

**CITY OF HUDSONVILLE
OTTAWA COUNTY, MICHIGAN
ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2022**

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INDEPENDENT AUDITOR'S REPORT

To the City Commission
City of Hudsonville, Michigan

Report on the Audit of the Financial Statements***Opinions***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Hudsonville (the "City"), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2022, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

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

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

A handwritten signature in cursive script that reads "Gabridge & Company".

Gabridge & Company, PLC
Grand Rapids, Michigan
November 11, 2022

Management's Discussion and Analysis

City of Hudsonville
Management's Discussion and Analysis
June 30, 2021

As management of the City of Hudsonville, Michigan (The "City" or "government") we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2022. We encourage readers to consider the information presented here in conjunction with the financial statements as a whole.

Financial Highlights

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$27,923,607 (*net position*). Of this amount, \$6,359,966 represents unrestricted net position.
- The City's revenues were \$8,699,134 and expenses were \$6,702,136 for an increase in net position of \$1,524,391.
- At the close of the current fiscal year, the City's governmental funds reported combined fund balances of \$4,234,430, an increase of \$2,066,003 in comparison with the prior year. Approximately 43.1% of this amount, or \$1,823,265, is available for spending at the City's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$1,823,265, or approximately 41.4% of total general fund expenditures and transfers out. The general fund had an *increase* in fund balance of \$1,783,667 during the year.

Overview of the Financial Statements

The discussion and analysis provided here is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

Government-wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

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

The *statement of activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying

event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods (e.g., accrued but unpaid pension benefits and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, police and fire protection, streets, and culture and recreation. The business-type activities of the City include water and sewer services.

The government-wide financial statements include not only the City itself (known as the *primary government*), but also a legally separate Downtown Development Authority and Tax Increment Finance Authority, for which the City is financially accountable. Financial information for these *component units* are reported separately from the financial information presented for the primary government itself.

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 state and 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 three categories: governmental funds, proprietary funds, and fiduciary funds.

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

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

The City maintains several 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 balances for the general, major street, and Terra Square funds, which are considered to be major funds. Data from the other funds are presented as a separate column as they are considered to be nonmajor funds.

The City adopts an annual appropriated budget for the general fund and each special revenue fund. A budgetary comparison schedule for the general fund and each major special revenue fund has been provided to demonstrate compliance with these budgets.

Proprietary Funds. The City maintains two types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprises funds to account for its water and sewer operations. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions.

The City uses an internal service fund to account for equipment costs by allocating the cost to the funds that are using the resources. The City has a second internal service fund to track accumulated resources for future fire vehicle purchases. Because these services predominantly benefit governmental rather than business-type functions, they have been included within the governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and sewer operations, both of which are considered to be major funds of the City.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside of the government. Fiduciary funds are not reported in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The City reports one type of fiduciary fund, which is a custodial fund.

Notes to the Financial Statements. The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the City's budgetary comparison schedules and the City's schedules of funding progress and employer contributions for the pension.

This report also presents other supplementary information which includes the nonmajor fund combining and individual statements. The combining statements are presented immediately following the required supplementary information on pensions.

Government-wide Overall Financial Analysis

As noted earlier, net position over time may serve as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$27,923,607 at the close of the most recent fiscal year.

City of Hudsonville's Net Position

	Governmental Activities		Business-type Activities		Total Primary Government	
	2022	2021	2022	2021	2022	2021
ASSETS						
<i>Current Assets</i>						
Cash and Investments	\$ 4,288,932	\$ 2,216,465	\$ 4,338,724	\$ 3,548,729	\$ 8,627,656	\$ 5,765,194
Receivables, net	137,520	80,267	523,534	529,869	661,054	610,136
Due from Other Governmental Units	307,893	286,297	-	-	307,893	286,297
Prepaid Items and Inventories	37,705	29,298	63,835	38,007	101,540	67,305
Total Current Assets	4,772,050	2,612,327	4,926,093	4,116,605	9,698,143	6,728,932
<i>Noncurrent Assets</i>						
Land Held for Resale	1,350,000	-	-	-	1,350,000	-
Advances to Other Governmental Units	-	110,000	-	-	-	110,000
Capital Assets, Net	17,235,194	16,834,837	7,844,278	7,919,008	25,079,472	24,753,845
Total Assets	23,357,244	19,557,164	12,770,371	12,035,613	36,127,615	31,592,777
DEFERRED OUTFLOWS OF RESOURCES						
Pension Related	57,500	97,176	-	-	57,500	97,176
Total Deferred Outflows of Resources	57,500	97,176	-	-	57,500	97,176
LIABILITIES						
<i>Current Liabilities</i>						
Accounts Payable	170,152	244,975	422,745	162,210	592,897	407,185
Accrued Liabilities	38,144	39,818	4,879	3,263	43,023	43,081
Unearned Revenue	1,268,717	43,950	-	-	1,268,717	43,950
Accrued Interest Payable	68,815	70,848	-	-	68,815	70,848
Customer Deposits	2,066	3,419	-	-	2,066	3,419
Compensated Absences	43,973	39,379	-	-	43,973	39,379
Current Portion of Long-term Debt	205,000	200,000	-	-	205,000	200,000
Total Current Liabilities	1,796,867	642,389	427,624	165,473	2,224,491	807,862
<i>Noncurrent Liabilities</i>						
Net Pension Liability	397,004	536,846	-	-	397,004	536,846
Long-term Debt	5,482,740	4,353,849	-	-	5,482,740	4,353,849
Total Liabilities	7,676,611	5,533,084	427,624	165,473	8,104,235	5,698,557
DEFERRED INFLOWS OF RESOURCES						
Pension Related	157,273	64,787	-	-	157,273	64,787
Total Deferred Inflows of Resources	157,273	64,787	-	-	157,273	64,787
NET POSITION						
Net Investment in Capital Assets	12,897,454	12,280,988	7,844,278	7,919,008	20,741,732	20,199,996
Restricted	821,909	539,573	-	-	821,909	539,573
Unrestricted	1,861,497	1,235,908	4,498,469	3,951,132	6,359,966	5,187,040
Total Net Position	\$ 15,580,860	\$ 14,056,469	\$ 12,342,747	\$ 11,870,140	\$ 27,923,607	\$ 25,926,609

A large portion of the City’s net position, \$20,741,732 (or 74.3%), reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, machinery, equipment, vehicles, and infrastructure), less any related outstanding debt that was used to acquire those assets. The City uses these capital assets to provide a variety of services to its citizens. Accordingly, these assets are not available for future spending. Although the City’s investment in capital assets is reported net of related debt, it should be noted that the resources used to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the City’s net position, \$821,909, or 2.9%, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$6,359,966, or 22.8%, is unrestricted.

Governmental Activities. Cash and investments increased by \$2,072,467, due in part to unearned revenues of \$1,231,921 due to unspent grant proceeds for ARPA and MEDC. Land held for sale and Long-term debt increased by 1.3 and 1.1 million respectively due to the purchase of a property that the city purchased for the purpose of selling and the related financing.

Business-type Activities. Cash and investments increased by \$789,995, largely from the net cash provided by operating activities, and a increase of payables of \$260,535.

City of Hudsonville's Changes in Net Position

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Revenues						
Program Revenues						
Charges for Services	\$ 717,461	\$ 475,557	\$ 2,503,461	\$ 2,509,338	\$ 3,220,922	\$ 2,984,895
Operating Grants and Contributions	1,298,734	1,328,804	1,050	136,077	1,299,784	1,464,881
Capital Grants and Contributions	66,750	-	-	-	66,750	-
Total Program Revenues	<u>2,082,945</u>	<u>1,804,361</u>	<u>2,504,511</u>	<u>2,645,415</u>	<u>4,587,456</u>	<u>4,449,776</u>
General Revenues						
Taxes	3,004,786	2,859,547	-	-	3,004,786	2,859,547
Unrestricted State Sources	1,094,401	939,021	-	-	1,094,401	939,021
Gain (Loss) on Investment Earnings	47,203	146,746	(34,712)	(77,682)	12,491	69,064
Total General Revenues	<u>4,146,390</u>	<u>3,945,314</u>	<u>(34,712)</u>	<u>(77,682)</u>	<u>4,111,678</u>	<u>3,867,632</u>
Total Revenues	<u>6,229,335</u>	<u>5,749,675</u>	<u>2,469,799</u>	<u>2,567,733</u>	<u>8,699,134</u>	<u>8,317,408</u>
Expenses						
General Government	1,309,795	1,104,307	-	-	1,309,795	1,104,307
Public Safety	956,747	1,016,407	-	-	956,747	1,016,407
Public Works	708,834	1,213,691	1,997,192	2,044,670	2,706,026	3,258,361
Community and Economic Development	682,496	633,000	-	-	682,496	633,000
Recreation and Culture	889,279	813,509	-	-	889,279	813,509
Interest on Long-term Debt	157,793	214,890	-	-	157,793	214,890
Total Expenses	<u>4,704,944</u>	<u>4,995,804</u>	<u>1,997,192</u>	<u>2,044,670</u>	<u>6,702,136</u>	<u>7,040,474</u>
Change in Net Position	<u>1,524,391</u>	<u>753,871</u>	<u>472,607</u>	<u>523,063</u>	<u>1,996,998</u>	<u>1,276,934</u>
<i>Net Position at Beginning of Period</i>	<u>14,056,469</u>	<u>13,302,598</u>	<u>11,870,140</u>	<u>11,347,077</u>	<u>25,926,609</u>	<u>24,649,675</u>
Net Position at End of Period	<u>\$ 15,580,860</u>	<u>\$ 14,056,469</u>	<u>\$ 12,342,747</u>	<u>\$ 11,870,140</u>	<u>\$ 27,923,607</u>	<u>\$ 25,926,609</u>

Governmental Activities. Governmental activities increased the City's net position by \$1,517,237. This increase was caused by both increases in charges of services of \$241,904 due to increase in rents at Terra Square and other reimbursements, also increased building permit activity. Property taxes increased by \$145,239 due to increasing taxable values, and state revenue sharing increase of \$155,380. Expenditures also decreased due to public works projects being completed in the prior year, while cost for maintenance at city hall increased, along with higher administrative costs.

Business-type Activities. Business-type activities increased the City's net position by \$472,607. Expenditures decreased by \$47,478 due to decreased SAW grant activity, while operating grants decreased by \$135,027 due to the SAW grant ending in the prior period. Interest earnings also decreased by \$42,970 due to fair market value adjustments.

Financial Analysis of Governmental Funds

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

Governmental Funds. The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either

an external party, the City itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the City's Commission.

At June 30, 2022, the City's governmental funds reported combined fund balances of \$4,227,276, an increase of \$2,058,849 in comparison with the prior year. \$1,385,651, or 32.8%, of the total fund balance is in nonspendable form (prepaid expenditures, inventories, and advances to other funds). Approximately 43.1%, or \$1,823,265, of this amount constitutes *unassigned fund balance*, which is available for spending at the City's discretion. The remainder of the fund balance, \$798,542, or 18.9%, is categorized as *restricted* to indicate that it is restricted for City streets, Terra Square, and capital projects or assigned for particular purposes (\$219,818 or 5.2%).

The general fund is the chief operating fund of the City. The City consolidates certain funds into the general fund for external financial reporting purposes. A combining schedule is provided as supplementary information to show the various components.

At the end of the current fiscal year, unassigned fund balance of the general fund was \$1,823,265. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance to total general fund expenditures. Unassigned fund balance represents approximately 41.4% of total general fund expenditures and transfers out. The fund balance of the City's general fund increased by \$1,783,667 during the current fiscal year. The increases in revenue were explained in an earlier section of this report. Expenditures remained relatively consistent in comparison to the prior year. The City Commission and management monitor the expenditures of the general fund closely to ensure that spending does not exceed the City's available resources.

