent in the City's name	\$ 6,831,632	
Covered by FDIC insurance	<u>500,000</u>	
Total	<u>\$ 7,331,632</u>	

Taxes receivable at December 31, 2019, consisted of the following:

City and County Taxes - Current and Overdue	\$ 840,941
School District Taxes - Current and Overdue	1,043,455
Property Acquired for Taxes	<u>529,822</u>
	2,414,218
Allowance for Uncollectible Taxes	<u>(859,139)</u>
Total Taxes Receivable	\$ 1,555,079

NOTE 4 – CAPITAL ASSETS

	January 1, 2019			December 31, 2019
	<u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u>
Governmental activities:				
Primary Government:				
Capital assets that are not depreciated:				
Buildings and land improvements	\$ 453,552	\$ -	\$ -	\$ 453,552
			HIDA	
	January 1, 2019			December 31, 2019
	<u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u>
Component Unit:				
Capital assets that are not depreciated:				
Land	\$ 40,000	\$ -	\$ -	\$ 40,000

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NOTE 5 - LONG-TERM LIABILITIES

The following table summarizes changes in the City's long-term liabilities for the year ended December 31, 2019:

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>	<u>Due within One Year</u>
Government activities					
Bonds and installment purchase debt payable:					
General obligation debt:					
Serial bonds	\$ 13,079,079	\$ -	\$ 711,085	\$ 12,367,994	\$ 718,068
Installment purchase debt	<u>1,372,575</u>	<u>-</u>	<u>170,294</u>	<u>1,202,281</u>	<u>172,281</u>
Total bonds and installment purchase debt payable	<u>14,451,654</u>	<u>-</u>	<u>881,379</u>	<u>13,570,275</u>	<u>890,349</u>
Other liabilities:					
Compensated absences	728,843	72,831	-	801,674	-
Net pension liability - ERS	249,114	341,627	-	590,741	-
Net pension liability - PFRS	<u>597,955</u>	<u>448,775</u>	<u>-</u>	<u>1,046,730</u>	<u>-</u>
Total other liabilities	<u>1,575,912</u>	<u>863,233</u>	<u>-</u>	<u>2,439,145</u>	<u>-</u>
Total long-term liabilities	<u>\$ 16,027,566</u>	<u>\$ 863,233</u>	<u>\$ 881,379</u>	<u>\$ 16,009,420</u>	<u>\$ 890,349</u>

Bonds Payable

Bonds and installment purchase debt payables at December 31, 2019, are comprised of the following issues:

<u>Description of Issue</u>	<u>Year of Issue</u>	<u>Original Balance</u>	<u>Interest Rate</u>	<u>Final Maturity</u>	<u>December 31, 2019</u>
Water Filtration	2003	\$ 6,800,000	0.00%	2032	\$ 3,396,645
Water Filtration	2006	\$ 1,000,000	0.00%	2036	617,465
Pumper Truck/Meters	2010	\$ 263,204	3.30%	2020	26,324
Fire Truck	2013	\$ 506,000	3.21%	2023	221,748
Sewer Upgrade	2013	\$ 4,968,647	0.00%	2043	3,976,800
Police Court Building	2014	\$ 2,572,175	2.50%-4.00%	2040	2,290,000
Police Court Building #2	2016	\$ 1,727,825	2.25%	2038	1,550,000
Airpacks	2018	\$ 356,866	2.25%-3.80%	2023	<u>289,012</u>

Total general obligation bonds payable \$ 12,367,994

<u>Description of Issue</u>	<u>Year of Issue</u>	<u>Original Balance</u>	<u>Interest Rate</u>	<u>Final Maturity</u>	<u>December 31, 2019</u>
Fire House Lease	2004	\$ 3,815,000	Variable	2028	\$ 1,160,000
Police Cars Lease	2017	\$ 165,341	4.93%	2020	<u>42,281</u>

Total installment purchase debt \$ 1,202,281

NOTE 5 - LONG-TERM LIABILITIES (Continued)

Below are the future maturities for all of the serial bonds and installment purchase debt outstanding at December 31, 2019:

<u>Fiscal Year Ending December 31,</u>	<u>Bonds Payable</u>			<u>Installment Purchase Debt</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 718,068	\$ 145,907	\$ 863,975	\$ 172,281	\$ 2,084	\$ 174,365
2021	708,950	137,998	846,948	130,000	-	130,000
2022	716,499	130,545	847,044	130,000	-	130,000
2023	729,526	122,140	851,666	130,000	-	130,000
2024	604,763	112,688	717,451	130,000	-	130,000
2025-2029	3,175,959	495,589	3,671,548	510,000	-	510,000
2030-2034	2,873,389	327,625	3,201,014	-	-	-
2035-2039	2,018,040	130,050	2,148,090	-	-	-
2040-2043	822,800	3,200	826,000	-	-	-
	<u>\$ 12,367,994</u>	<u>\$ 1,605,742</u>	<u>\$ 13,973,736</u>	<u>\$ 1,202,281</u>	<u>\$ 2,084</u>	<u>\$ 1,204,365</u>

Interest on all debt for the year was composed of:

Interest paid - long-term debt	\$ 157,413
Less: Interest accrued in the prior year	(42,076)
Plus: Interest accrued in the current year	<u>26,181</u>
Total expense	<u>\$ 141,518</u>

NOTE 6 – INTERFUND TRANSACTIONS

Interfund transactions for the period ended December 31, 2019 were as follows:

