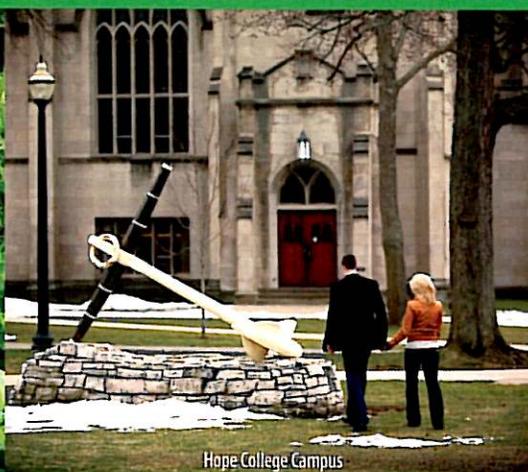
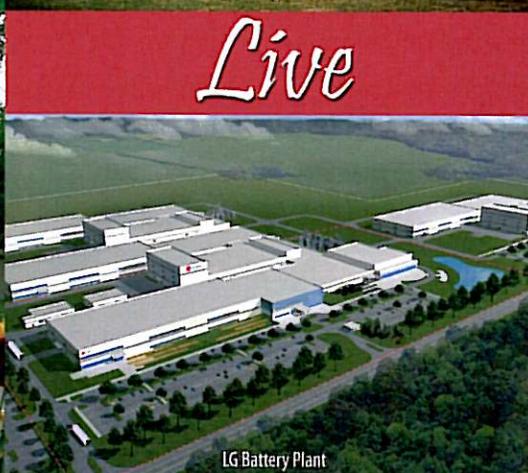


# COMPREHENSIVE ANNUAL FINANCIAL REPORT 2012



Historic District House

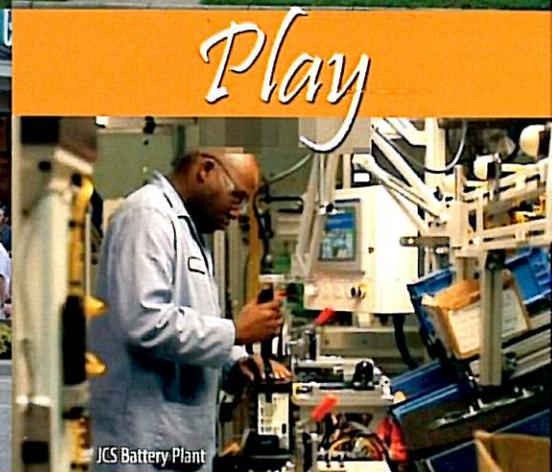
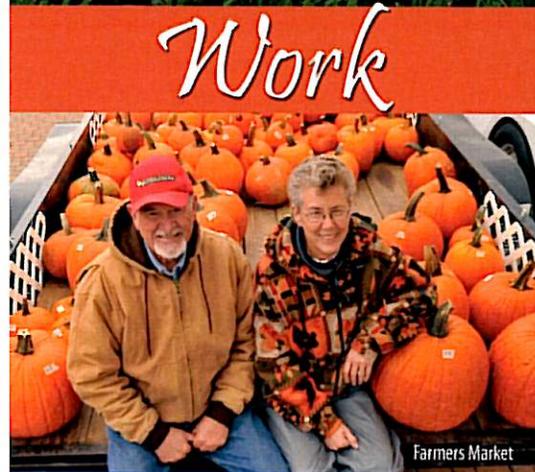
## Live



LG Battery Plant

Historic District House

## Work



Farmers Market

Downtown Stores & Fireplace

JCS Battery Plant

# CITY OF HOLLAND, MICHIGAN



Downtown Street Performer

Gov. Snyder at Energetx

City of Holland,  
Michigan



Year Ended  
June 30, 2012

Single Audit Act  
Compliance

# CITY OF HOLLAND, MICHIGAN

## Table of Contents

	<u>Page</u>
Independent Auditors' Report on the Schedule of Expenditures of Federal Awards	1
Schedule of Expenditures of Federal Awards	2
Notes to Schedule of Expenditures of Federal Awards	4
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	7
Independent Auditors' Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133	9
Schedule of Findings and Questioned Costs	11
Summary Schedule of Prior Audit Findings	14



INDEPENDENT AUDITORS' REPORT ON THE  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

December 12, 2012

Honorable Mayor  
and City Council  
City of Holland, Michigan

We have audited the 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 Holland, Michigan*, as of and for the year ended June 30, 2012, which collectively comprise the basic financial statements, and have issued our report thereon dated December 12, 2012. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

A handwritten signature in black ink that reads "Rehmann Johnson". The signature is written in a cursive, flowing style.

# CITY OF HOLLAND, MICHIGAN

## Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2012

Federal Agency / Cluster / Program Title	CFDA Number	Passed Through	Pass-through / Grantor Number	Federal Expenditures
U.S. Department of Agriculture				
Eat Healthy for Life - EBT Project	10.168	OTTCO	12-25-G-1356	\$ 1,481
Project Fresh Agreement	10.572	MDCH	MM#4454	18,343
Total U.S. Department of Agriculture				19,824
U.S. Department of Housing and Urban Development				
Community Development Block Grants:				
Entitlement XXVIII	14.218	Direct	B-11-MC-23-0036	192,132
Entitlement XXVII	14.218	Direct	B-10-MC-23-0036	137,810
Entitlement XXVI	14.218	Direct	B-09-MC-23-0036	2,982
Total U.S. Department of Housing and Urban Development				332,924
U.S. Department of Justice				
ADAA/WEMET XXVI Grants:				
10/01/2010-09/30/2011	16.579	MDMB-OCJ	70834-3-11-B	15,495
10/01/2011-09/30/2012	16.579	MDMB-OCJ	70834-4-12-B	59,611
HIDTA Grant	16.579	MDMB-OCJ	N/A	11,077
				86,183
Organized Crime Drug Enforcement Task Force	16.UNK	Direct	GL-MIW-0142	9,273
Bulletproof Vest	16.607	Direct	N/A	2,705
JAG Program Cluster:				
Law Enforcement Block Grant - JAG				
10/01/2008-09/30/2012	16.738	Direct	2009-DJ-BX-1479	6,130
10/01/2008-09/30/2012	16.738	Direct	2011-DJ-BX-2624	9,044
ARRA - Law Enforcement Block Grant - JAG	16.804	Direct	2009-SB-B9-1527	22,856
				38,030
Total U.S. Department of Justice				136,191
U.S. Department of Transportation				
Federal Transit Formula Grants:				
Section 5037	20.500	Direct	MI-03-0236	217,361
Section 5037	20.500	Direct	MI-04-0010	4,142
				221,503
State and Community Highway Safety:				
Safe Communities:				
10/01/2010-09/30/2011	20.600	MSP	TR-11-11	35,818
10/01/2010-09/30/2011	20.600	MSP	PT-11-11	43,033
10/01/2011-09/30/2012	20.600	MSP	PT-12-12	39,342
Underage Drinking	20.600	OTTCO	JJ-12-02	1,836
				120,029
Total U.S. Department of Transportation				341,532

continued...

CITY OF HOLLAND, MICHIGAN

**Schedule of Expenditures of Federal Awards**  
For the Year Ended June 30, 2012

Federal Agency / Cluster / Program Title	CFDA Number	Passed Through	Pass-through / Grantor Number	Federal Expenditures
U.S. Environmental Protection Agency Drinking Water Revolving Fund	66.468	MDEQ	EQ-00E00345-1	\$ 2,239,724
U.S. Department of Homeland Security Homeland Security Cluster: Non-cash assistance:				
Homeland Security Grant - 03/01/2010-02/29/2012	97.067	OTTCO	N/A	2,552
Homeland Security Grant - 03/01/2009-02/29/2011	97.067	OTTCO	2009-SS-T9-0060	3,024
Total U.S. Department of Homeland Security				5,576
Total Expenditures of Federal Awards				\$ 3,075,771
				concluded

See notes to schedule of expenditures of federal awards.

# CITY OF HOLLAND, MICHIGAN

## Notes to Schedule of Expenditures of Federal Awards

### 1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the City of Holland, Michigan (the "City") under programs of the federal government for the year ended June 30, 2012. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net assets or cash flows of the City.

The City's reporting entity is defined in Note 1 of the City's Comprehensive Annual Financial Report.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting, which is described in Note 1 to the City's financial statements. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

### 3. OTHER FEDERAL REVENUE

The City is an indirect beneficiary of federal funds that are expended directly by the Michigan Department of Transportation. These pass-through monies, which will be included in the State of Michigan's single audit, are as follows:

Project Name	CFDA Number	Contract Number	Amount Expended
Lincoln Avenue, 16th to 24th Road/Bridge Projects, Washington Interchange	20.106	12-5227 Fed Item HH7937	\$ 21,502
40th St Ditch Enclosure	20.106	11-5264 Fed Item BB0031; RR6710	672,564
Matt Urban & 48th, Washington to C. Limit	20.106	10-5685 Fed Item RR7433	83,678
		10-5655 Fed Item HH6785	<u>450,188</u>
			<u><u>\$ 1,227,932</u></u>

# CITY OF HOLLAND, MICHIGAN

## Notes to Schedule of Expenditures of Federal Awards

### 4. PASS-THROUGH AGENCIES

The City receives certain federal grant as subawards from non-federal entities. Pass-through entities, where applicable, have been identified in the Schedule with an abbreviation, defined as follows:

Pass-through Agency Abbreviation	Pass-through Agency Name
MDCH	Michigan Department of Community Health
MDMB-OCJ	Michigan Department of Management & Budget, Office of Criminal Justice
MDEQ	Michigan Department of Environmental Quality
MSP	Michigan State Police
OTTCO	County of Ottawa, Michigan

### 5. SUBRECIPIENTS

The City administers certain federal awards programs through subrecipients. Those subrecipients are not considered part of the City's reporting entity. Of the federal expenditures presented in the Schedule, the City provided federal awards to subrecipients as follows:

Program Title	CFDA Number	Amount Provided to Subrecipients
Federal Transit Formula Grants	20.500	\$ 221,503
State and Community Highway Safety	20.600	<u>82,375</u>
		<u>\$ 303,878</u>

■ ■ ■ ■ ■

This page intentionally left blank.

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

December 12, 2012

Honorable Mayor  
and City Council  
City of Holland, Michigan

We have audited the 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 Holland, Michigan* (the "City"), as of and for the year ended June 30, 2012, which collectively comprise the basic financial statements of the City, and have issued our report thereon dated December 12, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the City is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### Compliance and Other Matters

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

We noted certain other matters that we reported to management of the City in a separate letter dated December 12, 2012.

This report is intended solely for the information and use of management, the City Council, others within the organization, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Lehmann Johnson".

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH  
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT  
ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

December 12, 2012

Honorable Mayor  
and City Council  
City of Holland, Michigan

Compliance

We have audited the *City of Holland, Michigan's* (the "City") compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2012. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

## Internal Control Over Compliance

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

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

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

This report is intended solely for the information and use of management, the City Council, others within the organization, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Lehmann Johnson". The signature is written in a cursive, flowing style.

# CITY OF HOLLAND, MICHIGAN

## Schedule of Findings and Questioned Costs For the Year Ended June 30, 2012

### SECTION I - SUMMARY OF AUDITORS' RESULTS

#### Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified?        yes   X   no

Significant deficiency(ies) identified?        yes   X   none reported

Noncompliance material to financial statements noted?        yes   X   no

#### Federal Awards

Internal control over major programs:

Material weakness(es) identified?        yes   X   no

Significant deficiency(ies) identified?        yes   X   none reported

Type of auditors' report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section 510(a)?        yes   X   no

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
66.468	Drinking Water Revolving Fund

Dollar threshold used to distinguish between Type A and Type B programs: \$ 300,000

Auditee qualified as low-risk auditee?   X   yes        no

# CITY OF HOLLAND, MICHIGAN

## Schedule of Findings and Questioned Costs For the Year Ended June 30, 2012

### SECTION II - FINANCIAL STATEMENT FINDINGS

None reported.

## CITY OF HOLLAND, MICHIGAN

### Schedule of Findings and Questioned Costs For the Year Ended June 30, 2012

#### SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

# CITY OF HOLLAND, MICHIGAN

## Summary Schedule of Prior Audit Findings For the Year Ended June 30, 2012

None reported.



## A Tribute to Retiring City Manager Soren Wolff

This budget is the last City Manager Soren Wolff presented to City Council as he has announced his retirement effective September 6, 2011 after a 27-year career with the City of Holland – four as the Assistant City Manager and twenty-three as the City Manager. In a profession where the usual tenure ranges from five to seven years, in those decades Soren has left a significant impact on the City with his impressive leadership, commitment to excellence, and strong financial management abilities.

Soren has been very instrumental in working with the private sector in Holland's downtown transformation. Downtown Holland is the jewel of this city and is a prime destination for Holland residents and visitors alike. Moreover, it is a model that many other communities have studied and attempted to replicate, as cities across this country seek to provide an authentic and unique "sense of place" that is immediately observable in the City of Holland. Soren's leadership in these efforts has been one of the driving forces for Downtown Holland's success.



*Dedication of Transportation Services Facility*



*l-r: Ross Nykamp,  
Bill Johnson, Soren Wolff  
Downtown Planning  
Session*

Soren, too, has been a clear and consistent voice for Holland-area collaboration. With his participation, over the past decades the Holland-area has witnessed the creation of the Herrick District Library, the MAX Authority, the West Michigan Airport Authority, the Macatawa Area Coordinating Council, the Holland Aquatic Center, the 911 Central Dispatch, and the West Michigan Enforcement Team (WEMET), among others. Additionally, Holland enjoys strong partnerships with Hope College and our local primary K-12 education systems. Those partnerships have resulted in numerous improvements that have benefited all concerned.

Holland has seen a building boom during Soren's tenure. Major public projects have included the construction of a new library, an addition to and major renovations of City Hall, a new Police and Courts building, the 8th Street Market, a downtown parking structure, the snowmelt system, the Transportation Services Building, the Kollen Park revitalization, the River Avenue bridge and Van Bragt Park improvement, and dozens more – all with great attention to detail and providing impeccable quality and enduring design. However, Soren's interest in core public infrastructure cannot be overlooked. Soren's insistence that the maintenance and reconstruction of our city streets – and the unseen pipes, wires, and lines that lie beneath those streets – remain a priority of this city government has been a hallmark of his tenure in Holland.

Soren was instrumental in the creation of self-funded insurance programs providing significant financial savings for Holland over the years, as well as streamlining the administration of city operations. The most recent change has been the creation of a Public Safety Department which has already saved the city hundreds of thousands of dollars while maintaining outstanding police, fire, and emergency medical services.

But the overriding legacy Soren will leave is the budget – a document that reflects his passion. This document contains hundreds of pages of financial data, performance measurements, goals and supplemental narrative that reflects the overall operations of the City of Holland and is the most significant policy document produced by the City. Soren has insisted that this document, and the budget it represents, be detailed, comprehensive, and transparent so that the taxpayers of Holland can know how their money is being spent. Budgetary stewardship has only become harder in the past ten years as the waves of Michigan's economic storms have crashed into Holland. That this city remains in a strong fiscal position, notwithstanding these years of unprecedented financial upheavals, is the most telling indicator of Soren's strength as a leader.

Soren has earned the respect of his co-workers, the City Council and the entire community. He will be sorely missed. His legacy looms large and justifiably so. All of us wish him the very best in his retirement.

Please visit our website at [www.cityofholland.com](http://www.cityofholland.com) or contact us with any questions at:  
City of Holland, City Hall, 270 S. River Avenue, Holland, MI 49423  
Phone (616) 355-1300 City General Information or (616) 355-1370 Finance and Budget

## INTRODUCTORY SECTION

This page intentionally left blank.

# CITY OF HOLLAND

## HOLLAND, MICHIGAN

### COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2012

Prepared by:

Finance Office

Tim Vagle

Director of Finance

# CITY OF HOLLAND, MICHIGAN

## Table of Contents

	<u>Page</u>
<b>INTRODUCTORY SECTION</b>	<b>1</b>
Title Page	3
Table of Contents	4
Principal City Officials	8
Letter of Transmittal	9
GFOA Certificate of Achievement	29
Organizational Chart	30
<b>FINANCIAL SECTION</b>	<b>31</b>
Independent Auditors' Report	33
Management's Discussion and Analysis	35
Basic Financial Statements	45
Government-wide Financial Statements:	
Statement of Net Assets	46
Statement of Activities	47
Fund Financial Statements:	
Balance Sheet - Governmental Funds	50
Reconciliation of Fund Balances for Governmental to Net Assets of Governmental Activities	51
Statement of Revenue, Expenditures and Changes in Fund Balances - Governmental Funds	52
Reconciliation of Net Changes in Fund Balance of Governmental Funds to Change in Net Assets of Governmental Activities	53
Statement of Revenue, Expenditures and Changes in Fund Balances - Budget and Actual: General Fund	54
Statement of Net Assets - Proprietary Funds	55
Statement of Revenue, Expenses and Changes in Fund Net Assets - Proprietary Funds	56
Statement of Cash Flows - Proprietary Funds	57
Statement of Fiduciary Assets and Liabilities	59
Notes to Financial Statements	61

# CITY OF HOLLAND, MICHIGAN

## Table of Contents

	<u>Page</u>
Required Supplementary Information	
Schedule of Funding Progress - MERS Defined Benefit Pension Plan	98
Schedule of Employer Contributions - MERS Defined Benefit Pension Plan	98
Schedule of Funding Progress - Other Postemployment Benefits Plan	99
Schedule of Employer Contributions - Other Postemployment Benefits Plan	99
Combining and Individual Fund Financial Statements and Schedules	
General Fund:	
Schedule of Balance Sheet Accounts by Activity	104
Detailed Schedule of Revenue - Budget and Actual	105
Detailed Schedule of Expenditures - Budget and Actual	106
Detailed Schedule of Transfers - Budget and Actual	108
Nonmajor Governmental Funds:	
Combining Balance Sheet	124
Combining Statement of Revenue, Expenditures and Changes in Fund Balances	130
Schedule of Revenue, Expenditures and Changes in Fund Balances - Budget and Actual:	
Major Street Fund	135
Local Street Fund	136
Allegan County Road Tax Fund	137
Street Improvements Reserve Fund	138
Public Parking System Fund	139
Snowmelt Operating System Fund	140
Principal Shopping District Fund	141
CATV (Public Access Channels) Fund	142
Revolving Cash Assistance Fund	143
Specified Donations Fund	144
Dangerous Structures Fund	145
Police Criminal Justice Training Fund	146
Anti-Drug Abuse Grant Fund	147
Office of Highway Safety Planning (OHSP) Grant Fund	148
Law Enforcement Block Grant Fund	149
Homeland Security Grant Fund	150
District Library Taxation Fund	151
MSHDA Grant Fund	152
Community Development Block Grant (CDBG) Fund	153
Eat Healthy For Life Fund	154
Cemetery Perpetual Care Fund	155
Nonmajor Enterprise Funds:	
Combining Statement of Fund Net Assets	162
Combining Statement of Revenue, Expenses and Changes in Fund Balances	164
Combining Statement of Cash Flows	166

# CITY OF HOLLAND, MICHIGAN

## Table of Contents

	<u>Page</u>
Combining and Individual Fund Financial Statements and Schedules (concluded)	
Internal Service Funds:	
Combining Statement of Fund Net Assets	178
Combining Statement of Revenue, Expenses and Changes in Fund Balances	180
Combining Statement of Cash Flows	182
Agency Funds:	
Combining Statement of Fiduciary Assets and Liabilities	188
Combining Statement of Changes in Assets and Liabilities	190
Component Units:	
Downtown Development Authority:	
Balance Sheet	196
Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds to Net Assets of Governmental Activities on the Statement of Net Assets	197
Statement of Revenue, Expenditures and Changes in Fund Balances	198
Reconciliation of the Statement of Revenue, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	199
Detailed Schedule of Revenue, Expenditures and Changes in Fund Balances - Budget and Actual	200
Brownfield Redevelopment Authority:	
Balance Sheet	201
Statement of Revenue, Expenditures and Changes in Fund Balances	202
Detailed Schedule of Revenue, Expenditures and Changes in Fund Balances - Budget and Actual	203

# CITY OF HOLLAND, MICHIGAN

## Table of Contents

	<u>Page</u>
STATISTICAL SECTION (UNAUDITED)	205
Statistical Section Table of Contents	207
Financial Trends Information	
Net Assets by Component	208
Changes in Net Assets	210
Fund Balances, Governmental Funds	214
Changes in Fund Balances, Governmental Funds	216
Revenue Capacity Information	
Actual Value of Taxable Property	218
Direct and overlapping Property Tax Rates	220
Principal Property Tax Payers	222
Property Tax Levies and Collections	223
Debt Capacity Information	
Ratios of Outstanding Debt by Type	224
Ratios of General Bonded Debt Outstanding	226
Direct and Overlapping Governmental Activities Debt	227
Legal Debt Margin Information	228
Pledged-Revenue Coverage	230
Demographic and Economic Information	
Demographic and Economic Statistics	233
Principal Employers	234
Operating Information	
Full-Time Equivalent Government Employees by Function	236
Operating Indicators by Function	238
Capital Asset Statistics by Function	240

CITY OF HOLLAND

PRINCIPAL CITY OFFICIALS

As of June 30, 2012

Elected Members of the City Council

Mayor	Kurt Dykstra
Council Member, At Large	Wayne Klomparens
Council Member, At Large	Nancy DeBoer
Council Member, First Ward	Myron Trethewey
Council Member, Second Ward	Jay Peters
Council Member, Third Ward	Brian Burch
Council Member, Fourth Ward	Robert Vande Vusse
Council Member, Fifth Ward	Todd Whiteman
Council Member, Sixth Ward	David Hoekstra

Staff Officials Appointed by City Council

City Manager	Ryan Cotton
--------------	-------------

Staff Officials Appointed by City Manager Subject to City Council Approval

City Attorney	Andrew J. Mulder (Cunningham Dalman, P.C.)
Deputy City Clerk	Anna Perales
Director of Finance	Tim Vagle
City Assessor	Dave VanderHeide

Staff Officials Appointed by City Manager Not Subject to City Council Approval

Assistant City Manager	Gregory Robinson
Director of Public Safety	Matt Messer
Director of Community & Neighborhood Services	Philip Meyer
Director of Parks, Recreation, and Transportation	Jodi Syens
Director of Human Resources	Chanda Schab-Koryto
Human Relations Director	Alberto Serrano

Staff Officials Appointed by Boards or Commissions

Board of Public Works (Utilities) General Manager	Dave Koster
Board of Public Works (Utilities) Finance Director	Freda Velzen

CITY OF HOLLAND  
FINANCE OFFICE - CITY HALL  
270 RIVER AVENUE  
HOLLAND, MICHIGAN 49423

Telephone (616) 355-1370

FAX (616) 355-1470

---

December 12, 2012

TO CITY OF HOLLAND CITIZENS AND OTHER INTERESTED PERSONS:

The *Comprehensive Annual Financial Report of the City of Holland (CAFR)* for the fiscal year ended June 30, 2012, is hereby submitted. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with City management. To the best of our knowledge and belief, the data as presented is accurate in all material respects and reported in a manner that fairly sets forth the financial position and results of operations of the various funds of the City. All disclosures considered necessary to enable the reader to gain an understanding of the City's financial activities are included. We believe that internal control procedures and policies currently in place provide reasonable assurance for proper recording of financial transactions and asset accountability. While a rigorous system of internal controls has been implemented over the years, these controls are continually reviewed and enhanced due to the inherent limitations of any system.

This report is prepared in accordance with Section 9.11 of the City Charter which requires that an independent audit shall be performed at least annually. The top levels of City management have indicated that integrity and legal compliance are a top priority for this organization.

Best use of this report should include a review of the Management's Discussion and Analysis (MD&A) which can be found in the Financial Section. Readers will also find many summarized and informative presentations in the Statistical Section which includes tables that reflect economic and financial data and trends, together with the current fiscal capacity of the City.

The City of Holland maintained the property millage rate of 14.25 levied in the prior fiscal year. Holland continues to levy property taxes well under the millage rates allowed by the City Charter in conformance with the established financial policy to maintain the lowest millage rate possible. Ending combined fund equity balances in the General Fund and the Budget Stabilization Fund, at 21.29% of the ensuing year's General Fund appropriations, exceed conformance with the City's financial policy to maintain a 7.5%-15% balance across both funds.

PROFILE OF THE GOVERNMENT

The City of Holland is located in the western portion of the state, five miles from Lake Michigan and approximately 90 miles north of the Michigan-Indiana border. The corporate boundaries of the City lie within portions of Ottawa County and Allegan County. The U.S. Census Bureau's estimated 2011 population of 33,270 with a median age of 31.7 years per the 2010 adjusted census. This is a 5.1% reduction in population since the high of 35,048 from the 2000 census. At June 30, 2012 the City included an area of 17.45 square miles, 148.7 miles of major and local streets and 11.20 miles of state trunkline highways. Holland is situated within the rapidly urbanizing metro tri-plex of Holland, greater Grand Rapids and Muskegon with a total combined population of over one million.

The present City charter was adopted in 1950, under authority and provisions established by the State of Michigan Home Rule City Act. There have been various voter-approved amendments to the charter over the years. The charter mandates a Council-Manager form of government. The Council is comprised of nine members including an elected Mayor, two council members elected at-large, and six members elected by ward. The City Manager is responsible to implement and administer policies and programs outlined in the annual budget and by various actions of the Council. An organization chart is included to better comprehend the total governmental structure.

PROFILE OF THE GOVERNMENT

(Continued from Previous Page)

The City Charter requires a *Holland Board of Public Works (HBPW)* appointed by the City Council to manage and operate municipally-owned utilities (electric, fiber-optics, water, and wastewater). The HBPW is administered and operates under separate management, financial administration, and operating staff. Financial administration of general government services and activities are performed by the *City Finance Office*. This report includes the funds and financial information of both offices.

The City provides the full range of municipal services normally associated with a municipality including police and fire, environmental health, housing and building inspections, street construction and maintenance, planning & zoning, recreation programs, several municipal parks, cemetery facilities, an open-air canopied farmers market and various other cultural activities. The City also operates business-type activities for an electric and fiber optics utility, sanitary sewer utility, water supply utility, residential refuse/recycling curbside pickup program, and a Dutch theme tourist park attraction. Public library buildings are owned by the City of Holland Building Authority and leased to the Herrick District Library which is financially supported by the City of Holland together with three surrounding townships. A combination fixed route and personalized bus/van transportation service, which leases the City owned transportation center (depot) also servicing the railroad, is operated and taxed by a separate transportation authority including the City and Holland Township. A City owned airport facility is leased to an airport authority which includes the City of Holland, City of Zeeland and Park Township.

The City enjoys a well-diversified property tax base mix of residential (49.1%), commercial (25.3%), industrial (24.8%), and all other (0.8%). The industrial sector includes a diversification of manufacturing, including office systems & furniture, auto and truck parts, boats, aluminum extrusion, pickle & cucumber products, wind energy components, lithium-ion batteries and several other small industrial firms.

The annual budgeting process is conducted in accordance with *State of Michigan Act 2 of 1968*, as amended through *Act 493 of 2000*, together with *Sections 9.4 and 9.5 of the City Charter*. Formal budgets are established for the General, Permanent and Special Revenue funds. Informal budgets are established for the Debt Service, Enterprise and Internal Service Funds, and Component Units. Informal budgets for Capital Projects are also approved through the annual budgeting process and, in many instances, individually by the City Council throughout the fiscal year.

Financial planning and control is provided through the annual budget process which is supplemented by ongoing management review and adjustment, as needed, throughout the year. The formalized annual process begins in January when the City Council meets with the citizens of Holland to obtain input into the upcoming budget process. The City Council next meets to prioritize the upcoming budget issues. In mid-February department managers submit budget requests to the City Manager. A detailed review, analysis and revision to the departmental requests is performed by the City Manager in March. At the first council meeting in April the City Manager's overall budget request is submitted to the City Council and citizens. Later in April a series of budget study meetings are held by the City Council. At the first council meeting in May a public hearing is held on the proposed annual budget followed by adoption of a final budget resolution including establishment of property tax millage rates.

The City government's employed staff includes 362 filled full-time positions, and approximately 650 part-time positions. The full-time workforce is composed of a base of non-union plus three organized labor bargaining units as follows:

Employee Group	Affiliation	Members
Utility Workers	Service Employees International Union AFL-CIO, Local 568	94
Police Officers	Fraternal Order of Police, Holland Police Officers Division	54
Firefighters	International Association of Firefighters, Local 759	21
Non-Union	None	<u>193</u>
Total		362

## THE FINANCIAL REPORTING ENTITY

*Governmental Accounting Standards Board (GASB)* issues authoritative statements and pronouncements that require compliance for acceptable government financial reporting. *GASB Statement No. 14* provides definition for *The Financial Reporting Entity* to include all funds, agencies, boards, commissions, and authorities that are controlled by or dependent upon the primary government unit for their on-going existence. *The Financial Reporting Entity* is composed of the:

- *primary government* (together with *blended component units* that, although legally separate, are so tightly intertwined with the primary government that they are, in essence, the same as the primary government)
- *discretely presented component units*.

Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. In addition, component units can be other organizations for which the nature and significance of their relationship with a primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The requirements of *GASB Statement No. 14*, and the further amendments to this statement made by *GASB Statement No. 39*, are addressed in this report. Component units that require discrete reporting presentation are the *Downtown Development Authority*, the *Economic Development Corporation (no activity in current year)*, the *Holland Historical Trust* and the *Brownfield Redevelopment Authority*. These four component units are legally separate organizations for which the Holland City Council is financially accountable; and/or for which the nature and significance of their relationship with the City are such that exclusion would cause the financial statements to be misleading or incomplete. The Holland Building Authority has been blended into the City's financial statements and is not presented discretely. The component units are further identified in Note 1 of the *Notes to Financial Statements*.

The *CAFR* for the City of Holland is prepared in conformance with the requirements delineated by *GASB Statement No. 34* which established new financial reporting requirements for state and local governments.

## ECONOMIC CONDITIONS OF THE COMMUNITY

The City of Holland enjoyed sustained growth of its business community throughout the decades of the 1970's and 1980's and into the 1990's, both in terms of increases in property tax base and the overall employment environment. Because of the diversity of the business community within the City of Holland, economic downturns have not been as severe in the past as in several other areas of the State whose economies are centered around one large type of industry, such as automotive.

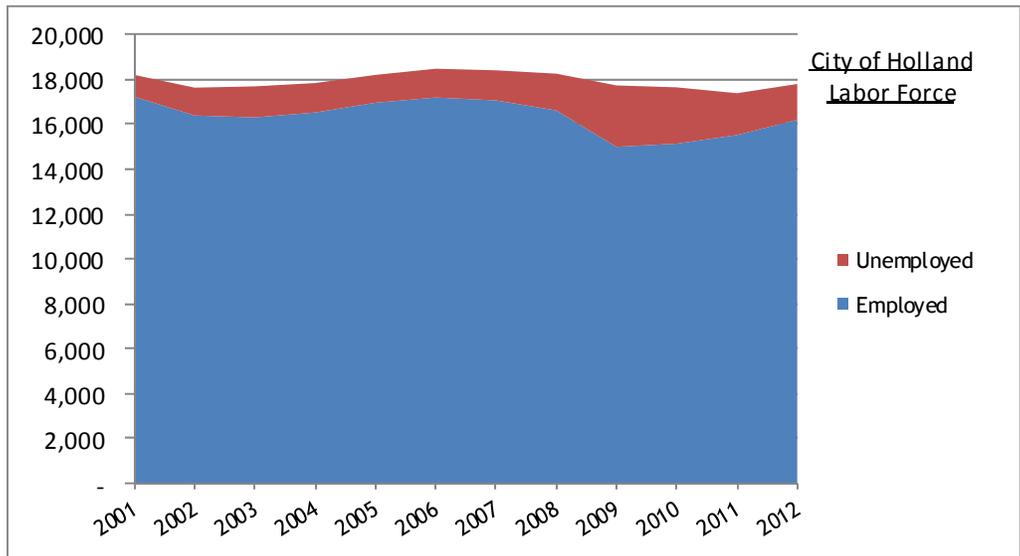
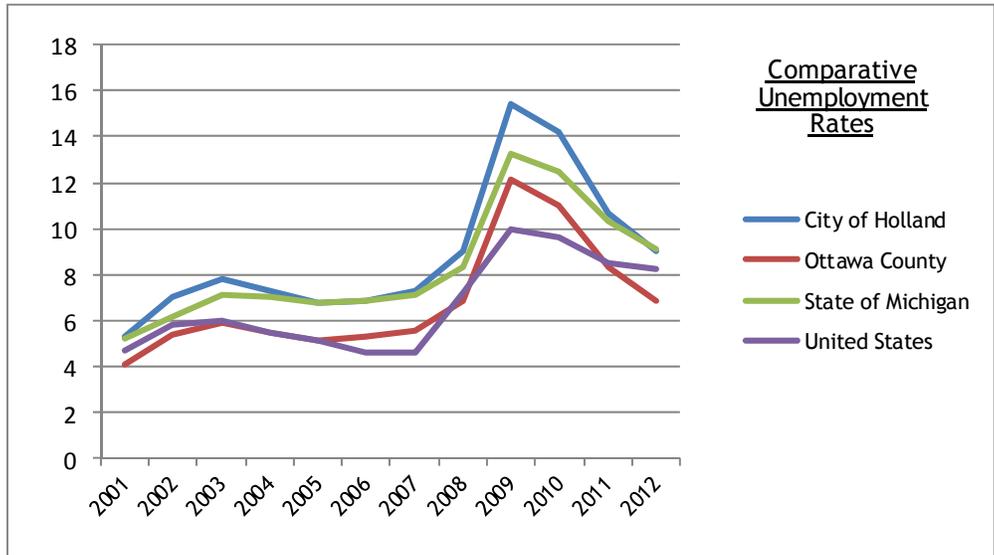
The local West Michigan area has been impacted by the national economic downturn which began in 2001. The following table of comparative unemployment rates paints a vivid picture reflecting 2003 as the first peak of the downturn and 2008-2009's second peak downturn following suit with national and state trends. Significant improvements have been seen in the past year or two as the economy continues a gradual recovery.