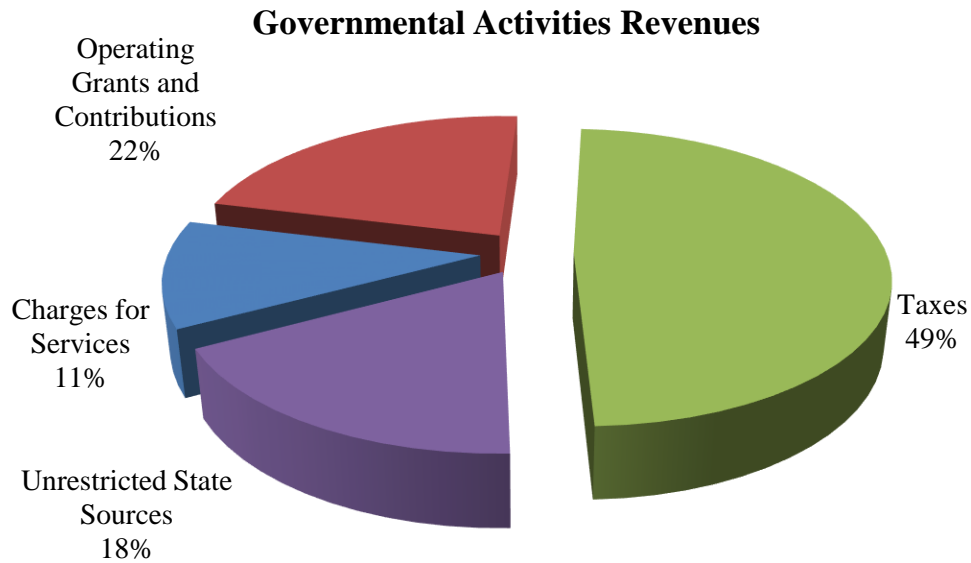
The fund balance of the City's major street fund increased by \$241,697 during the current fiscal year to an ending balance of \$482,969. The increase is largely due to expenditures related prior year projects being completed and increased state funding.

The fund balance of the ARPA fund increased by \$458 due to interest earned on unspent ARPA funding, the city has recognized \$66,750 of ARPA funding in the current year.

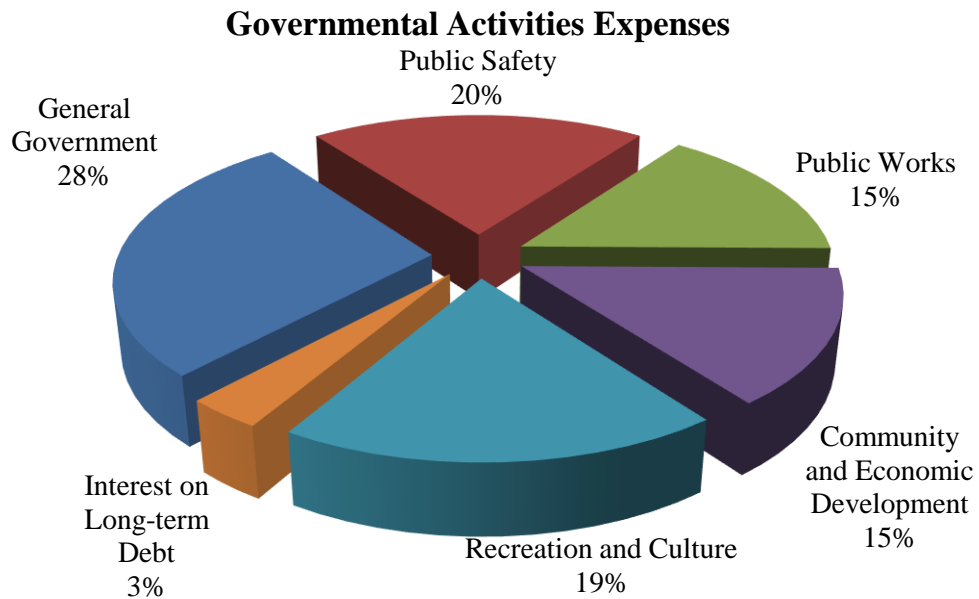
Proprietary Funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net position at the end of the year was \$2,293,276 for the sewer fund and \$2,205,193 for the water fund. The change in net position was an increase of \$132,383 for the sewer fund and an increase of \$340,224 for the water fund, respectively. Changes for both the sewer and water fund were described in an earlier section of this report.

Governmental Activities

The following chart summarizes the revenue sources for the governmental activities of the City for the most recent fiscal year-end.



The following chart summarizes the expenses for the governmental activities of the City for the most recent fiscal year-end.



General Fund Budgetary Highlights

Original budget compared to final budget. During the year there was a need to adjust expenditures in the final budget to \$5,602,182 from the originally budgeted expenditures of \$5,457,952. The most significant change was increases to transfers out of \$45,000, legal expenses of \$27,000, and public works for \$28,000.

Final budget compared to actual results. The City's general fund had no expenditures in excess of the amounts appropriated during the year ended June 30, 2022.

Capital Assets and Debt Administration

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2022 amounts to \$25,079,472 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings and improvements, vehicles, machinery, equipment, and water and sewer systems.

More detailed information about the City's capital assets can be found in the notes to the financial statements.

Long-term Debt

The City has long-term debt of \$5,687,740 as of June 30, 2022. The City paid down \$200,000 of bond obligations, and issued \$1,350,000 of new debt and amortized \$16,109 of bonds premium related to the 2016 Capital Improvement Bonds. The City is well within its debt limits. More detailed information about the City's long-term debt can be found in the notes to the financial statements.

Economic Condition and Outlook

Management estimates that approximately \$5.9 million of revenues will be available for appropriation in the general fund in the upcoming budget. Expenditures are expected to change by small amounts compared to 2021. The City continues to review all budget line items for opportunities to reduce expenditures when possible. The budget will be monitored during the year to identify any necessary amendments. In 2022, the City plans again to use current revenues to provide essential services and to maintain the City's financial reserves at similar levels. The ongoing costs of providing essential services for the citizens of the City will again need to be monitored in order to maintain the financial condition of the City.

Contacting the City

This financial report is designed to provide a general overview of the City's finances to its citizens, customers, investors, and creditors and to demonstrate the City's accountability for the resources it receives. Questions regarding any information provided in this report or requests for additional financial information should be addressed to:

City of Hudsonville
Attn: Keyla Garcia, Finance Director
3275 Central Blvd.
Hudsonville, MI 49426

Basic Financial Statements

City of Hudsonville
Statement of Net Position
June 30, 2022

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
<i>Current Assets</i>				
Cash and Investments	\$ 4,288,932	\$ 4,338,724	\$ 8,627,656	\$ 99,305
Receivables, net	137,520	523,534	661,054	--
Due from Other Governmental Units	307,893	--	307,893	--
Prepaid Items	25,289	4,627	29,916	1,722
Inventories	12,416	59,208	71,624	--
Total Current Assets	4,772,050	4,926,093	9,698,143	101,027
<i>Noncurrent Assets</i>				
Land Held for Resale and Development	1,350,000	--	1,350,000	1,317,049
Capital Assets not being Depreciated	4,756,833	286,275	5,043,108	--
Capital Assets being Depreciated, net	12,478,361	7,558,003	20,036,364	283,408
Total Assets	23,357,244	12,770,371	36,127,615	1,701,484
DEFERRED OUTFLOWS OF RESOURCES				
Pension	57,500	--	57,500	--
Total Deferred Outflows of Resources	57,500	--	57,500	--
LIABILITIES				
<i>Current Liabilities</i>				
Accounts Payable	170,152	422,745	592,897	7,167
Accrued Liabilities	38,144	4,879	43,023	816
Unearned Revenue	1,268,717	--	1,268,717	--
Accrued Interest Payable	68,815	--	68,815	--
Customer Deposits	2,066	--	2,066	--
Compensated Absences	43,973	--	43,973	--
Current Portion of Long-term Debt	205,000	--	205,000	--
Total Current Liabilities	1,796,867	427,624	2,224,491	7,983
<i>Noncurrent Liabilities</i>				
Net Pension Liability	397,004	--	397,004	--
Long-term Debt	5,482,740	--	5,482,740	--
Total Liabilities	7,676,611	427,624	8,104,235	7,983
DEFERRED INFLOWS OF RESOURCES				
Pension	157,273	--	157,273	--
Total Deferred Inflows of Resources	157,273	--	157,273	--
NET POSITION				
Net Investment in Capital Assets	12,897,454	7,844,278	20,741,732	283,408
<i>Restricted for:</i>				
Highways and Streets	807,218	--	807,218	--
Terra Square	14,200	--	14,200	--
Debt Service	33	--	33	--
ARPA	458	--	458	--
<i>Unrestricted</i>	1,861,497	4,498,469	6,359,966	1,410,093
Total Net Position	\$ 15,580,860	\$ 12,342,747	\$ 27,923,607	\$ 1,693,501

The Notes to the Financial Statements are an integral part of these Financial Statements

**City of Hudsonville
Statement of Activities
For the Year Ended June 30, 2022**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue			Component Units
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total	
					Governmental Activities	Business-type Activities		
Primary Government								
Governmental Activities:								
General Government	\$ 1,309,795	\$ 123,270	\$ --	\$ 66,750	\$ (1,119,775)	\$ --	\$ (1,119,775)	\$ --
Public Safety	956,747	240,024	4,985	--	(711,738)	--	(711,738)	--
Public Works	708,834	25,056	1,131,261	--	447,483	--	447,483	--
Community and Economic Development	682,496	276,420	34,217	--	(371,859)	--	(371,859)	--
Recreation and Culture	889,279	52,691	128,271	--	(708,317)	--	(708,317)	--
Interest on Long-term Debt	157,793	--	--	--	(157,793)	--	(157,793)	--
Total Governmental Activities	4,704,944	717,461	1,298,734	66,750	(2,621,999)	--	(2,621,999)	--
Business-type Activities:								
Sewer	1,177,564	1,327,899	--	--	--	150,335	150,335	--
Water	819,628	1,175,562	1,050	--	--	356,984	356,984	--
Total Business-type Activities	1,997,192	2,503,461	1,050	--	--	507,319	507,319	--
Total Primary Government	\$ 6,702,136	\$ 3,220,922	\$ 1,299,784	\$ 66,750	\$ (2,621,999)	\$ 507,319	\$ (2,114,680)	--
Component Units								
Downtown Development Authority	\$ 38,535	\$ --	\$ --	\$ --	--	--	--	(38,535)
Tax Increment Finance Authority	239,906	--	1,680	--	--	--	--	(238,226)
Total Component Units	\$ 278,441	\$ --	\$ 1,680	\$ --	--	--	--	(276,761)
General Purpose Revenues:								
					3,004,786	--	3,004,786	188,173
					1,094,401	--	1,094,401	--
					47,203	(34,712)	12,491	(608)
					4,146,390	(34,712)	4,111,678	187,565
					1,524,391	472,607	1,996,998	(89,196)
					14,056,469	11,870,140	25,926,609	1,782,697
					\$ 15,580,860	\$ 12,342,747	\$ 27,923,607	\$ 1,693,501

The Notes to the Financial Statements are an integral part of these Financial Statements

**City of Hudsonville
Balance Sheet
Governmental Funds
June 30, 2022**

	<u>Special Revenue</u>			Other Governmental Funds	Total Governmental Funds
	<u>General</u>	<u>Major Streets</u>	<u>ARPA</u>		
ASSETS					
Cash and Investments	\$ 1,962,519	\$ 841,518	\$ 705,900	\$ 366,751	\$ 3,876,688
Receivables, net	97,227	304	--	39,981	137,512
Due from Other Governmental Units	159,061	114,119	--	34,713	307,893
Prepaid Items	19,438	1,067	--	2,730	23,235
Inventories	--	9,933	--	2,483	12,416
Land Held for Resale and Development	1,350,000	--	--	--	1,350,000
Total Assets	<u>\$ 3,588,245</u>	<u>\$ 966,941</u>	<u>\$ 705,900</u>	<u>\$ 446,658</u>	<u>\$ 5,707,744</u>
LIABILITIES					
Accounts Payable	\$ 142,486	\$ 14,578	\$ --	\$ 8,509	\$ 165,573
Accrued Liabilities	33,238	1,048	--	2,672	36,958
Unearned Revenue	--	468,346	705,442	94,929	1,268,717
Customer Deposits	--	--	--	2,066	2,066
Total Liabilities	<u>175,724</u>	<u>483,972</u>	<u>705,442</u>	<u>108,176</u>	<u>1,473,314</u>
FUND BALANCE					
Nonspendable	1,369,438	11,000	--	5,213	1,385,651
Restricted	--	471,969	458	333,269	805,696
Assigned	219,818	--	--	--	219,818
Unassigned	1,823,265	--	--	--	1,823,265
Total Fund Balance	<u>3,412,521</u>	<u>482,969</u>	<u>458</u>	<u>338,482</u>	<u>4,234,430</u>
Total Liabilities and Fund Balance	<u>\$ 3,588,245</u>	<u>\$ 966,941</u>	<u>\$ 705,900</u>	<u>\$ 446,658</u>	<u>\$ 5,707,744</u>

The Notes to the Financial Statements are an integral part of these Financial Statements