	<u>Interfund Activity</u>			
	<u>Due From</u>	<u>Due To</u>	<u>Revenue</u>	<u>Expenditures</u>
Governmental Funds:				
General	\$ 909,009	\$ 141,386	\$ 2,415	\$ 373,360
Capital Projects	-	863,195	153,360	2,415
Water	76,115	3,528	-	-
Sewer	77,691	131	-	85,000
Cemetery	1,134	58	307,704	-
Permanent	-	1,134	-	2,704
Fiduciary:				
Trust and Agency	3,397	57,914	-	-
	<u>\$ 1,067,346</u>	<u>\$ 1,067,346</u>	<u>\$ 463,479</u>	<u>\$ 463,479</u>

The outstanding balances between funds result mainly from the time lag between the dates that 1) interfund goods and services are provided or reimbursable expenditures occur, 2) transactions are recorded in the accounting system and 3) payments between funds are made.

NOTE 7 – PENSION PLANS

Plan Description

The City participates in the New York State and Local Employees' Retirement System (ERS) and the New York State and Local Police and Fire Retirement System (PFRS) (Systems). These Systems are cost-sharing multiple-employer defined benefit pension plans. The Systems provide retirement, disability and death benefits to plan members. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Systems. That report may be obtained by writing to the New York State and Local Employees' Retirement System, 110 State Street, Albany, New York 12224.

Funding Policy

The Systems are noncontributory except for employees who joined the New York State and Local Employees' Retirement System after July 27, 1976 who contribute 3% of their salary for the first ten years of membership and employees who joined on or after January 1, 2010 (ERS) or January 9, 2010 (PFRS) who generally contribute 3% of their salary for the entire length of service.

For employees who joined after April 1, 2012, employees contribute 3% of their salary until April 1, 2013, and then contribute 3% to 6% of their salary throughout their active membership. Under the authority of the NYSRSSL, the Comptroller certifies annually the rates expressed as proportions of payroll of members, which is used in computing the contributions required to be made by employers to the pension accumulation fund.

The City is required to contribute at an actuarially determined rate. The required contributions for the Plan's current fiscal year and the two preceding years were:

		<u>ERS</u>		<u>PFRS</u>
2019	\$	306,016	\$	473,192
2018	\$	305,516	\$	447,995
2017	\$	316,509	\$	447,242

These contributions were equal to 100% of the actuarially required contributions for each respective fiscal year.

New York State Employee Retirement System

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

At December 31, 2019, the City reported a liability of \$590,741 for its proportionate share of the net pension liability. The net pension liability was measured as of March 31, 2019, and the total pension liability used to calculate the net pension liability was determined by the actuarial valuation as April 1, 2018. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

At December 31, 2019, the City's proportion was 0.0083376%, which was an increase of .0006190% from its proportion measured December 31, 2018.

NOTE 7 – PENSION PLANS (Continued)**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)**

For the year ended December 31, 2019, the City recognized pension expense of \$367,008. At December 31, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Differences between expected and actual experience	\$ 116,329	\$ 39,655
Changes of assumptions	148,488	-
Net difference between projected and actual earnings on pension plan investments	-	151,617
Changes in proportion and differences between employer contributions and proportionate share of contributions	27,385	40,870
Contributions subsequent to the measurement date	<u>217,342</u>	<u>-</u>
Total	<u>\$ 509,544</u>	<u>\$ 232,142</u>

\$217,342 reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2020.

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

Plan's Year Ended March 31:

2020	\$ 112,366
2021	(121,990)
2022	(12,574)
2023	82,257
2024	-
Thereafter	-
	<u>\$ 60,059</u>

Actuarial Assumptions

The total pension liability at March 31, 2019 was determined by using an actuarial valuation as of April 1, 2018, with update procedures used to roll forward the total pension liability to March 31, 2019. The actuarial valuation used the following actuarial assumptions:

Inflation:	2.50%
Salary scale:	4.2% ERS, 5.0% PFRS, indexed by service
Projected COLAs:	1.3% annually
Decrement:	Developed from the Plan's 2015 experience study of the period April 1, 2010 through March 31, 2015
Mortality improvement:	Society of Actuaries Scale MP-2014
Investment Rate of Return:	7.0% compounded annually, net of investment expenses

NOTE 7 – PENSION PLANS (Continued)**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)**

The long-term expected rate of return on pension plan investments was determined using a building-block method in which the best-estimate ranges of expected future real rates of return (expected return, net of investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic of real rates of return for each major asset class are summarized as of March 31, 2019 in the following table:

<u>Asset Type</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic Equity	36%	4.55%
International Equity	14%	6.35%
Private Equity	10%	7.50%
Real Estate	10%	5.55%
Absolute Return Strategies	2%	3.75%
Opportunistic Portfolio	3%	5.68%
Real Assets	3%	5.29%
Bonds & Mortgages	17%	1.31%
Cash	1%	-0.25%
Inflation-indexed bonds	4%	1.25%
	<u>100%</u>	

Discount Rate

The discount rate used to calculate the total pension liability was 7%. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Proportionate Share of the Net Pension Liability to the Discount Rate Assumption

The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percent lower (6 percent) or 1 percent higher (8 percent) than the current rate:

	<u>1% Decrease 6.0%</u>	<u>Current Assumption 7.0%</u>	<u>1% Increase 8.0%</u>
Proportionate Share of Net Pension liability (asset)	<u>\$ 2,582,814</u>	<u>\$ 590,741</u>	<u>\$ (1,082,741)</u>