### Comparative Unemployment Rates

<u>Annual Average</u>	<u>City of Holland</u>	<u>Holland/Grand Haven Metro Area</u>	<u>County of Ottawa</u>	<u>County of Allegan</u>	<u>State of Michigan</u>	<u>United States</u>
<u>2012 (Sept.30)</u>	<u>9.0</u>	<u>6.9</u>	<u>6.9</u>	<u>7.3</u>	<u>9.1</u>	<u>8.2</u>
2011	10.7	8.3	8.3	8.7	10.3	8.5
2010	14.2	11.0	11.0	11.9	12.5	9.6
2009	15.4	12.1	12.1	12.5	13.3	10.0
2008	9.0	6.9	6.9	7.5	8.3	7.2
2007	7.3	5.6	5.6	6.2	7.1	4.6
2006	6.9	5.3	5.3	6.0	6.9	4.6
2005	6.8	5.1	5.1	6.2	6.8	5.1
2004	7.3	5.5	5.5	6.6	7.0	5.5
<u>2003</u>	<u>7.8</u>	<u>5.9</u>	<u>5.9</u>	<u>6.6</u>	<u>7.1</u>	<u>6.0</u>
2002	7.0	5.4	5.4	5.6	6.2	5.8
2001	5.3	4.1	4.1	4.2	5.2	4.7

ECONOMIC CONDITIONS OF THE COMMUNITY

(Continued from Previous Page)



The unemployment figures should be reviewed in tandem with the labor force figures which, prior to 2007, indicated positive growth since the low point in 2002. Ottawa County continues to experience a modest increase in population and diversified labor force and is one of the fastest growing counties in the Midwest. Between 2002 and 2006 total employment in Ottawa County grew by 6,809 jobs overall, but the Great Recession caused significant job losses below 2002 levels. New job creation in the past two years has resulted in numbers within 886 jobs from 2006.

Lakeshore Advantage, which provides regional economic development services for the Holland, Zeeland and Saugatuck area, indicates that “since 1990 the area’s population has grown over 30% making it one of the most attractive places to live and work in the Midwest”. The cities in the Lakeshore Advantage area of West Michigan are experiencing slight declines in population, but the area townships have increased by about 20% in population since 2000. The Macatawa Area Coordinating Council (MACC) population, made up of Holland, Zeeland the surrounding seven townships, grew by 6.2% from 2000 to 2010. Between 2000 and 2010 Ottawa County’s total population had a net increase of 25,487 residents, up to 263,801, for a growth rate of 10.7%.

## ECONOMIC CONDITIONS OF THE COMMUNITY

(Continued from Previous Page)

	<u>Employed</u>	<u>Unemployed</u>	<u>Labor Force / % Change</u>	
2012 (Sept. 30)	16,203	1,597	17,800	+2.36%
2011	15,523	1,866	17,389	-1.48%
2010	15,142	2,509	17,651	-0.48%
2009	14,998	2,738	17,736	-2.89%
2008	16,620	1,643	18,263	-0.82%
2007	17,066	1,347	18,413	-0.36%
2006	17,200	1,279	18,479	+1.52%
2005	16,963	1,240	18,203	+2.02%
2004	16,533	1,310	17,843	+0.84%
2003	16,312	1,382	17,694	+0.32%
2002	16,398	1,240	17,638	-3.11%
2001	17,232	972	18,204	

The W.E. Upjohn Institute for Employment Research Business Outlook for West Michigan September 2012 publication stated that “Employment in Ottawa County soared by 2.9 percent last quarter - a greater percentage increase than for any other region in west Michigan”...”Not surprisingly, the job growth contributed to a substantial decrease in the region’s unemployment, which fell to 6.8 percent, the lowest rate in west Michigan”. The local Manpower office reports they are currently at 950 placements, with many leading to permanent employment and positive hiring trends over the coming year. What they have seen is the market leaning towards skilled trade jobs.

According to information produced by Lakeshore Advantage (provided by Coldwell Banker Woodland-Schmidt), comparing 2011 to 2012, the number of houses sold has increased 27.86%, the dollar volume in sales has increased 36.50%, and the average selling price for a house has increased 6.75%. Some recent positive announcements that affect the Holland area include:

- The new NOVO 1 call center opened in September 2010 and currently employs 167. The Texas based nationwide company invested about \$2 million in the 37,000 square foot facility in the City. The company expects to hire additional employees over the coming year to support its growing client base and support the health insurance markets. A Community Development Block Grant and tax break incentives were key factors in recruiting this company to Holland. The company believes in repatriating call center jobs from overseas to the United States.
  
- Johnson Control employs 3,830 people in the Holland Community, 2,223 within the City of Holland. Johnson Controls operates a technical center and several manufacturing locations in Holland that support the automotive industry. Employees at the technical center design and engineer automotive interior products including door panels, headliners, overhead consoles, visors, instrument panels, floor consoles, as well as electronics products including driver information systems, body electronics, infotainment, and specialty products. The plants manufacture automotive interior and seat components. Their Power Solutions Meadowbrook plant produces lithium-ion batteries for hybrid and electric cars. JCI has received several awards recently including: named one of the World’s Most Ethical Companies in 2012 by Ethisphere Magazine; ranked #4 in Motor Vehicle Parts among Fortune Magazine’s Most Admired Companies in 2011; and received the 2012 Bronze Green Award, Program Category and 2012 Bronze Award in Smart Systems, Energy, & Sustainability category from the Edison Awards.

## ECONOMIC CONDITIONS OF THE COMMUNITY

(Continued from Previous Page)

- Construction was completed in September 2011 on the 650,000 square foot \$304 million LG Chem plant to manufacture lithium-ion cells in the City of Holland. The planned start of production is in January 2013. LG Chem supplies the battery for the new GM Chevy Volt and has a new contract for the Ford Focus. In January 2011 LG Chem and Grand Rapids Community College approved a *Michigan New Jobs Training Program* Agreement under which the company could spend an estimated \$19.6 million to train more than 3,000 employees over the 20-year term of the deal. LG Chem Michigan business planning director Kee Eun recently said “We think Holland will become a hometown for advanced batteries on a global scale”.
- Haworth, Inc. announced that 2011 global sales reached \$1.38 billion, an increase of 15% over 2010. The growth was boosted by strong results in every part of the world, with sales growing at a rate higher than the industry in all sectors. Franco Bianchi, Haworth President & CEO stated: “Our integrated workspace design and global perspective continues to resonate with customers around the world. Our second year of industry leading growth is a testament to the impact of our value proposition to customers and their businesses. Despite our accomplishments, we know that 2012 will hold new challenges driven by global uncertainty, government spending cuts and fluctuating commodity prices.” Haworth, Inc. is a global leader in the design and manufacturing of office furniture and organic workspaces, including raised access floors, moveable walls, systems furniture, seating, storage and wood caseworks. Family-owned and privately held, Haworth is headquartered in Holland, Michigan and serves markets in more than 120 countries through a global network of 600 dealers. The company had net sales of US \$1.38 billion in 2011.
- Holland’s Energetx Composites was the first recipient of Governor Rick Snyder’s Reinventing Michigan award in May 2011. “Energetx Composites embodies the entrepreneurial spirit that once made Michigan the leader in job growth” Snyder said. The new company landed a major contract in 2012 and anticipates adding 70 employees to their current workforce of 40 within two years. Their technology includes design, engineering and manufacturing of wind turbine blades and parts for utility-scale turbines. A tax abatement for various and equipment valued in excess of \$5 million was approved by the City Council in May 2012.
- Holland Community Hospital increased staffing levels in 2011 by 4.8% and currently employees 1,462 full-time equivalent. Holland Hospital is pleased and honored to again be recognized as a 100 Top Hospital by Thomson Reuters in 2012. In addition, the hospital’s Joint Replacement Center received the Joint Replacement Excellence Award from Healthgrades®. Staying ahead of the increasing need for orthopedic care in the region, Holland Hospital launched a \$10 million, 23,400- square-foot addition in September of 2012 which will provide 24 new private rooms for orthopedic and spine patients when completed in August 2013.
- Holland Public Schools is in the middle of \$73 million construction and technology upgrade projects that impact its four K-7 schools and three secondary schools. In 2011-2012 school year, Holland High earned awards from both U.S. News & World Report and the Mackinac Center for academic performance. The tradition of success has continued as HHS theatre, orchestra, and forensics earned top state recognition. In athletics, Holland High (2011-2012) won conference championships in football, boys’ basketball, girls swimming, and boys swimming. In fact, the Holland High Girls Swimming Team were Division 2 state and national champions! The district wide construction projects will be completed in 2014. For the first time in a decade, student enrollment grew slightly, rather than declined. The most recent school year was great one for Holland Public Schools.

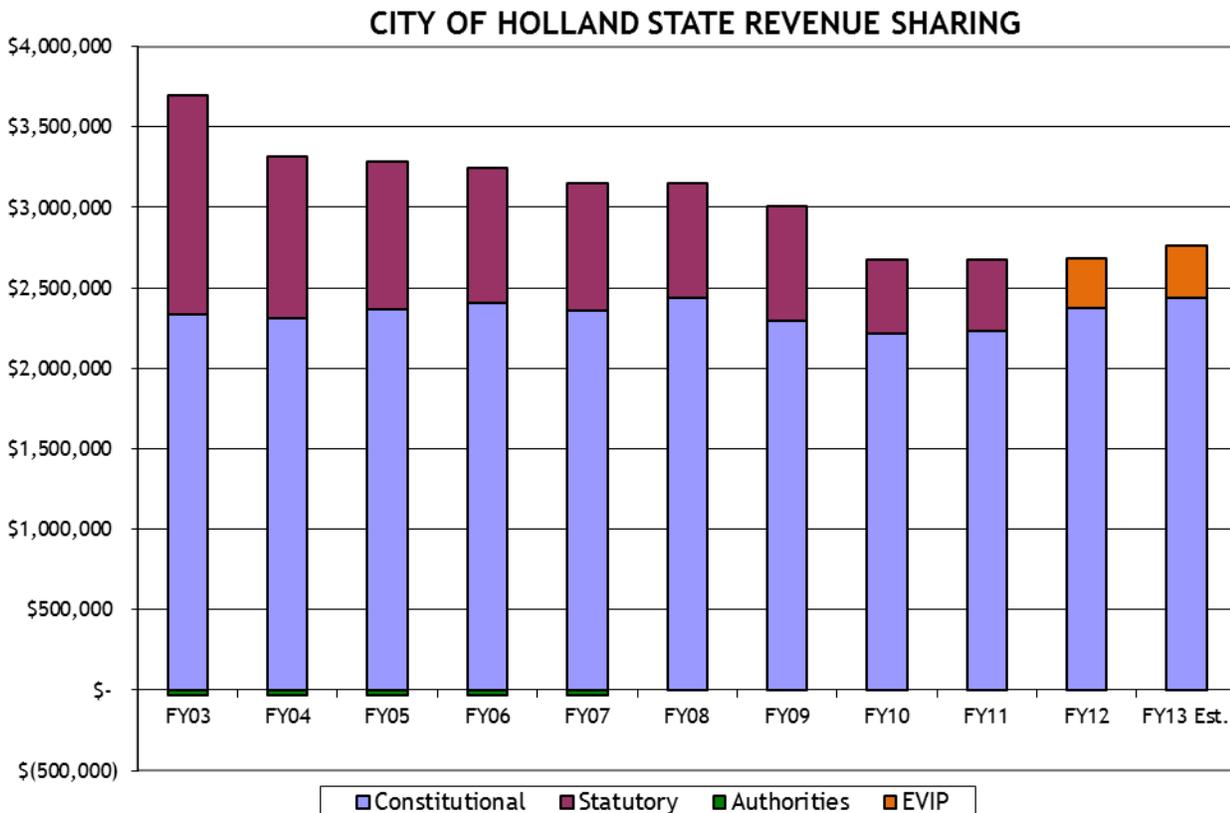
*CITY OF HOLLAND*  
ECONOMIC CONDITIONS OF THE COMMUNITY

(Continued from Previous Page)

Much of the recent economic recovery enjoyed in Michigan is the result of resurgence in the automotive sector, which has historically been cyclical. The three major Ottawa County auto industry tier one suppliers which are the most vulnerable to the Detroit Three automakers restructuring are Johnson Controls Interiors (JCI), Gentex Corporation and Magna Donnelly. Across the county, but not solely within the City of Holland, these three local companies employ just over 9,000. Major cutbacks for any of these companies have a major impact on the City's overall economy. Fortunately there is much other diversity in furniture, boatbuilding, the food industry and new technologies.

As in FY2012, the State's FY2013 budget was adopted earlier than in recent years in May. After years of cuts and reductions in Revenue Sharing largely due to the poor performance of the Michigan economy, it appears that slight increases will be forthcoming. The statutory portion of the Revenue Sharing formula in sales tax distributions to local governments was eliminated in FY2012 and replaced with a new revenue sharing program, known as the Economic Vitality Incentive Program (EVIP). The City met the requirements of this 3-tiered system in FY2012 to receive 306,080 and is expected to again meet similar requirements in FY2013. This compares to \$448,000 in the former formula, while maintaining the constitutional portion which is based on a specific percentage of the sales tax revenues. As the State economy gains momentum, the constitutional portion is expected to continue increasing.

What is of much more concern regarding revenues is a push by State Legislators to eliminate the Personal Property tax which raises more than \$1 billion a year for local governments and schools. The City of Holland stands to lose \$2.4 million if this tax is repealed and not fully replaced. While this topic has been debated for many years, currently it has traction and most expect some action on this as early as December 2012. There has been a strong push to identify specific revenue replacements for the potential lost revenues by local government advocates.



ECONOMIC CONDITIONS OF THE COMMUNITY

(Continued from Previous Page)

Based on 2012 PA198 industrial facilities and PA328 new personal property tax abatements granted by the City of Holland, 176 new jobs are anticipated to be created along with \$41.5 million of new related construction and machinery. In 2011, Ottawa County issued 63 PA198 tax abatement certificates and was sixth in the state in terms of private investment (\$227.5 million investment). For 2012 the City currently has 117 PA198 industrial facilities certificates active and 8 PA328's active.

The following table identifies the 2012 PA198 industrial tax abatements and PA328 new personal property tax abatements issued by the City. While the value of PA198 abatements is down slightly (by \$2.2 million) from 2011, the overall investment of \$41,489,853 is up nearly 70% due to a large investment by Challenge Manufacturing Co. a metal stamping and assembly operation for the automotive industry. The largest job creator and second largest investment came from Energetx, which produces clean energy products in the form of windmill blades.

Company	Development	Planned Investment	Projected Job Growth
<b>PA 198 Industrial Facilities Tax Abatements (IFT's) 2012</b>			
BuhlerPrince Inc	Manufacture metal parts	\$ 2,374,492	4
Challenge Manufacturing Co	Metal Stampings & assembly	5,038,475	40
Code Blue Corporation	Emergency communication systems	1,146,000	16
Custom Sockets	Custom assembly tooling	133,000	1
Energetx	Clean energy products	5,175,000	70
Formed Solutions	Custom thermoformed plastic parts	536,180	2
Herman Miller	Office and heathcare furniture systems	2,250,373	0
JMS of Holland	Deep-drawn parts, die components & assemblies	2,010,000	7
Koops Inc	Machinery and machinery parts	220,000	3
Nelson Steel Products	Custom steel parts	1,064,000	0
Rutherford & Associates	Customized software	432,637	15
Stm Manufacturing	Metal prototypes, tools & metal stamping dies	1,155,000	2
Ventura Manufacturing	Motor vehicle & office furniture parts	528,696	15
Walters Seed Co. LLC	Processing plant seeds into packaging	263,000	1
		<b>\$ 22,326,853</b>	<b>176</b>
<b>PA 328 New Personal Property Abatement 2012</b>			
Challenge Manufacturing Co	Metal Stampings & Assembly	19,163,000	See above
		<b>\$ 41,489,853</b>	

ECONOMIC CONDITIONS OF THE COMMUNITY

(Continued from Previous Page)

Building permit construction values increased overall by 2.8% from FY2011 (\$78.7 million) to FY2012 (\$80.9 million). Institutional and municipal permits totaled \$47.4 million for FY2012. The largest permit value for FY2012 was for Holland High School (\$28 million). Other large permits included Holland Community Hospital for \$6.3 million and various other Holland Public Schools ranging from \$2.3 million to \$4.9 million.

In recent years, the adjacent surrounding townships have experienced a greater rate of growth for residential, commercial and industrial than has the City; primarily due to land availability. However, the annexation of more than 1,100 acres on December 31, 1999 provided the City with additional land for future growth and expansion to the south. The airport tunnel and runway extension project completed in 2005, in the area adjacent to the annexed area, is expected to be accompanied by many economic rewards to the area's business climate as the economic recovery progresses.

Money magazine ranked Holland fourth on the magazine's list of "Where Homes Are Affordable" in 2009. In February 2010 the Gallup-Healthways Well-Being Index ranked Holland second in the nation in health and well-being based on six criteria. The only city with a higher ranking than Holland was Boulder, Colorado.

It should also be noted that the Holland Aquatic Center, Herrick District Library and Evergreen Commons Senior Center facilities are considered top notch for a community of this size. The City maintains a high 51% demographic of households as married-couple families which compares very favorably to most other cities. The housing occupancy rate in 2010 was at 91%. Neighborhood improvement projects continue to be a top priority of the Holland City Council and \$687,209 in local and grant funds were expended in homeowner and neighborhood improvements in FY2011.

The metro tri-plex area in West Michigan is considered a mecca for the arts and the quality of life in the City of Holland is further enhanced by the presence of four institutions of higher learning. Hope College's centralized location, adjacent to Holland's downtown area, contributes to the wide range of activities, interaction and economic benefit offered to the community. Many Hope College graduates not originally from the area fall in love with West Michigan and locate here permanently citing the good work-life balance. It is estimated that in one year Hope College contributes \$213 million in economic impact to the surrounding community. Each year nearly 75,000 visitors come to Hope College spending over \$9 million in the region during their visits. Enrollment at Hope College is growing slightly despite a challenged national economy. Enrollment across all local colleges and universities are down by 124 from a year ago.

<u>Higher Education Institution</u>	<u>Enrollment (Degree Seeking)</u>
Hope College	3,251
Grand Valley State University (Meijer Campus)	275
Grand Rapids Community College (includes all local "Lakeshore" campuses within 10 miles)	1,063
Davenport University	<u>533</u>
Total	5,123

Enrollment at Grand Valley State University's Meijer Campus in Holland decreased slightly, from 321 in 2011 to 275 in 2012. The university has been modifying its offerings in Holland and is working with the community to determine the courses and programs that will meet the needs of the Holland area. Grand Valley has active partnerships with Grand Rapids Community College and Lake Michigan College providing smooth pathways into a Grand Valley degree program. New initiatives are underway to attract first generation students in the Holland area.

ECONOMIC CONDITIONS OF THE COMMUNITY

(Continued from Previous Page)

In the Western Gateway area of the downtown, the canopied 8<sup>th</sup> Street Market is considered one of Michigan’s premier twice-weekly open-air produce shopping events. The Market offers special programs such as a chef series, children’s activities and cooking contests. A current occupancy rate of 92.82% in the central business district reflects - in large part - the administrative efforts and promotional activities of the Downtown Development Authority (DDA) and Principal Shopping District (PSD). Several downtown sponsored marketing events, such as the street performer series, ice sculpting competition, “Girlfriends Weekend” and “Groove Walk” highlight the City as an entertainment destination. Budget Travel magazine featured a travel article on downtown Holland in a section devoted to girlfriend getaways.

The annual Tulip Time Festival held in May each year continues to draw tourists downtown and City-wide from across the nation and has grown in recent years into a ten-day event. Amtrak ridership at the downtown Holland depot stop is up 4.7% according to records for the fiscal year that ended September 30, 2011. The train puts Chicago within a 3 hour reach of Holland and the schedule is conducive for a day-only or weekend trip.

The downtown continues to draw evening crowds for shopping, eating, entertaining, nightlife and lodging. Holland strives to be a “cool city” in order to retain and draw young residents. Innovative snowmelt in downtown sidewalks and roads, which covers 405,000 square feet, helps to keep the central business district vibrant and pedestrian friendly during the winter months. A recently installed downtown outdoor fireplace and fountain serve as popular pedestrian gathering spots. The two-story 7<sup>th</sup> Street Parking Deck which opened in 2009 added 258 parking spaces to the east end of the downtown area. New downtown directories were installed in 2010. A temporary outdoor ice skating rink is installed downtown in the winter to evaluate potential viability of a permanent skating rink

Standard & Poor’s most recent credit rating report noted “that despite its weakened tax base, Holland’s financial position remains sound because of its strong reserves and significant revenue-raising flexibility”. High unemployment is a limiting factor in regard to an enhanced credit rating. The most recently assigned credit ratings to City of Holland debt are as follows:

Moody’s Investor Service (reviewed and rated April 2004)	Aa3
Standard & Poor’s (reviewed and rated August 2010)	AA

**GOVERNMENTAL - TYPE FUNDS - FUND BALANCES**

The following comparison itemizes actual Fund Balances across all general governmental funds (excluding Component Units) and the change from the prior year:

	FUND BALANCES		
	@ June 30, 2011	@ June 30, 2012	Increase (Decrease)
General Fund - General	\$ 3,195,836	\$ 3,496,256	\$ 300,420
Gen. Fund - Budget Stabilization	936,026	720,877	(215,149)
Special Revenue	4,549,912	4,437,048	(112,864)
Debt Service Funds	975,314	519,932	(455,382)
Capital Projects Funds	945,907	644,685	(301,222)
Permanent Trust Funds	1,520,216	1,549,342	29,126
<b>Totals</b>	<b>\$ 12,123,211</b>	<b>\$ 11,368,140</b>	<b>\$ (755,071)</b>

**Additional Comments Concerning Certain Fund Balances**

- Looking forward from FY2012 the *General Fund - Fund Balance* of \$3,496,256 at June 30, 2012 was originally budgeted to decrease by \$241,590 in the ensuing FY2012-13, putting the General Fund in a much stronger position. The original FY2013 budget is expected to come well under the budgeted amounts as numerous positions have not been filled, in hopes of identifying about \$500,000 in additional reductions over a five-year period. Many of those savings will be realized in FY2013 as all vacancies are carefully scrutinized prior to filling them, as property tax values stabilize, it appears that continuing staff reductions may no longer be necessary. Health Insurance premiums and pension contributions continue to increase. Although the FY2013 budget anticipated a minor increase of \$62 to the General Fund Balance, it is expected that there will be a significantly larger increase in the General Fund Balance at year end FY2013 due to the unfilled staff positions.
- The decrease in the *Fund Balance of the Debt Service Funds* in FY2012 planned based on a buildup of Fund Balance in prior fiscal years in the *G.O. Debt Service Fund* allowing a more uniform millage rate across the fiscal years. The decrease in the *Fund Balance of the Capital Projects Funds* resulted from lower allocated property tax revenues and planned expenditures for various projects.
- The *General Fund - Budget Stabilization* portion ended the fiscal year with an *Undesignated Fund Balance* of \$720,877; which at 3.6% is less than the internally-established guideline targeted at 10% of the ensuing fiscal year *General Fund - General* budget, but more than adequate when combined with the General Fund, at 21.23% of the ensuing FY2012-13 budget.

**GOVERNMENTAL-TYPE FUNDS - CAPITAL PROJECTS**

Expenditures in the *Capital Projects Funds*, excluding interfund transfers, totaled \$8,311,523 for FY2012 as compared to \$7,926,839 for FY2011. More significant projects with expenditures exceeding \$100,000 during the fiscal year included:

INFRASTRUCTURE PROJECTS (Excluding Utility Fund Share)	
US31 Bridges & Pavement, Washington Interchange	\$2,868,356
Resurfacing Program	2,269,584
East 48 <sup>th</sup> Street from M40 to Waverly Road	812,568
West 48 <sup>th</sup> Street, from Lincoln Avenue to Regent Blvd.	689,047
Matt Urban & 48 <sup>th</sup> Street, from Washington to City Limit	644,256
Lincoln Avenue, 16 <sup>th</sup> Street to 24 <sup>th</sup> Street	392,648
40 <sup>th</sup> Street Ditch Enclosure, from Industrial to Waverly	166,225
MUNICIPAL CAPITAL PROJECTS	
Smallenburg Skate Park	303,855
Stadium Turf (Hope College)	271,820

## GOVERNMENTAL - TYPE FUNDS

### CAPITAL ASSETS - GOVERNMENTAL ACTIVITIES

In fiscal year 1991, a professional appraisal firm assisted with the inventory and recording of all governmental capital assets, including assignment of appraised values based on estimated original cost. Since that initial establishment, the City has maintained all additions, deletions, changes and transfers of capital assets. Prior to the close of the fiscal year ended June 30, 2006, an appraisal firm was contracted to establish all infrastructure capital assets not previously capitalized including roads, bridges, tunnels, drainage structures, traffic signals and sidewalks. In addition, City staff researched and established retrospective easements. Depreciation of governmental activity capital assets is recognized under GASB 34. Inclusion of infrastructure and easements, along with related annual maintenance, brings the City into full compliance with GASB34 regarding capital assets. Beginning with FY2009 the City's capitalization threshold was raised from \$500 to \$5,000.

### INTERNAL SERVICES

The City maintains several Internal Service Funds to account for the financing of services, insurance coverage and equipment used by the various departments. The City is proud to maintain and plan ahead for healthy balances for future equipment replacement and self-funded insurance risk in these funds which are summarized below.

<u>Internal Service Operation</u>	<u>Working Capital June 30, 2011</u>	<u>Working Capital June 30, 2012</u>
Technology Services	\$ 328,514	\$ 228,755
Equipment Services	\$ 2,867,342	\$ 2,995,609
Insurance Services	<u>\$ 2,843,013</u>	<u>\$ 2,403,357</u>
Totals	<u>\$ 6,038,869</u>	<u>\$ 5,627,721</u>

The City's risk management program provides for somewhat high self-funded retentions (deductibles) for various types of coverage. In several of the types of coverage, the self-funded retention is \$100,000 per occurrence. By assuming the financial risks at these somewhat higher retention levels, the premium cost for commercial insurance policy coverage is lessened.

For the past ten years, the City has embraced a somewhat unique risk management arrangement referred to as an *All-Lines Aggregate Policy* program that provides for the annual accumulation of insurance claim payments across several unrelated types of coverage into an *"aggregate loss pool"*. This pooled arrangement provides the City with a level of stop-loss protection that would not be available without consolidation of losses across various coverage. However, in fiscal year 1998-99, Workers Compensation reverted to a commercial policy with no self-insured retention; and thereby does not participate in the All-Lines Aggregate program.

Separately designated funds are delineated within the Supplementary Information tab section of this report to account for various types of coverage. With the exception of the Employee Disability Income Protection Fund, each of these funds maintains a cash funding level that is considered reasonable and necessary to provide adequate protection against potential losses (certain reserves related to indemnification for Utility Funds reside in the respective Enterprise Funds).

Relative to coverage for property damage or loss, an independent asset appraisal firm is retained to provide annual appraisal updates of all capital assets for insurance coverage purposes. In the ensuing fiscal year an overall new insurance appraisal was performed in the spring of 2011.

EMPLOYEES' RETIREMENT PLAN

MICHIGAN MUNICIPAL EMPLOYEES RETIREMENT SYSTEM - Defined Benefit Plan

The City is a participant member of the *Michigan Municipal Employees' Retirement System (MERS)* that covers all full-time employees and certain part-time employees whose employment position meets certain criteria. Total employer-paid premium for fiscal year 2011-12 was \$2,829,370.

The most recent actuarial valuation, dated December 31, 2011, indicates that the City's valuation assets (stated at market value) provide 71.0% funding (employer portion only), based upon actuarial determined accrued liabilities of \$114,040,624, valuation assets of \$81,003,748, and unfunded accrued liabilities of \$33,036,876.

MICHIGAN MUNICIPAL EMPLOYEES RETIREMENT SYSTEM - Defined Contribution Plan

The City implemented a defined contribution plan in July 2003 for all pension eligible non-union new hires. Existing non-union employees covered by the defined benefit plan were given the choice to convert to the defined contribution plan or stay with the defined benefit plan. There is a standard six (6) percent City contribution with an optional two (2) percent employee contribution along with an additional City match of two (2) percent for all City and HBPW non-union employees. Starting January 1, 2013, utility union employees will change to the above formula from the current 4% contribution by the employee and 6% contribution by the HBPW. The total contribution paid by the employer for fiscal year 2011-12 was \$568,858 and by employees was \$162,669.

DEFERRED COMPENSATION

In addition to the MERS defined benefit plan, the City also makes available two individual deferred compensation plans whereby employees may voluntarily participate in either or both, through payroll withholding up to an annual maximum of \$17,000. The plans are sponsored and administered by *International City Management Association (ICMA)* and by *ITT Hartford*. These plans have been placed in trust, and do not appear on the financial statements.

INVESTMENT EARNINGS

Most funds of the City participate in an internal *Cash & Investment Pool*, except for the Utility Funds (Electric, Water, Wastewater) and the *Holland Historical Trust Component Unit* fund.

For the fiscal year, the annualized average interest rate earned in the pool was 0.742%, as compared to 1.204% for the previous fiscal year. If investments had not been valued at market the annualized average interest rate would have been 0.797%. The fiscal year adjustment for market write-down for the pool was \$14,454 and the overall ending market write-up balance was \$12,561. The City typically buys and holds long term investments to maturity so fiscal year end market adjustments are not actually realized. Over the fiscal year many long term investments have been called due to declining interest rates and in most cases reinvested at lower rates. The exhibit below also includes funds that do not participate in the pool.

Fund Type	INVESTMENTS EARNINGS			
	Fiscal Year		Year-to-Year Change	
	2010-2011	2011-2012	Amount	Percentage
General Fund	\$ 134,647	\$ 86,020	\$ (48,627)	-36.1%
Permanent	17,404	11,349	(6,055)	-34.8
Special Revenue	36,101	33,849	(2,252)	-6.2
Debt Service	21,348	9,226	(12,122)	-56.8
Capital Projects	11,541	6,899	(4,642)	-40.2
Enterprise	814,164	735,894	(78,270)	-9.6
Internal Service	57,492	33,667	(23,825)	-41.4
Component Units	102,483	1,223	(101,260)	-98.8
Total	\$1,195,180	\$ 918,127	\$ (277,053)	-49.4%

## A W A R D S

Over the recent years the City of Holland has been the honored recipient of several awards.

<u>Award or Accreditation</u>	<u>Granting Agency</u>	<u>Department</u>
Airport Sponsor of the Year (2006)	Michigan Aeronautics Commission	Management & Administrative
City of Character for Discernment, Diligence, and Initiative (2001)	International Association of Character Cities	Management & Administrative
Municipal Achievement Award - Honorable Mention (1998)	Michigan Municipal League	Management & Administrative
Silver Telly Award (2009) (Marketing DVD)	Telly Awards	Management & Administrative
Certificate of Achievement for Excellence in Financial Reporting (since FY1992)	Government Finance Officers Association	Fiscal Services
Distinguished Budget Presentation Award (since FY2004)	Government Finance Officers Association	Fiscal Services
Silver Award - Employee Per Capita Giving (2009-2011)	Greater Holland United Way	Personnel - Human Resources
Tree City USA Award (since 1981)	National Arbor Day Foundation	Leisure & Cultural Services
Innovative Site Design/Park Resource (Kollen Park Boardwalk/Boatlaunch) (2009)	Michigan Recreation & Park Association	Leisure & Cultural Services
President's Award-Kollen Park Boardwalk (2009)	Keep Michigan Beautiful	Leisure & Cultural Services
President's Award-Holland in Bloom (2011)	Keep Michigan Beautiful	Leisure & Cultural Services
Population Category (25,000-50,000) (2011)	America in Bloom	Leisure & Cultural Services
Tidiness Criteria (2011)	America in Bloom	Leisure & Cultural Services
Civic Construction Award of Excellence (2005)	Assoc. Builders & Contractors Assoc. West Mich.	Public Safety - Police
Cover/Feature Story Regarding the Planning and Construction of the New Police Facility (2005)	International Association of Chiefs of Police	Public Safety - Police
Regional Challenge Award (2004)	Michigan Office of Highway Safety Planning	Public Safety - Police
Employment Social Justice Award (2001)	Human Relations Commission	Public Safety - Police
Batmobile Recipient (2001)	Michigan Office of Highway Safety Planning	Public Safety - Police
Outstanding Contributions to Traffic Safety (1999)	Michigan State Safety Commission	Public Safety - Police
1 <sup>st</sup> Place Award Traffic Safety Efforts (1998)	Michigan Association of Chiefs of Police	Public Safety - Police
Mothers Against Drunk Driving Lifesaver Award (1998)	Mothers Against Drunk Driving (MADD)	Public Safety - Police
Response to Computer Crime Award (2010)	International Association of Chiefs of Police	Public Safety - Police
Victim Services Unit of the Year (2011)	Michigan Sheriff's Association	Public Safety - Police
Employment Social Justice Award (2006)	City of Holland Human Relations Commission	Public Safety - Fire
Grand Valley Metropolitan Blue Print Award (2006)	Grand Valley Metropolitan Council	Community & Neighborhood Svcs.
Annual National Night Out Award (1990-2009)	National Association of Town Watch	Community & Neighborhood Svcs.