City of Hudsonville
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2022

Total Fund Balance - Governmental Funds	\$	4,234,430
Net Position of internal service funds that are treated as proprietary in the fund level statements are treated as governmental in the entity-wide statements		1,089,990
Accrued interest is not due and payable in the current period and, therefore, is not reported in the funds.		(68,815)
General government capital assets of \$24,121,427, net of accumulated depreciation of \$7,567,682, are not financial resources and, accordingly, are not reported in the funds.		16,553,745
Compensated absences are not due and payable in the current period and, therefore, are not reported in the funds.		(43,973)
Long-term liabilities, including premium on bonds, are not due and payable in the current period and, therefore, are not reported in the funds.		(5,687,740)
Net pension liability and related deferred amounts are not due and payable in the current period or do not represent current financial resources and, therefore, are not reported in the funds.		(496,777)
Total Net Position - Governmental Activities	\$	<u>15,580,860</u>

The Notes to the Financial Statements are an integral part of these Financial Statements

City of Hudsonville
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2022

	<u>Special Revenue</u>			<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
	<u>General</u>	<u>Major Streets</u>	<u>ARPA</u>		
Revenues					
Taxes	\$ 3,004,786	\$ --	\$ --	\$ --	\$ 3,004,786
Licenses and Permits	210,485	--	--	--	210,485
Intergovernmental	1,202,481	876,011	66,750	258,156	2,403,398
Charges for Services	103,002	--	--	51,602	154,604
Fines and Forfeitures	51,928	--	--	--	51,928
Interest and Rents	99,548	(1,257)	458	126,551	225,300
Other Revenues	103,204	11,946	--	52,897	168,047
Total Revenues	<u>4,775,434</u>	<u>886,700</u>	<u>67,208</u>	<u>489,206</u>	<u>6,218,548</u>
Expenditures					
General Government	1,348,075	--	--	--	1,348,075
Public Safety	968,871	--	--	--	968,871
Public Works	304,991	677,214	--	164,188	1,146,393
Community and Economic Development	472,581	--	--	209,915	682,496
Recreation and Culture	855,268	--	--	52,897	908,165
Debt Service - Principal	20,000	--	--	180,000	200,000
Debt Service - Interest	9,460	--	--	166,475	175,935
Debt Service - Issuance Costs	14,610	--	--	--	14,610
Total Expenditures	<u>3,993,856</u>	<u>677,214</u>	<u>--</u>	<u>773,475</u>	<u>5,444,545</u>
Excess of Revenues Over (Under) Expenditures	<u>781,578</u>	<u>209,486</u>	<u>67,208</u>	<u>(284,269)</u>	<u>774,003</u>
Other Financing Sources (Uses)					
Issuance of Installment Purchase Agreement	1,350,000	--	--	--	1,350,000
Transfers In	66,750	32,211	--	356,661	455,622
Transfers Out	(414,661)	--	(66,750)	(32,211)	(513,622)
Net Other Financing Sources (Uses)	<u>1,002,089</u>	<u>32,211</u>	<u>(66,750)</u>	<u>324,450</u>	<u>1,292,000</u>
Net Change in Fund Balance	1,783,667	241,697	458	40,181	2,066,003
<i>Fund Balance at Beginning of Period</i>	1,628,854	241,272	--	298,301	2,168,427
Fund Balance at End of Period	<u>\$ 3,412,521</u>	<u>\$ 482,969</u>	<u>\$ 458</u>	<u>\$ 338,482</u>	<u>\$ 4,234,430</u>

The Notes to the Financial Statements are an integral part of these Financial Statements

City of Hudsonville
Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and
Changes in Fund Balance with Statement of Activities
For the Year Ended June 30, 2022

Total Net Change in Fund Balances - Governmental Funds	\$ 2,058,849
Changes in net position of internal service funds that are treated as enterprise fund changes in net position in the fund level statements are treated as governmental fund changes in net position in the entity-wide statements	148,625
Changes to accrued interest do not require the use of current financial resources and, therefore, are not reported as expenditures in the funds.	2,033
Changes to compensated absences do not require the use of current financial resources and, therefore, are not reported as expenditures in the funds.	(4,594)
The statement of activities reports changes to net pension liability and pension related deferrals as pension expense; however, the expenditures recorded on the governmental funds equals actual pension contributions.	7,680
Repayment of bond principal is an expenditure in the governmental funds but the repayment, along with the amortization the bond premiums, reduces long-term liabilities in the statement of net position.	(1,133,891)
Governmental funds report capital outlays as expenditures; however, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay of \$1,121,343 exceeds depreciation expense of \$682,808.	438,535
Changes in Net Position - Governmental Activities	\$ <u>1,517,237</u>

The Notes to the Financial Statements are an integral part of these Financial Statements

**City of Hudsonville
Statement of Net Position
Proprietary Funds
June 30, 2022**

	Business-type Activities - Enterprise Funds			Governmental Activities
	Sewer	Water	Total Enterprise Funds	Internal Service Funds
ASSETS				
<i>Current Assets</i>				
Cash and Investments	\$ 2,207,408	\$ 2,131,316	\$ 4,338,724	\$ 412,244
Receivables, net	276,786	246,748	523,534	8
Prepaid Items	2,131	2,496	4,627	2,054
Inventories	--	59,208	59,208	--
Total Current Assets	2,486,325	2,439,768	4,926,093	414,306
<i>Noncurrent Assets</i>				
Capital Assets not being Depreciated	5,299	280,976	286,275	--
Capital Assets being Depreciated, net	2,066,455	5,491,548	7,558,003	681,449
Total Assets	4,558,079	8,212,292	12,770,371	1,095,755
LIABILITIES				
<i>Current Liabilities</i>				
Accounts Payable	191,159	231,586	422,745	4,579
Accrued Liabilities	1,890	2,989	4,879	1,186
Total Current Liabilities	193,049	234,575	427,624	5,765
<i>Noncurrent Liabilities</i>				
Total Liabilities	193,049	234,575	427,624	5,765
NET POSITION				
Net Investment in Capital Assets	2,071,754	5,772,524	7,844,278	681,449
<i>Unrestricted</i>	2,293,276	2,205,193	4,498,469	408,541
Total Net Position	\$ 4,365,030	\$ 7,977,717	\$ 12,342,747	\$ 1,089,990

The Notes to the Financial Statements are an integral part of these Financial Statements

City of Hudsonville
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2022

	<u>Business-type Activities - Enterprise Funds</u>			<u>Governmental</u>
	<u>Sewer</u>	<u>Water</u>	<u>Total Enterprise Funds</u>	<u>Activities Internal Service Funds</u>
Operating Revenues				
Charges for Services	\$ 1,327,899	\$ 1,173,394	\$ 2,501,293	\$ 360,167
<i>Total Operating Revenues</i>	<u>1,327,899</u>	<u>1,173,394</u>	<u>2,501,293</u>	<u>360,167</u>
Operating Expenses				
Personnel Services	137,913	188,354	326,267	61,591
Materials and Supplies	1,827	17,973	19,800	1,046
Contractual Services	770,048	304,782	1,074,830	464
Repairs and Maintenance	17,857	36,526	54,383	49,100
Utilities	26,209	6,836	33,045	43,644
Other Expenses	69,565	67,374	136,939	16,771
Depreciation	154,145	197,783	351,928	107,713
<i>Total Operating Expenses</i>	<u>1,177,564</u>	<u>819,628</u>	<u>1,997,192</u>	<u>280,329</u>
<i>Operating Income (Loss)</i>	<u>150,335</u>	<u>353,766</u>	<u>504,101</u>	<u>79,838</u>
Non-Operating Revenues (Expenses)				
Other Revenues	--	2,168	2,168	--
State Grant	--	1,050	1,050	--
Gain (Loss) on Investment Earnings	(17,952)	(16,760)	(34,712)	87
Gain on Sale of Capital Assets	--	--	--	10,700
<i>Net Non-Operating Revenues (Expenses)</i>	<u>(17,952)</u>	<u>(13,542)</u>	<u>(31,494)</u>	<u>10,787</u>
<i>Income Before Contributions and Transfers</i>	<u>132,383</u>	<u>340,224</u>	<u>472,607</u>	<u>90,625</u>
Transfers In	--	--	--	58,000
Transfers Out	--	--	--	--
<i>Change In Net Position</i>	<u>132,383</u>	<u>340,224</u>	<u>472,607</u>	<u>148,625</u>
<i>Net Position at Beginning of Period</i>	4,232,647	7,637,493	11,870,140	941,365
<i>Net Position at End of Period</i>	<u>\$ 4,365,030</u>	<u>\$ 7,977,717</u>	<u>\$ 12,342,747</u>	<u>\$ 1,089,990</u>

The Notes to the Financial Statements are an integral part of these Financial Statements

**City of Hudsonville
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2022**

	<u>Business-type Activities - Enterprise Funds</u>			Governmental
	<u>Sewer</u>	<u>Water</u>	<u>Total Enterprise Funds</u>	Internal Service Fund
Cash Flows from Operating Activities				
Cash Received from Charges for Service	\$ 1,335,743	\$ 1,171,885	\$ 2,507,628	\$ -
Cash Received from Interfund Services Provided	-	-	-	360,159
Cash Payments to Employees for Services and Fringe Benefits	(137,606)	(187,045)	(324,651)	(60,841)
Cash Payments to Suppliers for Good and Services	(790,736)	(293,554)	(1,084,290)	(114,035)
<i>Net Cash Provided by Operating Activities</i>	<u>407,401</u>	<u>691,286</u>	<u>1,098,687</u>	<u>185,283</u>
Cash Flows from Non-capital Financing Activities				
Other Non-Operating Revenues	-	2,168	2,168	-
Transfers In	-	-	-	58,000
State Grant	-	1,050	1,050	-
<i>Net Cash Provided (Used) by Non-capital Financing Activities</i>	<u>-</u>	<u>3,218</u>	<u>3,218</u>	<u>58,000</u>
Cash Flows from Capital and Related Financing Activities				
Capital Asset Purchases	(64,077)	(213,121)	(277,198)	(69,535)
Gain on Sale of Capital Assets	-	-	-	10,700
<i>Net Cash Used by Capital and Related Financing Activities</i>	<u>(64,077)</u>	<u>(213,121)</u>	<u>(277,198)</u>	<u>(58,835)</u>
Cash Flows from Investing Activities				
Gain (Loss) on Investment Earnings	(17,952)	(16,760)	(34,712)	87
<i>Net Cash Used by Investing Activities</i>	<u>(17,952)</u>	<u>(16,760)</u>	<u>(34,712)</u>	<u>87</u>
<i>Net Increase in Cash and Investments</i>	325,372	464,623	789,995	184,535
<i>Cash and Investments - Beginning of Year</i>	1,882,036	1,666,693	3,548,729	227,709
Cash and Investments - End of Year	<u>\$ 2,207,408</u>	<u>\$ 2,131,316</u>	<u>\$ 4,338,724</u>	<u>\$ 412,244</u>

The Notes to the Financial Statements are an integral part of these Financial Statements

City of Hudsonville
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2022

	<u>Business-type Activities - Enterprise Funds</u>			Governmental
	<u>Sewer</u>	<u>Water</u>	<u>Total Enterprise Funds</u>	Activities Internal Service Fund
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities				
Operating Income (Loss)	\$ 150,335	\$ 353,766	\$ 504,101	\$ 79,838
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities				
Depreciation Expense	154,145	197,783	351,928	107,713
Changes in Assets and Liabilities				
Receivables, Net	7,844	(1,509)	6,335	(8)
Prepaid Items	45	(138)	(93)	(363)
Inventories	7,871	(33,606)	(25,735)	-
Accounts Payable	86,854	173,681	260,535	(2,647)
Accrued Liabilities	307	1,309	1,616	750
<i>Net Cash Provided by Operating Activities</i>	<u>\$ 407,401</u>	<u>\$ 691,286</u>	<u>\$ 1,098,687</u>	<u>\$ 185,283</u>

The Notes to the Financial Statements are an integral part of these Financial Statements

City of Hudsonville
Statement of Fiduciary Net Position
Fiduciary Fund
June 30, 2022

	Custodial
ASSETS	
<i>Total Assets</i>	\$ --
LIABILITIES	
<i>Total Liabilities</i>	--
NET POSITION	
<i>Restricted for Individuals and Other Governments</i>	\$ --

The Notes to the Financial Statements are an integral part of these Financial Statements

City of Hudsonville
Statement of Changes in Fiduciary Net Position
Fiduciary Fund
For the Year Ended June 30, 2022

	Custodial
Additions	
Taxes Collected for Other Governments	\$ 8,644,357
<i>Total Additions</i>	8,644,357
DEDUCTIONS	
Payments of Property Taxes to Other Governments	8,644,357
<i>Total Deductions</i>	8,644,357
<i>Net Increase (Decrease) in Net Position</i>	--
<i>Net Position at Beginning of Period</i>	--
<i>Net Position at End of Period</i>	\$ --