NOTE 8 – PENSION PLANS (Continued)**New York State Employee Retirement System (Continued)****Pension Plan Fiduciary Net Position**

The components of the current-year net pension liability of the employers as of March 31, 2019, were as follows:

	Pension Plan's Fiduciary Net Position	City's Proportionate Share of Plan's Fiduciary Net Position	City's Allocation Percentage As Determined By the Plan
Total pension liability	\$ 189,803,429,000	\$ 15,825,051	0.0083376%
Net position	(182,718,124,000)	(15,234,309)	0.0083376%
Net pension liability (asset)	<u>\$ 7,085,305,000</u>	<u>\$ 590,741</u>	0.0083376%
ERS net position as a percentage of total pension liability	96.27%	96.27%	

New York State and Local Police and Fire Retirement System**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At December 31, 2019, the City reported a liability of \$1,046,730 for its proportionate share of the net pension liability. The net pension liability was measured as of March 31, 2019, and the total pension liability used to calculate the net pension liability was determined by the actuarial valuation as of April 1, 2018. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

At December 31, 2019, the City's proportion was 0.0624145%, which was an increase of 0.0032555% from its proportion measured December 31, 2018.

For the year ended December 31, 2019, the City recognized pension expense of \$644,651. At December 31, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 254,280	\$ 111,756
Changes of assumptions	380,305	-
Net difference between projected and actual earnings on pension plan investments	-	209,635
Changes in proportion and differences between employer contributions and proportionate share of contributions	29,618	144,315
Contributions subsequent to the measurement date	365,277	-
Total	<u>\$ 1,029,480</u>	<u>\$ 465,706</u>

\$365,277 reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2020.

NOTE 8 – PENSION PLANS (Continued)**New York State and Local Police and Fire Retirement System (Continued)****Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)**

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

Plan's Year Ended March 31:

2020	\$	168,252
2021		(66,441)
2022		(23,924)
2023		102,166
2024		18,444
Thereafter		-
	\$	<u>198,497</u>

Actuarial Assumptions

The total pension liability at March 31, 2019 was determined by using an actuarial valuation as of April 1, 2018, with update procedures used to roll forward the total pension liability to March 31, 2019. The actuarial valuation used the following actuarial assumptions:

Inflation:	2.50%
Salary scale:	4.2% ERS, 5.0% PFRS, indexed by service
Projected COLAs:	1.3% annually
Decrement:	Developed from the Plan's 2015 experience study of the period April 1, 2010 through March 31, 2015
Mortality improvement:	Society of Actuaries Scale MP-2014
Investment Rate of Return:	7.0% compounded annually, net of investment expenses

The long-term expected rate of return on pension plan investments was determined using a building-block method in which the best-estimate ranges of expected future real rates of return (expected return, net of investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic of real rates of return for each major asset class are summarized as of March 31, 2019 in the following table:

<u>Asset Type</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic Equity	36%	4.55%
International Equity	14%	6.35%
Private Equity	10%	7.50%
Real Estate	10%	5.55%
Absolute Return Strategies	2%	3.75%
Opportunistic Portfolio	3%	5.68%
Real Assets	3%	5.29%
Bonds & Mortgages	17%	1.31%
Cash	1%	-0.25%
Inflation-indexed bonds	4%	1.25%
	<u>100%</u>	

NOTE 8 – PENSION PLANS (Continued)

New York State and Local Police and Fire Retirement System (Continued)

Discount Rate

The discount rate used to calculate the total pension liability was 7%. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Proportionate Share of the Net Pension Liability to the Discount Rate Assumption

The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower (6%) or 1% higher (8%) than the current rate:

	1% Decrease <u>6.0%</u>	Current Assumption <u>7.0%</u>	1% Increase <u>8.0%</u>
Proportionate Share of Net Pension liability (asset)	<u>\$ 3,782,727</u>	<u>\$ 1,046,730</u>	<u>\$ (1,238,145)</u>

Pension Plan Fiduciary Net Position

The components of the current-year net pension liability of the employers as of March 31, 2019, were as follows:

	Pension Plan's Fiduciary Net Position	City's Proportionate Share of Plan's Fiduciary Net Position	City's Allocation Percentage As Determined By the Plan
Total pension liability	\$ 34,128,100,000	\$ 21,300,883	0.0624145%
Net position	(32,451,037,000)	(20,254,152)	0.0624145%
Net pension liability (asset)	<u>\$ 1,677,063,000</u>	<u>\$ 1,046,730</u>	0.0624145%
ERS net position as a percentage of total pension liability	95.09%	95.09%	

NOTE 9 – LENGTH OF SERVICE AWARD PROGRAM

The City of Hudson established a defined contribution Service Program (referred to as a LOSAP - Length of Service Award Program - under Section 457(e) (11) of the Internal Revenue Code) effective January 1, 2017, for the active volunteer firefighter members of the City of Hudson Fire Department. The program was established pursuant to Article 11-A of the New York General Municipal Law. The program provides municipally-funded deferred compensation to volunteer firefighters to facilitate the recruitment and retention of active volunteer firefighters. The City of Hudson is the sponsor of the program. The program is Administered by the Office of the New York State Comptroller (OCS). The OSC has contracted with Penflex, Inc. located in Latham, New York to be the Program Administrator.