<u>Award or Accreditation</u>	<u>Granting Agency</u>	<u>Department</u>
Hispanic Advocate Award (2005)	State of Michigan Commission of Spanish Speaking Affairs	Community & Neighborhood Svcs.
Michigan Recycler of the Year (2005)	Michigan Recycling Coalition	Community & Neighborhood Svcs.
Special Tribute - Recycling and Trash Inspection Program (2003)	State of Michigan	Community & Neighborhood Svcs.
Dozen Distinctive Destinations Award (2002)	National Trust for Historic Preservation	Community & Neighborhood Svcs.
HUD Innovative Initiatives Award - Ourstreet Program (1999)	Grand Rapids Regional HUD (Housing & Urban Development)	Community & Neighborhood Svcs.
Neighborhood of the Year (1997)	Neighborhoods, USA	Community & Neighborhood Svcs.
Great American Main Street Award (1997)	National Main Street Center	Community & Neighborhood Svcs.
Certificate of Recognition - Neighborhood of the Year - Ourstreet Program (1996)	Neighborhoods, USA	Community & Neighborhood Svcs.
National Award Winner for Outstanding Participation in National Night Out (2008)	National Association of Town Watch	Community & Neighborhood Svcs.
Excellence in Community Service for Hosting the 2007 MRPA/MML Youth Symposium (2007)	Michigan Recreation & Parks Association and the Michigan Municipal League	Community & Neighborhood Svcs.
All American City Award (1996)	National Civic League	Community & Neighborhood Svcs.
Governor's Award for Historic Preservation - Outstanding Historic Rehabilitation Project 168 West 13 <sup>th</sup> Street (2008)	Michigan Department of History, Arts and Libraries	Community & Neighborhood Svcs.
Gold Pinnacle Award (2009) Best Event Website, Best New Event, Best Children's Programming	International Festival and Events Association	Farmer's Market & Principal Shopping District (PSD)
Silver Pinnacle Award (2009) Best Promotional Poster, Best Event Photograph	International Festival and Events Association	Farmer's Market & Principal Shopping District (PSD)
Bronze Pinnacle Award (2009) Best Newspaper Insert/Supplement	International Festival and Events Association	Principal Shopping District (PSD)
Award of Excellence in Consumer Confidence Reporting (2008)	Michigan Section American Water Works Association (AWWA)	Utility Services
Operation & Maintenance Excellence Award, 1 <sup>st</sup> Place in Wastewater Water Pollution Control Pretreatment (2008)	Environmental Protection Agency (EPA) Region 5 (Michigan, Ohio, Indiana, Illinois, Wisconsin, Minnesota)	Utility Services
User Conference Special Achievement Award in GIS (2008)	Environmental Systems Research Institute (ESRI)	Utility Services
Pinnacle Award Finalist (2003)	Microsoft Business Solutions	Utility Services
Reliable Public Power Provider (2010)	American Public Power Association	Utility Services
Neighborhood Environmental Partners Program (2011)	Michigan Department of Environmental Quality	Utility Services
Award of Excellence Digital Annual Report (2010 and 2011)	American Public Power Association	Utility Services
Gold ADDY Award - Judge's Choice for best overall interactive work. (2012)	West Michigan ADDY Awards	Utility Services
Water Utility of the Year (2012)	Michigan Rural Water Association	Utility Services

## SIGNIFICANT INITIATIVES, EVENTS AND ACCOMPLISHMENTS

The following were among several diverse activities and programs to which both the elected officials and staff devoted an appreciable amount of their time and efforts:

- Economic Development and Revitalization

- > The City council continues to identify economic development as their top priority. Much of the staff time of the Assistant City Manager and the Finance Officer/Treasurer is allocated to this issue, as well as support staff in the Assessing and Treasurer offices. The City is committed to developing an area-wide approach to economic development and is working in tandem with the Lakeshore Advantage regional economic development organization and the surrounding cities, townships, counties and Macatawa Area Coordinating Council metropolitan planning organization.
- > The City aggressively promoted Brownfield Redevelopments with fourteen separate projects approved with tax captures at fiscal year close, with three of these projects being completed with their tax increment financing. The reader is directed to the Supplementary Information tab for the Component Unit Funds narratives where a fiscal year end list of Brownfield projects is included. After years in the planning a cornerstone building in the central City, which was a former junior high school, has been renovated into a 30 apartment unit senior citizen affordable housing development called Midtown Village. The \$5.9 million construction project, which included a combination of Brownfield tax credits and federal and state historic tax credits, was completed in the fall of 2011. Eight major personal property tax abatements under Act 328 have been approved for Challenge Manufacturing (three - automotive), Haworth, Inc. (two - office furniture), S2 Yachts (fiberglass boats), Genzink Steel (heavy carbon steel welding) and NOVO 1 (call center), four Tool & Die Renaissance Recovery Zones and two Renaissance Zones (Johnson Controls-Saft-JCS, Compact Power/LG Chem) have been approved and Act 198 tax abatements continue to be issued prolifically.

- Infrastructure Projects:

- > A major storm hit the City in July 2011 resulting in \$138,000 in related cleanup costs. The City of Holland received \$85,315 for our insurance company. Of that amount, \$45,941 was given to the Holland Board of Public Works for repairs and the remaining \$39,374 was able to help with City of Holland storm repairs.
- > It is the City's normal practice to complete an annual road resurfacing program including several streets. This fiscal year the City resurfaced nine different streets. The total of the resurfacing was \$534,144. The projects included the major resurfacing of Waverly Road for which \$172,376 in local funds was expended.
- > Work was completed on the \$2.6 million East 48<sup>th</sup> Street from M-40 to Waverly Road and Waverly to East City Limits. Total reconstruction was funded in majority by MDOT TEDF Economic Development Grant. This project included road reconstruction, new storm sewer, water main, storm water manage ponds and flood shelving, sidewalk, curb and gutters.
- > The 40<sup>th</sup> Street ditch enclosure project was completed. The project included approximately 0.5 miles of storm sewer improvements, ditch enclosure, guardrail, roadway widening, road base repairs, and some curb work.
- > The reconstruction of Matt Urban Drive and 48<sup>th</sup> Street from Washington to the City limited was completed in FY2012. The project consisted of nearly a mile of curb and gutter, road reconstruction, sidewalks, storm sewers, and sanitary sewer.
- > The City spent approximately \$100,000 in FY2012 of a \$203,000 budget for a drainage study of the entire City.

SIGNIFICANT INITIATIVES, EVENTS AND ACCOMPLISHMENTS  
(Continued from Previous Page)

- Infrastructure Projects cont.

- > Major reconstruction and widening of Lincoln Avenue was underway at June 30, 2012. At the year end, approximately \$403,000 was expended of an almost \$3 million budget.
- > FY2012 is the second of three years of Michigan Department of Transportation Economic Development Fund (TEDF) grant funding to support eleven road and bridge projects that improve accessibility to the two lithium-ion battery assembly plants described above. A three year construction total of \$11.96 million includes a suite of \$9.3 million in TEDF grant funding and local and MDOT matching funds of \$2.66 million making this one of the largest grants awarded by the Michigan Department of Transportation (MDOT) in recent memory. In FY2012, \$5.4 million of TEDF grant funds were expended on projects. These grants provide funding for projects that improve accessibility to target industries as a catalyst for economic growth, support private initiatives that create or retain jobs, and encourage economic development and redevelopment efforts that will benefit Michigan citizens. The projects that had activity in FY2012 included the Washington Avenue (48<sup>th</sup> Street) Bridge, Waverly Road from M40 to 48<sup>th</sup> Street, East 48<sup>th</sup> Street from M40 to the City Limit, and West 48<sup>th</sup> Street, from Lincoln to Regent, US-31 Bridges and Pavement Washington Interchange, and M40 from US31 to I-196.

- Electric Utility:

- > The Holland Board of Public Works (HBPW) continued a community wide discussion regarding the energy future for the Holland area. An exhaustive Sustainable Return on Investment (SROI) study was undertaken to help establish the benefits of multiple options including generation, conservation, and renewable resources.
- > Plans and engineering design were finalized for a new substation at Greenly near US31.
- > Peaking Unit 9 underwent a complete inspection to insure continuing reliability.
- > The natural gas burners on Unit 4 were rebuilt and restored to efficient operation.
- > The coal pulverizers on Unit 5 were rebuilt to original OEM specifications to promote reliability.

- Water Filtration Plant:

- > All four filter under-drains were replaced to assure continued reliable process at the plant.
- > The staff played a key role in placing a weather monitoring buoy just west of the water intake line. This project received broad community support and will assist HBPW staff regarding potential raw water quality issues, as well as being available to researchers and recreational boaters via the internet on the NOAA buoy monitoring site. A \$1.64 million dollar contract was awarded in July 2011 to line 48,500 feet of sanitary sewer mains throughout the City as a cost effective rehabilitation method.
- > The Holland Wyoming Interconnect Project was begun, including installation of a new transfer pump with a variable frequency drive for increased efficiency. The project includes 4.5 miles of 30" pipe and a valve and metering station. The funding was procured through Michigan's Drinking Water Revolving Fund at a very low interest rate and 15% principal forgiveness saving the utilities nearly \$1,000,000 over the life of the shared project.
- > A team of plant staff members collaborated with a consultant to develop a sustainable landscape plan for the grounds, identifying land use needs, security concerns, and operational requirements to form the basis of the design. The plan will increase landscape diversity while decreasing the need for sprinkling and mowing.

## SIGNIFICANT INITIATIVES, EVENTS AND ACCOMPLISHMENTS

(Continued from Previous Page)

- Wastewater Treatment Plant:
  - > Construction of the new Head-works project at the WWTP was substantially completed, with new screens and grit removal, going operational in January. There will be significant operational cost savings through increased efficiency of the treatment process.
  - > Plant staff overhauled the odor control system resulting in the system operating more effectively.
  - > The wastewater collection system research by staff resulted in projects to line the mains rather than replacing them. The new technology was applied successfully and will be continued where appropriate in the future. This greatly reduces future costs.
  
- Municipal Capital Projects:
  - > Completed in FY2012 was a new skate park at Smallenburg Park. The concept focuses on providing an “urban” design and the final cost was \$345,592. Hope College contributed \$279,000 as part of a property exchange agreement which was completed in May 2011 under which the City obtained property abutting Smallenburg Park in exchange for Lincoln and Columbia Parks adjacent to Hope College.
  - > The deck of the DeZwaan Windmill was replaced in FY2012 at a cost of approximately \$233,321. All of the wood was imported from the Netherlands with construction supervision provided by a Netherlands firm.
  - > The Waverly Fire Station had the bathroom was upgraded in FY2012. Tile and bathroom fixtures were replaced.
  
- Holland Municipal Stadium:
  - > Discussions between the City of Holland and Hope College are seriously underway to sell the Holland Municipal Stadium to Hope College outright. At June 30, 2012, Hope College had invested just over \$1 million in artificial turf, upgraded bathroom and concession facilities.
  
- Sustainability and Energy Conservation:
  - > The City continued its program to improve the energy efficiency of its various facilities by completing a lighting retrofit of the Transportation Services Department facility. This project included a complete conversion of the inefficient high bay shop lights in the sign shop and mechanics garage from metal halide to highly efficient T8 florescent lights. This project reduced the electrical costs by over 50% and provides a better quality light for employees to work in.
  
- Budgetary Predictors:
  - > The national and statewide economic recession continues to impact the City’s budget. The most critical issue faced has been the loss of Property Values consistent with challenges faced both in Michigan and throughout the nation. Property taxes represent approximately 50% of the General Fund budget. Since the Great Recession first hit in 2009, property tax valuations have declined 11.46%. The resulting losses in revenues have forced numerous reductions in staffing levels, including layoffs in FY2013, and decreased benefits for employees. With a surplus projected in FY2013, it is expected that the property values will remain flat in FY2014, which is great news, given the losses in values over the past several years.

## SIGNIFICANT INITIATIVES, EVENTS AND ACCOMPLISHMENTS

(Continued from Previous Page)

- > The newly appointed City Manager and Council have been addressing a “List of 50” potential cost savings measures in the past few months in attempts to trim an additional \$500,000 in costs. Much progress has been made as nearly every service delivered by the City of Holland is undergoing careful evaluation.
- > For FY2013 lower investment income and taxable value losses due to settlements which negatively impact the General Fund balance should be offset by savings from longer term vacant positions.
- > The Holland Board of Public Works, Electric Utility is seriously considering a major plant expansion in the coming months. This will have a long-term impact on the local economy as HPBW prepares for the continued demands for energy. A majority of the funding will come from the sale of bonds, although there has been a buildup of cash reserves in anticipation for this long-awaited project.
- Key Management Vacancies:
  - > The City of Holland filled the City Manager position on March 27, 2012, which was vacated by Soren Wolf who was City Manager for 23 years, with Ryan Cotton. Mr. Cotton has 31 years of government management experience, of which 17 years were in West Michigan. Mr. Cotton considers financial stability, strategic planning, regional collaboration, public trust, public/private partnerships, and executive staff development as the most critical areas he will be concentrating on. He has already taken a fresh look at numerous operations and staffing.
  - > The Holland Board of Public Works filled its Utilities Director with an internal promotion on December 14, 2011, when Dave Koster was selected to fill the position formerly filled by Loren Howard. Dave has been with the HBPW for more than 20 years and brings a wealth of experience to this challenging position.
- Fiscal Services:
  - > The City implemented new financial software in July 2011 under a contract with New World Systems of Troy, Michigan. The total software conversion project budget, including hardware and training, was \$341,000. The City paid for 60% of the cost with the remaining ownership share split 20% with the Herrick District Library and 20% with the Macatawa Area Express Transit Authority. The West Michigan Airport Authority will receive an annual contractual billing from the City for the software. After an extensive implementation period, the first Fiscal Year was completed on June 30, 2012.
  - > The City Fiscal Services continues on in the capacity of the fiscal agent for the Herrick District Library, the West Michigan Airport Authority, and the Macatawa Area Express Transportation Authority (MAX).

## INDEPENDENT AUDIT REQUIREMENTS

As required by the *Holland City Charter* and the *Michigan Uniform Accounting and Reporting Act*, the financial statements contained in this report have been examined by an independent certified public accounting firm. This requirement has been fulfilled and the certified public accounting firm of Rehmann Robson has issued an opinion on the financial statements.

Additionally, the City is required to undergo an annual audit concerning compliance with provisions of the *Single Audit Act of 1984, as amended* and *OMB Circular A-133, Audits of State and Local Governments and Non Profits Organizations*. Information and auditor's findings related to the so-called *Single Audit* are published as a separate report. However, financial activity related to single audit reporting requirements, such as Community Development Block Grants and other grants are also included in this report.

## CERTIFICATE OF ACHIEVEMENT

The *Government Finance Officers Association of the United States and Canada* (GFOA) awarded a *Certificate of Achievement for Excellence in Financial Reporting* to the City of Holland for its comprehensive annual financial report of the fiscal year ended June 30, 2010. This is considered a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded the certificate, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such report must satisfy both generally accepted accounting principles and applicable legal requirements.

The certificate is valid for a period of one year only. The fiscal year ending June 30, 1992 was the initial receipt of this award for the City of Holland. We believe the current report continues to conform to the Certificate of Achievement program requirements, and is submitted to GFOA to determine its eligibility for another certificate. A copy of the previous fiscal year certificate is included at the conclusion of this transmittal.

It should also be noted that the City of Holland has been a recipient of the GFOA's Award for Distinguished Budget Presentation annually since the fiscal year ending June 30, 2004.

## ACKNOWLEDGMENTS

The preparation of this report could not have been completed without the efficiency and commitment provided by the entire finance staff, including the Board of Public Works (utilities).

Appreciation is extended to all employees who assisted in the preparation of this report in a responsible, accurate and timely manner. Special acknowledgment is extended to staff employees, *Michelle Price* and *Laura Judge* for their efforts and assistance with this report.

The independent auditing firm, *Rehmann Robson*, provided immense assistance for proper presentation, in the form of counsel, suggestions, and direct input.

Respectfully submitted,



---

Tim Vagle  
Director of Finance/Treasurer

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Holland  
Michigan

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



*Linda C. Danison*

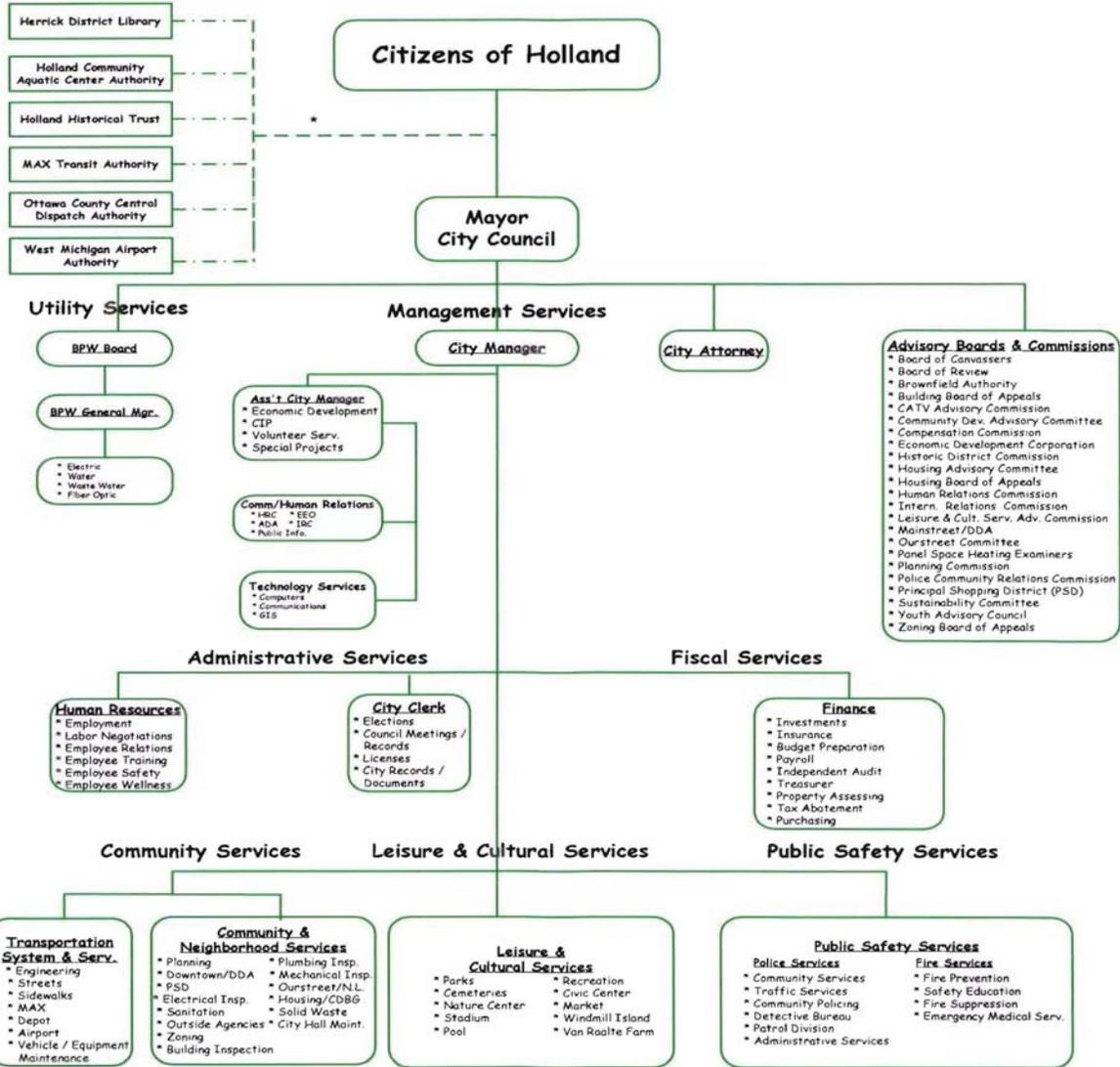
President

*Jeffrey R. Enos*

Executive Director

# City of Holland

## Organizational Chart



\* The City Council makes appointments to these Districts and Authorities

## FINANCIAL SECTION

This page intentionally left blank.

## INDEPENDENT AUDITORS' REPORT

December 12, 2012

Honorable Mayor  
and City Council  
City of Holland, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the *City of Holland, Michigan* (the "City"), as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Holland, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Holland, Michigan as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued, under separate cover, our report dated December 12, 2012, on our consideration of the City of Holland, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole. The introductory and statistical sections, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

A handwritten signature in cursive script that reads "Lehmann Johnson".

## MANAGEMENT'S DISCUSSION AND ANALYSIS

# CITY OF HOLLAND, MICHIGAN

## Management's Discussion and Analysis

As management of the City of Holland, Michigan (the "City"), 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, 2012. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, the financial statements and notes to the financial statements.

### Financial Highlights

The City had many capital investment projects in process including:

- \$271,800 spent on preliminary work for a turf project at the Municipal Stadium, with a budget of \$1.1 million.
- A skate part at Smallenburg Park was near completion, at a cost of \$345,600.
- Completion of the \$739,239 40th Street ditch enclosure project.
- Construction was completed on the multi-year \$1,450,000 Matt Urban & 48th Street road reconstruction project.
- Work was just beginning on a \$3,000,000 road reconstruction and widening project on Lincoln Avenue between 16th Street and 24th Street.
- The City's utility funds expended a total of \$14,574,722 in capital purchases and projects.
- Work continues on six of the eleven road and bridge projects budgeted at \$11.96 million in the industrial area which will include \$9.3 million in Transportation Economic Development Fund (TEDF) revenues and \$590,000 in Michigan Department of Transportation (MDOT) matching funding. Current year expenditures on the projects were \$5.4 million.

The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$398,416,708 (net assets). Of this amount, \$145,506,090 was unrestricted net assets and may be used to meet the City's ongoing obligations to citizens and creditors.

The City's total net assets increased by \$12,074,897.

As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$11,368,140, a decrease of \$755,071 in comparison with the prior year.

At the end of the current fiscal year, unassigned fund balance for the General Fund was \$4,183,015 or 21.7% of total General Fund expenditures (including transfers out).

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to 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 assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets 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 government's net assets changed during the most recent fiscal year. All changes in net assets 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 in this statement for some items that will only result in cash flows in future fiscal periods (e.g., accrued interest on long-term debt).

## CITY OF HOLLAND, MICHIGAN

### Management's Discussion and Analysis

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, public safety, public works, cultural and recreation, and welfare and social services. The business-type activities of the City include electric, water, and wastewater.

The government-wide financial statements include not only the City itself (known as the primary government), but also a legally separate Downtown Development Authority, a legally separate Economic Development Corporation (no activity during the current year), a legally separate Holland Historical Trust, and a legally separate Brownfield Redevelopment Authority for which the City is financially accountable. Financial information for these component units is 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 evaluating 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 reports twenty-four individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund, Building Authority Debt Service Fund, and Infrastructure Projects Fund, all of which are considered to be major funds. Data from the other thirty-one governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriated budget for its general fund and special revenue funds. Budgetary comparison statements have been provided for these funds to demonstrate compliance with this budget.

**Proprietary Funds.** The City maintains two different 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 enterprise funds to account for the electric, water, and wastewater as well as other operations. Internal service funds are used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its technology, equipment and insurance services. Because these services predominately benefit governmental rather than business-type functions, they have been included within 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 enterprise operations of electric, water and wastewater, all of which are considered to be major funds of the City.

# CITY OF HOLLAND, MICHIGAN

## Management's Discussion and Analysis

**Fiduciary Funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial 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.

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

### Government-Wide Financial Analysis

As previously stated, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$398,416,708 at the close of the most recent fiscal year.

	Net Assets					
	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Current and other assets	\$ 27,292,206	\$ 29,716,158	\$ 158,975,668	\$ 148,058,666	\$ 186,267,874	\$ 177,774,824
Capital assets, net	125,114,119	125,297,115	152,125,556	148,531,719	277,239,675	273,828,834
<b>Total assets</b>	<b>152,406,325</b>	<b>155,013,273</b>	<b>311,101,224</b>	<b>296,590,385</b>	<b>463,507,549</b>	<b>451,603,658</b>
Long-term liabilities	30,224,544	32,967,984	20,180,003	18,423,722	50,404,547	51,391,706
Other liabilities	4,858,203	5,586,424	9,828,091	8,283,717	14,686,294	13,870,141
<b>Total liabilities</b>	<b>35,082,747</b>	<b>38,554,408</b>	<b>30,008,094</b>	<b>26,707,439</b>	<b>65,090,841</b>	<b>65,261,847</b>
<b>Net assets:</b>						
Invested in capital assets, net of related debt	98,805,338	97,982,454	132,936,434	130,752,723	231,741,772	228,735,177
Restricted	5,038,121	5,007,295	15,130,725	12,841,230	20,168,846	17,848,525
Unrestricted	13,480,119	13,469,116	133,025,971	126,288,993	146,506,090	139,758,109
<b>Total net assets</b>	<b>\$ 117,323,578</b>	<b>\$ 116,458,865</b>	<b>\$ 281,093,130</b>	<b>\$ 269,882,946</b>	<b>\$ 398,416,708</b>	<b>\$ 386,341,811</b>

A substantial portion of the City's net assets, \$231,741,772 (58.1 percent), reflects its investment in capital assets (e.g., land, buildings, vehicles, equipment and infrastructure), less any related outstanding debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net assets of \$20,168,846 (5.1 percent) represents resources that are subject to external restrictions on how they may be used. The City may use the remaining balance of unrestricted net assets of \$145,506,090 (36.8 percent) to meet its ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net assets, both for the government as a whole, and for its separate governmental and business-type activities.

# CITY OF HOLLAND, MICHIGAN

## Management's Discussion and Analysis

	Change in Net Assets					
	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 4,425,198	\$ 3,821,042	\$ 105,896,679	\$ 102,304,192	\$ 110,321,877	\$ 106,125,234
Operating grants	4,279,364	4,905,759	1,970,111	157,859	6,249,475	5,063,618
Capital grants	5,396,650	4,372,059	233,950	639,163	5,630,600	5,011,222
General revenues:						
Property taxes	15,345,237	16,121,528	103,438	108,734	15,448,675	16,230,262
Intergovernmental	2,700,327	2,697,917	-	-	2,700,327	2,697,917
Unrestricted investment earnings	126,645	197,270	735,825	814,059	862,470	1,011,329
Gain on sale of capital assets	-	482,588	-	-	-	482,588
<b>Total revenues</b>	<b>32,273,421</b>	<b>32,598,163</b>	<b>108,940,003</b>	<b>104,024,007</b>	<b>141,213,424</b>	<b>136,622,170</b>
<b>Expenses</b>						
General government	4,822,179	4,746,330	-	-	4,822,179	4,746,330
Public safety	12,099,607	12,078,156	-	-	12,099,607	12,078,156
Public works	11,382,965	7,821,063	-	-	11,382,965	7,821,063
Welfare and social services	1,019,891	1,332,557	-	-	1,019,891	1,332,557
Cultural and recreation	4,837,537	5,244,382	-	-	4,837,537	5,244,382
Interest on long-term debt	1,115,515	968,108	-	-	1,115,515	968,108
Electric utility	-	-	76,116,440	73,286,291	76,116,440	73,286,291
Wastewater utility	-	-	8,401,050	8,230,946	8,401,050	8,230,946
Water utility	-	-	6,305,874	6,293,924	6,305,874	6,293,924
Other enterprise activities	-	-	3,037,469	3,176,910	3,037,469	3,176,910
<b>Total expenses</b>	<b>35,277,694</b>	<b>32,190,596</b>	<b>93,860,833</b>	<b>90,988,071</b>	<b>129,138,527</b>	<b>123,178,667</b>
Change in net assets, before transfers	(3,004,273)	407,567	15,079,170	13,035,936	12,074,897	13,443,503
Transfers	3,868,986	3,294,004	(3,868,986)	(3,294,004)	-	-
<b>Change in net assets</b>	<b>864,713</b>	<b>3,701,571</b>	<b>11,210,184</b>	<b>9,741,932</b>	<b>12,074,897</b>	<b>13,443,503</b>
Net assets, beginning of year	116,458,865	112,757,294	269,882,946	260,141,014	386,341,811	372,898,308
<b>Net assets, end of year</b>	<b>\$ 117,323,578</b>	<b>\$ 116,458,865</b>	<b>\$ 281,093,130</b>	<b>\$ 269,882,946</b>	<b>\$ 398,416,708</b>	<b>\$ 386,341,811</b>

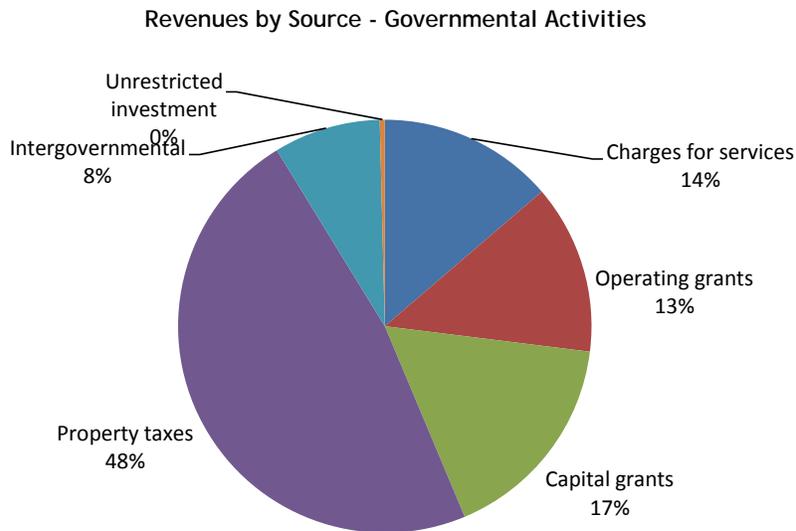
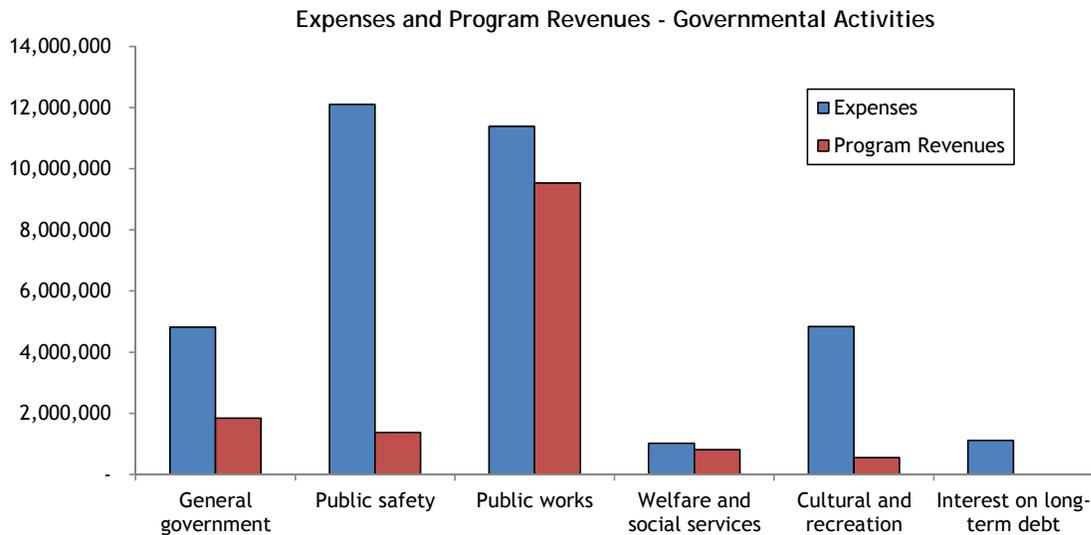
# CITY OF HOLLAND, MICHIGAN

## Management's Discussion and Analysis

The City's net assets increased by \$12,074,897 during the current fiscal year. The primary reasons for the increase are the charges for services provided by business-type activities, a refund received from an insurance company and the level of funding received from the state and federal government.

**Governmental Activities.** Governmental activities increased the City's net assets by \$864,713 mainly due to many large infrastructure projects funded by capital grants. Key elements of capital grants are as follows.