The Notes to the Financial Statements are an integral part of these Financial Statements

City of Hudsonville
Combining Statement of Net Position
Component Units
June 30, 2022

	Downtown Development Authority	Tax Increment Finance Authority	Total Component Units
ASSETS			
<i>Current Assets</i>			
Cash and Investments	\$ 36,281	\$ 63,024	\$ 99,305
Prepaid Items	845	877	1,722
Total Current Assets	37,126	63,901	101,027
<i>Noncurrent Assets</i>			
Land Held for Resale and Development	--	1,317,049	1,317,049
Capital Assets being Depreciated, net	--	283,408	283,408
Total Assets	37,126	1,664,358	1,701,484
LIABILITIES			
<i>Current Liabilities</i>			
Accounts Payable	1,170	5,997	7,167
Accrued Liabilities	148	668	816
Total Current Liabilities	1,318	6,665	7,983
<i>Noncurrent Liabilities</i>			
Total Liabilities	1,318	6,665	7,983
NET POSITION			
Net Investment in Capital Assets	--	283,408	283,408
<i>Unrestricted</i>	35,808	1,374,285	1,410,093
Total Net Position	\$ 35,808	\$ 1,657,693	\$ 1,693,501

The Notes to the Financial Statements are an integral part of these Financial Statements

City of Hudsonville
Combining Statement of Activities
Component Units
For the Year Ended June 30, 2022

	Downtown Development Authority	Tax Increment Finance Authority	Total Component Units
Expenses			
Community and Economic Development	\$ 38,535	\$ 217,055	\$ 255,590
Loss on Investments	--	22,851	22,851
<i>Total Expenses</i>	38,535	239,906	278,441
Program Revenues			
Operating grants and contributions	--	1,680	1,680
<i>Total Program Revenues</i>	--	1,680	1,680
<i>Net Program Revenues (Expenses)</i>	(38,535)	(238,226)	(276,761)
General Revenue			
Taxes	15,626	172,547	188,173
Gain (Loss) on Investment Earnings	--	(608)	(608)
<i>Total General Revenues</i>	15,626	171,939	187,565
<i>Change in Net Position</i>	(22,909)	(66,287)	(89,196)
<i>Net Position at Beginning of Period</i>	58,717	1,723,980	1,782,697
<i>Net Position at End of Period</i>	\$ 35,808	\$ 1,657,693	\$ 1,693,501

The Notes to the Financial Statements are an integral part of these Financial Statements

Notes to the Financial Statements

City of Hudsonville

Notes to the Financial Statements

Note 1 - Summary of Significant Accounting Policies

The financial statements of the City of Hudsonville (the “City” or “government”) have been prepared in conformity with generally accepted accounting principles 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 more significant of the City’s accounting policies are described below.

Reporting Entity

The City of Hudsonville is governed by a seven-member elected City Commission, which consists of the Mayor, Mayor Pro Tem, and five commission members. The City Commission appoints the City Manager. The City provides the following services as authorized by its charter to its more than 7,000 residents: law enforcement, fire protection, public works, recreation and culture, planning and zoning, and general administrative services.

The accompanying financial statements present the City's primary government and its component units, entities for which the government is considered to be financially accountable. Discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the primary government.

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

Blended Component Unit

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

Discretely Presented Component Units

The following component units are reported in a separate column to emphasize that, while legally separate, the City remains financially accountable for the entities or the nature and significant of the relationship between the entities and the City is such that exclusion of the entities would render the financial statements misleading or incomplete.

City of Hudsonville

Notes to the Financial Statements

Downtown Development Authority - The Downtown Development Authority (DDA) was created to correct and prevent deterioration in the downtown district, encourage historical preservation, and to promote economic growth within the downtown district. The DDA's governing body, which consists of 11 members, is selected by the Mayor and City Commission. In addition, the DDA's budget is subject to approval by the City Commission. The financial statements of the DDA are included in the City's financial statements and are not audited separately.

Tax Increment Finance Authority - The Tax Increment Finance Authority (TIFA) was created to provide means and methods for the encouragement and assistance of industrial and commercial enterprises in relocating, purchasing, constructing, improving, or expanding within the City so as to provide needed services and facilities of such enterprises to the residents of the City. The financial statements of the TIFA are included in the City's financial statements and are not audited separately.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the 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, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized

City of Hudsonville

Notes to the Financial Statements

as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service and compensated absences expenditures are recorded only when payment is due.

Property taxes, state revenue sharing, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City of Hudsonville reports the following major governmental funds:

The ***general fund*** is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The ***major streets fund*** is used to account for the restricted financial sources that are for repairs and maintenance of the City's major streets.

The ***ARPA fund*** is used to account for the ARPA funds the city received from Treasury, the funds are considered earned as expensed.

The City reports the following proprietary funds:

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

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

City of Hudsonville

Notes to the Financial Statements

Additionally, the government reports the following fund types:

Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specific purposes other than debt service or capital projects.

Debt service funds account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

Capital projects funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

Permanent funds account for assets that are permanently restricted for library endowment.

Internal service funds account for the financing of goods or services provided by the City to other departments or funds on a cost reimbursement basis.

Custodial funds are custodial in nature and do not present results of operations or have a measurement focus. Custodial funds are accounted for using the accrual basis of accounting. These funds are used to account for asset that the government holds for others in a custodial capacity (such as taxes collected for other governments).

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges for services. Operating expenses for the enterprise funds include depreciation on capital assets, labor, supplies and contracted services. All revenues and expenses are not meeting this definition are reported as nonoperating revenues and expenses.

Financial Statement Presentation – Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Equity

Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, all local government investment pools, and short-term investments with original maturities of three months or less from the date of acquisition.

City of Hudsonville

Notes to the Financial Statements

State statutes and City policy authorize the City to invest in:

- Bonds, securities, other obligations, and repurchase agreements of the United States, or an agency or instrumentality of the United States.
- Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a qualified financial institution.
- Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
- In United States government or federal agency obligation repurchase agreements.
- Bankers' acceptances of United States banks.
- Mutual funds registered under the Investment Company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.

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

Receivables and Payables

All trade receivables are shown net of an allowance for uncollectibles, as applicable. All amounts deemed to be uncollectible are charged against the allowance for doubtful accounts in the period that determination is made.

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year and all other outstanding balances between funds are referred to as "due to/from other funds" (i.e., the current portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Due from Other Governmental Units

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

City of Hudsonville

Notes to the Financial Statements

Inventories

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

Prepaid Items

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

Capital Assets

Capital assets, which include land and land improvements, buildings and improvements, vehicles, machinery, and equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the governmental and business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are valued at cost where historical records are available and at estimated historical cost where no historical records exist. Donated capital assets are valued at their acquisition value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable. No interest expense has been incurred or capitalized on capital assets reported in proprietary funds.

Capital assets are depreciated using the straight-line method over the following useful lives:

	<u>Years</u>
Land Improvements	5 - 30
Buildings and Improvements	25 - 50
Vehicles, Machinery, and Other Equipment	3 - 35
Utility Systems	5 - 50

Pension

For purposes of measuring the net pension liability, deferred outflows/inflows of resources related to the pension, and pension expense, information about the fiduciary net position of the Municipal Employees Retirement System (MERS) of Michigan and additions to/deductions from MERS' fiduciary net position have been determined on the same basis as they are reported by MERS. For

City of Hudsonville

Notes to the Financial Statements

this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Outflows/Inflows of Resources

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

The City has several items that qualify for reporting in these categories and are reported in the statement of net position. These items correspond to the City's net pension liability and are related to the net difference between projected and actual earnings on pension plan investments and contributions subsequent to the measurement date.

Long-term Obligations

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

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

Compensated Absences

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

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

City of Hudsonville

Notes to the Financial Statements

Net Position Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

It is the government's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

Fund Balance Flow Assumptions

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. Governmental funds report *nonspendable fund balance* for amounts that cannot be spent because they are either: a) not in spendable form or b) legally or contractually required to be maintained intact. *Restricted fund balance* is reported when externally imposed constraints are placed on the use of resources by grantors, contributors, or laws or regulations of other governments. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The *committed fund balance* classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The City Commission is the highest level of decision-making authority for the government that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation.

Amounts in the *assigned fund balance* classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The City Commission, or its designee, is authorized to assign fund balance. The City Commission may also

City of Hudsonville

Notes to the Financial Statements

assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Unassigned fund balance is the residual classification for the City's general fund and includes all spendable amounts not contained in the other classifications and is therefore available to be spent as determined by the City Commission. This classification only occurs in the general fund, except for cases of negative fund balances. Negative fund balances are always reported as unassigned, no matter which fund the deficit occurs in.

Property Tax Revenue Recognition

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

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

The City is permitted by charter to levy taxes up to 16.9933 mills (\$16.9933 per \$1,000 of taxable valuation) for general governmental services and 1.0000 mills for the DDA. For the year ended June 30, 2022, the City levied 11.2303 mills per \$1,000 of taxable valuation. In addition, the City levied 1.0000 mills for the DDA. The total taxable value for the 2021 levy for the property within the City was \$263,777,435.

Interfund Transactions

During the course of normal operations, the City has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as transfers. Transfers between governmental, enterprise, and component unit funds are netted as part of the reconciliation to the government-wide financial statements.

City of Hudsonville

Notes to the Financial Statements

Use of Estimates

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

Note 2 - Stewardship, Compliance, and Accountability

Budgets and Budgetary Accounting

The General and major Special Revenue Funds budgets shown as required supplementary information were prepared on the same modified accrual basis used to reflect actual results. This basis is consistent with accounting principles generally accepted in the United States of America. The City employs the following procedures in establishing the budgetary data reflected in the financial statements.

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

Excess of Expenditures over Budget

P.A. 621 of 1978, as amended, provides that a local unit shall not incur expenditures in excess of the amount budgeted. Budgetary control is exercised at the activity level in the general fund and the function level in other funds.

City of Hudsonville

Notes to the Financial Statements

The City had no expenditures in excess of the amounts appropriated during the year ended June 30, 2022.

Note 3 - Deposits and Investments

Following is a reconciliation of deposit balances as of June 30, 2022:

	Primary Government	Component Units	Totals
Statement of Net Position			
Cash and Investments	\$ 8,627,656	\$ 99,305	\$ 8,726,961
	Deposits and Investments		
Checking and Savings Accounts			\$ 3,805,312
Certificates of Deposit (matures within one year)			1,295,948
Certificates of Deposit (matures in more than one year)			2,695,745
U.S. Government Bonds			337,243
Investment Pool (MI Class)			592,463
Cash on Hand			250
Total Deposits and Investments			\$ 8,726,961

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that, in the event of a bank failure, the City's deposits might not be returned. State law does not require, and the City does not have a policy for deposit custodial credit risk. As of year-end, \$1,358,314 of the City's bank balance of \$6,179,839 was exposed to custodial credit risk because it was uninsured and uncollateralized. Due to the dollar amounts of cash deposits and the limits of FDIC insurance, the City believes it is impractical to insure all bank deposits. As a result, the City evaluates each financial institution with which it deposits City funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Credit Risk. State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified in the list of authorized investments in the summary of significant accounting policies. The City's investment policy does not have specific limits in excess of state law on investment credit risk. The City held \$592,463 of pooled investments at year-end with a rating of AAAM and \$337,243 rated as AAA by S&P.

Interest Rate Risk. Interest rate risk is the risk that the market rate of securities in the portfolio will fall due to changes in market interest rates. State law limits the allowable investments and the maturities of some of the allowable investments as identified in the summary of significant accounting policies. The City's investment policy does not have specific limits in excess of state

City of Hudsonville

Notes to the Financial Statements

law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Maturity dates for investments held at year-end are summarized as follows: there were \$1,295,948 of certificates of deposit that mature within one year and \$2,695,745 of certificates of deposit that mature in more than one year, while investments have either no maturity of \$592,463 or are due in more than 1 year of \$337,243.

Fair Value Measurement

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

Level 1: Quoted prices in active markets for identical securities.

Level 2: Prices determined using other significant observable inputs. Observable inputs are inputs that other market participants may use in pricing a security. These may include prices for similar securities, interest rates, prepayment speeds, credit risk and others.

Level 3: Prices determined using significant unobservable inputs. In situations where quoted prices or observable inputs are unavailable or deemed less relevant, unobservable inputs may be used. Unobservable inputs reflect the City's own assumptions about the factors market participants would use in pricing an investment and would be based on the best information available.

As of June 30, 2022, the City had land held for resale and development in the amount of \$1,350,000 with a Level 3 fair value measurement and assets held with MI Class (an investment pool) of \$592,463 with a Level 2 fair value measurement, CD's of \$247,854 and Bonds of \$337,243 which are Level 1.