Program Description

Participating Vesting and Service Credit

In a defined contribution LOSAP, each Participant has an individual Program account. An eligible Program Participant is an active volunteer firefighter who has earned one (1) year of Service Award Program service credit who has not waived participation in the Program. Each Participant's individual Program account is credited with a service award contribution as of the end of each calendar year during which the volunteer met the requirements to earn a year Service Award Program service credit. The Participant is paid his or her account balance upon attainment of the Entitlement Age. The Program's Entitlement Age is 62. The amount paid will vary depending upon the number of years of service credit earned by the Participant and the investment income (less administrative and/or investment expenses not paid by the Program Sponsor) earned by the Program assets and allocated to the Participant's Program account.

Participants acquire a non-forfeitable right to be paid their Program account balance after earning credit for five (5) years of service, attaining the Program's Entitlement Age while an active volunteer firefighter, upon death after having earned at least five (5) years of service credit or after becoming totally and permanently disabled. An active volunteer firefighter earns a year of Service Award Program service credit for each calendar year ending after the effective date of the establishment of the Program in which he or she accumulates fifty (50) or more points.

Points are granted for the performance of certain firefighter activities in accordance with a system established by the Sponsor on the basis of a statutory list of activities and point values.

A Participant may also receive Service Award Program credit for five (5) years of active volunteer firefighting service rendered immediately prior to the establishment of the Program as an active volunteer firefighter member of the City of Hudson Department of Fire.

NOTE 9 – LENGTH OF SERVICE AWARD PROGRAM (Continued)

Benefits

A Participant's benefit under the Program is his or her Program account balance paid upon application to the Program Administrator on or after the attainment of the Entitlement Age in the form of a lump sum. The participant may elect to be paid in annual installments over a 2, 3, 4, or 5-year period, in lieu of one lump sum. The annual contribution paid by the City of Hudson and credited to the account of a participant who earned at least fifty points during a calendar year is currently \$700.00. The maximum number of years of service credit a participant may earn is 40 years under the program. Except in the case of Pre-Entitlement Age death or total and permanent disablement, a Participant's account balance will not be paid until a Participant applies for payment and attains the Entitlement Age. Volunteers who are active after attaining the Entitlement Age continue to have the opportunity to earn Program credit and to thereby be paid additional service awards. The Pre-Entitlement Age death and disability benefit is equal to the Participant's Program account balance as of the calendar year quarterly valuation date preceding the date of death or disablement. The Program does not provide extra line-of-duty death or disability benefits. All death and disability benefits are self-insured and are paid from the Program trust fund.

For a complete explanation of the program, see the Program Document a copy of which is available from the City of Hudson Treasurer.

Fiduciary Investment and Control

After the end of each calendar year, the fire company prepares and certifies a list of names of all persons who were active volunteer members of the fire company during the year indicating which volunteers earned fifty or more points. The certified list is delivered to the City of Hudson for review and approval by the City of Hudson Common Council. The fire company must maintain the point system records to verify each volunteer's points on forms provided and/or approved by the Common Council.

The Office of State Comptroller of New York State (OSC) has retained Penflex, Inc to assist in the administration of the program. The services provided by Penflex, Inc are described in the contract between Penflex, Inc and the OSC. The OSC has retained Glens Falls National Bank to be the Program Trustee.

Based on the certified calendar year volunteer firefighter listings, Penflex determines and certifies in writing to the Common Council and the Program Trustee the amount of the service award to be paid to a participant or to a participant's designated beneficiary.

Penflex then authorizes in writing the Program Trustee to pay the service award (i.e. the participant's Program account balance). No service award benefit payment is made without the written certification from Penflex and the written directive from Penflex to the Program Trustee.

Penflex bills the OSC for the services it provides. Upon approval and authorization by the OSC, Penflex invoices are paid from the Sponsors program assets within the program trust fund maintained by the Program Trustee.

Program assets are required to be held in trust by Article 11-A, for the exclusive purpose of providing benefits to participants and their beneficiaries or for the purpose of defraying the reasonable expenses of the operation and administration of the program.

The Common Council and the OSC created a Service Award Program Trust Fund through the adoption of a Trust Document issued by the Program Trustee, a copy of which is available from the City of Hudson Treasurer.

NOTE 9 – LENGTH OF SERVICE AWARD PROGRAM (Continued)

Authority to invest the Program assets are vested in the Program Trustee. Program assets are invested in accordance with a statutory prudent person rule and an investment policy selected by the OSC.

Program Financial Condition**Assets and Liabilities**

Assets Available for Benefits	\$ 118,671
Sponsor Contributions Receivable	-
Interest on Unfunded Prior Service Liability	-
Cash & Cash Equivalents	-
Equities	-
Fixed Income	-
Less: Liabilities - Excess Sponsor Contribution	-
Plus: Benefits Payable	-
	<u>-</u>
Total Net Assets Available for Benefits	<u>\$ 118,671</u>
Unfunded Liability for Prior Service	<u>\$ 16,800</u>

Prior Service Costs

Prior services costs are being amortized over a five year period.