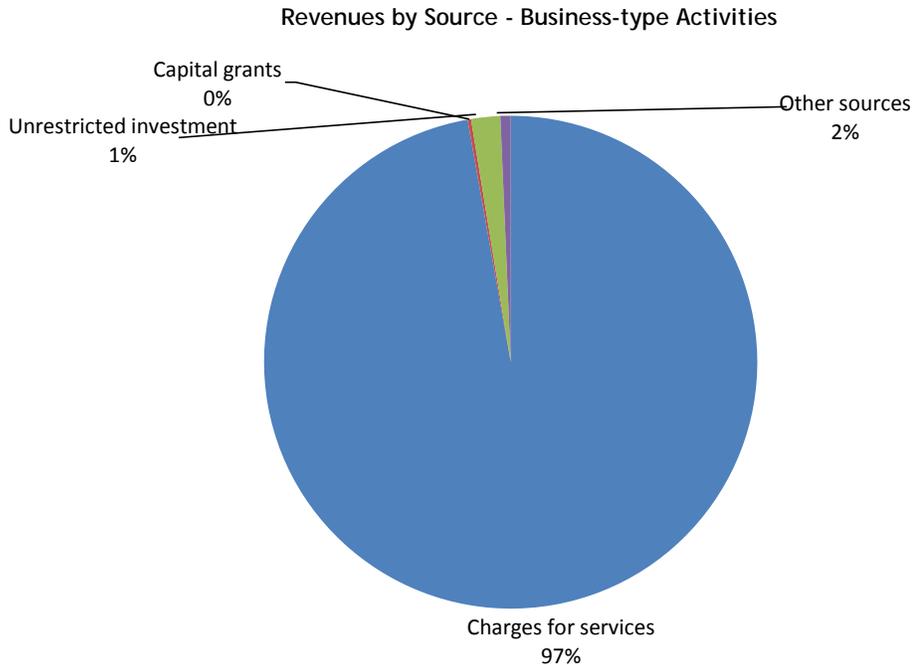
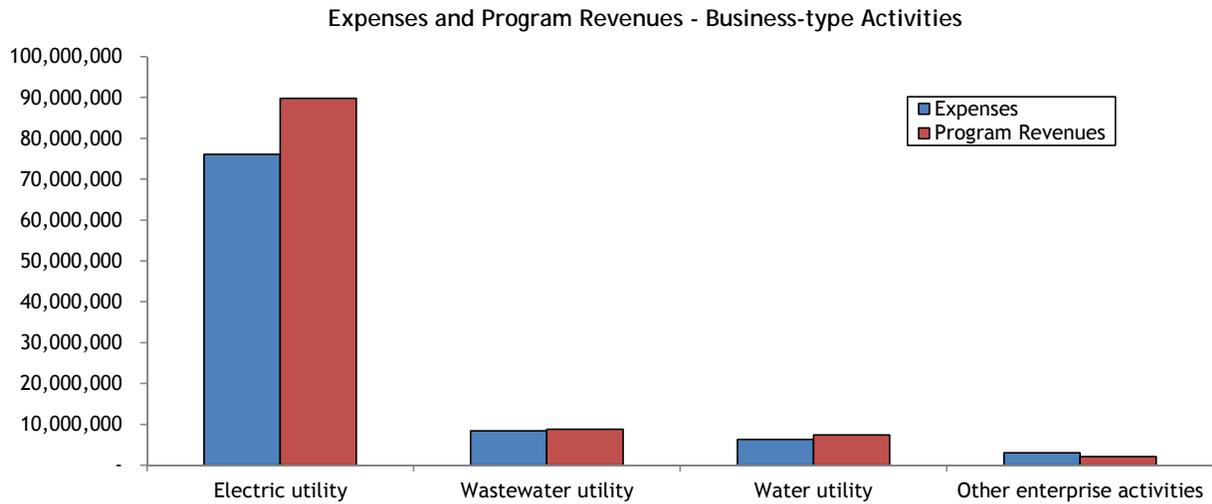
Capital grants from several sources resulted in total capital grant revenue for governmental type funds of \$5,396,650. This is made up primarily of a \$3,826,088 State Transportation Economic Development Fund (TEDF) grant for industrial area road and bridge projects, \$672,564 federal funding for US-31 Bridges & Pavement/Washington Interchange, a \$83,678 40th Street ditch enclosure federal project grant, a \$450,188 Matt Urban and 48th Street reconstruction project grant and a \$21,502 federal grant for the Lincoln Avenue, 16th-24th Street project.



# CITY OF HOLLAND, MICHIGAN

## Management's Discussion and Analysis

**Business-type Activities.** Business-type activities increased the City of Holland's net assets by \$11,210,184. The key elements of this increase was \$1,981,334 in capital grants and contributions received by the enterprise funds. \$1,747,384 of this amount was received by the Electric Utility Fund as an insurance refund for prior years attorney defense costs associated with the Sierra Club law suite. The Utility Funds also experienced a slight increase in sales units for all rate classes.



# CITY OF HOLLAND, MICHIGAN

## Management's Discussion and Analysis

### Financial Analysis of the City's Funds

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

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

During the current fiscal year the fund balance of the City's general fund increased by \$85,271. A key factor in this change is a \$404,386 reduction in expenditures, that helped off-set a \$382,500 drop in revenues. This includes activity in the formerly reported budget stabilization fund, which has been combined with the general fund for external reporting purposes due to changes in generally accepted accounting principles that severely limit the circumstances in which a budget stabilization arrangement can be reported as a separate fund for the purposes of external financial reporting. A combining schedule is presented as supplementary information.

The general fund budgeted for a decrease in fund balance of \$294,333 and the actual increase in fund balance was \$85,271. Significant changes in budgetary variances are as follows:

- Tax revenues had a positive budgetary variance of \$21,917, of which, the majority relates to both current and delinquent property tax revenues.
- Intergovernmental revenue had a positive budgetary variance of \$32,080. The majority of this relates to increase in state funding.
- Charges for services had a positive budgetary variance of \$32,991. Three of the biggest reasons for the positive experience are: fees for tax abatement applications \$8,750, charges for police reserve officers \$8,793 and fees charged for monthly monitoring of vacation properties \$4,930.
- Expenditures had an overall positive budgetary variance of \$259,922, of which the greatest portions related to general government, (\$92,986), public safety (\$80,380), and culture and recreation (\$198,446). Culture and recreation expenditures decreased for all departments with the largest decreases relating to parks and recreation operations. These positive variances helped to off-set the negative variance in the street department.

**Proprietary Funds.** The City's proprietary fund financial statements provide the same type of information found in the government-wide financial statements, but in more detail.

Total enterprise funds reported positive changes in net assets during the year. The electric utility fund experienced a \$10,012,887 million increase in net assets of which \$5.66 million was budgeted and planned. The remaining increase is due insurance proceeds for defense costs associated with the Sierra Club law suite and decreased operating expenses. The nonmajor enterprise funds reported a decline of \$403,901 in net assets.

### General Fund Budgetary Highlights

The original revenue budget was \$15,530,856 and as amended was \$15,708,852 which represents an increase of \$177,996. The original expenditure budget was \$19,514,623 and as amended was \$19,511,901 which represents a decrease of \$2,722.

There were significant differences between the original budget and the amended budget for the revenue projections. Investment income projections were decreased due to the unfavorable interest rate environment and the estimate for food service permits was reduced significantly. On the revenue side, variances were positive by \$108,997 due to receiving higher penalties and interest on delinquent taxes, state funding and fees for services provided than projected.

# CITY OF HOLLAND, MICHIGAN

## Management's Discussion and Analysis

Overall, the amended budgeted expenditures were \$2,722 less than the original budgets. Actual expenditures came in \$259,896 less than the amended budget. The positive variance increases to \$277,568 when transfers out are included. Throughout the fiscal year department managers were strongly encouraged to implement cost cutting measures where possible and hiring for vacant positions was delayed.

### Capital Asset and Debt Administration

**Capital Assets.** The City's capital assets for its governmental and business-type activities as of June 30, 2012 amounted to \$277,239,675 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings, machinery and equipment, motor vehicles, and infrastructure. The total increase in the City's investment in capital assets for the current fiscal year was 1.2 percent (a 0.1 percent decrease for governmental activities and a 1.4 percent increase for business-type activities).

Major capital asset events during the current fiscal year included the following:

- General government infrastructure improvements totaling \$4,756,450.
- Purchase of wireless internet system to police vehicles.
- Replacement vehicles, police weapons, equipment and office furniture.

	Capital Assets (Net of Depreciation)					
	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Land	\$ 16,137,649	\$ 16,137,534	\$ 13,289,894	\$ 13,255,388	\$ 29,427,543	\$ 29,392,922
Construction in progress	2,013,785	3,851,205	14,375,412	6,919,222	16,389,197	10,770,427
Buildings, equipment and infrastructure, net	106,962,685	105,308,376	124,460,250	128,357,109	231,422,935	233,665,485
<b>Total capital assets, net</b>	<b>\$ 125,114,119</b>	<b>\$ 125,297,115</b>	<b>\$ 152,125,556</b>	<b>\$ 148,531,719</b>	<b>\$ 277,239,675</b>	<b>\$ 273,828,834</b>

Additional information on the City's capital assets can be found in Note 6 to the financial statements.

### Long-Term Debt.

	Long-term Debt					
	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Bonds	\$ 28,283,723	\$ 31,043,186	\$ 19,129,151	\$ 18,132,000	\$ 47,412,874	\$ 49,175,186
Unamortized premium/discount on bonds payable	325,409	374,156	784,989	(100,892)	1,110,398	273,264
Unamortized refunding costs	(549,851)	(625,371)	(725,018)	(252,112)	(1,274,869)	(877,483)
Other debt	504,500	511,104	-	-	504,500	511,104
Compensated absences	1,660,763	1,664,909	990,881	644,726	2,651,644	2,309,635
<b>Total long-term debt</b>	<b>\$ 30,224,544</b>	<b>\$ 32,967,984</b>	<b>\$ 20,180,003</b>	<b>\$ 18,423,722</b>	<b>\$ 50,404,547</b>	<b>\$ 51,391,706</b>

The City of Holland's most recent general obligation bond issue had a rating of AA from Standard & Poor's and a rating of Aa3 from Moody's.

# CITY OF HOLLAND, MICHIGAN

## ■ Management's Discussion and Analysis

State statutes limit the amount of general obligation debt a governmental entity may issue to 10% of the State Equalized Value. The current debt limitation for the City of Holland is \$107,612,788.

Additional information on the City's long-term debt can be found in Note 9.

### Economic Factors and Next Year's Budget and Rates

The economic outlook for the City's near future includes modest growth as significant infrastructure projects, including the Matt Urban & 48th Street Reconstruction Project, Lincoln Avenue Reconstruction Project, a continued road resurfacing program, a major federal Economic Development stimulus grant for road improvements, airport upgrades, and an expanded mass transit system increase the area's appeal to residents and businesses. The resurgence of the automotive industry, the rebounding furniture industry, an expanding major hospital, and numerous vibrant Brownfield Redevelopment and Renaissance Zone projects provide a positive economic outlook for the City. As of September 30, 2012 the unemployment rate within the City has dropped to 9.0%, from the 2009 high of 15.4%. This is an increase of 32% from 2005 when the rate was 6.8%. The total labor force has declined by 2.5% from 2008, and has declined by 3.7% overall from the recent high point in 2006.

Fiscal year 2013 experienced a 0.39% decline in tax valuation base. The decrease would have been larger except for investments made in buildings and equipment to manufacture advanced batteries, located in the Renaissance Zones, which are exempt from taxes.

It is anticipated that property tax values will remain flat in the overall tax base for upcoming fiscal year 2014; however, the State of Michigan is considering legislation that will eliminate taxes on personal property (equipment). City management works very hard to avoid any property tax rate increases however state revenue sharing and investment income reductions in combination with health insurance and pension cost increases will cause management to consider necessary cuts as it continues to operate on a reduced budget.

The overall tax rate for the City has increased from 14.25 to 15.1085 mills for the ensuing fiscal year 2013 (fiscal year ended June 30, 2013). The General Fund budget for fiscal year 2013 has projected a \$62 increase in fund balance to \$3,496,344 on June 30, 2013 or 17.6% of fiscal year 2013 budgeted expenditures. Current estimates for fiscal year 2013 project that negative factors such as decreases in investment income and taxable value will be offset by the increased tax millage rate and several vacant positions which remain unfilled.

### Requests for Information

This financial report is designed to provide a general overview of the City of Holland finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Mr. Tim Vagle, City of Holland, 270 River Ave., Holland, Michigan 49423 or t.vagle@cityofholland.com.



## BASIC FINANCIAL STATEMENTS

CITY OF HOLLAND, MICHIGAN

**Statement of Net Assets**  
June 30, 2012

	Primary Government			Component Units		
	Governmental Activities	Business-type Activities	Total	Downtown Development Authority	Holland Historical Trust	Brownfield Redevelopment Authority
<b>Assets</b>						
Cash and pooled investments	\$ 19,972,507	\$ 50,524,906	\$ 70,497,413	\$ 135,699	\$ 264,555	\$ 32,301
Investments	-	67,856,303	67,856,303	-	511,367	-
Receivables, net	5,877,554	14,127,846	20,005,400	133	65,500	-
Internal balances	11,816	(11,816)	-	-	-	-
Inventory	84,054	10,567,897	10,651,951	-	8,987	-
Prepaid items and other assets	374,407	589,806	964,213	200	-	-
Restricted assets:						
Cash and pooled investments	-	8,438,879	8,438,879	-	-	-
Investments	-	6,881,696	6,881,696	-	-	-
Accrued interest	-	151	151	-	-	-
Net pension asset	971,868	-	971,868	-	-	-
Capital assets:						
Land	16,137,649	13,289,894	29,427,543	-	40,000	-
Construction in progress	2,013,785	14,375,412	16,389,197	-	-	-
Being depreciated, net of depreciation	106,962,685	124,460,250	231,422,935	258,325	1,879,281	-
<b>Total assets</b>	<b>152,406,325</b>	<b>311,101,224</b>	<b>463,507,549</b>	<b>394,357</b>	<b>2,769,690</b>	<b>32,301</b>
<b>Liabilities</b>						
Payables	2,734,624	8,654,433	11,389,057	6,528	22,559	-
Unearned revenue	1,391,314	-	1,391,314	-	12,924	-
Deposits	22,990	379,419	402,409	-	-	-
Accrued interest payable from restricted asset	-	132,274	132,274	-	-	-
Line of credit	-	-	-	-	65,000	-
Landfill closure and postclosure cost	-	327,450	327,450	-	-	-
Long-term debt:						
Due within one year from restricted assets	-	1,133,661	1,133,661	-	-	-
Due within one year	4,152,190	1,611,755	5,763,945	-	-	-
Due in more than one year	26,072,354	17,434,587	43,506,941	-	-	-
Net other postemployment benefit obligation	709,275	334,515	1,043,790	-	-	-
<b>Total liabilities</b>	<b>35,082,747</b>	<b>30,008,094</b>	<b>65,090,841</b>	<b>6,528</b>	<b>100,483</b>	<b>-</b>
<b>Net assets</b>						
Invested in capital assets, net of related debt	98,805,338	132,936,434	231,741,772	258,325	1,919,281	-
Restricted:						
Nonexpendable:						
Cemetery endowment corpus	1,488,522	-	1,488,522	-	-	-
Expendable for:						
Cemetery maintenance	60,820	-	60,820	-	-	-
Grant programs	8,260	-	8,260	-	-	-
Street construction and maintenance	2,407,430	-	2,407,430	-	-	-
Library	1,592	-	1,592	-	-	-
Debt service	272,874	-	272,874	-	-	-
Capital projects and by agreement	798,623	15,130,725	15,929,348	-	396,288	-
Unrestricted	13,480,119	133,025,971	146,506,090	129,504	353,638	32,301
<b>Total net assets</b>	<b>\$ 117,323,578</b>	<b>\$ 281,093,130</b>	<b>\$ 398,416,708</b>	<b>\$ 387,829</b>	<b>\$ 2,669,207</b>	<b>\$ 32,301</b>

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

CITY OF HOLLAND, MICHIGAN

Statement of Activities

For the Year Ended June 30, 2012

Functions / Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Primary government</b>					
Governmental activities:					
General government	\$ 4,822,179	\$ 1,461,558	\$ 331,488	\$ 43,970	\$ (2,985,163)
Public safety	12,099,607	1,091,868	246,177	35,818	(10,725,744)
Public works	11,382,965	1,108,117	3,103,337	5,316,862	(1,854,649)
Welfare and social services	1,019,891	241,938	571,157	-	(206,796)
Culture and recreation	4,837,537	521,717	27,205	-	(4,288,615)
Interest on long-term debt	1,115,515	-	-	-	(1,115,515)
<b>Total governmental activities</b>	<b>35,277,694</b>	<b>4,425,198</b>	<b>4,279,364</b>	<b>5,396,650</b>	<b>(21,176,482)</b>
Business-type activities:					
Electric utility	76,116,440	88,066,208	1,747,384	-	13,697,152
Wastewater utility	8,401,050	8,619,974	-	169,450	388,374
Water utility	6,305,874	7,346,263	-	61,981	1,102,370
Refuse and recycling pickup	1,382,182	1,425,110	-	-	42,928
Windmill Island	742,345	422,315	-	2,519	(317,511)
Airport facilities and management system	626,132	-	-	-	(626,132)
Other enterprise activities	286,810	16,809	222,727	-	(47,274)
<b>Total business-type activities</b>	<b>93,860,833</b>	<b>105,896,679</b>	<b>1,970,111</b>	<b>233,950</b>	<b>14,239,907</b>
<b>Total primary government</b>	<b>\$ 129,138,527</b>	<b>\$ 110,321,877</b>	<b>\$ 6,249,475</b>	<b>\$ 5,630,600</b>	<b>\$ (6,936,575)</b>
Component units:					
Downtown Development Authority	\$ 66,204	\$ 2,762	\$ 1,632	\$ -	\$ (61,810)
Holland Historical Trust	884,402	189,613	468,121	240	(226,428)
Brownfield Redevelopment Authority	746,391	-	38,385	-	(708,006)
<b>Total component units</b>	<b>\$ 1,696,997</b>	<b>\$ 192,375</b>	<b>\$ 508,138</b>	<b>\$ 240</b>	<b>\$ (996,244)</b>

continued...

CITY OF HOLLAND, MICHIGAN

**Statement of Activities**  
For the Year Ended June 30, 2012

	Primary Government			Component Units		
	Governmental Activities	Business-type Activities	Total	Downtown Development Authority	Holland Historical Trust	Brownfield Redevelopment Authority
Change in net assets						
Net revenue (expense)	\$ (21,176,482)	\$ 14,239,907	\$ (6,936,575)	\$ (61,810)	\$ (226,428)	\$ (708,006)
General revenues:						
Property taxes	15,345,237	103,438	15,448,675	178,462	-	716,359
State shared revenues	2,700,327	-	2,700,327	-	-	-
Investment earnings - unrestricted	126,645	735,825	862,470	-	-	-
Transfers - internal activities	3,868,986	(3,868,986)	-	-	-	-
Total general revenues and transfers	22,041,195	(3,029,723)	19,011,472	178,462	-	716,359
Change in net assets	864,713	11,210,184	12,074,897	116,652	(226,428)	8,353
Net assets, beginning of year	116,458,865	269,882,946	386,341,811	271,177	2,895,635	23,948
Net assets, end of year	\$ 117,323,578	\$ 281,093,130	\$ 398,416,708	\$ 387,829	\$ 2,669,207	\$ 32,301

concluded

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

This page intentionally left blank.

CITY OF HOLLAND, MICHIGAN

**Balance Sheet**  
 Governmental Funds  
 June 30, 2012

	General Fund	Building Authority Debt Service Fund	Infrastructure Projects Funds	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Cash and pooled investments	\$ 4,730,073	\$ 12,957	\$ 1,098,490	\$ 7,163,495	\$ 13,005,015
Receivables:					
Accounts	184,084	-	1,085	511,928	697,097
Taxes and special assessments	2,192	-	1,269	1,252,864	1,256,325
Interest	35,033	-	-	-	35,033
Leases	-	2,270,588	-	-	2,270,588
Due from other governmental units	463,787	-	-	579,540	1,043,327
Due from other funds	6,296	-	20,372	849,481	876,149
Prepaid items	7,028	-	-	300	7,328
<b>Total assets</b>	<b>\$ 5,428,493</b>	<b>\$ 2,283,545</b>	<b>\$ 1,121,216</b>	<b>\$ 10,357,608</b>	<b>\$ 19,190,862</b>
<b>Liabilities</b>					
Accounts payable	\$ 351,542	\$ -	\$ 593,018	\$ 314,550	\$ 1,259,110
Accrued payroll and benefits	440,292	-	5,745	51,309	497,346
Due to other governmental units	161,663	-	-	10,295	171,958
Due to other funds	116,585	-	-	840,853	957,438
Deposits	22,990	-	-	-	22,990
Deferred revenue	118,288	2,270,588	230,154	2,294,850	4,913,880
<b>Total liabilities</b>	<b>1,211,360</b>	<b>2,270,588</b>	<b>828,917</b>	<b>3,511,857</b>	<b>7,822,722</b>
<b>Fund Balances (Note 13)</b>					
Nonspendable	7,028	-	-	1,488,822	1,495,850
Restricted	-	-	194,015	3,589,385	3,783,400
Committed	27,090	12,957	98,284	2,006,928	2,145,259
Unassigned (deficit)	4,183,015	-	-	(239,384)	3,943,631
<b>Total fund balances</b>	<b>4,217,133</b>	<b>12,957</b>	<b>292,299</b>	<b>6,845,751</b>	<b>11,368,140</b>
<b>Total liabilities and fund balances</b>	<b>\$ 5,428,493</b>	<b>\$ 2,283,545</b>	<b>\$ 1,121,216</b>	<b>\$ 10,357,608</b>	<b>\$ 19,190,862</b>

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

# CITY OF HOLLAND, MICHIGAN

## Reconciliation

Fund Balances for Governmental Funds  
to Net Assets of Governmental Activities  
June 30, 2012

Fund balances - total governmental funds	\$ 11,368,140
Amounts reported for <i>governmental activities</i> in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Land	16,137,649
Construction in progress	2,013,785
Capital assets being depreciated, net	106,962,685
Less capital assets accounted for in the Internal Service Fund	(4,125,282)
Internal service funds are used by management to charge the costs of certain equipment usage and self-insurance to individual governmental funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.	
Net assets of governmental activities accounted for in the internal service funds	9,651,503
Some items are recorded as revenues and expenditures in the fund statements when paid or when received. These items are recorded on the government-wide statements when incurred in the case of expenditures and when revenues are earned.	
Net pension asset	971,868
Deferred revenue on lease from library	2,270,588
Deferred revenue from special assessments	1,251,978
Certain liabilities, such as bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	
Unamortized deferred refunding costs	549,851
Unamortized bond issuance costs	343,409
Bonds and loans payable	(28,788,223)
Unamortized premium on bonds payable	(325,409)
Accrued interest on bonds payable	(249,689)
Other postemployment benefit obligation	(709,275)
Net assets of governmental activities	<u>\$ 117,323,578</u>

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

# CITY OF HOLLAND, MICHIGAN

## Statement of Revenue, Expenditures and Changes in Fund Balances

Governmental Funds

For the Year Ended June 30, 2012

	General Fund	Building Authority Debt Service Fund	Infrastructure Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenue</b>					
Property taxes	\$ 10,468,955	\$ -	\$ 51,660	\$ 4,824,622	\$ 15,345,237
Special assessments	-	-	254	813,960	814,214
Licenses and permits	497,102	-	-	-	497,102
Intergovernmental	2,763,980	-	5,057,812	3,691,504	11,513,296
Charges for services	1,424,902	-	-	302,745	1,727,647
Fines and fees	205,515	-	-	353,003	558,518
Contributions from private sector	-	-	-	570,496	570,496
Interest and rents	348,157	572,219	1,894	103,970	1,026,240
Miscellaneous	109,238	-	75	237,021	346,334
<b>Total revenue</b>	<b>15,817,849</b>	<b>572,219</b>	<b>5,111,695</b>	<b>10,897,321</b>	<b>32,399,084</b>
<b>Expenditures</b>					
Current:					
General government	3,689,296	-	-	356,239	4,045,535
Public safety	10,582,884	-	-	364,477	10,947,361
Public works	1,283,940	-	-	2,606,273	3,890,213
Welfare and social services	564,290	-	-	438,968	1,003,258
Culture and recreation	3,066,814	-	-	1,704,904	4,771,718
Other	64,781	-	-	-	64,781
Debt service:					
Principal retirement	-	1,780,000	-	851,963	2,631,963
Interest and fiscal charges	-	742,743	-	365,713	1,108,456
Capital outlay	-	-	7,410,953	985,113	8,396,066
<b>Total expenditures</b>	<b>19,252,005</b>	<b>2,522,743</b>	<b>7,410,953</b>	<b>7,673,650</b>	<b>36,859,351</b>
Revenue over (under) expenditures	(3,434,156)	(1,950,524)	(2,299,258)	3,223,671	(4,460,267)
<b>Other financing sources (uses)</b>					
Transfers in	3,961,315	1,950,705	2,307,237	1,428,423	9,647,680
Transfers out	(441,888)	-	(3,791)	(5,496,805)	(5,942,484)
<b>Total other financing sources (uses)</b>	<b>3,519,427</b>	<b>1,950,705</b>	<b>2,303,446</b>	<b>(4,068,382)</b>	<b>3,705,196</b>
<b>Net change in fund balances</b>	<b>85,271</b>	<b>181</b>	<b>4,188</b>	<b>(844,711)</b>	<b>(755,071)</b>
Fund balances, beginning of year	4,131,862	12,776	288,111	7,690,462	12,123,211
<b>Fund balances, end of year</b>	<b>\$ 4,217,133</b>	<b>\$ 12,957</b>	<b>\$ 292,299</b>	<b>\$ 6,845,751</b>	<b>\$ 11,368,140</b>

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

# CITY OF HOLLAND, MICHIGAN

## Reconciliation

Net Changes in Fund Balances of Governmental Funds  
to Change in Net Assets of Governmental Activities  
For the Year Ended June 30, 2012

Net change in fund balances - total governmental funds	\$ (755,071)
Amounts reported for <i>governmental activities</i> in the statement of activities are different because:	
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 and reported as depreciation expense.	
Capital assets purchased/constructed	5,544,280
Depreciation expense	(5,217,488)
Net book value of disposed capital assets	(174,498)
Bond proceeds provide current financial resources to governmental funds in the period issued, but issuing bonds increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	
Principal payments on long-term liabilities	2,631,963
Change in legal settlement	134,104
Amortization of deferred refunding costs	(75,520)
Amortization of premium on long-term debt	48,747
Amortization of bond issuance costs	(34,214)
Internal service funds are used by management to charge the costs of certain equipment usage to individual governmental funds. The net revenue (expense) attributable to those funds is reported with governmental activities.	
Gain from governmental activities in internal service funds	(757,774)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.	
Change in special assessments deferred revenue	195,323
Change in litigation fees reimbursement deferred revenue	(46,250)
Change in net pension asset	(19,629)
Library lease payment	(463,066)
Change in accrued interest on bonds payable	19,711
Change in other postemployment benefit obligations	(165,905)
Change in net assets of governmental activities	<u>\$ 864,713</u>

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

# CITY OF HOLLAND, MICHIGAN

## Statement of Revenue, Expenditures and Changes in Fund Balances

Budget and Actual - General Fund

For the Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
<b>Revenue</b>				
Property taxes	\$ 10,532,662	\$ 10,447,038	\$ 10,468,955	\$ 21,917
Licenses and permits	544,400	492,000	497,102	5,102
Intergovernmental	2,416,200	2,731,900	2,763,980	32,080
Charges for services	1,329,010	1,391,911	1,424,902	32,991
Fines and fees	197,000	207,100	205,515	(1,585)
Interest and rents	479,001	336,576	348,157	11,581
Miscellaneous	32,583	102,327	109,238	6,911
<b>Total revenue</b>	<b>15,530,856</b>	<b>15,708,852</b>	<b>15,817,849</b>	<b>108,997</b>
<b>Expenditures</b>				
Current:				
General government	3,573,896	3,782,282	3,689,296	(92,986)
Public safety	10,370,354	10,663,264	10,582,884	(80,380)
Public works	1,263,056	1,093,581	1,283,940	190,359
Welfare and social services	666,705	612,402	564,290	(48,112)
Culture and recreation	3,429,612	3,265,254	3,066,814	(198,440)
Other	211,000	95,118	64,781	(30,337)
<b>Total expenditures</b>	<b>19,514,623</b>	<b>19,511,901</b>	<b>19,252,005</b>	<b>(259,896)</b>
<b>Revenue over (under) expenditures</b>	<b>(3,983,767)</b>	<b>(3,803,049)</b>	<b>(3,434,156)</b>	<b>368,893</b>
<b>Other financing sources (uses)</b>				
Transfers in	3,981,600	3,968,250	3,961,315	(6,935)
Transfers out	(377,526)	(459,534)	(441,888)	17,646
<b>Total other financing sources (uses)</b>	<b>3,604,074</b>	<b>3,508,716</b>	<b>3,519,427</b>	<b>10,711</b>
<b>Net change in fund balances</b>	<b>(379,693)</b>	<b>(294,333)</b>	<b>85,271</b>	<b>379,604</b>
Fund balances, beginning of year	4,131,862	4,131,862	4,131,862	-
<b>Fund balances, end of year</b>	<b>\$ 3,752,169</b>	<b>\$ 3,837,529</b>	<b>\$ 4,217,133</b>	<b>\$ 379,604</b>

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

CITY OF HOLLAND, MICHIGAN

Statement of Net Assets  
Proprietary Funds  
June 30, 2012

	Business-type Activities - Enterprise Funds					Governmental Activities
	Electric Utility	Wastewater Utility	Water Utility	Nonmajor Enterprise Funds	Total	Internal Service Funds
<b>Assets</b>						
Current assets:						
Cash and pooled investments	\$ 42,787,898	\$ 4,687,342	\$ 2,625,476	\$ 424,190	\$ 50,524,906	\$ 6,967,492
Investments	62,836,669	3,519,259	1,500,375	-	67,856,303	-
Receivables:						
Accounts	11,386,893	1,133,803	1,094,111	167,958	13,782,765	465,614
Taxes and special assessments	-	136,859	123,390	125	260,374	-
Interest	80,727	2,226	1,754	-	84,707	-
Deposit with others	-	-	-	-	-	109,570
Due from other funds	139,975	2,084	42,899	-	184,958	166,337
Inventories	10,304,662	56,743	206,492	-	10,567,897	84,054
Prepaid items	332,840	28,348	226,123	2,495	589,806	23,670
<b>Total current assets</b>	<b>127,869,664</b>	<b>9,566,664</b>	<b>5,820,620</b>	<b>594,768</b>	<b>143,851,716</b>	<b>7,816,737</b>
Noncurrent assets:						
Restricted assets:						
Cash and pooled investments	-	5,136,663	3,302,216	-	8,438,879	-
Investments	5,381,112	1,500,584	-	-	6,881,696	-
Accrued interest	-	151	-	-	151	-
Capital assets:						
Land	4,809,939	260,673	1,866,923	6,352,359	13,289,894	-
Construction in progress	2,653,345	6,660,882	5,061,185	-	14,375,412	2,975
Machinery and equipment	224,078,454	69,870,554	55,397,803	19,032,316	368,379,127	10,669,679
Accumulated depreciation	(170,206,211)	(40,665,507)	(21,894,486)	(11,152,673)	(243,918,877)	(6,547,372)
<b>Total noncurrent assets</b>	<b>66,716,639</b>	<b>42,764,000</b>	<b>43,733,641</b>	<b>14,232,002</b>	<b>167,446,282</b>	<b>4,125,282</b>
<b>Total assets</b>	<b>194,586,303</b>	<b>52,330,664</b>	<b>49,554,261</b>	<b>14,826,770</b>	<b>311,297,998</b>	<b>11,942,019</b>
<b>Liabilities</b>						
Current liabilities:						
Accounts payable	5,518,418	635,022	1,890,805	101,329	8,145,574	326,970
Claims payable	-	-	-	-	-	190,203
Accrued payroll and benefits	229,177	135,788	120,424	21,224	506,613	39,348
Accrued interest payable	-	2,246	-	-	2,246	-
Accrued interest payable from restricted assets	-	-	132,274	-	132,274	-
Due to other funds	134,557	25,511	34,493	2,213	196,774	73,232
Deposits	337,019	-	-	42,400	379,419	-
Accrued compensated absences - current	774,370	102,900	102,370	11,241	990,881	1,055,000
Bonds and lease purchases payable - current	-	620,874	-	-	620,874	-
Bonds payable from restricted assets - current	-	-	1,133,661	-	1,133,661	-
<b>Total current liabilities</b>	<b>6,993,541</b>	<b>1,522,341</b>	<b>3,414,027</b>	<b>178,407</b>	<b>12,108,316</b>	<b>1,684,753</b>
Noncurrent liabilities:						
Landfill closure and postclosure cost	327,450	-	-	-	327,450	-
Accrued compensated absences	-	-	-	-	-	605,763
Bonds payable and lease purchases payable	-	642,051	16,792,536	-	17,434,587	-
Net other postemployment benefit obligation	185,687	83,339	65,489	-	334,515	-
<b>Total noncurrent liabilities</b>	<b>513,137</b>	<b>725,390</b>	<b>16,858,025</b>	<b>-</b>	<b>18,096,552</b>	<b>605,763</b>
<b>Total liabilities</b>	<b>7,506,678</b>	<b>2,247,731</b>	<b>20,272,052</b>	<b>178,407</b>	<b>30,204,868</b>	<b>2,290,516</b>
<b>Net assets</b>						
Invested in capital assets, net of related debt	61,335,527	34,863,677	22,505,228	14,232,002	132,936,434	4,125,282
Restricted for capital projects and by agreement	5,355,790	6,559,269	3,215,666	-	15,130,725	-
Unrestricted	120,388,308	8,659,987	3,561,315	416,361	133,025,971	5,526,221
<b>Total net assets</b>	<b>\$ 187,079,625</b>	<b>\$ 50,082,933</b>	<b>\$ 29,282,209</b>	<b>\$ 14,648,363</b>	<b>\$ 281,093,130</b>	<b>\$ 9,651,503</b>