Note 4 - Interfund Receivables, Payables, and Transfers

The following schedule summarizes the operating transfers during the year:

Transfer In	Transfer Out	Amount
Terra Square	General	\$ 44,503
Fire Vehicle	General	58,000
Quality of Life Enhancement Debt	General	312,158
General	ARPA	66,750
General	Bond Money Market	32,211

City of Hudsonville

Notes to the Financial Statements

Interfund transfers are used to: 1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; 2) move receipts restricted to or allowed for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due; and 3) use unrestricted revenues collected to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Note 5 - Capital Assets

Capital asset activity for governmental activities during the year was as follows:

Governmental Activities	Beginning Balance	Additions	Reductions	Ending Balance
Capital Assets not being Depreciated				
Land	\$ 3,478,171	\$ -	\$ -	\$ 3,478,171
Construction in progress	895,963	382,699	-	1,278,662
<i>Subtotal</i>	<u>4,374,134</u>	<u>382,699</u>	<u>-</u>	<u>4,756,833</u>
Capital Assets being Depreciated				
Land improvements	7,958,119	548,822	(6,294)	8,500,647
Buildings and improvements	8,704,904	-	-	8,704,904
Vehicles	1,856,387	69,535	(31,794)	1,894,128
Machinery and Equipment	1,147,518	133,071	-	1,280,589
Office Equipment	1,311,063	56,751	-	1,367,814
<i>Subtotal</i>	<u>20,977,991</u>	<u>808,179</u>	<u>(38,088)</u>	<u>21,748,082</u>
Less Accumulated Depreciation				
Land improvements	(2,692,278)	(410,477)	6,294	(3,096,461)
Buildings and improvements	(2,692,777)	(176,222)	-	(2,868,999)
Vehicles	(1,410,379)	(84,820)	31,794	(1,463,405)
Machinery and Equipment	(622,554)	(52,198)	-	(674,752)
Office Equipment	(1,099,300)	(66,804)	-	(1,166,104)
<i>Subtotal</i>	<u>(8,517,288)</u>	<u>(790,521)</u>	<u>38,088</u>	<u>(9,269,721)</u>
Capital Assets being Depreciated, Net	<u>12,460,703</u>	<u>17,658</u>	<u>-</u>	<u>12,478,361</u>
Capital Assets, Net	<u>\$ 16,834,837</u>	<u>\$ 400,357</u>	<u>\$ -</u>	<u>\$ 17,235,194</u>

City of Hudsonville

Notes to the Financial Statements

Capital asset activity for the internal service fund (included above) during the year was as follows:

Internal Service Fund	Beginning Balance	Additions	Reductions	Ending Balance
Capital Assets being Depreciated:				
Vehicles	\$ 1,856,387	\$ 69,535	\$ (31,794)	\$ 1,894,128
Machinery and Equipment	521,154	-	-	521,154
<i>Subtotal</i>	<u>2,377,541</u>	<u>69,535</u>	<u>(31,794)</u>	<u>2,415,282</u>
Less Accumulated Depreciation:				
Vehicles	(1,410,379)	(84,820)	31,794	(1,463,405)
Machinery and Equipment	(247,535)	(22,893)	-	(270,428)
<i>Subtotal</i>	<u>(1,657,914)</u>	<u>(107,713)</u>	<u>31,794</u>	<u>(1,733,833)</u>
<i>Internal Service Capital Assets, Net</i>	<u>\$ 719,627</u>	<u>\$ (38,178)</u>	<u>\$ -</u>	<u>\$ 681,449</u>

Capital asset activity for business-type activities during the year was as follows:

Business-type Activities	Beginning Balance	Additions	Reductions	Ending Balance
Capital Assets not being Depreciated				
Land	\$ 45,235	\$ -	\$ -	\$ 45,235
Construction in Progress	27,920	213,120	-	241,040
<i>Subtotal</i>	<u>73,155</u>	<u>213,120</u>	<u>-</u>	<u>286,275</u>
Capital Assets being Depreciated				
Sewer System	6,738,773	64,077	-	6,802,850
Water System	9,713,421	-	-	9,713,421
<i>Subtotal</i>	<u>16,452,194</u>	<u>64,077</u>	<u>-</u>	<u>16,516,271</u>
Less Accumulated Depreciation				
Sewer System	(4,582,250)	(154,145)	-	(4,736,395)
Water System	(4,024,091)	(197,782)	-	(4,221,873)
<i>Subtotal</i>	<u>(8,606,341)</u>	<u>(351,927)</u>	<u>-</u>	<u>(8,958,268)</u>
Capital Assets being Depreciated, Net	<u>7,845,853</u>	<u>(287,850)</u>	<u>-</u>	<u>7,558,003</u>
<i>Capital Assets, Net</i>	<u>\$ 7,919,008</u>	<u>\$ (74,730)</u>	<u>\$ -</u>	<u>\$ 7,844,278</u>

City of Hudsonville

Notes to the Financial Statements

Depreciation expense was charged to the City as follows:

Governmental Activities	
General Government	\$ 78,496
Public Safety	10,279
Public Works	436,351
Recreation and Culture	157,682
Depreciation Charged to Internal Service Funds	107,713
Total Governmental Activities	\$ 790,521
Business-type Activities	
Sewer	\$ 154,145
Water	197,782
Total Business-type Activities	\$ 351,927

Capital asset activity for the Tax Increment Finance Authority during the year was as follows:

Tax Increment Finance Authority	Beginning Balance	Additions	Reductions	Ending Balance
Capital Assets being Depreciated				
Land Improvements	\$ 533,254	\$ 14,215	\$ -	\$ 547,469
Less Accumulated Depreciation				
Land Improvements	(241,890)	(22,171)	-	(264,061)
Capital Assets being Depreciated, Net	291,364	(7,956)	-	283,408
Capital Assets, Net	\$ 291,364	\$ (7,956)	\$ -	\$ 283,408

Note 6 - Long-term Obligations

2012 Installment Purchase Contract – The City entered into an installment purchase contract on February 1, 2012 of \$300,000. The contract calls for annual installments of \$20,000 through February 1, 2027, with interest ranging from 2.80% to 3.50%.

2016 Capital Improvement Bonds – The City issued \$4,675,000 of capital improvement bonds on December 13, 2016. The bonds call for annual principal installments ranging from \$170,000 to \$330,000 through February 1, 2038, with interest ranging from 2.00% to 4.50%.

2021 Installment Purchase Agreement – The City entered into a \$1,350,000 installment purchase agreement on November 9, 2021. The contract calls for annual installments of \$2,700 of interest every three months with a balloon payment of \$1,350,000 of principal on December 15, 2023, for an effective interest rate of .8%.

City of Hudsonville

Notes to the Financial Statements

The following is a summary of the long-term obligations activity for the year:

Governmental Activities	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Direct Borrowings and Direct Placements					
2012 Installment Purchase Contract	\$ 120,000	\$ -	\$ (20,000)	\$ 100,000	\$ 20,000
2021 Act 99 Installment Purchase Agreement	-	1,350,000	-	1,350,000	-
<i>Total Direct Borrowings and Direct Placements</i>	<u>120,000</u>	<u>1,350,000</u>	<u>(20,000)</u>	<u>1,450,000</u>	<u>20,000</u>
Other Debt					
General Obligation Bonds					
2016 Capital Improvement Bonds	4,160,000	-	(180,000)	3,980,000	185,000
2016 Capital Improvement Bonds Premium	273,849	-	(16,109)	257,740	-
<i>Total Other Debt</i>	<u>4,433,849</u>	<u>-</u>	<u>(196,109)</u>	<u>4,237,740</u>	<u>185,000</u>
<i>Total Obligations</i>	<u>4,553,849</u>	<u>1,350,000</u>	<u>(216,109)</u>	<u>5,687,740</u>	<u>205,000</u>
Compensated Absences	39,379	4,594	-	43,973	43,973
<i>Total Governmental Activities</i>	<u>\$ 4,593,228</u>	<u>\$ 1,354,594</u>	<u>\$ (216,109)</u>	<u>\$ 5,731,713</u>	<u>\$ 248,973</u>

Annual debt service requirement to maturity for long-term debt are as follows:

Year Ending	Governmental Activities			
	June 30,	Principal	Interest	Total
2023	\$ 205,000	\$ 174,875	\$ 379,875	
2024	1,560,000	163,225	1,723,225	
2025	220,000	149,525	369,525	
2026	225,000	140,825	365,825	
2027	230,000	131,925	361,925	
2028-2032	1,200,000	522,125	1,722,125	
2033-2037	1,460,000	261,925	1,721,925	
2038	330,000	14,850	344,850	
Totals:	<u>\$ 5,430,000</u>	<u>\$ 1,559,275</u>	<u>\$ 6,989,275</u>	

Compensated absences in governmental activities are liquidated by the general fund.

Note 7 - Defined Benefit Pension Plan

Plan Description

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

City of Hudsonville

Notes to the Financial Statements

Retirement benefits for employees are calculated as follows:

<u>Division</u>	<u>Benefit Multiplier</u>	<u>Final Average Compensation (Years)</u>	<u>Normal Retirement Age</u>	<u>Unreduced Benefit (Age/Years of Service)</u>	<u>Reduced Benefit (Age/Years of Service)</u>	<u>Vesting (Years)</u>
Local 586 - Closed	2.25% (80% Max)	5	60	55/25	50/25 or 55/15	10
Police/Fire - Closed	2.50% (80% Max)	5	60	55/25	50/25 or 55/15	10
Non Union - Closed	2.25% (80% Max)	5	60	N/A	50/25 or 55/15	10
Manager - Closed	2.50% (80% Max)	5	60	N/A	50/25 or 55/15	10

Employees Covered by Benefit Terms

At the December 31, 2021 valuation date, the following employees were covered by the benefit terms:

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	11
Inactive Plan Members Entitled To But Not Yet Receiving Benefits	8
Active Plan Members	-
<i>Total Employees Covered By MERS</i>	19

Contributions

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

For the year ended June 30, 2022, the City had the following contribution amounts:

<u>Division</u>	<u>Employee Contributions</u>	<u>Employer Contributions</u>
Local 586 - Closed	0.00%	\$812 / month
Police/Fire - Closed	0.00%	\$4,878 / month
Non Union - Closed	0.00%	\$1,161 / month
Manager - Closed	0.00%	\$1,169 / month

Net Pension Liability

The net pension liability reported at June 30, 2022 was determined using a measure of the total pension liability and the pension net position as of December 31, 2021. The December 31, 2021 total pension liability was determined by an actuarial valuation performed as of December 31, 2021.

City of Hudsonville

Notes to the Financial Statements

Actuarial Assumptions

The total pension liability in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary Increases	3.00% plus merit and longevity, 3.00% in the long-term
Investment Rate of Return	7.00%, net of investment and administrative expense including inflation

Although no specific price inflation assumptions are needed for the valuation, the 3.0% long-term wage inflation assumption would be consistent with a price inflation of 3-4%. Mortality rates used were based on a version of Pub-2010 and fully generational MP-2019. The actuarial assumptions used in valuation were based on the results of the most recent actuarial experience study of 2014-2018.

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

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Target Gross Rate of Return</u>	<u>Long-term Expected Gross Rate of Return</u>	<u>Inflation Assumption</u>	<u>Long-term Expected Real Rate of Return</u>
Global Equity	60.00%	7.00%	4.20%	2.50%	2.70%
Global Fixed Income	20.00%	4.50%	0.90%	2.50%	0.40%
Private Investments	20.00%	9.50%	1.90%	2.50%	1.40%
Totals	100.00%		7.00%		4.50%

Discount Rate

The discount rate used to measure the total pension liability in the current year and prior year was 7.25%. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

City of Hudsonville

Notes to the Financial Statements

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

	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension Liability
Balance at December 31, 2020	\$ 2,545,863	\$ 2,009,017	\$ 536,846
<i>Changes for the Year:</i>			
Interest on Total Pension Liability	186,153	-	186,153
Differences Between Expected and Actual Experience	22,568	-	22,568
Changes of Assumptions	85,253	-	85,253
Employer Contributions	-	154,676	(154,676)
Net Investment Income	-	282,383	(282,383)
Benefit Payments, Including Refunds	(192,965)	(192,965)	-
Administrative Expenses	-	(3,243)	3,243
<i>Net Changes</i>	101,009	240,851	(139,842)
Balance at December 31, 2021	\$ 2,646,872	\$ 2,249,868	\$ 397,004

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

The following presents the net pension liability of the City, calculated using the discount rate of 7.25%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate.