Receipts and Disbursements

Plan Net Assets, beginning of year	\$ 69,036
Changes during the year:	
Plan Contributions	45,000
Change in contribution receivable	-
Changes in fair market value of investments	-
Investment income earned	12,542
Investment fees	(2,525)
Benefits paid/payable	<u>(5,382)</u>
	<u>49,635</u>
Plan Net Assets, end of year	<u>\$ 118,671</u>

Contributions

Contribution recommended by actuary	\$ 45,000
Actual contribution made by the Sponsor	\$ 45,000

Administration Fees

Fees paid to administrative/actuarial services provider	\$ 2,192
Fees paid for investment management	\$ 333

NOTE 10 – PROPERTY TAX ABATEMENT

Payments in Lieu of Taxes Agreements

The City has eight real property tax abatement agreements entered into by the City, the Hudson Industrial Development Agency (HIDA), and the Columbia County IDA under Article 18-A of the real property tax law. These agreements provide for abatement of real estate property taxes in exchange for a payment in lieu of taxes (PILOT) in compliance with the IDA's Uniform Tax Exemption Policy. In accordance with the policy, the City, or the applicable IDA, grants PILOTs in accordance with various activities such as new construction, purchasing of an existing facility, or the improvement or expansion of an existing facility. The IDAs also has policies for recapture of PILOTs should the applicant not meet certain criteria. All policies are available from the IDA.

The following information relates to the PILOT agreements entered into under the agreements for the year ended December 31, 2019:

Agreement	Assessed Value	Tax Rate	Tax Value	485B Exemption	PILOT Received	City Tax Abated
Columbia County IDA	\$ 1,200,000	\$ 12.962304	\$ 15,555	\$ -	\$ 8,069	\$ 7,486
Hudson IDA	\$ 5,800,000	\$ 12.962304	\$ 75,181	\$ -	\$ 54,664	\$ 20,517
City of Hudson	\$ 14,375,000	\$ 12.962304	\$ 186,333	\$ -	\$ 80,293	\$ 106,040

NOTE 11 – COMMITMENTS AND CONTINGENCIES

A. Litigation

The City, in common with other municipalities, receives numerous notices of claims for money damages arising from false arrest, property damage or personal injury. Of the claims pending, none are expected to have a material effect on the City, if adversely settled.

The City is a defendant in pending certiorari proceedings, the results of which could require the payment of future tax refunds by the City, if existing assessment rolls are modified based on the outcome of the litigation proceedings. The amount of the possible refunds cannot be determined at the present time. Any payments pursuant to such judgments will be funded in the year in which the payment is made.

B. Risk Management

The City is exposed to various risks of loss related to torts, theft, damage, injuries, errors and omissions, natural disasters, and other risks. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past two years.

C. Grants

The City received grants which are subject to audit by agencies of the State and Federal governments. Such audits may result in disallowances and a request for a return of funds. Based on prior years' experience, the City's management believes such amounts, if any, will be immaterial.

D. Commitments

The City has various commitments with contractors for the completion of capital projects.

NOTE 12 – COVID 19 PANDEMIC

As of the date of this report, the United States is in the midst of a national health emergency related to a virus, commonly known as novel coronavirus (COVID-19). The overall consequences of COVID – 19 on a national, regional and local level are unknown, but it has the potential to result in a significant economic impact. During March 2020, the NYS Governor put NYS on pause, closing or severely restricting operations of much of the economy. Businesses throughout New York State remain closed or are operating significantly below their capacity. This reduced economic activity is having an adverse effect on sales and income tax revenue collected by New York State. If New York State is unable to meet its budgeted revenue expectations, it may need to reduce expenditures accordingly, which could result in the City receiving less New York State appropriations than expected. The City has also seen reduced sales tax collections. The City has taken some steps to defer expenditures to future years but has so far not significantly reduced employment levels or made significant cuts to services. Future decisions will be made dependent upon sales tax rebounding as the economy re-opens and whether or not New York State reduces state aid. The passage of a federal stimulus act benefiting local governments may be necessary to prevent New York State from cutting aid. The City is closely monitoring this very fluid situation and is acting as proactively as it can.

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

CITY OF HUDSON, NEW YORK

STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND (UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2019

	Original Budget	Final Budget	Actual	Encumbrances	Variance Favorable (Unfavorable)
REVENUE:					
Real property taxes and tax items	\$ 5,857,745	\$ 5,857,745	\$ 5,224,376	\$ -	\$ (633,369)
Nonproperty tax items	2,101,500	2,101,500	2,258,746	-	157,246
Departmental income	606,600	918,459	924,107	-	5,648
Use of money and property	76,000	76,000	83,942	-	7,942
Licenses and permits	171,950	171,950	205,052	-	33,102
Fines and forfeitures	360,000	360,000	395,595	-	35,595
Sale of property and compensation for loss	35,000	35,000	469,909	-	434,909
Miscellaneous local sources	43,750	92,739	139,924	-	47,185
State aid	1,997,906	2,508,833	2,192,829	-	(316,004)
Total revenue	11,250,451	12,122,226	11,894,480	-	(227,746)
EXPENDITURES:					
General governmental support	1,225,428	1,765,463	1,312,146	-	453,317
Public safety	3,774,194	3,860,797	3,707,157	-	153,640
Public health	8,784	8,784	8,556	-	228
Transportation	1,361,048	1,928,630	1,535,652	-	392,978
Economic assistance and opportunity	143,500	143,938	3,938	-	140,000
Culture and recreation	943,537	1,261,919	1,053,594	-	208,325
Home and community services	314,050	340,237	313,318	-	26,919
Employee benefits	3,048,594	2,985,073	2,701,164	-	283,909
Debt service - principal	445,663	445,664	445,663	-	1
Debt service - interest	157,406	157,406	157,413	-	(7)
Total expenditures	11,422,204	12,897,911	11,238,601	-	1,659,310
EXCESS OF REVENUES OVER EXPENDITURES	(171,753)	(775,685)	655,879	-	1,431,564
OTHER FINANCING SOURCES (USES):					
Operating transfers in	-	-	2,415	-	2,415
Operating transfers out	(257,595)	(380,955)	(373,360)	-	7,595
Total other financing sources (uses)	(257,595)	(380,955)	(370,945)	-	10,010
NET CHANGE IN FUND BALANCE	(429,348)	(1,156,640)	284,934	-	1,441,574
FUND BALANCE - beginning of year	4,463,669	4,463,669	4,463,669	-	-
FUND BALANCE - end of year	\$ 4,034,321	\$ 3,307,029	\$ 4,748,603	\$ -	\$ 1,441,574