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

CITY OF HOLLAND, MICHIGAN

**Statement of Revenue, Expenses and Changes in Fund Net Assets**  
 Proprietary Funds  
 For the Year Ended June 30, 2012

	Business-type Activities - Enterprise Funds				Governmental	
	Electric Utility	Wastewater Utility	Water Utility	Nonmajor Enterprise Funds	Total	Internal Service Funds
<b>Operating revenue</b>						
Usage fees and charges for services	\$ 88,066,208	\$ 8,619,974	\$ 7,346,263	\$ 1,482,393	\$ 105,514,838	\$ 3,031,455
Premiums	-	-	-	-	-	5,604,566
Admissions and fares	-	-	-	287,411	287,411	-
Rentals	-	-	-	94,430	94,430	1,743,507
Miscellaneous	-	-	-	-	-	567,880
<b>Total operating revenue</b>	<b>88,066,208</b>	<b>8,619,974</b>	<b>7,346,263</b>	<b>1,864,234</b>	<b>105,896,679</b>	<b>10,947,408</b>
<b>Operating expenses</b>						
Personal services	6,046,429	1,804,515	1,435,952	522,088	9,808,984	2,071,723
Other current expenses	62,675,576	4,808,795	2,826,906	1,610,065	71,921,342	9,279,153
Depreciation	7,410,180	1,699,376	1,392,353	683,813	11,185,722	725,728
<b>Total operating expenses</b>	<b>76,132,185</b>	<b>8,312,686</b>	<b>5,655,211</b>	<b>2,815,966</b>	<b>92,916,048</b>	<b>12,076,604</b>
<b>Operating income (loss)</b>	<b>11,934,023</b>	<b>307,288</b>	<b>1,691,052</b>	<b>(951,732)</b>	<b>12,980,631</b>	<b>(1,129,196)</b>
<b>Nonoperating revenue (expenses)</b>						
Property taxes	-	-	-	103,438	103,438	-
Federal and/or state grants	-	-	-	221,503	221,503	-
Federal awards passed-through to the Macatawa Area Express Transportation Authority	-	-	-	(221,503)	(221,503)	-
Investment earnings	622,775	82,060	28,394	2,665	735,894	33,667
Interest expense	-	(90,564)	(649,885)	-	(740,449)	-
Insurance recovery	1,747,384	-	-	-	1,747,384	151,697
Gain (loss) on disposal of capital assets	15,745	2,200	(778)	-	17,167	19,302
<b>Total nonoperating revenue (expenses)</b>	<b>2,385,904</b>	<b>(6,304)</b>	<b>(622,269)</b>	<b>106,103</b>	<b>1,863,434</b>	<b>204,666</b>
<b>Income (loss) before contributions and transfers</b>	<b>14,319,927</b>	<b>300,984</b>	<b>1,068,783</b>	<b>(845,629)</b>	<b>14,844,065</b>	<b>(924,530)</b>
<b>Contributions and transfers</b>						
Capital contributions	-	169,450	61,981	2,519	233,950	2,966
Other private donations	-	-	-	1,155	1,155	-
Transfers in	-	-	-	438,054	438,054	181,130
Transfers out	(4,307,040)	-	-	-	(4,307,040)	(17,340)
<b>Net transfers and contributions</b>	<b>(4,307,040)</b>	<b>169,450</b>	<b>61,981</b>	<b>441,728</b>	<b>(3,633,881)</b>	<b>166,756</b>
<b>Change in net assets</b>	<b>10,012,887</b>	<b>470,434</b>	<b>1,130,764</b>	<b>(403,901)</b>	<b>11,210,184</b>	<b>(757,774)</b>
<b>Net assets, beginning of year</b>	<b>177,066,738</b>	<b>49,612,499</b>	<b>28,151,445</b>	<b>15,052,264</b>	<b>269,882,946</b>	<b>10,409,277</b>
<b>Net assets, end of year</b>	<b>\$ 187,079,625</b>	<b>\$ 50,082,933</b>	<b>\$ 29,282,209</b>	<b>\$ 14,648,363</b>	<b>\$ 281,093,130</b>	<b>\$ 9,651,503</b>

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

CITY OF HOLLAND, MICHIGAN

**Statement of Cash Flows**  
 Proprietary Funds  
 For the Year Ended June 30, 2012

	Business-type Activities - Enterprise Funds				Governmental	
	Electric Utility	Wastewater Utility	Water Utility	Nonmajor Enterprise Funds	Total	Internal Service Funds
<b>Cash flows from operating activities</b>						
Receipts from customers and users	\$ 88,448,748	\$ 8,792,117	\$ 7,173,076	\$ 1,845,982	\$ 106,259,923	\$ -
Receipts from internal services provided	-	-	-	-	-	10,800,822
Payments to suppliers	(64,344,359)	(4,771,407)	(1,077,697)	(1,634,682)	(71,828,145)	(9,386,718)
Payments to employees	(5,548,587)	(1,887,180)	(1,464,897)	(527,866)	(9,428,530)	(1,231,333)
<b>Net cash provided by (used in) operating activities</b>	<b>18,555,802</b>	<b>2,133,530</b>	<b>4,630,482</b>	<b>(316,566)</b>	<b>25,003,248</b>	<b>182,771</b>
<b>Cash flows from noncapital financing activities</b>						
Property taxes	-	-	-	100,874	100,874	-
Private donations	-	-	-	1,155	1,155	-
Insurance refunds	1,747,384	-	-	-	1,747,384	151,697
Intragovernmental receipts	-	-	-	438,013	438,013	181,130
Intragovernmental payments	(4,307,040)	-	-	(96,880)	(4,403,920)	(17,340)
<b>Net cash provided by (used in) noncapital financing activities</b>	<b>(2,559,656)</b>	<b>-</b>	<b>-</b>	<b>443,162</b>	<b>(2,116,494)</b>	<b>315,487</b>
<b>Cash flows from capital and related financing activities</b>						
Federal and/or state grants	-	-	-	221,503	221,503	-
Federal awards passed-through to the Macatawa Area Express Transportation Authority	-	-	-	(221,503)	(221,503)	-
Principal paid on long-term debt	-	(654,500)	(875,000)	-	(1,529,500)	-
Interest paid on long-term debt	-	(47,529)	(752,472)	-	(800,001)	-
Proceeds received on refunded bonds	-	-	9,740,000	-	9,740,000	-
Proceeds from State Drinking Water Revolving Fund	-	-	2,776,651	-	2,776,651	-
Premium on issuance of refunded bonds	-	-	799,587	-	799,587	-
Bond issuance costs paid	-	-	(183,727)	-	(183,727)	-
Cash transferred to escrow for defeased bonds	-	-	(10,517,602)	-	(10,517,602)	-
Capital contributions	-	41,240	18,581	2,519	62,340	2,966
Proceeds from sales of capital assets	195,660	2,200	19,402	-	217,262	68,614
Purchase of capital assets	(4,289,976)	(5,107,728)	(5,177,018)	(233,322)	(14,808,044)	(439,749)
<b>Net cash used in capital and related financing activities</b>	<b>(4,094,316)</b>	<b>(5,766,317)</b>	<b>(4,151,598)</b>	<b>(230,803)</b>	<b>(14,243,034)</b>	<b>(368,169)</b>
<b>Cash flows from investing activities</b>						
Proceeds from sales of investments	52,155,102	6,027,663	499,235	-	58,682,000	-
Purchase of investments	(68,217,781)	(5,019,843)	(1,500,375)	-	(74,737,999)	-
Investment earnings	642,061	112,301	26,780	2,665	783,807	33,667
<b>Net cash provided by (used in) investing activities</b>	<b>(15,420,618)</b>	<b>1,120,121</b>	<b>(974,360)</b>	<b>2,665</b>	<b>(15,272,192)</b>	<b>33,667</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(3,518,788)</b>	<b>(2,512,666)</b>	<b>(495,476)</b>	<b>(101,542)</b>	<b>(6,628,472)</b>	<b>163,756</b>
Cash and cash equivalents, beginning of year	46,306,686	12,336,671	6,423,168	525,732	65,592,257	6,803,736
Cash and cash equivalents, end of year	\$ 42,787,898	\$ 9,824,005	\$ 5,927,692	\$ 424,190	\$ 58,963,785	\$ 6,967,492
<b>Classified on the statement of net assets as</b>						
Current assets	\$ 42,787,898	\$ 4,687,342	\$ 2,625,476	\$ 424,190	\$ 50,524,906	\$ 6,967,492
Restricted assets	-	5,136,663	3,302,216	-	8,438,879	-
	\$ 42,787,898	\$ 9,824,005	\$ 5,927,692	\$ 424,190	\$ 58,963,785	\$ 6,967,492

continued...

CITY OF HOLLAND, MICHIGAN

**Statement of Cash Flows**  
 Proprietary Funds  
 For the Year Ended June 30, 2012

	Business-type Activities - Enterprise Funds					Governmental Activities
	Electric Utility	Wastewater Utility	Water Utility	Nonmajor Enterprise Funds	Total	Internal Service Funds
Cash flows from operating activities						
Operating income (loss)	\$ 11,934,023	\$ 307,288	\$ 1,691,052	\$ (951,732)	\$ 12,980,631	\$ (1,129,196)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:						
Depreciation expense	7,410,180	1,699,376	1,392,353	683,813	11,185,722	725,728
Change in:						
Receivables	230,713	125,947	(154,211)	1,948	204,397	(75,145)
Deposits held with others	-	-	-	-	-	(109,570)
Due from other funds	54,228	46,196	(18,976)	-	81,448	(153,199)
Inventories	(1,636,907)	6,117	15,504	-	(1,615,286)	16,145
Prepaid items	22,816	(1,341)	(38,058)	(1,245)	(17,828)	869,674
Accounts payable	(103,032)	40,706	1,731,402	(23,276)	1,645,800	151,216
Claims payable	-	-	-	-	-	(192,846)
Accrued payroll and benefits	389,196	(82,665)	(28,945)	475	278,061	2,353
Due to other funds	128,077	(48,117)	10,655	-	90,615	81,757
Unearned revenue	97,599	-	-	(20,200)	77,399	-
Accrued compensated absences	-	-	-	(6,349)	(6,349)	(4,146)
Net other postemployment benefits obligation	28,909	40,023	29,706	-	98,638	-
Net cash provided by (used in) operating activities	<u>\$ 18,555,802</u>	<u>\$ 2,133,530</u>	<u>\$ 4,630,482</u>	<u>\$ (316,566)</u>	<u>\$ 25,003,248</u>	<u>\$ 182,771</u>

concluded

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

# CITY OF HOLLAND, MICHIGAN

## Statement of Fiduciary Assets and Liabilities

Fiduciary Funds

June 30, 2012

### Assets

Cash and pooled investments	\$ 758,488
Accounts receivable	385

Total assets	<u>\$ 758,873</u>
--------------	-------------------

### Liabilities

Accounts payable	\$ 71,239
Due to other governmental units	676,926
Other liabilities and deposits	10,708

Total liabilities	<u>\$ 758,873</u>
-------------------	-------------------

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

This page intentionally left blank.

## NOTES TO FINANCIAL STATEMENTS

# CITY OF HOLLAND, MICHIGAN

## Notes to Financial Statements

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of Holland, Michigan (the “City”) conform to generally accepted accounting principles (“GAAP”) as applicable to governmental units. The following is a summary of the significant accounting policies:

#### The Reporting Entity

The City is a municipal corporation governed by an elected, nine-member City Council. As required by generally accepted accounting principles, these financial statements present the City of Holland (the primary government) and its component units. The individual component units discussed below are included in the City’s reporting entity because they are entities for which the City is considered to be financially accountable.

#### *Blended Component Unit*

**Holland Building Authority** - The Holland Building Authority is governed by a five-member board, consisting of the City Manager, City Attorney, City Finance Officer and two individuals appointed by City Council, and is reported as if it were part of the primary government because its sole purpose is to finance and construct the City’s public buildings and facilities.

#### *Discretely Presented Component Units*

**Downtown Development Authority** - The Downtown Development Authority was created to correct and prevent deterioration in the downtown district, encourage historical preservation, and promote economic growth within the downtown district. The Authority’s budget is subject to approval by the City Council. Separate financial statements are not prepared for this entity.

**Holland Historical Trust** - The Holland Historical Trust is a not-for-profit corporation organized under Section 501(c)(3) of the internal revenue code for the purpose of operating the Holland Museum, the Cappon House, and the Settlers House. Holland Historical Trust’s budget is subject to review by the City Council prior to final decision concerning a General Fund contribution toward the Trust’s operations. Typically, such contributions have been significant to both the City and the Trust. Complete financial statements for Holland Historical Trust may be obtained at the administrative office located at 31 West 10th Street, Holland, MI 49423. Due to the long-standing financial and operational relationship between the City and the Trust, management believes it would be misleading to exclude the Trust from the City’s reporting entity.

**Brownfield Redevelopment Authority** - The Brownfield Redevelopment Authority was established to account for “captured” tax revenue on specific properties within the City that have been identified and approved by the State of Michigan as brownfields requiring site reclamation. These revenues are used to reimburse property owners for expenses incurred for brownfield cleanup and redevelopment. The City Council appoints the governing body of the Authority and approves the Authority’s budget. Separate financial statements are not prepared for this entity.

# CITY OF HOLLAND, MICHIGAN

## Notes to Financial Statements

Economic Development Corporation (the "EDC") - The EDC 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. In certain situations, members of the Board of Directors may be removed by a majority of the Holland City Council. Separate financial statements are not prepared for this entity.

The EDC had no activity during the year, and has therefore not been included in the financial statements.

### *Government-Wide and Fund Financial Statements*

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. 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. Likewise, the primary government is reported separately from certain *component units* for which the primary government is financially accountable.

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. Agency funds, a type of fiduciary fund, are unlike all other types of funds, reporting only assets and liabilities. Therefore, agency funds cannot be said to have a measurement focus. They do, however, use the accrual basis of accounting to recognize receivables and payables.

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 as revenues in the year for which they are levied. After March 1, any delinquent taxes on real property are paid by the county which is responsible for collecting any outstanding taxes on real property as of that date. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

# CITY OF HOLLAND, MICHIGAN

## Notes to Financial Statements

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 property tax revenues to be available if they are collected within 60 days of the end of the current fiscal period. Intergovernmental revenue, charges for services and interest are all considered to be susceptible to accrual if collected within 180 days of fiscal year end. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Property taxes, intergovernmental revenue, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and as such 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 reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all the financial resources of the general government, except those accounted for and reported in another fund.

The *Building Authority Debt Service Fund* accounts for financial resources required to service Building Authority Debt.

The *Infrastructure Projects Fund* accounts for financial resources that are restricted and committed for the acquisition or construction of infrastructure projects that are financed by proprietary funds.

The City reports the following major enterprise funds:

The *Electric Utility Enterprise Fund* accounts for the provision of electric services to the residences and businesses of the City and surrounding area. Activities necessary to provide such services include, but are not limited to, sales, administration, operations, maintenance, and construction.

The *Wastewater Utility Enterprise Fund* accounts for the provision of wastewater services to the residences and businesses of the City and surrounding area. Activities necessary to provide such services include, but are not limited to, sales, administration, operations, maintenance, and construction.

The *Water Utility Enterprise Fund* accounts for the provision of water services to the residences and businesses of the City and surrounding area. Activities necessary to provide such services include, but are not limited to, sales, administration, operations, maintenance, and construction.

# CITY OF HOLLAND, MICHIGAN

## Notes to Financial Statements

Additionally, the City 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 specified purposes other than debt service or capital projects that comprise, or are expected to comprise a substantial portion of the fund's total reported inflows.

*Debt Service Funds* are used to account for the accumulation of resources for, and the payment of, governmental activities long-term and special assessment debt, principal, interest and related costs.

*Capital Projects Funds* are used to 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.

The *Permanent Fund* is used to record the activity of the Cemetery Trust which provides funds for perpetual care of cemetery lots and cremain inurnment in niches.

*Enterprise Funds* account for those operations that are financed and operated in a manner similar to private business or where the City has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

*Internal Service Funds* are used to report the financing of goods or services provided by the City to other departments and funds or to other governmental units on a cost-reimbursement basis, specifically technology, equipment and insurance services.

*Agency Funds* are custodial in nature and do not present results of operations or have a measurement focus. These funds are used to account for assets that the government holds for others in an agency capacity (such as property tax collections, various other delinquent taxes, flexible spending funds and employee withholdings).

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds and of the government's internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

# CITY OF HOLLAND, MICHIGAN

## Notes to Financial Statements

Restricted net assets are assets that are subject to restrictions beyond the City's control. The restrictions may be externally imposed or imposed by law. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

### Cash and Pooled Investments

The City considers cash and pooled investments to be cash and cash equivalents for statement of cash flow purposes. Investments within pooled cash and investments are not identifiable to specific funds and the assets can be withdrawn at anytime similar to a demand deposit account.

Investments displayed on the financial statements and included in the cash and pooled investment caption are recorded at fair value.

State statutes 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.

Bankers' acceptances of United States banks.

Obligations of the State of Michigan and its political subdivisions, that, at the time of purchase are rated as investment grade by at least one standard rating service.

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.

External investment pools as authorized by Public Act 20 as amended through December 31, 1997.

The City's investment policy allows for all of these types of investments.

### Receivables

All receivables are recorded at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Uncollectible balances at year-end are considered by management to be immaterial.

# CITY OF HOLLAND, MICHIGAN

## Notes to Financial Statements

### Due To/From Other Funds

During the course of its operations, the City has numerous transactions between funds to finance operations, to provide services, construct assets and service debt. To the extent that certain transactions between funds had not been paid or received as of fiscal year end, balances of interfund accounts receivable or payable have been recorded.

### Due To/From Other Governmental Units

Amounts due from other governments include amounts due from grantors for specific programs and capital projects. Program and capital grants are recorded as receivables and revenue at the time reimbursable costs are incurred. Revenues received in advance of costs being incurred are deferred.

### Prepaid Items

The City incurred expenses prior to year-end for services that will be performed in the next fiscal year. In these situations, the City records an asset to reflect the investment in future services.

### Inventories

Inventories recorded in the Enterprise and Internal Service Funds and in the Holland Historical Trust (a component unit) are expensed as consumed and are valued at historical cost determined on a moving average basis. In other funds, payments for the inventory type supplies are recorded as expenditures at the time of purchase as they are immaterial to the City's financial position.

### Capital Assets and Depreciation

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the governmental activities column 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 two years. Such assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exists. Donated capital assets are valued at their estimated fair market value on the date received. The amount reported for infrastructure includes easements added since 1980 and other infrastructure dating back to 1959.

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 capitalized on capital assets reported in proprietary funds.

# CITY OF HOLLAND, MICHIGAN

## Notes to Financial Statements

Depreciation on the capital assets (including infrastructure) of the primary government, as well as the component units, is computed using the straight-line method over the following estimated useful lives:

Assets	Years
Land improvements	20
Buildings	40
Office equipment and furniture	3-5
Vehicles	5-10
Public domain infrastructure	40
System infrastructure	20

### Restricted Assets

Assets of the enterprise funds that are restricted for specific uses by bond requirements or other legal requirements are classified as restricted assets.

### Bond Discounts, Premiums, Deferred Refunding Costs and Bond Issuance Costs

Premiums, discounts, deferred refunding costs and bond issuance costs associated with various bond issues are being amortized by the interest or straight-line methods over the repayment periods of the related bonds. Amortization of these items is charged to interest expense.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures. Bond issuance costs are capitalized and amortized over the life of the bonds for proprietary funds and for governmental and business-type activities on the government-wide financial statements.

# CITY OF HOLLAND, MICHIGAN

## Notes to Financial Statements

### Deferred Revenue

Governmental funds report deferred revenue in connection with assets received or receivable that are not considered to be available to liquidate liabilities of the current period or that have not yet been earned. At the end of the current fiscal year, the various components of deferred revenue reported in the governmental funds were as follows:

	Unearned	Unavailable	Total
<b>Governmental activities</b>			
Governmental funds:			
Long-term lease receivable	\$ -	\$ 2,270,588	\$ 2,270,588
Special assessment receivable:			
Special assessment debt	-	542,489	542,489
Infrastructure projects	-	1,269	1,269
Miscellaneous governmental functions	-	708,220	708,220
Grant drawdowns in excess of amounts expended			
Culture and community improvement	13,450	-	13,450
Municipal facilities and land improvement projects	1,929	-	1,929
Infrastructure projects	1,257,647	-	1,257,647
Fees collected in excess of amounts earned	118,288	-	118,288
<b>Total governmental activities</b>	<b>\$ 1,391,314</b>	<b>\$ 3,522,566</b>	<b>\$ 4,913,880</b>

### Property Taxes

Properties are assessed as of December 31 and become a lien at that time. The related property taxes are levied and billed on July 1 of the following year, and are due without penalty on or before August 15. Summer tax bills include the City property taxes and taxes billed on behalf of various school districts, authorities within the City limits and other entities. Real property taxes that have not been collected as of March 1 are turned over to Ottawa and Allegan Counties for collection. The counties advance the City 100 percent for the delinquent real property taxes. Collection of delinquent personal property taxes and IFT's remains the responsibility of the City Treasurer.

# CITY OF HOLLAND, MICHIGAN

## Notes to Financial Statements

The taxable value at December 31, 2011 was \$1,076,127,875, which provides a City-wide valuation equivalency that allows for a uniform millage rate across all taxable properties, including tax-abated properties. The tax levy was based on the following rates:

	Millage Rate Used	Authorized Millage Rate	Authorized By
General operating	9.5000		
Street development and improvement	1.0000		
Sidewalk development and improvement	0.0500		
Municipal capital projects	0.1371		
Debt service general obligation	2.1946		
	<u>12.8817</u>	16.1346	1
		17.5000	City Charter
Library support / debt service	1.2683	1.3086	1
		1.5000	2
West Michigan airport authority	0.1000	0.1000	1 & 3

1. Formula limitation required by 1978 State Constitutional amendment.
2. Library support agreement between City of Holland, Park Township, Holland Township, Laketown Township and Herrick District Library dated March 21, 1997.
3. Airport support agreement between City of Holland, Park Township, and City of Zeeland effective January of 2007.

### Interfund Transactions

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

### Electric Utility Fund Transfer to the General Fund

The City Charter authorizes an annual transfer from the electric utility fund to the general purposes of the City. The current formula for determining this transfer is based upon 5 percent of electric utility fund budgeted revenues of the same fiscal year. For fiscal year 2012, a total transfer of \$4,307,040 was made. A \$3,950,000 transfer was made to the general fund and a \$357,040 transfer was made to the Municipal Facilities and Land Improvements Project Fund.

### Compensated Absences

Non-union City employees are granted paid time off (PTO) each pay period in varying amounts based on length of service. Public safety union employees are granted vacation and sick pay in varying amounts based on length of service. Utilities bargaining unit employees are granted paid time off on their anniversary date of hire. These benefits are compensable upon termination of employment except during resignation or discharge for disciplinary cause.

# CITY OF HOLLAND, MICHIGAN

## Notes to Financial Statements

Vacation hours are credited to each public safety bargaining unit employee on the anniversary date of hire. The number of hours is dependent upon years of service. Sick leave hours are credited to each employee as earned during a calendar year up to a maximum of 104 hours for police bargaining union and 145.60 for fire bargaining union. Police bargaining employees are compensated for one half, or one quarter, respectively, of total accumulated sick leave hours in excess of 720 hours for the year ended June 30, 2012. Fire bargaining employees receive no pay out upon termination for accumulated sick leave hours.

The City's policy is to recognize the cost of vacation, sick, paid time off, deferred overtime and salary-related fringe benefits associated with these compensated absences at the time the compensated absences are earned. The liabilities associated with compensated absences have been recorded in the enterprise funds for those employees compensated by those funds and in the compensated absences internal service fund for employees compensated by governmental funds.

### Fund Equity

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. Committed fund balance is reported for amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City Council (the government's highest level of decision-making authority). A formal resolution of the City Council is required to establish, modify, or rescind a fund balance commitment. The City reports assigned fund balance for amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. Unassigned fund balance is the residual classification for the General Fund.

When the City incurs an expenditure for purposes for which various fund balance classifications can be used, it is the City's policy to use restricted fund balance first, then committed fund balance, assigned fund balance, and finally unassigned fund balance.

## 2. BUDGETARY INFORMATION

Budgets presented in the financial statements were prepared on the same basis as the accounting basis used to reflect actual results. The general fund and special revenue funds are subject to legal budgetary accounting controls and all are budgeted annually. Debt service funds are also included in the budgetary process; however, State statutes do not require legally adopted budgets for such funds. The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The City Manager is responsible for submitting the proposed operating budget for the following fiscal year to the City Council. The City Council, during its review, holds a public hearing to obtain taxpayer comments. The budget is legally enacted by resolution of the Council.

# CITY OF HOLLAND, MICHIGAN

## Notes to Financial Statements

2. The City Director of Finance is authorized to transfer budget amounts between accounts within the same department of any fund upon written request by a department or division head and approval by the City Manager. Transfers between departments or any revisions that alter total appropriations of any fund must be approved by the City Council. Budgeted appropriations lapse each year; however, appropriations for continuing projects and programs which the City intends to complete are included in the budget of the ensuing year.
3. Budgeted amounts are as originally adopted or as amended by the City Council during the year. The budgets have been prepared in accordance with generally accepted accounting principles. Supplemental appropriations were necessary during the year.
4. The budget has been adopted on a department level basis; expenditures at this level in excess of amounts budgeted are a violation of Michigan law.
5. Annual budgets are legally adopted for the General Fund, Special Revenue and Permanent Funds as required by the Uniform Budgeting Act (P.A. 621 of 1978) of the State of Michigan.
6. Informal annual budgets are also adopted for the debt service, enterprise and internal service funds, and component units.
7. Informal budgets are adopted for the Capital Projects Funds on a “multi-year” inception-to-completion basis.

### 3. COMPLIANCE

#### *Budgetary Compliance*

The Uniform Budgeting Act (P.A. 621 of 1978) of the State of Michigan requires that all General and Special Revenue Funds adopt annually balanced budgets on the modified accrual basis of accounting.

For the year ended June 30, 2012, expenditures exceeded appropriations at the legal level of budgetary control in the following funds:

	Total Appropriations	Amount of Expenditure	Budget Variance
<b>General fund</b>			
General government - city hall and grounds	\$ 209,269	\$ 210,031	\$ 762
Public safety - construction inspections	392,342	394,786	2,444
Public works - streets	961,014	1,157,461	196,447
<b>Major streets fund</b>			
Public works - personnel services	504,200	510,407	6,207
<b>Public parking system fund</b>			
Debt service - interest and fiscal charges	20	33	13
Transfers out	9,762	10,253	491
<b>Principal shopping district fund</b>			
Culture and recreation - personnel services	151,200	152,397	1,197
<b>CATV (public access channels) fund</b>			
General government - personnel services	1,700	3,625	1,925
<b>Law enforcement block grant fund</b>			
Transfers out	-	6,130	6,130

# CITY OF HOLLAND, MICHIGAN

## Notes to Financial Statements

### *Compliance with Single Audit Act*

Procedures performed to test compliance relating to expenditures of federal awards as required by the Single Audit Act Amendments of 1996 and related findings are detailed in a separate report.

### *Deficit fund balance*

The revolving cash assistance special revenue fund reported a fund deficit of \$239,384 at June 30, 2012. Management expects this deficit to be eliminated over time as special assessments are collected.

## 4. DEPOSITS AND INVESTMENTS

The City's reporting entity deposits and investments as of June 30, 2012 are included on the statement of net assets under the following classifications:

	Governmental Activities	Business-type Activities	Component Units	Agency Funds	Total
Cash and pooled investments	\$ 19,972,507	\$ 50,524,906	\$ 432,555	\$ 758,488	\$ 71,688,456
Investments	-	67,856,303	511,367	-	68,367,670
Restricted assets					
Cash and pooled investments	-	8,438,879	-	-	8,438,879
Investments	-	6,881,696	-	-	6,881,696
<b>Total</b>	<b>\$ 19,972,507</b>	<b>\$ 133,701,784</b>	<b>\$ 943,922</b>	<b>\$ 758,488</b>	<b>\$ 155,376,701</b>

For note disclosure purposes, the amounts above are classified as follows:

Petty Cash	\$ 10,907
Deposits (checking/savings accounts)	7,853,236
Certificate of deposit (due within one year)	10,557,015
Certificate of deposit (due within one to five years)	5,000,000
Investments	131,955,543
	<u>\$ 155,376,701</u>

# CITY OF HOLLAND, MICHIGAN

## Notes to Financial Statements

The City chooses to disclose its investments by specifically identifying each. As of year-end the City and its component units had the following investments:

Investment	Fair Market Value	Interest Rate	Maturity Date	Rating	Callable
<b>Primary Government</b>					
<b>City of Holland</b>					
Federal Home Loan Mortgage Corporation	\$ 1,004,886	1.050%	10/26/16	S&P AA+;	Quarterly beginning
Federal National Mortgage Association	2,009,957	1.125%	11/14/16	Moody's Aaa	Quarterly beginning
Commercial paper	1,003,704	0.735%	10/19/12	S&P AA+;	n/a
Commercial paper	1,515,890	0.750%	10/26/12	Moody's Aaa	n/a
Money market funds	<u>1,600,348</u>	0.010-2.000%	n/a	S&P A-1;	n/a
				S&P AAA, AAA/m & AA-;	
				Moody's Aaa & Aa1	
<b>Total City of Holland</b>	<u>\$ 7,134,785</u>				
<b>Holland Board of Public Works</b>					
Federal Farm Credit Bank	2,000,644	0.490%	09/06/13	S&P AA+	9/16/2012
Federal Farm Credit Bank	2,001,218	0.550%	12/05/13	S&P AA+	12/5/2012
Federal Home Loan Bank	2,019,572	1.000%	12/27/13	S&P AA+	Bullet
Federal Home Loan Bank	2,019,648	1.000%	12/30/13	S&P AA+	Bullet
Federal Farm Credit Bank	2,000,056	0.570%	02/17/15	S&P AA+	5/17/2012
Federal Farm Credit Bank	2,000,750	0.540%	05/15/15	S&P AA+	8/15/2012
Federal Farm Credit Bank	2,000,574	0.620%	05/21/15	S&P AA+	5/21/2012
Federal Farm Credit Bank	2,000,020	0.470%	12*23/13	S&P AA+	7/4/2012
Federal Farm Credit Bank	2,000,040	0.460%	07/25/14	S&P AA+	7/4/2012
Federal Farm Credit Bank	1,999,480	0.400%	08/15/14	S&P AA+	7/4/2012
Federal Home Loan Bank	1,998,440	0.400%	08/22/14	S&P AA+	5/24/2012
Federal Farm Credit Bank	1,999,900	0.580%	06/11/15	S&P AA+	9/11/2012
Federal Farm Credit Bank	2,000,700	0.690%	10/30/15	S&P AA+	7/30/2012
Federal Home Loan Bank	250,013	1.050%	02/23/17	S&P AA+	5/23/2012
Federal Home Loan Bank	500,500	1.430%	11/09/17	S&P AA+	8/9/2012
Federal Farm Credit Bank	251,497	2.000%	11/29/17	S&P AA+	11/29/2012
Federal Home Loan Bank	2,004,500	0.500%	06/21/13	S&P AA+	Bullet
Federal Farm Credit Bank	2,004,280	0.520%	08/01/13	S&P AA+	Bullet
Federal Home Loan Bank	2,004,780	1.500%	08/28/13	S&P AA+	Bullet
Federal Farm Credit Bank	2,000,020	0.500%	11/18/13	S&P AA+	11/18/2011
Federal Farm Credit Bank	2,001,220	0.550%	12/05/13	S&P AA+	12/5/2012
Federal Home Loan Bank	2,019,640	1.000%	12/30/13	S&P AA+	Bullet
Federal Home Loan Bank	1,998,220	0.300%	02/13/14	S&P AA+	Bullet
Federal Farm Credit Bank	1,999,360	0.330%	02/21/14	S&P AA+	2/21/2013
Federal Home Loan Bank	2,000,040	0.400%	06/27/14	S&P AA+	Bullet
Federal Farm Credit Bank	1,999,660	0.400%	08/07/14	S&P AA+	5/7/2012
Federal Home Loan Bank	2,000,160	0.430%	08/28/14	S&P AA+	Bullet
Federal Home Loan Bank	2,000,800	0.500%	09/05/14	S&P AA+	9/5/2012

# CITY OF HOLLAND, MICHIGAN

## Notes to Financial Statements

Investment	Fair Market Value	Interest Rate	Maturity Date	Rating	Callable
Federal Farm Credit Bank	\$ 2,009,240	0.650%	12/09/14	S&P AA+	Bullet
Federal Farm Credit	1,000,020	0.580%	03/05/15	S&P AA+	6/5/2012
Federal Home Loan Bank	2,000,060	0.600%	03/05/15	S&P AA+	4/5/2012
Federal Farm Credit	2,000,720	0.600%	05/07/15	S&P AA+	8/7/2012
Federal Farm Credit	2,001,700	0.600%	05/22/15	S&P AA+	5/22/2013
Michigan State Taxable Refunding Bonds	507,325	1.772%	11/01/13	S&P AA+	Non-Callable
Michigan State Taxable Refunding Bonds	514,080	2.302%	11/01/14	S&P AA+	Non-Callable
Federal Farm Credit	2,000,020	0.430%	08/22/13	S&P AA+	11/22/2011
MPPA Investment	5,381,112	N/A	Various	S&P AA+	N/A
Repurchase agreements *	<u>55,819,382</u>	N/A	n/a	Not rated	N/A
<b>Total Holland Board of Public Works</b>	<u>124,309,391</u>				
<b>Total Primary Government</b>	<u>131,444,176</u>				
<b>Component Units</b>					
<b>Holland Historical Trust</b>					
Bond Mutual Funds	172,088	n/a	n/a	Various	n/a
Equity Mutual Funds	258,610	n/a	n/a	n/a	n/a
Other Mutual Funds	48,735	n/a	n/a	n/a	n/a
Corporate equities, domestic	<u>31,934</u>	n/a	n/a	n/a	n/a
<b>Total Component Units</b>	<u>511,367</u>				
<b>Total Reporting Entity</b>	<u>\$ 131,955,543</u>				

\* Investments are collateralized by US government securities

# CITY OF HOLLAND, MICHIGAN

## Notes to Financial Statements

### *Investment and Deposit Risk*

#### Primary Government

*Interest Rate Risk.* State law limits the allowable investments and the maturities of some of the allowable investments as identified in Note 1. The City's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The maturity dates for each investment are identified above for investments held at year-end.