	1% Decrease	Current	1% Increase
	(6.25%)	Discount Rate (7.25%)	(8.25%)
Net Pension Liability of the City	\$ 669,936	\$ 397,004	\$ 165,616

Note: The current discount rate shown for GASB 68 purposes is higher than the MERS assumed rate of return. This is because for GASB purposes, the discount rate must be gross of administrative expenses, whereas for funding purposes, it is net of administrative expenses.

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

For the year ended June 30, 2022 the City recognized pension expense of \$107,320 as calculated under GASB Statement No. 68.

City of Hudsonville

Notes to the Financial Statements

The City reported deferred outflows/inflows of resources related to pensions from the following sources:

Source	Deferred Outflows of Resources	Deferred Inflows of Resources
Net Differences Between Projected and Actual Earnings on Pension Plan Investments	\$ -	\$ 157,273
Employer Contributions to the Plan Subsequent to the Measurement Date*	57,500	-
Total	\$ 57,500	\$ 157,273

*The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability for the year ending June 30, 2023.

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

Years Ending June 30,	Amount
2023	\$ (22,844)
2024	(63,050)
2025	(45,125)
2026	(26,254)

Assumption and Method Change in 2022

Effective February 17, 2022, the MERS Retirement Board adopted a dedicated gains policy that automatically adjusts the assumed rate of investment return by using excess asset gains to mitigate large increases in required contributions to the Plan. Full details of this dedicated gains policy are available in the Actuarial Policy found on the MERS website. Some goals of the dedicated gains policy are to:

- Provide a systematic approach to lower the assumed rate of investment return between experience studies, and
- Use excess gains to cover both the increase in normal cost and any increase in UAL payment the first year after implementation (i.e., minimize the first-year impact (i.e., increase) in employer contributions).

The dedicated gains policy has been implemented with the December 31, 2021 annual actuarial valuation. After initial application of the smoothing method, remaining market gains were used to lower the assumed rate of investment return from 7.35% to 7.00%. The December 31, 2021 valuation liabilities were developed using this new, lower assumption. Additionally, as a result of recognizing excess market gains, the valuation assets used to fund these liabilities are 7.2% higher than if there were no dedicated gain policy. The combined impact of these changes will minimize

City of Hudsonville

Notes to the Financial Statements

the first-year impact on employer contributions and may result in an increase or a decrease in employer contributions.

Note 8 - Defined Contribution Plan

The City of Hudsonville Governmental Money Purchase Plan and Trust is a defined contribution retirement plan administered by the Michigan Municipal Employees' Retirement System. This Plan provides benefits at retirement to all new City employees and employees requesting conversion to the Plan during the appropriate conversion window. The City is required to contribute up to 13% of employee covered payroll depending on employee bargaining unit and employee contributions. Employees are required to contribute 2% of covered payroll with a 100% match of employee contributions paid by the City. Plan provisions and contribution requirements are established and may be amended by the City of Hudsonville City Commission. During the current year the City contributed \$150,781 while participants contributed \$20,625.

Note 9 - Risk Management

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

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

Note 10 - Fund Balances - Governmental Funds

The City reports fund balance in governmental funds based on the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. GASB 54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

City of Hudsonville

Notes to the Financial Statements

Detailed information on fund balances of governmental funds is as follows:

	<u>General Fund</u>	<u>Major Streets</u>	<u>ARPA</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Nonspendable					
Prepaid Items	\$ 19,438	\$ 1,067	\$ -	\$ 2,730	\$ 23,235
Inventories	-	9,933	-	2,483	12,416
Land Held for Resale	1,350,000	-	-	-	1,350,000
Total Nonspendable	<u>1,369,438</u>	<u>11,000</u>	<u>-</u>	<u>5,213</u>	<u>1,385,651</u>
Restricted for:					
Highways and Streets	-	464,815	-	321,311	786,126
Terra Square	-	-	-	11,925	11,925
ARPA Funds	-	-	458	-	458
Debt Service	-	-	-	33	33
Total Restricted	<u>-</u>	<u>464,815</u>	<u>458</u>	<u>333,269</u>	<u>798,542</u>
Assigned for:					
Recreation and Culture	219,818	-	-	-	219,818
Capital Replacement	-	-	-	-	-
Total Assigned	<u>219,818</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>219,818</u>
Unassigned	<u>1,823,265</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,823,265</u>
Total Fund Balances - Governmental Funds	<u>\$ 3,412,521</u>	<u>\$ 475,815</u>	<u>\$ 458</u>	<u>\$ 338,482</u>	<u>\$ 4,227,276</u>

Note 11 - Assets Held by Foundation

On November 14, 2017, the City entered into an agreement with Holland/Zeeland Area Community Foundation (the “Foundation”) to create the City of Hudsonville Gary Byker Memorial Library Fund (the “Fund”). The purpose of the Fund is to create a charitable fund with respect to which the City may benefit from charitable grants. The assets of the Fund shall be all those assets contributed to the Fund by the Gary Byker Memorial Library, and by any other persons or legal entities along withal earnings attributed to such assets. In addition on December 29, 2021 there was a library/community center building campaign fund established with the foundation. The Foundation retained variance power to modify any restriction or condition on the distribution of the funds and therefore the Fund is not recorded as an asset in the City's financial statements. The balance of the Fund as of June 30, 2022 was \$107,982 and \$43,424. Activity for the year was as follows:

City of Hudsonville

Notes to the Financial Statements

	Gary Byker	Building Campaign
Beginning Balance at July 1, 2021	\$ 116,038	\$ -
<i>Add:</i>		
Contributions	2,700	50,197
Investment Earnings	(9,576)	(6,532)
<i>Less:</i>		
Administrative Expenses	(1,180)	(241)
Ending Balance at June 30, 2022	\$ 107,982	\$ 43,424

Note 12 - Code Enforcement

The City has elected to report the financial activities of the code enforcement department in the general fund. The following is the required information as it relates to this department for the year ended June 30, 2022:

Shortfall at July 1, 2021	\$ (894,135)
<i>Revenues:</i>	
Licenses and Permits	210,485
<i>Less:</i>	
Building Inspection Expenditures	(185,227)
Ending Balance at June 30, 2022	\$ (868,877)

Note 13 - Tax Abatement Disclosure

Industrial Facilities Exemption (IFT)

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

For the year ended June 30, 2021, the City's property tax revenue for general operations was reduced by \$45,807.

Note 14 - Subsequent Events

The City has land held for sale in the general fund, and currently is under contract to sell the property at \$1,400,000, contingent on certain approvals for the developer.

Required Supplementary Information

City of Hudsonville
Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
Consolidated General Fund
For the Year Ended June 30, 2022

	Budgeted Amounts		Actual	Variance
	Original	Final		Positive (Negative) Final to
Revenues				
Taxes	\$ 3,001,991	\$ 3,001,991	\$ 3,004,786	\$ 2,795
Licenses and Permits	170,000	170,000	210,485	40,485
Intergovernmental	849,717	849,717	1,202,481	352,764
Charges for Services	105,050	105,050	103,002	(2,048)
Fines and Forfeitures	49,210	49,210	51,928	2,718
Interest and Rents	54,525	54,525	99,548	45,023
Other Revenues	104,186	104,186	103,204	(982)
Total Revenues	<u>4,334,679</u>	<u>4,334,679</u>	<u>4,775,434</u>	<u>440,755</u>
Other Financing Sources				
Issuance of Installment Purchase Agreement	--	--	1,350,000	1,350,000
Transfers In	772,174	772,174	66,750	(705,424)
Total Revenues and Other Financing Sources	<u>5,106,853</u>	<u>5,106,853</u>	<u>6,192,184</u>	<u>1,085,331</u>
Expenditures				
General Government				
City Commission	74,765	74,765	59,444	15,321
City Manager	117,197	117,197	115,017	2,180
Clerk	172,611	93,890	93,585	305
Information Services	77,936	89,936	78,980	10,956
Board of Review	1,827	2,127	1,884	243
Administrative Services	42,030	30,345	21,849	8,496
Finance and Accounting	231,966	231,966	220,042	11,924
Assessor	105,644	105,644	81,543	24,101
Elections	27,720	27,720	11,578	16,142
City Hall Building and Grounds	323,244	328,244	326,294	1,950
Attorney/Legal Counsel	21,500	48,500	45,154	3,346
Employee Fringe Benefits	225,100	228,600	212,392	16,208
Human Resources	--	98,026	80,313	17,713
Total General Government	<u>1,421,540</u>	<u>1,476,960</u>	<u>1,348,075</u>	<u>128,885</u>
Public Safety				
Police Department	771,319	771,319	742,686	28,633
Fire Department	234,130	234,130	204,082	30,048
Emergency Services	27,232	27,232	22,103	5,129
Total Public Safety	<u>1,032,681</u>	<u>1,032,681</u>	<u>968,871</u>	<u>63,810</u>
Public Works				
Department of Public Works	293,148	321,148	304,991	16,157
Community and Economic Development				
Economic Development	136,715	132,515	115,123	17,392
Planning and Zoning	371,471	371,471	357,458	14,013
Total Community and Economic Development	<u>508,186</u>	<u>503,986</u>	<u>472,581</u>	<u>31,405</u>
Recreation and Culture				
Parks and Recreation Department	514,094	514,094	405,746	108,348
Library	477,408	477,408	449,522	27,886
Total Recreation and Culture	<u>991,502</u>	<u>991,502</u>	<u>855,268</u>	<u>136,234</u>
Debt Service	24,060	44,070	44,070	--
Total Expenditures	<u>4,271,117</u>	<u>4,370,347</u>	<u>3,993,856</u>	<u>376,491</u>
Other Financing Uses				
Transfers Out	1,186,835	1,231,835	414,661	817,174
Total Expenditures and Other Financing Uses	<u>5,457,952</u>	<u>5,602,182</u>	<u>4,408,517</u>	<u>1,193,665</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	<u>(351,099)</u>	<u>(495,329)</u>	<u>1,783,667</u>	<u>2,278,996</u>
Net Change in Fund Balance	<u>(351,099)</u>	<u>(495,329)</u>	<u>1,783,667</u>	<u>2,278,996</u>
Fund Balance at Beginning of Period	1,628,854	1,628,854	1,628,854	--
Fund Balance at End of Period	<u>\$ 1,277,755</u>	<u>\$ 1,133,525</u>	<u>\$ 3,412,521</u>	<u>\$ 2,278,996</u>

City of Hudsonville
Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
Major Streets
For the Year Ended June 30, 2022

	Budgeted Amounts		Actual	Variance
	Original	Final		Positive (Negative) Final to
Revenues				
Intergovernmental	\$ 1,009,176	\$ 1,009,176	\$ 876,011	\$ (133,165)
Interest and Rents	2,000	2,000	(1,257)	(3,257)
Other Revenues	--	--	11,946	11,946
Total Revenues	1,011,176	1,011,176	886,700	(124,476)
Other Financing Sources				
Transfers In	32,288	32,288	32,211	(77)
Total Revenues and Other Financing Sources	1,043,464	1,043,464	918,911	(124,553)
Expenditures				
Street Construction	514,380	620,410	352,251	268,159
Street Routine Maintenance	118,759	142,259	139,380	2,879
Traffic Services	56,437	56,437	53,100	3,337
Winter Maintenance	153,222	153,222	102,876	50,346
Administration	28,587	30,087	29,607	480
Total Expenditures	871,385	1,002,415	677,214	325,201
Excess (Deficiency) of Revenues and Other Sources Over Expenditures	172,079	41,049	241,697	200,648
Net Change in Fund Balance	172,079	41,049	241,697	200,648
<i>Fund Balance at Beginning of Period</i>	241,272	241,272	241,272	--
Fund Balance at End of Period	\$ 413,351	\$ 282,321	\$ 482,969	\$ 200,648

City of Hudsonville
Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
ARPA
For the Year Ended June 30, 2022

	Budgeted Amounts		Actual	Variance
	Original	Final		Positive (Negative) Final to
Revenues				
Intergovernmental	\$ --	\$ --	\$ 66,750	\$ 66,750
Interest and Rents	--	--	458	458
Total Revenues	--	--	67,208	67,208
Expenditures				
Total Expenditures	--	--	--	--
Other Financing Uses				
Transfers Out	--	66,750	66,750	--
Total Expenditures and Other Financing Uses	--	66,750	66,750	--
Excess (Deficiency) of Revenues Over Expenditures and Other Uses	--	(66,750)	458	67,208
Net Change in Fund Balance	--	(66,750)	458	67,208
<i>Fund Balance at Beginning of Period</i>	--	--	--	--
Fund Balance at End of Period	\$ --	\$ (66,750)	\$ 458	\$ 67,208

City of Hudsonville
Required Supplementary Information
Schedule of Changes in Net Pension Liability and Related Ratios
Last Eight Calendar Years (Schedule is built prospectively upon implementation of GASB 68)