CITY OF HUDSON, NEW YORK

**STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - WATER FUND (UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Original Budget	Final Budget	Actual	Encumbrances	Variance Favorable (Unfavorable)
REVENUE:					
Departmental income	\$ 988,570	\$ 988,570	\$ 985,862	\$ -	\$ (2,708)
Use of money and property	200,500	200,500	200,949	-	449
Miscellaneous local sources	-	-	445	-	445
Total revenue	<u>1,189,070</u>	<u>1,189,070</u>	<u>1,187,256</u>	<u>-</u>	<u>(1,814)</u>
EXPENDITURES:					
General governmental support	106,800	106,900	105,455	-	1,445
Home and community services	679,821	668,021	638,451	-	29,570
Employee benefits	132,433	176,133	168,167	-	7,966
Debt service - principal	<u>270,016</u>	<u>270,016</u>	<u>270,016</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>1,189,070</u>	<u>1,221,070</u>	<u>1,182,089</u>	<u>-</u>	<u>38,981</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>-</u>	<u>(32,000)</u>	<u>5,167</u>	<u>-</u>	<u>37,167</u>
NET CHANGE IN FUND BALANCE	-	(32,000)	5,167	-	37,167
FUND BALANCE - beginning of year	<u>311,680</u>	<u>311,680</u>	<u>311,680</u>	<u>-</u>	<u>-</u>
FUND BALANCE - end of year	<u>\$ 311,680</u>	<u>\$ 279,680</u>	<u>\$ 316,847</u>	<u>\$ -</u>	<u>\$ 37,167</u>

CITY OF HUDSON, NEW YORK

STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - SEWER FUND (UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2019

	Original Budget	Final Budget	Actual	Encumbrances	Variance Favorable (Unfavorable)
REVENUE:					
Departmental income	\$ 835,000	\$ 835,000	\$ 837,991	\$ -	\$ 2,991
Use of money and property	750	750	501	-	(249)
Miscellaneous sources	<u>340,000</u>	<u>340,000</u>	<u>359,367</u>	<u>-</u>	<u>19,367</u>
Total revenue	<u>1,175,750</u>	<u>1,175,750</u>	<u>1,197,859</u>	<u>-</u>	<u>22,109</u>
EXPENDITURES:					
General governmental support	41,800	40,550	40,501	-	49
Home and community services	881,999	907,463	893,948	-	13,515
Employee benefits	86,251	109,037	106,538	-	2,499
Debt service - principal	<u>165,700</u>	<u>165,700</u>	<u>165,700</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>1,175,750</u>	<u>1,222,750</u>	<u>1,206,687</u>	<u>-</u>	<u>16,063</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>-</u>	<u>(47,000)</u>	<u>(8,828)</u>	<u>-</u>	<u>38,172</u>
OTHER FINANCING SOURCES:					
Operating transfers out	<u>-</u>	<u>(85,000)</u>	<u>(85,000)</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>(85,000)</u>	<u>(85,000)</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>-</u>	<u>(132,000)</u>	<u>(93,828)</u>	<u>-</u>	<u>38,172</u>
FUND BALANCE - beginning of year	<u>401,035</u>	<u>401,035</u>	<u>401,035</u>	<u>-</u>	<u>-</u>
FUND BALANCE - end of year	<u>\$ 401,035</u>	<u>\$ 269,035</u>	<u>\$ 307,207</u>	<u>\$ -</u>	<u>\$ 38,172</u>

CITY OF HUDSON, NEW YORK

STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - CEMETERY FUND (UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2019

	Original Budget	Final Budget	Actual	Encumbrances	Variance Favorable (Unfavorable)
REVENUE:					
Departmental income	\$ 135,200	135,200	\$ 101,316	\$ -	\$ (33,884)
Use of money and property	25,800	25,800	23,446	-	(2,354)
Miscellaneous sources	<u>3,000</u>	<u>3,000</u>	<u>12,194</u>	<u>-</u>	<u>9,194</u>
Total revenue	<u>164,000</u>	<u>164,000</u>	<u>136,956</u>	<u>-</u>	<u>(27,044)</u>
EXPENDITURES:					
General government support	15,400	15,400	14,922	-	478
Home and community services	317,066	312,319	277,438	-	34,881
Employee benefits	<u>89,129</u>	<u>148,876</u>	<u>143,678</u>	<u>-</u>	<u>5,198</u>
Total expenditures	<u>421,595</u>	<u>476,595</u>	<u>436,038</u>	<u>-</u>	<u>40,557</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>(257,595)</u>	<u>(312,595)</u>	<u>(299,082)</u>	<u>-</u>	<u>13,513</u>
OTHER FINANCING SOURCES:					
Operating transfers in	<u>257,595</u>	<u>312,595</u>	<u>307,704</u>	<u>-</u>	<u>(4,891)</u>
Total other financing sources (uses)	<u>257,595</u>	<u>312,595</u>	<u>307,704</u>	<u>-</u>	<u>(4,891)</u>
NET CHANGE IN FUND BALANCE	-	-	8,622	-	8,622
FUND BALANCE - beginning of year	<u>4,743</u>	<u>4,743</u>	<u>4,743</u>	<u>-</u>	<u>-</u>
FUND BALANCE - end of year	<u>\$ 4,743</u>	<u>\$ 4,743</u>	<u>\$ 13,365</u>	<u>\$ -</u>	<u>\$ 8,622</u>

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET) (UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2019

Information for the periods prior to implementation of GASB 68 is unavailable and will be completed for each year going forward as they become available.