*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 above. The City's investment policy does not have specific limits in excess of state law pertaining to investment credit risk. The ratings for each investment are identified above for significant investments held at year-end.

*Custodial Credit Risk - Deposits.* Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned. State law does not require and the City's investment policy does not have specific limits in excess of state law pertaining to custodial credit risk. As of year-end, \$16,885,547 of the bank balance of \$25,238,369 was exposed to custodial credit risk because it was uninsured and uncollateralized.

*Custodial Credit Risk - Investments.* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. State law does not require and the City does not have a specific policy pertaining to investment custodial credit risk which is more restrictive than state law. Of the above \$131,444,176 of investments held at year-end, the City has a custodial credit risk exposure of \$55,819,382 because the related securities are uninsured, unregistered and held by the government's brokerage firm which is also the counterparty for these particular securities. The City is not exposed to custodial credit risk on the repurchase agreements as the investments are held in an overnight sweep account which is collateralized by US government securities. Custodial credit risk for the mutual funds and MPPA Trust Pool cannot be determined as these investments are not evidenced by specifically identifiable securities.

*Concentration of Credit Risk.* State law limits allowable investments but does not limit concentration of credit risk as identified in the listing above. The City's Board of Public Works investment policy does not allow for investment concentration with any one financial institution to exceed 80% of the total portfolio. This requirement was not exceeded.

# CITY OF HOLLAND, MICHIGAN

## Notes to Financial Statements

### Component Unit - Holland Historical Trust

*Interest Rate Risk.* The Holland Historical Trust (the "HHT") is a not-for-profit corporation organized under Section 501(c)(3) of the internal revenue code and thus is not subject to the same limitations pertaining to allowable investments as the Primary Government. The maturity dates for each investment held by the HHT are identified above for investments held at year-end.

*Credit Risk.* The HHT's investment policy does not have specific limits pertaining to investment credit risk. The ratings for each investment held by the HHT are identified above for investments held at year-end.

*Custodial Credit Risk - Deposits.* Custodial credit risk is the risk that in the event of a bank failure, the HHT's deposits may not be returned. The HHT's investment policy does not have specific limits pertaining to custodial credit risk. As of year-end, \$130,582 of the bank balance of \$270,497 was exposed to custodial credit risk because it was uninsured and uncollateralized.

*Custodial Credit Risk - Investments.* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the HHT will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. HHT does not have a specific policy pertaining to investment custodial credit risk. In accordance with the HHT's investment policy, all investments are held in the name of the HHT and are evidenced by a safekeeping receipt confirmation, and thus not exposed to custodial credit risk.

## 5. DISAGGREGATED ASSETS

Receivables, net are comprised of the following at year-end:

	Governmental Activities	Business-type Activities	Downtown Development Authority	Holland Historical Trust
Accounts	\$ 1,163,711	\$ 13,782,765	\$ -	\$ -
Allowance for uncollectible receivables	(1,000)	-	-	-
Taxes and special assessments	1,301,260	260,465	401	-
Allowance for uncollectible taxes and special assessments	(44,935)	(91)	(268)	-
Interest	35,033	84,707	-	-
Leases	2,270,588	-	-	-
Pledges receivable	-	-	-	78,000
Allowance for uncollectible pledges	-	-	-	(12,500)
Due from other governmental units	1,043,327	-	-	-
Deposit with others	109,570	-	-	-
	<u>\$ 5,877,554</u>	<u>\$ 14,127,846</u>	<u>\$ 133</u>	<u>\$ 65,500</u>

Of the amounts reported for receivables above, leases receivable in the amount of \$2,270,588 and special assessments receivable in the amount of \$1,251,978 are not expected to be collected within one year.

# CITY OF HOLLAND, MICHIGAN

## Notes to Financial Statements

Prepays and other assets are comprised of the following at year-end:

	Governmental Activities	Business-type Activities	Downtown Development Authority
Prepaid items	\$ 30,998	\$ 589,806	\$ 200
Unamortized bond issuance costs	343,409	-	-
	<u>\$ 374,407</u>	<u>\$ 589,806</u>	<u>\$ 200</u>

## 6. CAPITAL ASSETS

### Primary government

Capital asset activity for the primary government for the year ended June 30, 2012, was as follows:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
<b>Governmental Activities</b>					
Capital assets, not being depreciated:					
Land	\$ 16,137,534	\$ 115	\$ -	\$ -	\$ 16,137,649
Construction in progress	3,851,205	1,807,830	-	(3,645,250)	2,013,785
	<u>19,988,739</u>	<u>1,807,945</u>	<u>-</u>	<u>(3,645,250)</u>	<u>18,151,434</u>
Capital assets, being depreciated:					
Land improvements	19,952,323	321,195	-	74,649	20,348,167
Buildings	37,015,856	74,209	-	-	37,090,065
Machinery and equipment	8,209,056	394,049	(44,914)	-	8,558,191
Vehicles	6,726,099	125,515	(285,404)	203,269	6,769,479
Infrastructure	93,182,855	3,261,117	(543,510)	3,367,332	99,267,794
	<u>165,086,189</u>	<u>4,176,085</u>	<u>(873,828)</u>	<u>3,645,250</u>	<u>172,033,696</u>
Less accumulated depreciation for:					
Land improvements	(9,095,173)	(900,194)	-	-	(9,995,367)
Buildings	(10,951,529)	(1,039,823)	-	-	(11,991,352)
Machinery and equipment	(4,802,889)	(522,374)	35,180	-	(5,290,083)
Vehicles	(3,918,793)	(465,506)	236,847	-	(4,147,452)
Infrastructure	(31,009,429)	(3,015,319)	377,991	-	(33,646,757)
	<u>(59,777,813)</u>	<u>(5,943,216)</u>	<u>650,018</u>	<u>-</u>	<u>(65,071,011)</u>
Total capital assets being depreciated, net	<u>105,308,376</u>	<u>(1,767,131)</u>	<u>(223,810)</u>	<u>3,645,250</u>	<u>106,962,685</u>
Governmental activities capital assets, net	<u>\$ 125,297,115</u>	<u>\$ 40,814</u>	<u>\$ (223,810)</u>	<u>\$ -</u>	<u>\$ 125,114,119</u>

# CITY OF HOLLAND, MICHIGAN

## Notes to Financial Statements

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
<b>Business-type Activities</b>					
Capital assets, not being depreciated:					
Land	\$ 13,255,388	\$ 34,506	\$ -	\$ -	\$ 13,289,894
Construction in progress	6,919,222	11,792,769	(125,544)	(4,211,035)	14,375,412
	<u>20,174,610</u>	<u>11,827,275</u>	<u>(125,544)</u>	<u>(4,211,035)</u>	<u>27,665,306</u>
Capital assets, being depreciated:					
Land improvements	14,265,985	-	-	-	14,265,985
Buildings	3,582,881	233,321	-	-	3,816,202
Machinery and equipment	340,807,540	2,775,279	(158,329)	4,211,035	347,635,525
Office equipment / furniture	35,757	-	-	-	35,757
Vehicles	2,551,165	143,778	(69,285)	-	2,625,658
	<u>361,243,328</u>	<u>3,152,378</u>	<u>(227,614)</u>	<u>4,211,035</u>	<u>368,379,127</u>
Less accumulated depreciation for:					
Land improvements	(7,914,146)	(508,230)	-	-	(8,422,376)
Buildings	(2,236,024)	(91,979)	-	-	(2,328,003)
Machinery and equipment	(220,836,987)	(10,405,656)	83,779	-	(231,158,864)
Office equipment / furniture	(35,518)	(240)	-	-	(35,758)
Vehicles	(1,863,544)	(179,617)	69,285	-	(1,973,876)
	<u>(232,886,219)</u>	<u>(11,185,722)</u>	<u>153,064</u>	<u>-</u>	<u>(243,918,877)</u>
Total capital assets being depreciated, net	<u>128,357,109</u>	<u>(8,033,344)</u>	<u>(74,550)</u>	<u>4,211,035</u>	<u>124,460,250</u>
Business-type activities capital assets, net	<u>\$ 148,531,719</u>	<u>\$ 3,793,931</u>	<u>\$ (200,094)</u>	<u>\$ -</u>	<u>\$ 152,125,556</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

### Depreciation of governmental activities by function

General government	\$ 236,426
Public safety	569,011
Public works	3,482,593
Cultural and recreation	791,260
Economic development	138,198
Internal service funds	725,728
	<u>\$ 5,943,216</u>

# CITY OF HOLLAND, MICHIGAN

## Notes to Financial Statements

### Depreciation of business-type activities by function

Electric utility	\$ 7,410,180
Wastewater utility	1,699,376
Water utility	1,392,353
Windmill island	112,300
Depot operations	37,016
Airport facilities and management system	522,786
Public transit facilities and management system	11,711
	<u>\$ 11,185,722</u>

### Discretely presented component units

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Component Unit -					
Downtown Development Authority					
Capital assets, being depreciated:					
Land Improvements	\$ 232,533	\$ 162,518	\$ -	\$ -	\$ 395,051
Less accumulated depreciation for:					
Land Improvements	(117,511)	(19,215)	-	-	(136,726)
Downtown Development Authority capital assets, net	<u>\$ 115,022</u>	<u>\$ 143,303</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 258,325</u>
Component Unit -					
Holland Historical Trust					
Capital assets, not being depreciated:					
Land	\$ 40,000	\$ -	\$ -	\$ -	\$ 40,000
Capital assets, being depreciated:					
Buildings and improvements	2,950,509	-	-	-	2,950,509
Land improvements	20,617	-	-	-	20,617
Furniture and equipment	71,872	-	(350)	-	71,522
	<u>3,042,998</u>	<u>-</u>	<u>(350)</u>	<u>-</u>	<u>3,042,648</u>
Less accumulated depreciation for:					
Buildings and improvements	(942,785)	(134,792)	-	-	(1,077,577)
Land improvements	(16,361)	(12,207)	-	-	(28,568)
Furniture and equipment	(50,695)	(6,877)	350	-	(57,222)
	<u>(1,009,841)</u>	<u>(153,876)</u>	<u>350</u>	<u>-</u>	<u>(1,163,367)</u>
Total capital assets being depreciated, net	<u>2,033,157</u>	<u>(153,876)</u>	<u>-</u>	<u>-</u>	<u>1,879,281</u>
Holland Historical Trust capital assets, net	<u>\$ 2,073,157</u>	<u>\$ (153,876)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,919,281</u>

# CITY OF HOLLAND, MICHIGAN

## Notes to Financial Statements

### 7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Payables are comprised of the following at year-end:

	Governmental Activities	Business-type Activities	Downtown Development Authority	Holland Historical Trust
Accounts	\$ 1,586,080	\$ 8,145,574	\$ 2,677	\$ 14,320
Accrued payroll and benefits	536,694	506,613	3,851	8,239
Claims payable	190,203	-	-	-
Accrued interest payable	249,689	2,246	-	-
Due to other governmental units	171,958	-	-	-
	<u>\$ 2,734,624</u>	<u>\$ 8,654,433</u>	<u>\$ 6,528</u>	<u>\$ 22,559</u>

### 8. LINE OF CREDIT

Holland Historical Trust ("HHT") has available a \$100,000 line of credit with interest at 0.625% under the bank's prime rate, limited to a minimum rate of 4.5% (effective rate of 4.5% at June 30, 2012). The line expires on January 25, 2013. Outstanding borrowings on the line as of June 30, 2012 were \$65,000. As a condition of granting of credit line, HHT pledges to maintain deposit accounts with the creditor bank.

### 9. LONG-TERM DEBT

Long-term debt at June 30, 2012, is comprised of the following individual bond issues, notes payable and lease obligations:

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
<b>Governmental Activities</b>					
Installment debt:					
General obligation bonds	\$ 30,843,186	\$ -	\$ (2,559,463)	\$ 28,283,723	\$ 2,724,463
Special assessment bonds	200,000	-	(60,000)	140,000	35,000
Land contracts	377,000	-	(12,500)	364,500	364,500
Total installment debt	<u>31,420,186</u>	<u>-</u>	<u>(2,631,963)</u>	<u>28,788,223</u>	<u>3,123,963</u>
Legal settlement	134,104	-	(134,104)	-	-
Premium on bonds payable	374,156	-	(48,747)	325,409	48,747
Unamortized deferred refunding costs	(625,371)	-	75,520	(549,851)	(75,520)
Compensated absences	1,664,909	1,051,051	(1,055,197)	1,660,763	1,055,000
Totals governmental activities	<u>\$ 32,967,984</u>	<u>\$ 1,051,051</u>	<u>\$ (3,794,491)</u>	<u>\$ 30,224,544</u>	<u>\$ 4,152,190</u>

# CITY OF HOLLAND, MICHIGAN

## Notes to Financial Statements

### General obligation bonds

\$1,310,603 City of Holland portion of 1999 Allegan Co. Sewage Disposal System Bonds, due in annual installments of \$70,463 to \$93,950 through 2018; interest at 4.20% to 4.80%	\$ 516,723
\$800,000 2002A Public Improvement Bonds, due in annual installments of \$30,000 to \$60,000 through 2016; interest rate at 4.00% to 7.00%	230,000
\$5,400,000 2004 Library Improvement Refunding Bonds, due in annual installments of \$55,000 to \$475,000, through 2016; interest at 2.00% to 4.35%	2,255,000
\$4,170,000 2004 City Hall Improvement Refunding Bonds, due in annual installments of \$50,000 to \$475,000, through 2016; interest at 2.00% to 4.35%	1,800,000
\$7,255,000 2006 Building Authority Refunding Bonds, (partial refunding of the 2002 Police and Transportation Facilities Improvement Bonds) due in annual installments of \$25,000 to \$1,880,000 through 2022; interest rates at 3.50% to 4.00%	7,085,000
\$4,000,000 2008 Capital Improvement Parking Bonds, due in annual installments of \$45,000 to \$290,000 through 2033; interest rates at 3.25% to 5.00%	3,835,000
\$5,500,000 2010 Capital Improvement Bonds, due in annual installments of \$520,000 to \$715,000 through 2019; interest rates at 1.25% to 3.20%	4,980,000
\$170,000 2010 Drain Improvements Bonds, due in annual installments of \$34,000 through 2015; interest rate at 4.38%	102,000
\$150,000 2010 Drain Improvements Bonds, due in annual installments of \$30,000 through 2015; interest rate at 4.38%	90,000
\$7,425,000 2010 Police Improvement Refunding Bonds, (partial refunding of the 2002 Police and Transportation Facilities Improvement Bonds) due in annual installments of \$35,000 to \$1,460,000 through 2018; interest rates at 2.00% to 4.50%	<u>7,390,000</u>
Total general obligation bonds	<u>\$ 28,283,723</u>

# CITY OF HOLLAND, MICHIGAN

## Notes to Financial Statements

### Special assessment bonds

\$155,000 2006 Special Assesment Bonds, due in annual installments of \$10,000 through 2022; interst at 5.06%	\$ 90,000
\$350,000 2001 Special Assesment Bonds, due in annual installments of \$10,000 through 2022; interst at 5.06%	<u>50,000</u>
Total special assessment bonds	<u>\$ 140,000</u>

### Land contracts

\$352,000 2004 Land Contract, due in one-time installment of \$352,000 in 2012; non-interest bearing	\$ 352,000
\$175,000 2003 Land Contract, due in annual installments of \$12,500 through 2013; interest at 5.00%	<u>12,500</u>
Total land contracts	<u>\$ 364,500</u>

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
<b>Business-type activities</b>					
Revenue bonds	\$ 18,132,000	\$ 12,516,651	\$ (11,519,500)	\$ 19,129,151	\$ 1,806,500
Discount on bonds payable	(100,892)	-	86,294	(14,598)	(11,111)
Premium on bonds payable	-	799,587	-	799,587	93,614
Unamortized deferred refunding costs	(252,112)	(550,032)	77,126	(725,018)	(134,468)
Compensated absences	644,726	623,030	(276,875)	990,881	990,881
<b>Total business-type activities</b>	<u>\$ 18,423,722</u>	<u>\$ 13,389,236</u>	<u>\$ (11,632,955)</u>	<u>\$ 20,180,003</u>	<u>\$ 2,745,416</u>

# CITY OF HOLLAND, MICHIGAN

## Notes to Financial Statements

### Revenue bonds

\$7,635,000 2005A Water Supply Revenue Refunding Bonds, due in annual installments of \$635,000 to \$915,000 through 2019; interest rates at 3.00% to 4.00%	\$ 4,935,000
\$11,200,000 2005B Water Supply Refunding Bonds, due in annual installments of \$155,000 to \$1,525,000 through 2025; interest rates at 3.00% to 5.00%	330,000
\$2,054,500 2011 Ottawa Co. Refunded Sewage Bonds (City assumed 70% of total 2011 Ottawa Co. Disposal Bond issue), due in annual installments of \$52,500 to \$682,500 through 2014, interest rate at 2.00%	1,347,500
\$2,776,651 2011A Drinking Water Revolving Bonds due in annual installments of \$236,500 to \$375,000 through 2032; interest rate at 2.5%. The full amount of the bonds has not been sold as of June 30, 2012; current balance only amortizes through 2026	2,776,651
\$9,740,000 2012A Water Supply System Revenue Refunding Bonds due in annual installments of \$195,000 to \$1,430,000 through 2025, interest rate at 2.00% to 4.00%	<u>9,740,000</u>
Total installment debt	<u>\$ 19,129,151</u>

The City owns and maintains a landfill for fly ash and wastewater treatment bio solids. In accordance with Michigan Department of Environmental Quality requirements, funding for closure cost estimates of \$111,000 and post-closure cost estimates of \$216,450 have been assured with a \$100,000 letter of credit and \$10,226 held in trust at June 30, 2012. The City has recognized a liability for landfill closure and post-closure cost of \$327,450 in the Enterprise Fund based on the percentage of landfill capacity used to date. The landfill is expected to have a remaining life of at least 50 years with approximately 67% of the landfill's capacity currently utilized. These estimates are expected to fluctuate based on inflation, deflation, changes in technology, applicable laws and regulations. There was no change in the liability during the current year.

General obligation bond issues and special assessment bond issues within the governmental activities issued through December 22, 1978 are backed by the full faith and credit of the City. All bond issues issued subsequent to that date have the City's limited tax obligation. Current debt service requirements are funded by property tax revenues, special assessments and reserves within the Debt Service Fund.

The City has created a statutory first lien on the net revenues of the Electric and Water Utility Funds to secure the payment of principal and interest on the revenue bonds. Certain bond ordinances require that bond and interest redemption funds be maintained with a minimum balance amounting to the highest annual principal and interest payments due for each issue plus amounts necessary to fund current principal and interest payments.

# CITY OF HOLLAND, MICHIGAN

## Notes to Financial Statements

The special assessment bonds represent the financing of public improvements that benefit specific districts; these districts are specially assessed, at least in part, for the cost of the improvements. At June 30, 2012, the City has cash and investments of \$477,967 available in Debt Service Funds for repayment of these bonds. In addition, there is \$542,489 of special assessments receivable in the future. Under Michigan law, the City is secondarily liable for payment of these bonds.

The annual requirements to pay principal and interest on long-term obligations outstanding at June 30, 2012, excluding unamortized discount and deferred refunding costs, are as follows:

Year Ended June 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2013	\$ 3,123,963	\$ 1,021,334	\$ 1,806,500	\$ 606,720
2014	2,864,463	934,876	2,052,500	530,529
2015	2,997,950	836,748	1,240,000	476,616
2016	3,068,950	728,863	1,280,000	435,866
2017	2,673,950	605,319	1,325,000	391,491
2018-2022	11,388,947	1,673,924	8,490,000	1,263,181
2023-2027	990,000	525,425	2,935,151	172,654
2028-2032	1,390,000	270,618	-	-
2033	290,000	14,500	-	-
	<u>\$ 28,788,223</u>	<u>\$ 6,611,607</u>	<u>\$ 19,129,151</u>	<u>\$ 3,877,057</u>

### Revenue Bonds

Covenants of the revenue bond resolution provide for, among other things, restrictions on the transfer of funds, issuance of additional debt, creation of liens and the sale and lease of property.

### No Commitment Debt

Excluded from the government-wide statements are bonds issued under the Industrial Development Revenue Bond Act of 1963, as amended, which authorizes municipalities to acquire and lease industrial sites, buildings and equipment. Also excluded are revenue bonds issued by the Economic Development Corporation to acquire and lease property to third parties. The revenue bonds issued are payable solely from the net revenue derived from the respective leases and are not a general obligation of the City. After these bonds are issued, all financial activity is taken over by the paying agent. The bonds and related lease contracts are not reflected in the City's financial statements, but are described below. Additional information regarding the status of each bond issue, including possible default, must be obtained from the paying agent or other knowledgeable source.

# CITY OF HOLLAND, MICHIGAN

## Notes to Financial Statements

For Whom	Purpose	Outstanding Principal at June 30, 2012
Thrifty Holland, Inc.	Acquisition, construction and equipping of retail, grocery & department store	<u>\$ 7,300,000</u>

The Thrifty Holland, Inc. bonds are Floating Rate Monthly Demand Economic Development Revenue Bonds of the Economic Development Corporation of the City of Holland. The City of Holland has no obligation for the debt beyond the resources provided for the above loans.

### Refunded and Defeased Debt

During fiscal year 2012, the City of Holland's Board of Public Works advance refunded \$9,990,000 of 2005B Water Supply System Revenue Bonds to provide resources to purchase U.S. government securities that were placed in an escrow fund for the purpose of generating resources for all future debt service payments of \$10,629,066 of refunded debt. As a result, the bonds are considered defeased and the liability has been removed from the statement of net assets. The refunding resulted in a savings of \$1,479,316 and an economic gain of \$1,404,080.

As of June 30, 2012, a total of \$14,210,000 of bonded debt is considered defeased.

### Compensated Absences - Business-type Activities

Because of the balance of earned compensated absences at June 30, 2012 is substantially equal to amounts estimated to be paid out for such balances during the next year, all compensated balances for business-type activities are believed to be due in one year.

## 10. JOINT VENTURES

The City of Holland Board of Public Works (the "Board") entered into a joint venture, the Michigan Public Power Agency (MPPA), with 15 other municipal electric systems. The MPPA was formed to undertake the planning, financing, development, acquisition, construction, improvement, operation and maintenance of projects to supply electric power and energy for the present or future needs of its members. Each MPPA member is a municipal corporation organized under the laws of the State of Michigan and owns and operates a municipal electric system. The Board is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future. Complete financial statements for the Michigan Public Power Agency can be obtained from the administrative offices at 809 Centennial Way, Lansing, MI 48917.

Under this joint venture, the Board has entered into Power Sales Contracts and Projects Support Contracts. These contracts provide for the Board to purchase from MPPA 15.66% of the energy generated by MPPA's 37.22% ownership in Detroit Edison's Belle River Unit No.1, which became operational in August 1984, and 26.35% of MPPA's 4.8% ownership in Consumers Energy's Campbell Unit No. 3, which became operational in September 1980. These contracts require the Board to purchase approximately 38 and 10 megawatts of power, respectively, in 1995 and thereafter.

# CITY OF HOLLAND, MICHIGAN

## Notes to Financial Statements

For the year ended June 30, 2012, the Board recognized expenses totaling \$17,888,494 under the terms of the contract which represented \$3,019,916 for fixed operating costs, \$5,228,181 for debt service and \$9,641,397 for the purchase of power. Accounts payable to MPPA totaled \$2,713,324 at June 30, 2012. For the year ended June 30, 2011, the Board recognized expenses totaling \$13,937,763 under the terms of the contract which represented \$5,225,641 for fixed operating costs, \$5,225,641 for debt service and \$5,473,380 for the purchase of power. Under the terms of its contracts, the Board must make minimum annual payments equal to its share of debt service and its share of the fixed operating costs of Detroit Edison's Belle River No. 1 and Consumers Energy's Campbell Unit No. 3. The estimated required payments presented below assume no early calls or refinancing of existing revenue bonds and 3.0% annual inflation of fixed operating costs.

A summary of contract requirements with the MPPA is as follows:

Year	Belle River		Campbell		Total
	Debt Service	Fixed Operating	Debt Service	Fixed Operating	
2013	\$ 4,305,460	\$ 2,498,865	\$ 923,442	\$ 799,986	\$ 8,527,753
2014	4,305,960	2,573,831	909,075	823,986	8,612,852
2015	4,305,533	2,651,046	869,550	848,705	8,674,834
2016	12,916,954	2,730,577	830,025	874,166	17,351,722
2017	-	2,812,495	-	-	2,812,495
2018	-	2,896,869	-	-	2,896,869
	<u>\$ 25,833,907</u>	<u>\$ 16,163,683</u>	<u>\$ 3,532,092</u>	<u>\$ 3,346,843</u>	<u>\$ 48,876,525</u>

Debt Service requirements expire in the years 2018 and 2016 for the Belle River and Campbell projects, respectively. The above amounts include estimated fixed operating costs for the same period as the debt service. The contracts for the Board's commitment for fixed operating costs to extend beyond these dates is dependent upon the use of the facilities.

The joint venture is a result of an ongoing financial responsibility. The Board did not have an initial equity interest and does not participate in net income or losses.

CITY OF HOLLAND, MICHIGAN

Notes to Financial Statements

11. INTERFUND RECEIVABLES AND PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2012, was as follows:

	Due from Other Funds							Total
	General Fund	Infra-structure Projects Fund	Nonmajor Govern-mental Funds	Electric Utility	Wastewater Utility	Water Utility	Internal Service Funds	
Due to Other Funds								
General fund	\$ -	\$ -	\$ -	\$ 88,231	\$ 1,313	\$ 27,041	\$ -	\$ 116,585
Nonmajor govern-mental funds	-	-	775,921	49,140	732	15,060	-	840,853
Electric utility	4,354	14,089	1,076	-	-	-	115,038	134,557
Wastewater utility	826	2,671	204	-	-	-	21,810	25,511
Water utility	1,116	3,612	276	-	-	-	29,489	34,493
Nonmajor enterprise funds	-	-	180	1,538	23	472	-	2,213
Internal service funds	-	-	71,824	1,066	16	326	-	73,232
	<u>\$ 6,296</u>	<u>\$ 20,372</u>	<u>\$ 849,481</u>	<u>\$ 139,975</u>	<u>\$ 2,084</u>	<u>\$ 42,899</u>	<u>\$ 166,337</u>	<u>\$ 1,227,444</u>

For the year ended June 30, 2012, interfund transfers consisted of the following:

	Transfers in						Total
	General Fund	Building Authority Debt Service Fund	Infra-structure Projects Fund	Nonmajor Govern-mental Funds	Nonmajor Enterprise Funds	Internal Service Funds	
Transfers out							
General fund	\$ -	\$ -	\$ -	\$ 162,155	\$ 204,733	\$ 75,000	\$ 441,888
Infrastructure projects fund	-	-	-	3,791	-	-	3,791
Nonmajor govern-mental funds	11,315	1,950,705	2,307,237	888,097	233,321	106,130	5,496,805
Electric utility	3,950,000	-	-	357,040	-	-	4,307,040
Internal service funds	-	-	-	17,340	-	-	17,340
	<u>\$ 3,961,315</u>	<u>\$ 1,950,705</u>	<u>\$ 2,307,237</u>	<u>\$ 1,428,423</u>	<u>\$ 438,054</u>	<u>\$ 181,130</u>	<u>\$ 10,266,864</u>

Transfers are used to move funds based on City Council resolutions or move revenues from the funds required to collect them to the funds required or allowed to expend them.

# CITY OF HOLLAND, MICHIGAN

## Notes to Financial Statements

### 12. INVESTED IN CAPITAL ASSETS NET OF RELATED DEBT

The composition of net assets invested in capital assets, net of related debt as of June 30, 2012, was as follows:

	Governmental Activities	Business-type Activities	Downtown Development Authority	Holland Historical Trust
<b>Capital assets:</b>				
Land	\$ 16,137,649	\$ 13,289,894	\$ -	\$ 40,000
Construction in progress	2,013,785	14,375,412	-	-
Capital assets being depreciated, net	106,962,685	124,460,250	258,325	1,879,281
	<u>125,114,119</u>	<u>152,125,556</u>	<u>258,325</u>	<u>1,919,281</u>
<b>Related debt:</b>				
Total bonds and notes payable	28,788,223	19,129,151	-	-
Net bond premium/discount	325,409	784,989	-	-
Deferred loss on advance refunding	(549,851)	(725,018)	-	-
Less: bonds payable related to capital leases	(2,255,000)	-	-	-
	<u>26,308,781</u>	<u>19,189,122</u>	<u>-</u>	<u>-</u>
<b>Invested in capital assets, net of capital - related debt</b>	<u>\$ 98,805,338</u>	<u>\$ 132,936,434</u>	<u>\$ 258,325</u>	<u>\$ 1,919,281</u>

# CITY OF HOLLAND, MICHIGAN

## Notes to Financial Statements

### 13. FUND BALANCES - GOVERNMENTAL FUNDS

In accordance with GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, the City classifies fund balances based primarily on the extent to which it is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Detailed information on fund balances of governmental funds is as follows:

	General Fund	Building Authority Debt Service Fund	Infrastructure Projects	Nonmajor Governmental Funds	Total
<b>Nonspendable:</b>					
Prepaid items	\$ 7,028	\$ -	\$ -	\$ 300	\$ 7,328
Cemetery endowment corpus	-	-	-	1,488,522	1,488,522
<b>Total nonspendable</b>	<b>7,028</b>	<b>-</b>	<b>-</b>	<b>1,488,822</b>	<b>1,495,850</b>
<b>Restricted for:</b>					
Street construction and maintenance	-	-	-	2,407,430	2,407,430
Cemetery maintenance and improvements	-	-	-	60,820	60,820
Debt service	-	-	-	506,975	506,975
Capital improvements	-	-	194,015	-	194,015
Parking system and maintenance	-	-	-	168,401	168,401
Snowmelt system and maintenance	-	-	-	140,502	140,502
Downtown promotion	-	-	-	194,754	194,754
Grant and support programs	-	-	-	9,852	9,852
Specified donations	-	-	-	100,651	100,651
<b>Total restricted</b>	<b>-</b>	<b>-</b>	<b>194,015</b>	<b>3,589,385</b>	<b>3,783,400</b>
<b>Committed for:</b>					
Debt service	-	12,957	-	-	12,957
Infrastructure construction and maintenance	-	-	98,284	1,245,793	1,344,077
Public access television	-	-	-	408,749	408,749
Grant and support programs	27,090	-	-	-	27,090
Capital improvements	-	-	-	352,386	352,386
<b>Total assigned</b>	<b>27,090</b>	<b>12,957</b>	<b>98,284</b>	<b>2,006,928</b>	<b>2,145,259</b>
<b>Unassigned (deficit)</b>	<b>4,183,015</b>	<b>-</b>	<b>-</b>	<b>(239,384)</b>	<b>3,943,631</b>
<b>Total fund balances - governmental funds</b>	<b>\$ 4,217,133</b>	<b>\$ 12,957</b>	<b>\$ 292,299</b>	<b>\$ 6,845,751</b>	<b>\$ 11,368,140</b>

# CITY OF HOLLAND, MICHIGAN

## Notes to Financial Statements

### 14. PENSION PLANS

#### *Defined Benefit Plan*

The City participates in the Municipal Employees Retirement System of Michigan (MERS), an agent multiple-employer defined benefit pension plan providing retirement, death and disability benefits covering full-time City employees. The System is administered by the MERS retirement board. Act No. 427 of the Public Acts of 1984, as amended, establishes and amends the benefit provisions of the participants in MERS. A publicly available financial report that includes financial statements and required supplementary information for MERS may be obtained by writing to the Municipal Employees Retirement System of Michigan, 1134 Municipal Way, Lansing, Michigan 48917 or by calling (800) 767-6377.