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total Pension Liability								
Service Cost	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,240	\$ 8,154	\$ 7,969
Interest on Total Pension Liability	186,153	184,511	182,252	181,338	175,800	174,350	161,248	162,595
Differences Between Expected and Actual Experience	22,568	(34,400)	66,209	9,902	50,793	(24,182)	10,233	-
Changes of Assumptions	85,253	66,429	90,848	-	-	-	110,599	-
Benefit Payments, Including Refunds	(192,965)	(196,905)	(182,452)	(177,176)	(137,561)	(135,767)	(128,320)	(123,492)
Other Changes	-	-	(1)	-	-	(1)	5,038	1
Net Change in Pension Liability	<u>101,009</u>	<u>19,635</u>	<u>156,856</u>	<u>14,064</u>	<u>89,032</u>	<u>23,640</u>	<u>166,952</u>	<u>47,073</u>
<i>Total Pension Liability - Beginning</i>	<u>2,545,863</u>	<u>2,526,228</u>	<u>2,369,372</u>	<u>2,355,308</u>	<u>2,266,276</u>	<u>2,242,636</u>	<u>2,075,684</u>	<u>2,028,611</u>
Total Pension Liability - Ending (a)	<u>\$ 2,646,872</u>	<u>\$ 2,545,863</u>	<u>\$ 2,526,228</u>	<u>\$ 2,369,372</u>	<u>\$ 2,355,308</u>	<u>\$ 2,266,276</u>	<u>\$ 2,242,636</u>	<u>\$ 2,075,684</u>
Plan Fiduciary Net Position								
Contributions - Employer	\$ 154,676	\$ 183,210	\$ 162,870	\$ 144,942	\$ 126,744	\$ 111,853	\$ 100,945	\$ 105,792
Net Investment Income (Loss)	282,383	230,195	216,898	(66,118)	200,579	157,338	(21,410)	86,640
Benefit Payments, Including Refunds	(192,965)	(196,905)	(182,452)	(177,176)	(137,561)	(135,767)	(128,320)	(123,492)
Administrative Expenses	(3,243)	(3,606)	(3,737)	(3,280)	(3,173)	(3,105)	(3,136)	(3,187)
Net Change in Plan Fiduciary Net Position	<u>240,851</u>	<u>212,894</u>	<u>193,579</u>	<u>(101,632)</u>	<u>186,589</u>	<u>130,319</u>	<u>(51,921)</u>	<u>65,753</u>
<i>Plan Fiduciary Net Position - Beginning</i>	<u>2,009,017</u>	<u>1,796,123</u>	<u>1,602,544</u>	<u>1,704,176</u>	<u>1,517,587</u>	<u>1,387,268</u>	<u>1,439,189</u>	<u>1,373,436</u>
Plan Fiduciary Net Position - Ending (b)	<u>\$ 2,249,868</u>	<u>\$ 2,009,017</u>	<u>\$ 1,796,123</u>	<u>\$ 1,602,544</u>	<u>\$ 1,704,176</u>	<u>\$ 1,517,587</u>	<u>\$ 1,387,268</u>	<u>\$ 1,439,189</u>
Net Pension Liability - Ending (a) - (b)	\$ 397,004	\$ 536,846	\$ 730,105	\$ 766,828	\$ 651,132	\$ 748,689	\$ 855,368	\$ 636,495
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	85.0%	78.9%	71.1%	67.6%	72.4%	67.0%	61.9%	69.3%
Covered Payroll	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 84,458	\$ 77,212	\$ 75,464
Net Pension Liability as a Percentage of Covered Payroll	N/A	N/A	N/A	N/A	N/A	886.5%	1107.8%	843.4%

Notes to Schedule:

* Built prospectively upon implementation on GASB Statement No.68. An additional year will be added each year until ten years are presented.

**The following were significant changes to economic and demographic assumptions:

2015 valuation - The investment rate of return assumption was reduced from 8.25% to 8.0%, the wage inflation assumption was reduced from 4.50% to 3.75%, inflation rates changed from 3.0-4.0% to 3.25%, and the

2019 valuation - The investment rate of return assumption was reduced from 8.00% to 7.60%, the wage inflation assumption was reduced from 3.75% to 3.00%.

2020 valuation - Mortality rates were changed to the recently issued Pub-2010 mortality general rates as published by the Society of Actuaries along with a change to sex-distinct assumptions.

2021 valuation - The investment rate of return assumption was reduced from 7.60% to 7.25%.

City of Hudsonville
Required Supplementary Information
Schedule of Contributions
Last Eight Fiscal Years

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially Determined Contribution	\$ 96,240	\$ 194,352	\$ 172,068	\$ 153,672	\$ 136,212	\$ 116,364	\$ 105,932	\$ 95,460
Contributions in Relation to the Actuarially Determined Contribution	115,000	194,352	172,068	153,672	136,212	116,364	105,932	95,460
Contribution Deficiency (Excess)	<u>\$ (18,760)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 88,626	\$ 81,066	\$ 76,732
Contributions as a Percentage of Covered Payroll	N/A	N/A	N/A	N/A	N/A	131.3%	130.7%	124.4%

Notes

Valuation Date

Actuarially determined contribution amounts are calculated as of December 31 each year, which is 18 months prior to the beginning of the fiscal year in which the contributions are required.

Methods and Assumptions Used to Determine Contribution Rates

Actuarial Cost Method	Entry-age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	10 Years
Asset Valuation Method	5 Years; Smoothed
Inflation	2.50%
Salary Increases	3.00% in the Long-Term
Investment Rate of Return	7.00%, Net of Investment Expense, including Inflation
Retirement Age	Experience-Based Tables of Rates that are Specific to the Type of Eligibility Condition
Mortality	Pub-2010 and fully generational MP-2019

* Built prospectively upon implementation on GASB 68

Combining and Individual Fund Statements and Schedules

**City of Hudsonville
General Fund Combining Balance Sheet
All Funds Treated as General
June 30, 2022**

	<u>General</u>	<u>Parks and Recreation</u>	<u>Library</u>	<u>Payroll</u>	<u>Total General Funds</u>
ASSETS					
Cash and Investments	\$ 1,711,123	\$ 159,185	\$ 87,528	\$ 4,683	\$ 1,962,519
Receivables, net	60,434	250	36,543	--	97,227
Due from Other Governmental Units	152,938	--	6,123	--	159,061
Prepaid Items	16,382	1,545	1,511	--	19,438
Land Held for Resale and Development	1,350,000	--	--	--	1,350,000
<i>Total Assets</i>	<u>\$ 3,290,877</u>	<u>\$ 160,980</u>	<u>\$ 131,705</u>	<u>\$ 4,683</u>	<u>\$ 3,588,245</u>
LIABILITIES					
Accounts Payable	\$ 78,940	\$ 55,055	\$ 8,491	\$ --	\$ 142,486
Accrued Liabilities	22,290	2,148	4,117	4,683	33,238
<i>Total Liabilities</i>	<u>101,230</u>	<u>57,203</u>	<u>12,608</u>	<u>4,683</u>	<u>175,724</u>
FUND BALANCE					
Nonspendable	1,366,382	1,545	1,511	--	1,369,438
Assigned	--	102,232	117,586	--	219,818
Unassigned	1,823,265	--	--	--	1,823,265
<i>Total Fund Balance</i>	<u>3,189,647</u>	<u>103,777</u>	<u>119,097</u>	<u>--</u>	<u>3,412,521</u>
<i>Total Liabilities and Fund Balance</i>	<u>\$ 3,290,877</u>	<u>\$ 160,980</u>	<u>\$ 131,705</u>	<u>\$ 4,683</u>	<u>\$ 3,588,245</u>

City of Hudsonville
General Fund Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
All Funds Treated as General
For the Year Ended June 30, 2022

	General	Parks and Recreation	Library	Payroll	Elimination	Total General Funds
Revenues						
Taxes	\$ 3,004,786	\$ --	\$ --	\$ --	\$ --	\$ 3,004,786
Licenses and Permits	210,485	--	--	--	--	210,485
Intergovernmental	1,130,697	--	71,784	--	--	1,202,481
Charges for Services	98,552	--	4,450	--	--	103,002
Fines and Forfeitures	14,186	--	37,742	--	--	51,928
Interest and Rents	92,300	8,046	(798)	--	--	99,548
Other Revenues	98,640	50	4,514	--	--	103,204
Total Revenues	4,649,646	8,096	117,692	--	--	4,775,434
Expenditures						
General Government	1,348,075	--	--	--	--	1,348,075
Public Safety	968,871	--	--	--	--	968,871
Public Works	304,991	--	--	--	--	304,991
Community and Economic Development	472,581	--	--	--	--	472,581
Recreation and Culture	--	405,746	449,522	--	--	855,268
Debt Service - Principal	20,000	--	--	--	--	20,000
Debt Service - Interest	9,460	--	--	--	--	9,460
Debt Service - Issuance Costs	14,610	--	--	--	--	14,610
Total Expenditures	3,138,588	405,746	449,522	--	--	3,993,856
Excess of Revenues Over (Under) Expenditures	1,511,058	(397,650)	(331,830)	--	--	781,578
Other Financing Sources (Uses)						
Issuance of Installment Purchase Agreement	1,350,000	--	--	--	--	1,350,000
Transfers In	66,750	460,000	357,174	--	(817,174)	66,750
Transfers Out	(1,231,835)	--	--	--	817,174	(414,661)
Net Other Financing Sources (Uses)	184,915	460,000	357,174	--	--	1,002,089
Net Change in Fund Balance	1,695,973	62,350	25,344	--	--	1,783,667
<i>Fund Balance at Beginning of Period</i>	1,493,674	41,427	93,753	--	--	1,628,854
Fund Balance at End of Period	\$ 3,189,647	\$ 103,777	\$ 119,097	\$ --	\$ --	\$ 3,412,521

**City of Hudsonville
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2022**

	<u>Special Revenue</u>		<u>Debt Service</u>	<u>Capital Projects</u>	<u>Permanent</u>	<u>Total Nonmajor Governmental Funds</u>
	<u>Local Streets</u>	<u>Terra Square</u>	<u>Quality of Life Enhancement Debt</u>	<u>Bond Money Market</u>	<u>Library Endowment</u>	
ASSETS						
Cash and Investments	\$ 287,532	\$ 79,186	\$ 33	\$ --	\$ --	\$ 366,751
Receivables, net	304	39,677	--	--	--	39,981
Due from Other Governmental Units	34,713	--	--	--	--	34,713
Prepaid Items	455	2,275	--	--	--	2,730
Inventories	2,483	--	--	--	--	2,483
<i>Total Assets</i>	\$ 325,487	\$ 121,138	\$ 33	\$ --	\$ --	\$ 446,658
LIABILITIES						
Accounts Payable	\$ 373	\$ 8,136	\$ --	\$ --	\$ --	\$ 8,509
Accrued Liabilities	865	1,807	--	--	--	2,672
Unearned Revenue	--	94,929	--	--	--	94,929
Customer Deposits	--	2,066	--	--	--	2,066
<i>Total Liabilities</i>	1,238	106,938	--	--	--	108,176
FUND BALANCE						
Nonspendable	2,938	2,275	--	--	--	5,213
Restricted	321,311	11,925	33	--	--	333,269
Unassigned	--	--	--	--	--	--
<i>Total Fund Balance</i>	324,249	14,200	33	--	--	338,482
<i>Total Liabilities and Fund Balance</i>	\$ 325,487	\$ 121,138	\$ 33	\$ --	\$ --	\$ 446,658

City of Hudsonville
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended June 30, 2022

	Special Revenue		Debt Service	Capital Projects	Permanent	Total Nonmajor Governmental Funds
	Local Streets	Terra Square	Quality of Life Enhancement Debt	Bond Money Market	Library Endowment	
Revenues						
Intergovernmental	\$ 223,939	\$ --	\$ 34,217	\$ --	\$ --	\$ 258,156
Charges for Services	--	51,602	--	--	--	51,602
Interest and Rents	330	126,088	133	--	--	126,551
Other Revenues	--	--	--	--	52,897	52,897
Total Revenues	224,269	177,690	34,350	--	52,897	489,206
Expenditures						
Public Works	164,188	--	--	--	--	164,188
Community and Economic Development	--	209,915	--	--	--	209,915
Recreation and Culture	--	--	--	--	52,897	52,897
Debt Service - Principal	--	--	180,000	--	--	180,000
Debt Service - Interest	--	--	166,475	--	--	166,475
Total Expenditures	164,188	209,915	346,475	--	52,897	773,475
Excess of Revenues Over (Under) Expenditures	60,081	(32,225)	(312,125)	--	--	(284,269)
Other Financing Sources (Uses)						
Transfers In	--	44,503	312,158	--	--	356,661
Transfers Out	--	--	--	(32,211)	--	(32,211)
Net Other Financing Sources (Uses)	--	44,503	312,158	(32,211)	--	324,450
Net Change in Fund Balance	60,081	12,278	33	(32,211)	--	40,181
<i>Fund Balance at Beginning of Period</i>	264,168	1,922	--	32,211	--	298,301
Fund Balance at End of Period	\$ 324,249	\$ 14,200	\$ 33	\$ --	\$ --	\$ 338,482