Information for the periods prior to implementation of GASB 68 is unavailable and will be completed for each year going forward as they become available.

SCHEDULE OF CONTRIBUTIONS - PENSION PLANS (UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2019

Information for the periods prior to implementation of GASB 68 is unavailable and will be completed for each year going forward as they become available.

Information for the periods prior to implementation of GASB 68 is unavailable and will be completed for each year going forward as they become available.

SUPPLEMENTARY INFORMATION

CITY OF HUDSON, NEW YORK
SCHEDULE OF COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2019

	Special Revenue Funds				Hudson Community Development & Planning Agency	
	Water Fund	Sewer Fund	Cemetery Fund	Permanent Fund		Total
ASSETS						
Cash	\$ 36,153	\$ 35,837	\$ 34,460	\$ -	\$ 61,573	\$ 168,023
Restricted cash	-	-	-	774,860	-	774,860
State aid receivable	-	-	-	-	6,993	6,993
Accounts receivable	275,159	289,331	-	-	-	564,490
Loans receivable	-	-	-	-	112,648	112,648
Due from other funds	76,115	77,691	1,134	-	-	154,940
Prepaid and other assets	-	34	3,667	-	-	3,701
TOTAL ASSETS	\$ 387,427	\$ 402,893	\$ 39,261	\$ 774,860	\$ 181,214	\$ 1,785,655
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE						
LIABILITIES:						
Accounts payable	\$ 32,571	\$ 75,714	\$ 3,257	\$ -	\$ 430	\$ 111,972
Accrued liabilities	9,743	4,191	5,291	-	-	19,225
Due to NYS Employee Retirement System	24,691	15,602	17,290	-	-	57,583
Due to other funds	3,528	131	58	1,134	-	4,851
Unearned revenue	47	48	-	-	-	95
Total liabilities	70,580	95,686	25,896	1,134	430	193,726
DEFERRED INFLOWS OF RESOURCES						
Deferred revenue	-	-	-	-	112,533	112,533
Total deferred inflows of resources	-	-	-	-	112,533	112,533
FUND BALANCE:						
Nonspendable	-	34	3,667	-	112,648	116,349
Restricted	-	-	-	773,726	-	773,726
Assigned	316,847	307,173	9,698	-	-	633,718
Unassigned	-	-	-	-	(44,397)	(44,397)
Total Fund Balance	316,847	307,207	13,365	773,726	68,251	1,479,396
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	\$ 387,427	\$ 402,893	\$ 39,261	\$ 774,860	\$ 181,214	\$ 1,785,655

The accompanying notes are an integral part of these statements.

CITY OF HUDSON, NEW YORK

**SCHEDULE OF COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Special Revenue Funds			Permanent Fund	Hudson Community Development & Planning Agency	Total
	Water Fund	Sewer Fund	Cemetery Fund			
REVENUES:						
Departmental income	\$ 985,862	\$ 837,991	\$ 101,316	\$ -	\$ -	\$ 1,925,169
Use of money and property	200,949	501	23,446	2,704	308	227,908
Grant revenue	-	-	-	-	6,963	6,963
Miscellaneous	445	359,367	12,194	1,400	-	373,406
Total revenues	1,187,256	1,197,859	136,956	4,104	7,271	2,533,446
EXPENDITURES:						
General government support	105,455	40,501	14,922	-	-	160,878
Economic assistance and opportunity	-	-	-	-	22,389	22,389
Home and community services	638,451	893,948	277,438	-	-	1,809,837
Employee benefits	168,167	106,538	143,678	-	-	418,383
Principal	270,016	165,700	-	-	-	435,716
Total expenditures	1,182,089	1,206,687	436,038	-	22,389	2,847,203
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	5,167	(8,828)	(299,082)	4,104	(15,118)	(313,757)
OTHER FINANCING SOURCES (USES):						
Operating transfers - in	-	-	307,704	-	-	307,704
Operating transfers - out	-	(85,000)	-	(2,704)	-	(87,704)
Total other financing sources (uses)	-	(85,000)	307,704	(2,704)	-	220,000
CHANGE IN FUND BALANCE	5,167	(93,828)	8,622	1,400	(15,118)	(93,757)
FUND BALANCE - beginning of year	311,680	401,035	4,743	772,326	83,369	1,573,153
FUND BALANCE - end of year	\$ 316,847	\$ 307,207	\$ 13,365	\$ 773,726	\$ 68,251	\$ 1,479,396

The accompanying notes are an integral part of these statements.

REQUIRED REPORT

**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**

February 26, 2021

The Honorable Mayor and City Council of the
City of Hudson, New York

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 aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Hudson, New York (City), as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated February 26, 2021. Our report includes a reference to other auditors who audited the financial statements of the Hudson Industrial Development Agency and the Hudson Community Development and Planning Agency, as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. Our report describes an adverse opinion on governmental activities because the City does record other postemployment benefits (OPEB), capital assets and general infrastructure assets in governmental activities and, accordingly has not recorded employee benefits or depreciation expense as required by accounting principles generally accepted in the United States. All other opinion units had unmodified opinions.