The City is required to contribute at an actuarially determined rate; the current rate varies by bargaining unit as a percentage of annual covered payroll from 17.37% to 19.39% for Police and Fire union employees. For other union and all non-union employees, the City is required to contribute a flat rate as listed below.

Employment Division	Amount
General (non-union)	\$ 45,747
Police (non-union)	11,538
Fire (non-union)	2,203
General (local 214)	6,760
Public works (local 586)	60,905
Public Works (non-union)	30,257
Clerical	4,513

Participating employees are required to contribute from 2% to 6.23%, based on bargaining unit, to the Plan. The contribution requirements of the City are established and may be amended by the MERS Retirement Board.

For the year ended June 30, 2012, the City's actual and required contribution for MERS was \$2,829,370. The required contribution was determined as part of the December 31, 2009 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included: (a) a rate of return on the investment of present and future assets of 8.0%; (b) projected salary increases of 4.5% per year compounded annually, attributable to inflation; (c) additional projected salary increases of 0.0% to 8.4% per year, depending on age, attributable to merit, longevity, and promotional pay increases; and (d) post-retirement Benefits will increase based on City Council resolution. The actuarial value of MERS assets was determined on the basis of a valuation method that assumes the fund earns the expected rate of return and includes an adjustment to reflect fair value. The City's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2010, the date of the latest actuarial valuation, was 28 years.

# CITY OF HOLLAND, MICHIGAN

## Notes to Financial Statements

Three-Year Trend Information			
Years Ended June 30,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (Asset)
2010	\$ 2,309,042	99%	\$ (1,011,521)
2011	2,775,157	99%	(991,497)
2012	2,848,999	99%	(971,868)

*Funded Status and Funding Progress.* As of December 31, 2010, the most recent actuarial valuation date, the Plan was 73 percent funded. The actuarial accrued liability for benefits was \$110,089,180, and the actuarial value of assets was \$80,894,618, resulting in an unfunded actuarial accrued liability (UAAL) of \$29,194,562. The covered payroll (annual payroll of active employees covered by the Plan) was \$15,525,358, and the ratio of the UAAL to the covered payroll was 188 percent.

The schedules of funding progress and employer contributions, presented as required supplementary information (RSI) following the notes to the financial statements, presents multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AAL for benefits.

The City's Annual Pension Cost and Net Pension Asset for the current year are as follows:

Actuarial determined contribution	\$ 2,829,370
Interest on net pension asset	79,320
Adjustment to actuarially determined contribution	<u>(59,691)</u>
Annual pension cost	2,848,999
Contributions made	<u>2,829,370</u>
Increase (decrease) in net pension asset	(19,629)
Net pension asset, beginning of the year	<u>991,497</u>
Net pension asset, end of the year	<u><u>\$ 971,868</u></u>

### *Defined Contribution Pension Plan*

The City participates in a defined contribution retirement plan which is administered by the ICMA for nonbargaining employees. The defined contribution provisions of the plan require the City to contribute 6% to 8% of covered employee payroll and to match employee contributions up to 0% to 2%. The participants direct their investments under defined contribution provisions. The City contributed \$568,857 and employees contributed \$162,669 to the defined contribution plan.

# CITY OF HOLLAND, MICHIGAN

## Notes to Financial Statements

### 15. OTHER POSTEMPLOYMENT BENEFITS

*Plan Description.* The City of Holland Retiree Healthcare Plan (the “Plan”) is a single-employer defined benefit healthcare plan administered by the City. The Plan provides 100% of health insurance benefits to eligible retirees and their dependents. The benefit is provided upon the employee attaining 50 or 55 years of age, depending on employment contract, and 25 years of service to the City or 60 years of age and 10 years of service. The coverage is maintained until the employee is eligible for federal Medicare coverage at age 65. The Plan does not issue a separate audited report.

The City provides a monthly subsidy payment for the retiree health insurance premium charged by the City’s Health and Dental Insurance Fund for single or two-person coverage, depending on employment contract as follows:

Employee Group	Single Coverage	Two-Person Coverage
Nonbargaining City and BPW	\$ 250	\$ 450
Police Bargaining	250	450
Fire Bargaining	250	500
BPW Utility Bargaining	120	250
BPW Clerical Bargaining	130	250

No subsidy payment is made if the retiree can obtain no cost coverage through other employment or through a spouse’s employment. However, retired employees who are eligible to receive hospital, surgical and medical coverage from another employer sponsored plan may request reimbursement for any premium cost up to the maximum amounts as stated above.

*Contributions.* The contribution requirements of Plan members and the City are established and may be amended by the City Council. The required contribution is based on projected pay-as-you-go financing requirements. For the year ended June 30, 2012, the City contributed \$598,697 including cash contributions of \$213,658 and an implicit rate subsidy (which did not require cash) of \$385,039.

*Annual OPEB Cost and Net OPEB Obligation.* The City’s annual other postemployment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer* (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

# CITY OF HOLLAND, MICHIGAN

## Notes to Financial Statements

The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the City's net OPEB obligation:

Annual required contribution	\$ 876,345
Interest on net OPEB obligation	31,170
Adjustment to annual required contribution	<u>(44,275)</u>
Net OPEB cost (expense)	863,240
Contributions made	<u>(598,697)</u>
Increase in net OPEB obligation	264,543
Net OPEB obligation, beginning of year	<u>779,247</u>
Net OPEB obligation, end of year	<u><u>\$ 1,043,790</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation was as follows:

Three-Year Trend Information			
Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	\$ 666,535	56%	\$ 636,606
2011	701,014	80%	779,247
2012	860,020	70%	1,043,790

*Funded Status and Funding Progress.* As of June 30, 2012, the most recent actuarial valuation date, the Plan was 0 percent funded. The actuarial accrued liability for benefits was \$8,013,146, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$8,013,146. The covered payroll (annual payroll of active employees covered by the Plan) was \$20,562,668, and the ratio of the UAAL to the covered payroll was 39 percent.

The schedules of funding progress and employer contributions, presented as required supplementary information (RSI) following the notes to the financial statements, presents multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AAL for benefits.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumption about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

# CITY OF HOLLAND, MICHIGAN

## Notes to Financial Statements

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive Plan (the Plan as understood by the employer and the Plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and Plan members to the point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the June 30, 2012 actuarial valuation, the projected unit credit (level dollar) method was used. The actuarial assumptions includes: (a) a rate of return on investments of 4.0%; and (b) projected healthcare benefit increases (graded inflation rate) of 9% for 2013 graded down to 5% for 2017. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the fair value of investments over a five-year period. The unfunded actuarial accrued liability is being amortized as a level dollar amount over 30 years on a closed basis.

### 16. CONTINGENT LIABILITIES

Management of the City is of the opinion that the outcome of legal actions will not have a material effect on the financial position of the City and, therefore, has not reflected loss reserves in the financial statements.

### 17. RISK MANAGEMENT

The City estimates the liability for the partially self-funded insurance claims that have been incurred through the end of the fiscal year, including both those claims that have been reported as well as those that have not yet been reported. These estimates are recorded in Internal Service Funds. Changes in the estimated liability for the past two fiscal years were as follows:

	Health and Dental	Vehicle Insurance	Property and Liability	Workers' Compensation	Income Protection	Total
Estimated liability, June 30, 2010	\$ 313,888	\$ -	\$ 12,000	\$ -	\$ -	\$ 325,888
Estimated claims incurred	5,520,324	113,243	306,588	269,326	113,525	6,323,006
Claim payments	(5,463,163)	(113,243)	(306,588)	(269,326)	(113,525)	(6,265,845)
Estimated liability, June 30, 2011	371,049	-	12,000	-	-	383,049
Estimated claims incurred	5,660,275	127,360	266,513	363,687	222,941	6,640,776
Claim payments	(5,754,729)	(127,360)	(278,513)	(363,687)	(222,941)	(6,747,230)
Estimated liability, June 30, 2012	<u>\$ 276,595</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 276,595</u>

# CITY OF HOLLAND, MICHIGAN

## Notes to Financial Statements

The City has in place a risk management program that encompasses annual retention levels, depending upon the specific coverage. Employee health and dental coverage assumes risk up to \$100,000 specific and \$4,553,000 aggregate. Vehicle liability insurance provides first-dollar coverage on all claims. The City assumes total unlimited risk for damage to its vehicles, except fire vehicles, with small deductibles for damages. Damages to all other forms of property are established with a \$100,000 deductible per incident. Retentions for general and public liability risks are currently \$100,000 per incident.

The City has entered into contractual agreements with various third-party administrators for claims servicing. Assets for claims settlement are established in its Internal Service Funds. These funds allocate the cost of providing stop-loss insurance, claims servicing and claims payment by charging a “premium” to each fund and organization using various bases depending upon the type of coverage. The charges take into consideration recent trends in actual experience and also make provision for possible catastrophic losses.

Liabilities are established when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Because actual claims liabilities depend upon such complex factors as inflation, changes in legal positions and damage awards, the process used in computing claims liabilities does not necessarily result in an exact amount. Claims liabilities are periodically reevaluated to take into consideration recently settled claims, the frequency of claims and other economic and social factors.

The City’s amount of settlements did not exceed insurance coverage for each of the past three fiscal years.

## 18. COMMITMENTS

At June 30, 2012, the City had the following outstanding commitments:

- \$376,316 for various drain projects
- \$888,406 for various parks and recreation projects
- \$4,412,158 for road construction and related infrastructure projects
- \$448,303 for sidewalk construction
- 2,395,410 for various electric utility projects
- \$2,737,877 for various water utility projects
- \$2,027,076 for various wastewater utility projects
- \$107,020 for various administrative utility projects



## REQUIRED SUPPLEMENTARY INFORMATION

CITY OF HOLLAND, MICHIGAN

Required Supplementary Information

Schedule of Funding Progress  
MERS Defined Benefit Pension Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a) / c)
12/31/2005	\$ 74,665,205	\$ 91,597,609	\$ 16,932,404	81.5%	\$ 16,378,120	103.4%
12/31/2006	77,806,202	95,229,440	17,423,238	81.7%	16,367,733	106.4%
12/31/2007	80,995,093	100,127,029	19,131,936	80.9%	16,702,204	114.5%
12/31/2008	81,209,288	104,627,785	23,418,497	77.6%	16,628,349	140.8%
12/31/2009	80,611,429	106,034,780	25,423,351	76.0%	16,199,198	156.9%
12/31/2010	80,894,618	110,089,180	29,194,562	73.5%	15,525,358	188.0%

Schedule of Employer Contributions  
MERS Defined Benefit Pension Plan

Year Ended June 30,	Annual Required Contributions	Percentage Contributed
2007	\$ 2,088,653	100%
2008	2,169,602	100%
2009	2,236,726	100%
2010	2,288,612	100%
2011	2,755,133	100%
2012	2,829,370	100%

CITY OF HOLLAND, MICHIGAN

Required Supplementary Information

Schedule of Funding Progress  
Other Postemployment Benefits Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a) / c)
6/30/2008	\$ -	\$ 4,791,667	\$ 4,791,667	0.0%	\$ 22,256,240	21.5%
6/30/2010	-	6,347,333	6,347,333	0.0%	22,456,099	28.3%
6/30/2012	-	8,013,146	8,013,146	0.0%	20,562,668	39.0%

Schedule of Employer Contributions  
Other Postemployment Benefits Plan

Year Ended June 30,	Annual Required Contributions	Percentage Contributed
2010	\$ 672,284	56%
2011	712,285	78%
2012	876,345	70%

This page intentionally left blank.

**COMBINING AND INDIVIDUAL FUND  
STATEMENTS AND SCHEDULES**

This page intentionally left blank.

# CITY OF HOLLAND, MICHIGAN

## General Fund

The General Fund is a governmental fund, and represents the basic and primary operating fund of general government operations. This fund records financial resources used for day-to-day general government service activities, such as City Administration, Public Safety, Community & Neighborhood Services, Leisure & Cultural Services, Cemeteries, etc. Certain activities, programs and projects are financed and recorded in other funds, in accordance with legal restrictions and by Governmental Accounting Standards Board (GASB) requirements.

The General Fund receives the majority of its financing from four primary sources including property taxes, state shared revenues, fees & charges for services, investment income, and an annual transfer from the City's Electric Utility Fund as authorized by City Charter provisions.

Although not a fixed rule, an attempt is made - through the annual budgeting process - to maintain the Net Assets (i.e., fund balance) within a 7.5% to 15% range of the ensuing year's adopted budget appropriation for this fund. This is in addition to the balance in the Budget Stabilization Fund denoted below.

## Budget Stabilization (Rainy Day) Fund

Pursuant to Michigan P.A. 30 of 1978, the City Council adopted Ordinance No. 757, that became effective June 25, 1980, authorizing the establishment of a Budget Stabilization Fund.

By City Ordinance and State of Michigan statutes, the balance maintained in this fund may be used to meet General Fund deficits, to alleviate the reduction of levels of essential services (if so desired by City Council), or offset costs incurred as the result of natural disasters. In recent years this fund has been used to directly fund prior years' portions of Michigan Tax Tribunal stipulated taxover refunds and make transfers to the general fund to offset state revenue sharing reductions.

Investment income generated in this fund is credited, instead, to the General Fund.

As a part of the annual budgeting process, the balance of this fund is examined and, to the extent possible, maintained at ten percent of the General Fund operating appropriations for the ensuing fiscal year. Each year the balance in the Budget Stabilization Fund may be adjusted by way of a transfer from or to the General Fund.

As a result of GASB 54, for reporting purposes the Budget Stabilization Fund is combined with the General Fund as the Budget Stabilization Fund does not have a dedicated revenue stream. All transfers between the funds are eliminated for financial statement purposes.

# CITY OF HOLLAND, MICHIGAN

## Schedule of Balance Sheet Accounts by Activity

General Fund  
June 30, 2012

	General	Budget Stabilization	Total General Fund
<b>Assets</b>			
Cash and pooled investments	\$ 4,007,809	\$ 722,264	\$ 4,730,073
Receivables, net:			
Accounts	184,084	-	184,084
Property taxes	2,192	-	2,192
Interest	35,033	-	35,033
Other governmental units	463,787	-	463,787
Due from other funds	6,296	-	6,296
Prepaid items	7,028	-	7,028
<b>Total assets</b>	<b>\$ 4,706,229</b>	<b>\$ 722,264</b>	<b>\$ 5,428,493</b>
<b>Liabilities</b>			
Accounts payable	\$ 350,155	\$ 1,387	\$ 351,542
Accrued payroll and benefits	440,292	-	440,292
Due to other governmental units	161,663	-	161,663
Due to other funds	116,585	-	116,585
Deposits for:			
Nature Center tours	8,005	-	8,005
Fire escrow	14,985	-	14,985
Deferred revenue	118,288	-	118,288
<b>Total liabilities</b>	<b>1,209,973</b>	<b>1,387</b>	<b>1,211,360</b>
<b>Fund balances</b>			
Nonspendable	7,028	-	7,028
Committed	27,090	-	27,090
Unassigned	3,462,138	720,877	4,183,015
<b>Total fund balances</b>	<b>3,496,256</b>	<b>720,877</b>	<b>4,217,133</b>
<b>Total liabilities and fund balances</b>	<b>\$ 4,706,229</b>	<b>\$ 722,264</b>	<b>\$ 5,428,493</b>

# CITY OF HOLLAND, MICHIGAN

## Detailed Schedule of Revenue Budget and Actual - General Fund For the Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenue				
Taxes:				
Property	\$ 9,848,962	\$ 9,825,578	\$ 9,825,399	\$ (179)
Penalties and interest on delinquent taxes	140,000	85,000	107,098	22,098
Administration fee	509,300	497,093	497,089	(4)
Public service charge in lieu of property tax	33,000	37,983	37,982	(1)
Other miscellaneous tax revenue	1,400	1,384	1,387	3
Total taxes	<u>10,532,662</u>	<u>10,447,038</u>	<u>10,468,955</u>	<u>21,917</u>
Licenses and permits:				
Business	106,000	58,100	53,002	(5,098)
Nonbusiness	438,400	433,900	444,100	10,200
Total licenses and permits	<u>544,400</u>	<u>492,000</u>	<u>497,102</u>	<u>5,102</u>
Intergovernmental:				
State	2,352,200	2,666,701	2,700,327	33,626
Federal	16,000	17,199	18,343	1,144
Other	48,000	48,000	45,310	(2,690)
Total intergovernmental	<u>2,416,200</u>	<u>2,731,900</u>	<u>2,763,980</u>	<u>32,080</u>
Charges for services:				
Fees	601,700	620,526	632,458	11,932
Services rendered	626,710	671,485	688,217	16,732
Sales	100,600	99,900	104,227	4,327
Total charges for services	<u>1,329,010</u>	<u>1,391,911</u>	<u>1,424,902</u>	<u>32,991</u>
Fines and fees	<u>197,000</u>	<u>207,100</u>	<u>205,515</u>	<u>(1,585)</u>
Interest and rents:				
Investment earnings	209,901	81,001	86,020	5,019
Rents	269,100	255,575	262,137	6,562
Total interest and rents	<u>479,001</u>	<u>336,576</u>	<u>348,157</u>	<u>11,581</u>
Miscellaneous	<u>32,583</u>	<u>102,327</u>	<u>109,238</u>	<u>6,911</u>
Total revenue	<u>\$ 15,530,856</u>	<u>\$ 15,708,852</u>	<u>\$ 15,817,849</u>	<u>\$ 108,997</u>

# CITY OF HOLLAND, MICHIGAN

## Detailed Schedule of Expenditures

Budget and Actual - General Fund  
For the Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
<b>Expenditures</b>				
<i>General fund expenditures</i>				
General government:				
City council	\$ 188,800	\$ 194,943	\$ 191,676	\$ (3,267)
City manager	304,700	272,787	259,213	(13,574)
Elections	72,075	58,902	55,320	(3,582)
City finance	562,387	569,435	564,674	(4,761)
Independent audit	50,700	49,938	49,938	-
City assessor	570,326	609,280	598,312	(10,968)
Legal services	182,300	200,950	199,993	(957)
City clerk	168,800	166,381	161,384	(4,997)
Personnel	275,450	221,045	212,839	(8,206)
City treasurer	214,074	197,629	183,681	(13,948)
City hall and grounds	179,450	209,269	210,031	762
Cemetery	464,059	469,473	460,610	(8,863)
Volunteer services	8,675	6,950	5,768	(1,182)
Planning commission	302,100	339,100	320,708	(18,392)
Total general government	<u>3,543,896</u>	<u>3,566,082</u>	<u>3,474,147</u>	<u>(91,935)</u>
Public safety:				
Police	6,980,750	7,276,606	7,271,864	(4,742)
Fire	2,581,859	2,560,211	2,490,713	(69,498)
Environmental health/inspections	424,520	434,105	425,521	(8,584)
Construction inspections	383,225	392,342	394,786	2,444
Total public safety	<u>10,370,354</u>	<u>10,663,264</u>	<u>10,582,884</u>	<u>(80,380)</u>
Public works:				
Streets	1,103,624	961,014	1,157,461	196,447
Transportation management/engineering	159,432	132,567	126,479	(6,088)
Total public works	<u>1,263,056</u>	<u>1,093,581</u>	<u>1,283,940</u>	<u>190,359</u>
Welfare and social services:				
Social services	101,200	99,970	98,387	(1,583)
Ourstreet program	209,320	161,885	138,866	(23,019)
Economic development assistance	195,585	202,697	187,788	(14,909)
Human relations commission	160,600	147,850	139,249	(8,601)
Total welfare and social services	<u>666,705</u>	<u>612,402</u>	<u>564,290</u>	<u>(48,112)</u>

continued...

# CITY OF HOLLAND, MICHIGAN

## Detailed Schedule of Expenditures

Budget and Actual - General Fund

For the Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Expenditures (continued)				
<i>General fund expenditures (continued)</i>				
Culture and recreation:				
Parks	\$ 1,440,803	\$ 1,417,394	\$ 1,354,700	\$ (62,694)
Municipal stadium	78,018	83,298	76,648	(6,650)
Nature center	254,866	228,216	225,798	(2,418)
Cultural-recreational	309,239	311,912	311,912	-
Civic center	236,258	227,125	199,949	(27,176)
Recreation	855,328	825,052	731,992	(93,060)
Market	113,000	111,995	110,263	(1,732)
Leisure services administration	142,100	60,262	55,552	(4,710)
Total culture and recreation	<u>3,429,612</u>	<u>3,265,254</u>	<u>3,066,814</u>	<u>(198,440)</u>
Other appropriations:				
Insurance	71,000	65,000	64,781	(219)
Contingencies	140,000	30,118	-	(30,118)
Total other appropriations	<u>211,000</u>	<u>95,118</u>	<u>64,781</u>	<u>(30,337)</u>
Total general fund expenditures	<u>19,484,623</u>	<u>19,295,701</u>	<u>19,036,856</u>	<u>(258,845)</u>
<i>Budget stabilization fund expenditures</i>				
General government:				
Other services and charges	<u>30,000</u>	<u>216,200</u>	<u>215,149</u>	<u>(1,051)</u>
Total expenditures	<u>\$ 19,514,623</u>	<u>\$ 19,511,901</u>	<u>\$ 19,252,005</u>	<u>\$ (259,896)</u>

concluded

# CITY OF HOLLAND, MICHIGAN

## Detailed Schedule of Transfers Budget and Actual - General Fund For the Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
<b>Transfers in</b>				
Permanent Fund:				
Cemetery Trust	\$ 21,600	\$ 11,450	\$ 11,315	\$ (135)
Special Revenue Fund:				
Culture and Community Improvement				
MSHDA Grant	10,000	6,800	-	(6,800)
Enterprise Funds:				
Electric Utility	3,950,000	3,950,000	3,950,000	-
<b>Total transfers in</b>	<u>\$ 3,981,600</u>	<u>\$ 3,968,250</u>	<u>\$ 3,961,315</u>	<u>\$ (6,935)</u>
<b>Transfers out</b>				
Special Revenue Funds:				
Public Safety Grants:				
Anti-Drug Abuse WEMET Grants	\$ 140,838	\$ 161,748	\$ 161,468	\$ (280)
Dangerous Structures	-	2,500	687	(1,813)
Homeland Security	-	18	-	(18)
Enterprise Funds:				
Windmill Island	161,688	220,268	204,733	(15,535)
Internal Service Fund:				
Equipment Services:				
Fire Vehicle	75,000	75,000	75,000	-
<b>Total transfers out</b>	<u>\$ 377,526</u>	<u>\$ 459,534</u>	<u>\$ 441,888</u>	<u>\$ (17,646)</u>

# CITY OF HOLLAND, MICHIGAN

## Nonmajor Governmental Funds

### Special Revenue Funds

Special Revenue Funds are governmental funds that account for proceeds of specific revenue sources which are legally restricted or committed to expenditures for specified purposes. Major capital projects are exceptions that are designated to other types of governmental funds.

#### *Motor Vehicle Highway Major Street Fund*

The Major Street Fund is established pursuant to State of Michigan P.A. 51 of 1951, as amended. Its purpose is to receive formula distributions from the Michigan Transportation Fund. Funding is also received from the State's Local Road Program (a.k.a., Build Michigan) and State P.A. 48 Metro Act Maintenance Fee payments.

These revenues are required to be expended for maintenance and/or construction of designated *major* streets and bridges. However, the local government is allowed to transfer a portion of these revenues to the Local Street Fund for use on designated *local* streets & bridges (ref: Michigan Public Act 51 of 1951, as amended).

This fund also records signal maintenance and utility costs for designated state trunkline routes located within the City of Holland, receiving reimbursement from the Michigan Transportation Fund. The State has conveyed ownership and control of certain state trunkline roads, for which the City now assumes full responsibility for all maintenance and upkeep, as a part of its major streets system. The Michigan Transportation Fund provides an annual "turnback" payment to the City as part of its formula distribution.

#### *Motor Vehicle Highway Local Street Fund*

The Local Street Fund is established pursuant to State of Michigan P.A. 51 of 1951, as amended. Its purpose is to receive formula distributions from the Michigan Transportation Fund. Funding is also received from the State's Local Road Program (a.k.a., Build Michigan).

Revenues are required to be expended for maintenance and/or construction of designated *local* streets and bridges. However, all outlays for construction of *local streets* must be matched dollar-for-dollar with locally derived sources (ref: Michigan Public Act 51 of 1951, as amended).

#### *Allegan County Road Tax Fund*

The Allegan Road Tax Fund is established pursuant to State of Michigan Public Act 283 of 1909, as amended. Its purpose is to receive a proportional distribution of a county-wide (voted) property tax millage. The distribution is established as a relationship of the taxable value of the portion of the City located within the County of Allegan compared to the taxable value of the entire County.

## CITY OF HOLLAND, MICHIGAN

### Nonmajor Governmental Funds

#### Special Revenue Funds (Continued)

Outlays from this fund are in the form of interfund transfers to designated capital projects for streets, bridges, and right-of-ways that are located within the Allegan County portion of the City.

#### *Street Improvements Reserve Fund*

In May 1985, the Holland City Council mandated establishment of a separate fund to accumulate a cash balance dedicated for road and right-of-way improvements to the City's street system.

This fund provides financial accountability for this purpose. Primary funding is attained from a property tax levy of one mill. Funding can also be provided in the form of bond proceeds when debt is issued for multiple street construction projects. Outlays are in the form of interfund transfers to designated capital projects for streets, bridges, and right-of-ways.

#### *Downtown Operations Public Parking System Fund*

The downtown area includes several municipally-owned public parking lots and one two-story parking structure. Additionally, various other privately-owned parking lots, some of which are leased to the City of Holland for use as public parking facilities, are downtown.

The primary revenue item is an annual operating assessment levied against property owners within a designated downtown district that receive direct or indirect benefit from the parking lots. Expenditures are applied towards routine maintenance and upkeep of public parking lots and a parking deck, towards lease payments on privately-owned lots, to relatively minor capital projects such as lot enhancements and land acquisitions, and towards scheduled annual debt service payments on an interfund multi-year loan.

#### *Downtown Operations Snowmelt Operating System Fund*

As part of a 1988 Downtown Streetscape Project, the City of Holland installed steam-heated pipes and tubes into the streets and adjacent sidewalks for several blocks of the shopping district. Since that original installation, this system has gradually been extended, with significant expansions and repairs completed during the fiscal years ended June 30, 2007, 2008, and 2009. The City's municipal electric-generating plant provides temperature-regulated steam through the pipes and tubes that melt the ice and snow on paved surfaces.

# CITY OF HOLLAND, MICHIGAN

## Nonmajor Governmental Funds

### Special Revenue Funds (Continued)

Revenues are received from an annual operating special assessment levied against property owners within a designated downtown district that benefits from the snowmelt system. Public space assessments for the City Police and Ottawa County Court Complex parking lot and parking deck, the 8th Street Market Circle and the 7th Street Parking Deck are also received. Additionally, transfers-in are received from the Motor Vehicle Highway Major Streets Fund and the Downtown Parking System Fund. Expenditures are applied toward operating and maintaining the snowmelt system. Significant repairs to the original system took place in the fiscal year ending June 30, 2008.

#### *Downtown Operations Principal Shopping District Fund*

As authorized by State of Michigan Act 120 of 1961, as amended, a *Principal Shopping District* (PSD) for the downtown area was created by Ordinance No. 1223 (Ordinance Code: Article XIV.1 - Sections 2-99.1 thru 2-99.4) effective October 7, 1998. The PSD is administered by the City's Mainstreet/DDA for the purpose of promoting the downtown shopping district by a coordinated effort of marketing and special events.

Revenues are received from an annual operating assessment levied against property owners within a designated downtown district that benefit from the PSD and from special event fees. Expenditures are primarily applied towards advertising & marketing, consultants, and special events designed to benefit the downtown.

#### *CATV (Public Access Channels) Fund*

In accordance with terms of a licensing agreement with the cable television firms, Comcast, Inc. and AT&T, Inc. and Michigan Public Act 480 of 2006 entitled the *Uniform Video Services Local Franchise Act*, the City of Holland receives an annual franchise fee equal to five percent of gross subscriber revenues. The agreement specifies that this revenue source is to be used for the promotion of community television within the city.

The City of Holland has entered in a contractual relationship with Macatawa Area Community Media Center (MacTV), a local media agency, for the purpose of providing local cable television programming services for and by various religious, educational, governmental, ethnic, professional, cultural and other special interest groups.

For performing these contracted services, the MacTV is compensated from this fund.

# CITY OF HOLLAND, MICHIGAN

## Nonmajor Governmental Funds

### Special Revenue Funds (Continued)

#### *Revolving Cash Assistance Fund*

This long-established revolving fund provides upfront working capital assistance for special assessment construction projects for which special assessment bonds are not issued. This fund receives significant reimbursement revenue from long term special assessment installment payments. Typically a fifteen year installment payback term is used.

On rare occasions, the City receives one-time payments related to a specific project or property, for which such proceeds are deposited into this fund. Occasionally, financing is provided to certain city-at-large projects, for which no reimbursement is made. Such non-revolving draws against this fund further reduces available working capital.

The role of this fund to provide financial assistance to construction projects remains viable, but has significantly declined in recent years.

#### *Specified Donations Fund*

Each year, the Holland City Council accepts contributions from donors with stipulations regarding how they desire the money to be used. For various reasons, a period of time sometimes elapses prior to expenditure of the donated funds.

This fund provides financial accountability for receipt of donations, for disbursements that are in accordance with the intended and accepted purpose, and for related balance sheet items.

#### *Dangerous Structures Fund*

Various sections and sub-sections within Chapters 6, 14, 15 and 19 of the City Ordinance Code establish local government authority for actions to be taken regarding housing and business properties that are considered to be 'dangerous structures'. Legal actions that the city government may impose include the right to secure, to fix, or to demolish such properties if the property owner of record does not take appropriate action in a timely manner. In such instances, the City submits an invoice to the property owner for reimbursement of costs incurred.

Initially established by City Council Action No. 02.675 dated October 16, 2002 with a one-time \$10,000 contribution from another fund, this fund provides accountability of costs; as well as reimbursements from affected property owners. If an invoice is not paid by the property owner within a specified time period, the ordinance code enables the City to declare the outstanding amount as an assessment against the property; and it is entered for collection upon the ensuing property tax roll.

# CITY OF HOLLAND, MICHIGAN

## Nonmajor Governmental Funds

### Special Revenue Funds (Continued)

#### *Police Criminal Justice Training Fund*

State of Michigan Act 302 of 1982 requires district courts to impose an added assessment on civil infractions under the Michigan Vehicle Code, with a few exceptions. The assessments are in addition to the fines and court costs ordered to be paid, and are forwarded to the State of Michigan.

The State distributes 60% of assessments to local governments based upon the number of full-time police officers currently employed. The funding is required to supplement, and not supplant, training appropriations in the Police Dept annual operating budget. The funding is not in the form of a grant.

This fund provides financial accountability for revenue & expenditure operations, as well as balance sheet items.

#### *Anti-Drug Abuse Grant Funds*

The City of Holland is recipient to grant funding from the U.S. Dept of Justice pursuant to provisions of the federal Anti-Drug Abuse Act; and administered by the State of Michigan - Department of Community Health, Office of Drug Control Policy. This program is identified by the drug enforcement agency that it supports, referred to as West Michigan Enforcement Team (WEMET). The designated purpose is to financially support efforts of a consortium of area police departments that assign specific police officers (three) to investigate and prosecute illegal drug trafficking activity.

These funds support multi-year revenues and expenditures spanning inception to completion of the grant. However, for annual financial reporting purposes, revenues and expenditures are also recognized by fiscal year. Open budget balances at June 30, 2012, of Estimated Revenues and Appropriations are carried forward to the ensuing fiscal year.

#### *Office of Highway Safety Planning (OHSP) Grant Fund*

The City of Holland is recipient (in some instances as primary grantee and lead agency and other instances as sub-recipient grantee) to various pass-thru grant fundings from the U.S. Dept of Transportation; and administered by the *Michigan State Police - Office of Highway Safety Planning*.

## CITY OF HOLLAND, MICHIGAN

### Nonmajor Governmental Funds

#### Special Revenue Funds (Continued)

Specific designated purposes and programs vary from one grant and/or one grant period to another, but basically the funding provides overtime wages for police and sheriff officers to target traffic violations and recordkeeping, including impaired driving, safety belt and car seat use. In addition, some grants include equipment or supply items. Various neighboring governmental agencies are, most often, joint participants to this same grant program.

These funds support multi-year revenues and expenditures spanning inception to completion of the grant. However, for annual financial reporting purposes, revenues and expenditures are also recognized by fiscal year. Open budget balances at June 30, 2012, of Estimated Revenues and Appropriations are carried forward to the ensuing fiscal year.

#### *Law Enforcement Block Grant*

The City of Holland is recipient to various pass-thru grants awarded and directly administered by the *U.S. Dept of Justice - Local Law Enforcement Block Grants Division*. Specific designated purposes vary from one grant period to another, but basically the funding provides various technology enhancements and bulletproof vests that are designed for law enforcement purposes.