City of Hudsonville
Combining Statement of Net Position
Internal Service Funds
June 30, 2022

	<u>Internal Service</u>		<u>Total Internal Service Funds</u>
	<u>Equipment</u>	<u>Fire Vehicle</u>	
ASSETS			
<i>Current Assets</i>			
Cash and Investments	\$ 139,578	\$ 272,666	\$ 412,244
Receivables, net	8	--	8
Prepaid Items	2,054	--	2,054
Total Current Assets	<u>141,640</u>	<u>272,666</u>	<u>414,306</u>
<i>Noncurrent Assets</i>			
Capital Assets being Depreciated, net	681,449	--	681,449
Total Assets	<u>823,089</u>	<u>272,666</u>	<u>1,095,755</u>
LIABILITIES			
<i>Current Liabilities</i>			
Accounts Payable	4,579	--	4,579
Accrued Liabilities	1,186	--	1,186
Total Liabilities	<u>5,765</u>	<u>--</u>	<u>5,765</u>
NET POSITION			
Net Investment in Capital Assets	681,449	--	681,449
<i>Unrestricted</i>	135,875	272,666	408,541
Total Net Position	<u>\$ 817,324</u>	<u>\$ 272,666</u>	<u>\$ 1,089,990</u>

City of Hudsonville
Combining Statement of Revenues, Expenses, and Changes in Net Position
Internal Service Funds
For the Year Ended June 30, 2022

	<u>Internal Service</u>		<u>Total Internal Service Funds</u>
	<u>Equipment</u>	<u>Fire Vehicle</u>	
Operating Revenues			
Charges for Services	\$ 360,167	\$ --	\$ 360,167
<i>Total Operating Revenues</i>	<u>360,167</u>	<u>--</u>	<u>360,167</u>
Operating Expenses			
Personnel Services	61,591	--	61,591
Materials and Supplies	1,046	--	1,046
Contractual Services	464	--	464
Repairs and Maintenance	49,100	--	49,100
Utilities	43,644	--	43,644
Other Expenses	16,771	--	16,771
Depreciation	107,713	--	107,713
<i>Total Operating Expenses</i>	<u>280,329</u>	<u>--</u>	<u>280,329</u>
<i>Operating Income (Loss)</i>	<u>79,838</u>	<u>--</u>	<u>79,838</u>
Non-Operating Revenues (Expenses)			
Gain (Loss) on Investment Earnings	(584)	671	87
Gain on Sale of Capital Assets	10,700	--	10,700
<i>Net Non-Operating Revenues</i>	<u>10,116</u>	<u>671</u>	<u>10,787</u>
<i>Income Before Contributions and</i>	<u>89,954</u>	<u>671</u>	<u>90,625</u>
Transfers In	--	58,000	58,000
Transfers Out	--	--	--
<i>Change In Net Position</i>	<u>89,954</u>	<u>58,671</u>	<u>148,625</u>
<i>Net Position at Beginning of Period</i>	727,370	213,995	941,365
<i>Net Position at End of Period</i>	<u>\$ 817,324</u>	<u>\$ 272,666</u>	<u>\$ 1,089,990</u>

City of Hudsonville
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2022

	<u>Internal Service</u>		<u>Total Internal Service Funds</u>
	<u>Equipment</u>	<u>Fire Vehicle</u>	
Cash Flows from Operating Activities			
Cash Received from Interfund Services Provided	\$ 360,159	\$ -	\$ 360,159
Cash Payments to Employees for Services and Fringe Benefits	(60,841)	-	(60,841)
Cash Payments to Suppliers for Good and Services	(114,035)	-	(114,035)
<i>Net Cash Provided by Operating Activities</i>	<u>185,283</u>	<u>-</u>	<u>185,283</u>
Cash Flows from Non-capital Financing Activities			
Transfers In	-	58,000	58,000
<i>Net Cash Provided by Non-capital Financing Activities</i>	<u>-</u>	<u>58,000</u>	<u>58,000</u>
Cash Flows from Capital and Related Financing Activities			
Capital Asset Purchases	(69,535)	-	(69,535)
Gain on Sale of Capital Assets	10,700	-	10,700
<i>Net Cash Used by Capital and Related Financing Activities</i>	<u>(58,835)</u>	<u>-</u>	<u>(58,835)</u>
Cash Flows from Investing Activities			
Gain (Loss) on Investment Earnings	(584)	671	87
<i>Net Cash Provided (Used) by Investing Activities</i>	<u>(584)</u>	<u>671</u>	<u>87</u>
<i>Net Increase (Decrease) in Cash and Investments</i>	125,864	58,671	184,535
<i>Cash and Investments - Beginning of Year</i>	13,714	213,995	227,709
Cash and Investments - End of Year	<u>\$ 139,578</u>	<u>\$ 272,666</u>	<u>\$ 412,244</u>

City of Hudsonville
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2022

	<u>Internal Service</u>		<u>Total Internal Service Funds</u>
	<u>Equipment</u>	<u>Fire Vehicle</u>	
Reconciliation of Operating Loss to			
Net Cash Provided by Operating Activities			
Operating Loss	\$ 79,838	\$ -	\$ 79,838
Adjustments to Reconcile Operating Loss to			
Net Cash Provided by Operating Activities			
Depreciation Expense	107,713	-	107,713
Changes in Assets and Liabilities			
Accounts Receivable	(8)	-	(8)
Prepaid Items	(363)	-	(363)
Accounts Payable	(2,647)	-	(2,647)
Accrued Liabilities	750	-	750
<i>Net Cash Provided by Operating Activities</i>	<u>\$ 185,283</u>	<u>\$ -</u>	<u>\$ 185,283</u>

City of Hudsonville
Component Unit - Downtown Development Authority (DDA)
Statement of Net Position and DDA Fund Balance Sheet
June 30, 2022

	<u>DDA Fund Balance Sheet</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
ASSETS			
<i>Current Assets</i>			
Cash and Investments	\$ 36,281	\$ -	\$ 36,281
Prepays	845	-	845
Total Assets	<u>37,126</u>	<u>-</u>	<u>37,126</u>
LIABILITIES			
<i>Current Liabilities</i>			
Accounts Payable	1,170	-	1,170
Accrued Liabilities	148	-	148
Total Liabilities	<u>1,318</u>	<u>-</u>	<u>1,318</u>
FUND BALANCE			
Nonspendable	845	(845)	-
Unassigned	34,963	(34,963)	-
Total Fund Balance	<u>35,808</u>	<u>(35,808)</u>	<u>-</u>
Total Liabilities and Fund Balance	<u>\$ 37,126</u>		
NET POSITION			
Unrestricted		35,808	35,808
Total Net Position		<u>\$ 35,808</u>	<u>\$ 35,808</u>

City of Hudsonville
Component Unit - Downtown Development Authority (DDA)
Statement of Activities and DDA Fund Revenue,
Expenditures, and Changes in Fund Balance
For the Year Ended June 30, 2021

	DDA Fund Revenue, Expenditures, and Changes in Fund Balance	Adjustments	Statement of Activities
Expenditures / Expenses			
Community and Economic Development	\$ 38,535	\$ -	\$ 38,535
<i>Total Expenditures / Expenses</i>	<u>38,535</u>	<u>-</u>	<u>38,535</u>
General Revenue			
Taxes	15,626	-	15,626
<i>Total General Revenue</i>	<u>15,626</u>	<u>-</u>	<u>15,626</u>
<i>Net Change in Fund Balance / Net Position</i>	<u>(22,909)</u>	<u>-</u>	<u>(22,909)</u>
Beginning of Year Fund Balance / Net Position	58,717		58,717
<i>End of Year Fund Balance / Net Position</i>	<u>\$ 35,808</u>		<u>\$ 35,808</u>

City of Hudsonville
Component Unit - Tax Increment Finance Authority (TIFA)
Statement of Net Position and TIFA Fund Balance Sheet
June 30, 2022

	<u>TIFA Fund Balance Sheet</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
ASSETS			
<i>Current Assets</i>			
Cash and Investments	\$ 63,024	\$ -	\$ 63,024
Prepaid Items	877	-	877
Total Current Assets	<u>63,901</u>	<u>-</u>	<u>63,901</u>
<i>Noncurrent Assets</i>			
Land Held for Resale and Development	1,317,049	-	1,317,049
Capital Assets, Net	-	283,408 [1]	283,408
Total Assets	<u>1,380,950</u>	<u>283,408</u>	<u>1,664,358</u>
LIABILITIES			
<i>Current Liabilities</i>			
Accounts Payable	5,997	-	5,997
Accrued Liabilities	668	-	668
Total Current Liabilities	<u>6,665</u>	<u>-</u>	<u>6,665</u>
<i>Noncurrent Liabilities</i>			
Advances from Other Governmental Units	-	-	-
Total Liabilities	<u>6,665</u>	<u>-</u>	<u>6,665</u>
FUND BALANCE			
Nonspendable	1,317,926	(1,317,926)	-
Unassigned	56,359	(56,359)	-
Total Fund Balance	<u>1,374,285</u>	<u>(1,374,285)</u>	<u>-</u>
Total Liabilities and Fund Balance	<u>\$ 1,380,950</u>		
NET POSITION			
Investment in Capital Assets		283,408	283,408
Unrestricted		-	1,374,285
Total Net Position		<u>\$ 283,408</u>	<u>\$ 1,657,693</u>

1) General government capital assets of \$533,254, net of accumulated depreciation of \$241,890, are not financial resources and, accordingly, are not reported in the funds.

City of Hudsonville
Component Unit - Tax Increment Finance Authority (TIFA)
Statement of Activities and TIFA Fund Revenue,
Expenditures, and Changes in Fund Balance
For the Year Ended June 30, 2022

	TIFA Fund Revenue, Expenditures, and Changes in Fund Balance	Adjustments	Statement of Activities
Expenditures / Expenses			
Community and Economic Development	\$ 231,950	\$ 7,956 [1]	\$ 239,906
Total Expenditures / Expenses	231,950	7,956	239,906
Program Revenue			
Operating Grants and Contributions	1,680	-	1,680
Total Program Revenue	1,680	-	1,680
General Revenue			
Taxes	172,547	-	172,547
Loss on Investment Earnings	(608)	-	(608)
Total General Revenue	171,939	-	171,939
Net Change in Fund Balance / Net Position	(58,331)	7,956	(66,287)
Beginning of Year Fund Balance / Net Position	1,432,616		1,723,980
End of Year Fund Balance / Net Position	\$ 1,374,285		\$ 1,657,693

1) Governmental funds report capital outlays as expenditures; however, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This amount represents depreciation expense of \$22,171, net of Capital Outlay of \$14,215.

November 11, 2022

To the City Commission
City of Hudsonville, Michigan

We have audited the accompanying financial statements of the governmental activities, business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Hudsonville, Michigan (the “City”) for the year ended June 30, 2022. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated August 12, 2022. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City are described in Note 1 to the financial statements. There were no new accounting policies adopted and, the application of existing policies was not changed during the fiscal year ended June 30, 2022. We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management’s knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the City’s financial statements were:

- Management’s estimate of the useful lives of depreciable capital assets is based on the length of time it is believed that those assets will provide some economic benefit in the future.
- Management’s estimate of the accrued compensated absences is based on current hourly rates and policies regarding payment of vacation banks.
- The assumptions used in the actuarial valuation of the pension are based on historical trends and industry standards.
- Land held for resale was carried at fair market value as of year-end, which is defined as the amount the City could reasonably expect to receive for an investment in a current sale between a willing buyer and a willing seller. Land held for resale of the City has been

categorized as Level 3, where fair value measurement is determined using significant unobservable inputs.

We evaluated key factors and assumptions used to develop these estimates and determined that they are reasonable in relation to the basic financial statements taken as a whole and in relation to the applicable opinion units.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 11, 2022.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the City's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the management's discussion and analysis, budgetary comparison information, and the schedules for the defined benefit pension plan, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the combining and individual fund financial statements, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the use of the City Commission and management of the City and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in cursive script that reads "Gabridge & Company".

Gabridge & Company, PLC
Grand Rapids, MI