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.

6 Wembley Court
Albany, New York 12205
p (518) 464-4080
f (518) 464-4087

www.bonadio.com

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*

(Continued)

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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's basic financial statements are free of 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 financial statements. 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.

**FORM OF BOND COUNSEL OPINION IN CONNECTION WITH
\$3,029,100 BOND ANTICIPATION NOTES, SERIES 2021A**

Upon delivery of the Notes at the Closing Date, Rodenhausen Chale & Polidoro LLP, Rhinebeck, NY, Bond Counsel to the City, proposes to issue its approving opinion as to the Notes in substantially the following form:

June 25, 2021

City of Hudson
520 Warren Street
Hudson, New York 12534

Re: City of Hudson
Columbia County, New York
\$3,029,100 Bond Anticipation Notes, Series 2021A

Ladies and Gentlemen:

We have acted as bond counsel to the City of Hudson, Columbia County, New York (the "Issuer") in connection with the issuance of its Bond Anticipation Notes, Series 2021A in the aggregate principal amount of \$3,029,100 (the "Notes").

The Notes are dated June 25, 2021 bear interest at the rate of ____% per annum, are payable at maturity and mature June 24, 2022.

The Notes have been designated or deemed designated by the Issuer as "qualified tax-exempt obligations" pursuant to Section 265(b)(3) of the Internal Revenue Code of 1986, as amended (the "Code").

We have examined such law and such certified proceedings and other documents as we have deemed necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon the transcript of proceedings and other certifications of public officials and others furnished to us without undertaking to verify the same by independent investigation. In our examination, we have assumed the genuineness of all signatures, the authenticity and completeness of all documents submitted to us as originals and the conformity with the original documents of all documents submitted to us as copies.

Based upon our examination of the foregoing and subject to the limitations contained herein, we are of the opinion that, under existing law,

(1) The Notes have been duly authorized and issued in accordance with the Constitution and statutes of the State of New York and constitute the valid and legally binding general obligations of the Issuer, for the payment of which the Issuer has validly pledged its faith and credit, and all the taxable real property within the boundaries of the Issuer is subject to the levy of ad valorem taxes to pay the Notes and interest thereon, subject to certain statutory limitations which may be imposed by Chapter 97 of the Laws of 2011, as amended.

(2) Interest on the Notes is not includable in gross income for federal income tax purposes pursuant to Section 103 of the Code and is not treated as an "item of tax preference" for the purposes of the federal alternative minimum tax imposed on individuals under the Code.

The Code establishes certain requirements that must be met subsequent to the issuance and delivery of the Notes in order that interest on the Notes be and remains excludable from gross income for Federal income tax purposes pursuant to Section 103 of the Code. These requirements include, but are not limited to, restrictions on the investment and use of proceeds of the Notes and the rebate of certain earnings in respect of such investments to the United States. Noncompliance may cause interest on the Notes to become subject to Federal income taxes retroactive to the date of issue of the Notes, irrespective of the date on which such noncompliance occurs or is ascertained. On the date of issuance of the Notes, the Issuer will execute and deliver an Arbitrage and Use of Proceeds Certificate with respect to the Notes which will contain provisions and procedures relating to compliance with applicable requirements of the Code. The Arbitrage and Use of Proceeds Certificate will include the Issuer's certification to the effect that the Issuer will comply with the provisions and procedures set forth therein and that it will do and perform all acts and things necessary or desirable to assure that interest on the Notes is not included in gross income.

In rendering the opinion set forth in this paragraph 2, we have relied upon and assumed the material accuracy of the Issuer's certifications, statements of intention and reasonable expectation, and certifications of fact contained in the Arbitrage and Use of Proceeds Certificate with respect to matters affecting the status of interest on the Notes and compliance by the Issuer with the procedures and certifications set forth in the Arbitrage and Use of Proceeds Certificate as to such tax matters.

(3) Interest on the Notes is exempt from personal income taxes of New York State and its political subdivisions, including The City of New York.

Except as set forth in paragraphs 2 and 3 above, we express no opinion regarding other federal, state or local tax consequences arising with respect to the Notes or the ownership or disposition thereof.

It is to be understood that the rights of the owners of the Notes and the enforceability of the Notes may be limited by bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance or other similar laws affecting creditors' rights generally heretofore or hereafter enacted, and by equitable principles, whether considered at law or in equity.

The scope of our engagement as bond counsel in relation to the issuance of the Notes has extended solely to rendering the opinions expressed herein, and the opinions expressed herein are not intended and should not be construed to express or imply any conclusion that the amount of real property subject to taxation within the boundaries of the Issuer, together with other legally available sources of revenue, if any, will be sufficient to enable the Issuer to pay the principal of or interest on the Notes as the same respectively become due and payable. We have not been asked and have not undertaken to review the accuracy, completeness or sufficiency of the Official Statement or any other offering materials which may have been furnished to the purchasers of the Notes and we express no opinion with respect thereto.

This opinion is given as of the date hereof, and we assume no obligation to update or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur. We express no opinion as to the Notes or the interest thereon if any change occurs or action is taken upon the advice or approval of counsel other than Rodenhausen Chale & Polidoro LLP.