These funds support multi-year revenues and expenditures spanning inception to completion of the grant. However, for annual financial reporting purposes, revenues and expenditures are also recognized by fiscal year. Open budget balances at June 30, 2012, of Estimated Revenues and Appropriations are carried forward to the ensuing fiscal year.

#### *Homeland Security Grant Fund*

The City of Holland is approved to participate in federal pass-through funding of the *Homeland Security Grant Program*. A formal grant agreement between the *Michigan Dept of State Police - Emergency Management Division (sub-grantor)*, and the *Ottawa County Sheriffs Dept - Emergency Management Division (sub-grantee)* provides funding for various costs associated with homeland security, to include costs related to public safety training and equipment items.

This fund supports multi-year revenues and expenditures spanning inception to completion of the grant period. However, for annual financial reporting purposes, revenues and expenditures are also recognized by fiscal year. Open budget balances at June 30, 2012, of Estimated Revenues and Appropriations are carried forward to the ensuing fiscal year.

# CITY OF HOLLAND, MICHIGAN

## Nonmajor Governmental Funds

### Special Revenue Funds (Continued)

#### *District Library Taxation Fund*

*Herrick Public Library* (municipally-owned by City of Holland) became *Herrick District Library* (a separate area-wide library entity) in 1997. Rather than the library entity imposing its own tax levy, the intergovernmental contractual arrangement provides that the City and three adjacent townships (composing the library district) each levy an identical tax millage rate for the Library, and each taxing unit will pay the collected taxes to the Library district.

This fund was established effective July 1997 - concurrent with the City of Holland's 1997 property tax levy - to record property tax revenues designated specifically for Herrick District Library.

Revenues are established based upon tax levy amounts, while expenditures represent tax collections paid to the District Library. Uncollected taxes are recorded as delinquent receivables.

#### *M.S.H.D.A. Grant Fund*

The City of Holland is recipient to grant funding from the *U.S. Dept of Housing and Urban Development* pursuant to provisions of the *U.S. Housing Act of 1937*, as amended; and administered by the *Michigan State Housing Development Authority (MSHDA)*. Designated purposes for this grant include down payment assistance for low-income homebuyers, housing rehabilitation, clearance, demolition, and lead remediation.

This fund supports multi-year revenues and expenditures spanning inception to completion of the grant. However, for annual financial reporting purposes, revenues and expenditures are also recognized by fiscal year. Open budget balances at June 30, 2012, of Estimated Revenues and Appropriations are carried forward to the ensuing fiscal year.

#### *Community Development Block Grant (CDBG) Entitlement Fund*

The City of Holland is recipient to grant funding made available pursuant to provisions of the Entitlement Category of Title I of the Housing and Community Development Act of 1974 as amended; and administered by the U.S. Department of Housing and Urban Development. The City of Holland's program includes activities that will primarily benefit low-to-moderate income persons, or assist in the prevention or elimination of slums and blight, as required by the Housing and Urban Rural Recovery Act of 1983. Additional funding under the American Recovery and Reinvestment Act of 2009 (ARRA) is also included for activities to evaluate home energy use and address energy inefficiencies.

## CITY OF HOLLAND, MICHIGAN

### Nonmajor Governmental Funds

#### Special Revenue Funds (Concluded)

This fund supports multi-year revenues and expenditures spanning inception to completion of the grant. However, for annual financial reporting purposes, revenues and expenditures are also recognized by fiscal year. Open budget balances at June 30, 2012, of Estimated Revenues and Appropriations are carried forward to the ensuing fiscal year.

#### Eating Health For Life - EBT Program Fund

The City of Holland is recipient to grant funding from the U.S. Dept. of Agriculture Farmers Market Promotion Program; and administered by the State of Michigan - Department of Community Health. Ottawa County Health Department has entered into a contractual agreement with the City to implement the EBT Program at the Holland Farmer's Market. The designated purpose is to fund the wages paid to employees administering the EBT Programs allowing citizens to use their Bridge Cards to purchase fresh fruits and vegetables at the Holland Farmer's Market.

This fund supports multi-year revenues and expenditures spanning inception to completion of the grant. However, for annual financial reporting purposes, expenditures are also recognized by fiscal year. The grant runs from fiscal year 2011 to 2013. Open budget balances at June 30, 2012 of Estimated Revenues and Appropriations are carried forward to the ensuing fiscal year. Upon grant completion the City will take over control of the EBT Program.

# CITY OF HOLLAND, MICHIGAN

## Nonmajor Governmental Funds

### Debt Service Funds

Debt Service Funds are governmental funds that account for financial resources accumulated to provide payment of principal, interest, and fees on general obligation, limited tax general obligation, building authority, and special assessment long-term debt.

#### *General Obligation Debt Service Fund*

The General Obligation Debt Service Fund accounts for revenues from property taxes, internal fund transfers-in, and investment income that is expended or distributed to certain other funds, as follows:

- as "debt service payment" of annual principal and interest on a ten-year land contract agreement dated June 18, 2003 with the firm, *S.J.&R. Land Development, LLC*, for twenty acres of vacant land acquired for development into a municipal park & recreation area (to be located on the City's far southern jurisdictional boundary).
- as "debt service payment" of annual principal and interest on a twenty-four year Act 34 Capital Improvement bond dated July 31, 2008 for construction of the 7th Street Parking Deck.
- as "rental payments" to the *City of Holland - Building Authority Debt Service Fund* for annual debt service requirements of the *2002 Building Authority Bond Issue*, *2004 Building Authority Refunding Bond Issue*, and the *2006 Building Authority Partial Refunding Bond Issue*.
- as "debt service payment" of annual principal and interest on a nine year Act 34 Capital Improvement bond dated May 26, 2010 for construction of various road, drain and bridge projects.  
*Special Assessment Debt Service Fund*

The Special Assessment Debt Service Fund accounts for "special assessments" received from property owners in designated special assessment districts, and applied towards servicing maturity requirements on the following:

- City of Holland - Utility Improvements Special Assessment Bonds, Series 1997A
- City of Holland - Utility Improvements Special Assessment Bonds, Series 1998A
- County of Allegan - Sanitary Sewer Installation, Special Assessment Bonds, Series 1999 (note: 93.95% of a special assessment district in adjacent Fillmore Township was annexed on 12-31-1999)
- City of Holland - Utility Improvements Special Assessment Bonds, Series 2000A
- City of Holland - Utility Improvements Special Assessment Bonds, Series 2002A
- City of Holland - Utility Improvements Special Assessment Bonds, Series 2006A

# CITY OF HOLLAND, MICHIGAN

## Nonmajor Governmental Funds

### Debt Service Funds (Continued)

#### *Building Authority Debt Service Fund*

The *City of Holland Building Authority* (Authority) has issued various bonded debt obligations that include scheduled debt service maturity payments each year. The revenues are derived from 'rental payments' from the City of Holland - General Obligation Debt Service Fund (via property taxation) and from Herrick District Library (a separate jurisdictional agency).

This fund provides accountability for revenues and expenditures to meet the annual obligations of each bond issue.

The outstanding Building Authority bond issues include:

- Building Authority - Police / Transportation / Western Gateway Construction Projects, Series 2002
- Building Authority - Refunding Bonds, Series 2004 \*\*
- Building Authority - Refunding (Partial) Bonds, Series 2006 \*\*\*

\*\* ADDED CLARIFICATION: Effective May 13, 2004, the City of Holland Building Authority issued "refunding bonds" for the intended purpose of calling and redeeming the outstanding principal balances on certain outstanding issues. The interest rate differential between the new bonds and the original bonds made this refunding a viable cost-saving option.

The two original issues that were called for early redemption and now cancelled include:

- Building Authority - City Hall Renovation/Expansion Project, Series 1996
- Building Authority - Library Renovation/Expansion Project, Series 1997

\*\*\* ADDED CLARIFICATION: Effective April 13, 2006, the City of Holland Building Authority issued partial "refunding bonds" for the intended purpose of calling and redeeming part of the outstanding principal balances on certain outstanding issues. The interest rate differential between the new bonds and the original bonds made this refunding a viable cost-saving option.

The original issue was advance refunded (partially), escrow funds have been deposited and the original (partial) bonds will be called on October 1, 2011 includes:

- Building Authority - Police Building / Transportation Building / Western Gateway Projects, Series 2002

# CITY OF HOLLAND, MICHIGAN

## Nonmajor Governmental Funds

### Capital Projects Funds

Capital Project Funds are governmental funds that account for financial resources designated for the acquisition or construction of major capital facilities (other than those projects that are financed by proprietary funds).

#### *Capital Projects Fund*

Capital Project Funds are established for new construction or major improvements / enhancements to municipal facilities, non-infrastructure land or equipment improvements, and infrastructure. Such projects are most frequently of a multi-year nature (i.e., a duration that overlaps two or more fiscal years). As budget appropriations for various municipal capital improvement projects are established, corresponding reserves are established to assure project financing requirements are met.

Financing for capital projects is derived from various sources, to include property taxes and special assessments, grants from other government and non-government agencies, inter-fund transfers, contributions from private sector, investment earnings, etc. Larger projects frequently will require financing through the issuance of long-term debt instruments, such as bond issues, allowable borrowing arrangements with financial institutions, and land contracts.

Each capital project fund supports multi-year revenues and expenditures spanning inception to completion. However, for annual financial reporting purposes, revenues and expenditures are also recognized by fiscal year. Open budget balances at June 30, 2012, of Estimated Revenues and Appropriations are carried forward to the ensuing fiscal year.

# CITY OF HOLLAND, MICHIGAN

## Nonmajor Governmental Funds

The following listing reflects such projects with financial activity during the fiscal year:

### CAPITAL PROJECTS DETAIL LISTING MUNICIPAL FACILITIES AND LAND IMPROVEMENTS

#### Parks, Recreation, Cultural and Leisure Services

##### Kollen Park and Boardwalk:

- Replace Planks East End

##### Cappon & Settlers Homes Improvements:

- Painting & Carpentry

##### Window-on-the-Waterfront:

- Boardwalk Extension to Windmill Island

##### Lakeview Park:

- Playground Equipment

##### DeGraaf Nature Center:

- Build Shed

##### Bouws Pool:

- Replace Boiler

##### Various:

- City Wide Tree Planting Program

##### Smallenburg Park:

- Ice Skating and Skate Park

##### Municipal Stadium:

- Lighting Improvements

- New Turf

#### Public Safety

##### Police Station:

- Install HEPA Filters/Repair Heat Exchanger

- E-Crash Citation Printers

##### Fire Stations:

- Waverly Station - Restroom/Shower Replacement

- Kollen & Waverly Stations - Carpet and Flooring Covering

# CITY OF HOLLAND, MICHIGAN

## Nonmajor Governmental Funds

### All Other Municipal Projects & Programs

#### Sustainability:

- Study and Public Workshop
- Energy Upgrades to city Facilities

#### Ourstreet Program and Central Neighborhoods Restoration:

- Funding Assistance for Home Repairs/Replacements in Central City Area

#### Property:

- Hope college Property Exchange
- Foreclosed Property Acquisition
- Obsolete Building Demolitions

### Street Development and/or Redevelopment Projects

#### Annual Resurfacing Program of Various Streets

- includes residual crack sealing

#### East 48th Street, from M-40 to East city Limit

- street reconstructions and enhancements  
(additional note: major project financing through State's MDOT-TEDF)

#### West 48th Street, from Lincoln Avenue to Regent Boulevard:

- street reconstructions and enhancements  
(additional note: major project financing through State's MDOT-TEDF)

#### Matt Urban & 48th, Washington to City Limits:

- street reconstruction and enhancements

#### Lincoln Avenue, 16th Street to 24th Street

- street reconstruction, sidewalks and enhancements, to include utilities

#### Central Avenue, 8th to State Street:

- street reconstruction and enhancements, to include utilities

#### Geurink Boulevard:

- street reconstruction and enhancements  
(additional note: major project financing through State's MDOT-TEDF)

#### Lincoln Avenue, 64th Street to M-40:

- street reconstruction and enhancements  
(additional note: major project financing through State's MDOT-TEDF)

# CITY OF HOLLAND, MICHIGAN

## Nonmajor Governmental Funds

### Drain Projects

#### Major Drain System Project:

Watershed / Storm Water Regulation (MACC Project)

#### Studies:

Maplewood Drain Detention Ponds

City Wide Drainage Master Plan

Tulip Intercounty Drain

40th Street Ditch Enclosure, from industrial Avenue to Waverly Road:

#### Several Small Projects:

Azalea Storm Outlet

East End Drive culvert

34th Street, Central to Pine

### Traffic Signalization Projects

#### Studies:

Allegan County Signal Optimization

Pine Avenue Signal Evaluation

### Sidewalk Projects:

Sidewalk Repair / Replacement

designed areas for removal and replacement

M-40 Multi-Use Path, from Waverly Road to 40th Street

### Bridge Projects:

Washington Avenue Bridge (48th Street):

total bridge replacement

(additional note: major project financing through state's MDOT-TEDF)



This page intentionally left blank.

CITY OF HOLLAND, MICHIGAN

**Combining Balance Sheet**  
 Nonmajor Governmental Funds  
 June 30, 2012

	Special Revenue Funds			
	Street Maintenance and Improvements			
	Major Street	Local Street	Allegan County Road Tax	Street Improvements Reserve
<b>Assets</b>				
Cash and pooled investments	\$ 2,132,155	\$ -	\$ -	\$ 1,246,407
Receivables:				
Accounts	8,183	3,154	362,757	-
Taxes and special assessments	-	-	-	-
Due from other governmental units	327,882	88,632	-	-
Due from other funds	548	1,007	-	-
Prepaid items	-	-	-	-
<b>Total assets</b>	<u>\$ 2,468,768</u>	<u>\$ 92,793</u>	<u>\$ 362,757</u>	<u>\$ 1,246,407</u>
<b>Liabilities</b>				
Accounts payable	\$ 35,953	\$ 9,855	\$ -	\$ 614
Accrued payroll and benefits	15,099	14,552	-	-
Due to other governmental units	-	-	-	-
Due to other funds	34,286	66,386	340,757	-
Deferred revenue	-	-	-	-
<b>Total liabilities</b>	<u>85,338</u>	<u>90,793</u>	<u>340,757</u>	<u>614</u>
<b>Fund balances</b>				
Nonspendable	-	-	-	-
Restricted	2,383,430	2,000	22,000	-
Committed	-	-	-	1,245,793
Unassigned (deficit)	-	-	-	-
<b>Total fund balances</b>	<u>2,383,430</u>	<u>2,000</u>	<u>22,000</u>	<u>1,245,793</u>
<b>Total liabilities and fund balances</b>	<u>\$ 2,468,768</u>	<u>\$ 92,793</u>	<u>\$ 362,757</u>	<u>\$ 1,246,407</u>

**Special Revenue Funds**

Downtown Operations			Miscellaneous Governmental Functions		
Public Parking System	Snowmelt Operating System	Principal Shopping District	CATV - (Public Access Channels)	Revolving Cash Assistance	Specified Donations
\$ 175,532	\$ 167,418	\$ 211,315	\$ 344,953	\$ -	\$ 104,174
190	-	2,505	91,630	-	4,080
-	-	-	-	708,362	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	300	-	-	-
<u>\$ 175,722</u>	<u>\$ 167,418</u>	<u>\$ 214,120</u>	<u>\$ 436,583</u>	<u>\$ 708,362</u>	<u>\$ 108,254</u>
\$ 5,416	\$ 78	\$ 12,010	\$ 26,465	\$ 142	\$ 7,603
1,068	-	6,945	1,369	-	-
-	-	-	-	-	-
837	26,838	111	-	239,384	-
-	-	-	-	708,220	-
<u>7,321</u>	<u>26,916</u>	<u>19,066</u>	<u>27,834</u>	<u>947,746</u>	<u>7,603</u>
-	-	300	-	-	-
168,401	140,502	194,754	-	-	100,651
-	-	-	408,749	-	-
-	-	-	-	(239,384)	-
<u>168,401</u>	<u>140,502</u>	<u>195,054</u>	<u>408,749</u>	<u>(239,384)</u>	<u>100,651</u>
<u>\$ 175,722</u>	<u>\$ 167,418</u>	<u>\$ 214,120</u>	<u>\$ 436,583</u>	<u>\$ 708,362</u>	<u>\$ 108,254</u>

continued...

CITY OF HOLLAND, MICHIGAN

**Combining Balance Sheet**  
 Nonmajor Governmental Funds  
 June 30, 2012

	Special Revenue Funds			
	Miscellaneous Governmental	Public Safety		
	Dangerous Structures	Police Criminal Justice Training	Anti-Drug Abuse Grants	Office of Highway Safety Planning (OHSP) Grant
<b>Assets</b>				
Cash and pooled investments	\$ -	\$ 1,371	\$ 4,888	\$ -
Receivables:				
Accounts	11,077	-	-	-
Taxes and special assessments	-	-	-	-
Due from other governmental units	-	-	16,266	20,714
Due from other funds	-	-	-	-
Prepaid items	-	-	-	-
<b>Total assets</b>	<u>\$ 11,077</u>	<u>\$ 1,371</u>	<u>\$ 21,154</u>	<u>\$ 20,714</u>
<b>Liabilities</b>				
Accounts payable	\$ -	\$ 108	\$ 2,358	\$ -
Accrued payroll and benefits	-	-	9,649	1,056
Due to other governmental units	-	-	-	10,295
Due to other funds	11,077	-	9,147	9,363
Deferred revenue	-	-	-	-
<b>Total liabilities</b>	<u>11,077</u>	<u>108</u>	<u>21,154</u>	<u>20,714</u>
<b>Fund balances</b>				
Nonspendable	-	-	-	-
Restricted	-	1,263	-	-
Committed	-	-	-	-
Unassigned (deficit)	-	-	-	-
<b>Total fund balances</b>	<u>-</u>	<u>1,263</u>	<u>-</u>	<u>-</u>
<b>Total liabilities and fund balances</b>	<u>\$ 11,077</u>	<u>\$ 1,371</u>	<u>\$ 21,154</u>	<u>\$ 20,714</u>



Special Revenue Funds

Public Safety		Culture and Community Improvement			
---------------	--	-----------------------------------	--	--	--

Law Enforcement Block Grant	Homeland Security Grant	District Library Taxation	M.S.H.D.A. Grant	Community Development Block Grant (CDBG)	Eat Healthy For Life - EBT Program
-----------------------------	-------------------------	---------------------------	------------------	--	------------------------------------

\$ 5,202	\$ 8,646	\$ 1,035	\$ -	\$ 11,559	\$ -
-	-	1,104	-	-	-
-	-	1,586	-	-	-
11,749	-	-	-	113,233	1,064
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 16,951</u>	<u>\$ 8,646</u>	<u>\$ 3,725</u>	<u>\$ -</u>	<u>\$ 124,792</u>	<u>\$ 1,064</u>

\$ -	\$ 1,642	\$ 2,133	\$ -	\$ 25,126	\$ -
-	-	-	-	1,221	350
-	-	-	-	-	-
11,749	-	-	-	90,204	714
3,315	1,894	-	-	8,241	-
<u>15,064</u>	<u>3,536</u>	<u>2,133</u>	<u>-</u>	<u>124,792</u>	<u>1,064</u>

-	-	-	-	-	-
1,887	5,110	1,592	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>1,887</u>	<u>5,110</u>	<u>1,592</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 16,951</u>	<u>\$ 8,646</u>	<u>\$ 3,725</u>	<u>\$ -</u>	<u>\$ 124,792</u>	<u>\$ 1,064</u>

continued...

CITY OF HOLLAND, MICHIGAN

**Combining Balance Sheet**  
 Nonmajor Governmental Funds  
 June 30, 2012

	Debt Service Funds		Capital Projects Fund	Permanent Fund	Total
	General Obligation Debt Service	Special Assessment Debt Service	Municipal Facilities/Land Improvements Projects	Cemetery Perpetual Care	
<b>Assets</b>					
Cash and pooled investments	\$ 29,928	\$ 477,967	\$ 692,028	\$ 1,548,917	\$ 7,163,495
Receivables:					
Accounts	-	-	26,823	425	511,928
Taxes and special assessments	427	542,489	-	-	1,252,864
Due from other governmental units	-	-	-	-	579,540
Due from other funds	-	-	847,926	-	849,481
Prepaid items	-	-	-	-	300
<b>Total assets</b>	<u>\$ 30,355</u>	<u>\$ 1,020,456</u>	<u>\$ 1,566,777</u>	<u>\$ 1,549,342</u>	<u>\$ 10,357,608</u>
<b>Liabilities</b>					
Accounts payable	\$ 1,347	\$ -	\$ 183,700	\$ -	\$ 314,550
Accrued payroll and benefits	-	-	-	-	51,309
Due to other governmental units	-	-	-	-	10,295
Due to other funds	-	-	-	-	840,853
Deferred revenue	-	542,489	1,030,691	-	2,294,850
<b>Total liabilities</b>	<u>1,347</u>	<u>542,489</u>	<u>1,214,391</u>	<u>-</u>	<u>3,511,857</u>
<b>Fund balances</b>					
Nonspendable	-	-	-	1,488,522	1,488,822
Restricted	29,008	477,967	-	60,820	3,589,385
Committed	-	-	352,386	-	2,006,928
Unassigned (deficit)	-	-	-	-	(239,384)
<b>Total fund balances</b>	<u>29,008</u>	<u>477,967</u>	<u>352,386</u>	<u>1,549,342</u>	<u>6,845,751</u>
<b>Total liabilities and fund balances</b>	<u>\$ 30,355</u>	<u>\$ 1,020,456</u>	<u>\$ 1,566,777</u>	<u>\$ 1,549,342</u>	<u>\$ 10,357,608</u>

concluded

This page intentionally left blank.

CITY OF HOLLAND, MICHIGAN

Combining Statement of Revenue, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds  
For the Year Ended June 30, 2012

	Special Revenue Funds			
	Street Maintenance and Improvements			
	Major Street	Local Street	Allegan County Road Tax	Street Improvements Reserve
Revenue				
Special assessments	\$ -	\$ -	\$ -	\$ -
Property taxes	-	-	-	1,033,924
Intergovernmental	2,160,559	538,176	385,343	-
Charges for services	35,918	29,549	-	-
Fines and fees	-	-	-	-
Contributions from private sector	-	-	-	-
Interest and rents	13,777	1,484	299	12,537
Miscellaneous	-	-	-	-
<b>Total revenue</b>	<b>2,210,254</b>	<b>569,209</b>	<b>385,642</b>	<b>1,046,461</b>
Expenditures				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	1,202,811	1,112,072	-	-
Welfare and social services	-	-	-	-
Culture and recreation	-	-	-	-
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Bond issuance costs	-	-	-	-
Capital outlay	-	-	-	-
<b>Total expenditures</b>	<b>1,202,811</b>	<b>1,112,072</b>	<b>-</b>	<b>-</b>
Revenue over (under) expenditures	1,007,443	(542,863)	385,642	1,046,461
Other financing sources (uses)				
Transfers in	-	542,863	-	233,408
Transfers out	(562,063)	-	(402,622)	(1,608,366)
<b>Total other financing sources (uses)</b>	<b>(562,063)</b>	<b>542,863</b>	<b>(402,622)</b>	<b>(1,374,958)</b>
Net change in fund balances	445,380	-	(16,980)	(328,497)
Fund balances, beginning of year	1,938,050	2,000	38,980	1,574,290
<b>Fund balances (deficit), end of year</b>	<b>\$ 2,383,430</b>	<b>\$ 2,000</b>	<b>\$ 22,000</b>	<b>\$ 1,245,793</b>

Special Revenue Funds					
Downtown Operations			Miscellaneous Governmental Functions		
Public Parking System	Snowmelt Operating System	Principal Shopping District	CATV - (Public Access Channels)	Revolving Cash Assistance	Specified Donations
\$ 175,820	\$ 120,254	\$ 181,119	\$ -	\$ 210,238	\$ -
-	-	-	-	-	-
-	-	-	-	-	900
22,137	-	172,843	-	-	-
-	-	-	353,003	-	-
-	-	25,936	-	-	130,682
817	1,151	1,168	2,406	8,195	26
1,407	-	124	-	-	-
<u>200,181</u>	<u>121,405</u>	<u>381,190</u>	<u>355,409</u>	<u>218,433</u>	<u>131,608</u>
-	-	-	228,940	-	109,465
-	-	-	-	-	-
126,528	164,862	-	-	-	-
-	-	-	-	-	-
-	-	369,518	-	-	-
-	-	-	-	-	-
33	-	-	-	-	-
-	-	-	-	-	-
159	-	3,904	7,131	-	2,700
<u>126,720</u>	<u>164,862</u>	<u>373,422</u>	<u>236,071</u>	<u>-</u>	<u>112,165</u>
<u>73,461</u>	<u>(43,457)</u>	<u>7,768</u>	<u>119,338</u>	<u>218,433</u>	<u>19,443</u>
-	27,100	-	-	3,626	-
(10,253)	-	-	(100,000)	(525,865)	(7,274)
<u>(10,253)</u>	<u>27,100</u>	<u>-</u>	<u>(100,000)</u>	<u>(522,239)</u>	<u>(7,274)</u>
63,208	(16,357)	7,768	19,338	(303,806)	12,169
<u>105,193</u>	<u>156,859</u>	<u>187,286</u>	<u>389,411</u>	<u>64,422</u>	<u>88,482</u>
<u>\$ 168,401</u>	<u>\$ 140,502</u>	<u>\$ 195,054</u>	<u>\$ 408,749</u>	<u>\$ (239,384)</u>	<u>\$ 100,651</u>

continued...

CITY OF HOLLAND, MICHIGAN

**Combining Statement of Revenue, Expenditures and Changes in Fund Balances**

Nonmajor Governmental Funds  
For the Year Ended June 30, 2012

	Special Revenue Funds			
	Miscellaneous Governmenta	Public Safety		
		Dangerous Structures	Police Criminal Justice Training	Anti-Drug Abuse Grants
Revenue				
Special assessments	\$ -	\$ -	\$ -	\$ -
Property taxes	-	-	-	-
Intergovernmental	-	10,792	95,456	120,029
Charges for services	14,077	-	-	-
Fines and fees	-	-	-	-
Contributions from private sector	-	-	-	-
Interest and rents	-	-	-	-
Miscellaneous	-	-	-	-
<b>Total revenue</b>	<b>14,077</b>	<b>10,792</b>	<b>95,456</b>	<b>120,029</b>
Expenditures				
Current:				
General government	16,021	-	-	-
Public safety	-	11,111	256,923	84,211
Public works	-	-	-	-
Welfare and social services	-	-	-	-
Culture and recreation	-	-	-	-
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Bond issuance costs	-	-	-	-
Capital outlay	-	-	-	35,818
<b>Total expenditures</b>	<b>16,021</b>	<b>11,111</b>	<b>256,923</b>	<b>120,029</b>
Revenue over (under) expenditures	(1,944)	(319)	(161,467)	-
Other financing sources (uses)				
Transfers in	687	-	161,467	-
Transfers out	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>687</b>	<b>-</b>	<b>161,467</b>	<b>-</b>
Net change in fund balances	(1,257)	(319)	-	-
Fund balances, beginning of year	1,257	1,582	-	-
Fund balances, end of year	\$ -	\$ 1,263	\$ -	\$ -

Special Revenue Funds					
Public Safety		Culture and Community Improvement			
Law Enforcement Block Grant	Homeland Security Grant	District Library Taxation	M.S.H.D.A. Grant	Community Development Block Grant (CDBG)	Eat Healthy For Life - EBT Program
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	1,336,645	-	-	-
40,735	5,576	-	-	333,938	-
-	-	-	-	-	1,481
-	-	-	-	-	-
-	7,806	-	-	142,582	-
120	-	-	-	-	-
-	-	-	-	-	-
40,855	13,382	1,336,645	-	476,520	1,481
-	-	-	-	-	-
8,055	2,696	-	-	-	1,481
-	-	-	-	-	-
-	-	-	-	438,968	-
-	-	1,335,386	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
29,255	5,576	-	-	-	-
37,310	8,272	1,335,386	-	438,968	1,481
3,545	5,110	1,259	-	37,552	-
2,705	-	-	-	4,080	-
(6,130)	-	-	-	(41,632)	-
(3,425)	-	-	-	(37,552)	-
120	5,110	1,259	-	-	-
1,767	-	333	-	-	-
\$ 1,887	\$ 5,110	\$ 1,592	\$ -	\$ -	\$ -

continued...

CITY OF HOLLAND, MICHIGAN

Combining Statement of Revenue, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds  
For the Year Ended June 30, 2012

	Debt Service Funds		Capital Projects Fund	Permanent Fund	Total
	General Obligation Debt Service	Special Assessment Debt Service	Municipal Facilities/Land Improvements Projects	Cemetery Perpetual Care	
Revenue					
Special assessments	\$ -	\$ 126,529	\$ -	\$ -	\$ 813,960
Property taxes	2,312,351	-	141,702	-	4,824,622
Intergovernmental	-	-	-	-	3,691,504
Charges for services	-	-	-	26,740	302,745
Fines and fees	-	-	-	-	353,003
Contributions from private sector	-	-	263,490	-	570,496
Interest and rents	4,924	39,930	5,787	11,349	103,970
Miscellaneous	234,490	-	1,000	-	237,021
<b>Total revenue</b>	<b>2,551,765</b>	<b>166,459</b>	<b>411,979</b>	<b>38,089</b>	<b>10,897,321</b>
Expenditures					
Current:					
General government	1,813	-	-	-	356,239
Public safety	-	-	-	-	364,477
Public works	-	-	-	-	2,606,273
Welfare and social services	-	-	-	-	438,968
Culture and recreation	-	-	-	-	1,704,904
Debt service:					
Principal retirement	661,500	190,463	-	-	851,963
Interest and fiscal charges	313,724	51,956	-	-	365,713
Bond issuance costs	-	-	-	-	-
Capital outlay	-	-	900,570	-	985,113
<b>Total expenditures</b>	<b>977,037</b>	<b>242,419</b>	<b>900,570</b>	<b>-</b>	<b>7,673,650</b>
Revenue over (under) expenditures	1,574,728	(75,960)	(488,591)	38,089	3,223,671
Other financing sources (uses)					
Transfers in	-	-	450,134	2,353	1,428,423
Transfers out	(1,950,704)	(3,627)	(266,953)	(11,316)	(5,496,805)
<b>Total other financing sources (uses)</b>	<b>(1,950,704)</b>	<b>(3,627)</b>	<b>183,181</b>	<b>(8,963)</b>	<b>(4,068,382)</b>
Net change in fund balances	(375,976)	(79,587)	(305,410)	29,126	(844,711)
Fund balances, beginning of year	404,984	557,554	657,796	1,520,216	7,690,462
Fund balances, end of year	\$ 29,008	\$ 477,967	\$ 352,386	\$ 1,549,342	\$ 6,845,751

concluded

# CITY OF HOLLAND, MICHIGAN

## Schedule of Revenue, Expenditures and Changes in Fund Balances Budget and Actual - Major Street Fund For the Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
<b>Revenue</b>				
Special assessments	\$ -	\$ -	\$ -	\$ -
Property taxes	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental	2,105,700	2,034,300	2,160,559	126,259
Charges for services	33,000	29,000	35,918	6,918
Fines and fees	-	-	-	-
Contributions from private sector	-	-	-	-
Interest and rents	19,730	14,135	13,777	(358)
Miscellaneous	-	-	-	-
<b>Total revenue</b>	<b>2,158,430</b>	<b>2,077,435</b>	<b>2,210,254</b>	<b>132,819</b>
<b>Expenditures</b>				
Current:				
Public works				
Personnel services	569,626	504,200	510,407	6,207
Other services and charges	998,400	830,300	692,404	(137,896)
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Capital outlay	-	-	-	-
<b>Total expenditures</b>	<b>1,568,026</b>	<b>1,334,500</b>	<b>1,202,811</b>	<b>(131,689)</b>
<b>Revenue over (under) expenditures</b>	<b>590,404</b>	<b>742,935</b>	<b>1,007,443</b>	<b>264,508</b>
<b>Other financing sources (uses)</b>				
Transfers in	-	-	-	-
Transfers out	(1,480,166)	(753,127)	(562,063)	(191,064)
<b>Total other financing sources (uses)</b>	<b>(1,480,166)</b>	<b>(753,127)</b>	<b>(562,063)</b>	<b>(191,064)</b>
<b>Net change in fund balances</b>	<b>(889,762)</b>	<b>(10,192)</b>	<b>445,380</b>	<b>(455,572)</b>
Fund balances, beginning of year	1,938,050	1,938,050	1,938,050	-
<b>Fund balances, end of year</b>	<b>\$ 1,048,288</b>	<b>\$ 1,927,858</b>	<b>\$ 2,383,430</b>	<b>\$ (455,572)</b>

# CITY OF HOLLAND, MICHIGAN

## Schedule of Revenue, Expenditures and Changes in Fund Balances

Budget and Actual - Local Street Fund

For the Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
<b>Revenue</b>				
Special assessments	\$ -	\$ -	\$ -	\$ -
Property taxes	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental	525,700	505,100	538,176	33,076
Charges for services	52,000	42,000	29,549	(12,451)
Fines and fees	-	-	-	-
Contributions from private sector	-	-	-	-
Interest and rents	1,270	1,365	1,484	119
Miscellaneous	-	-	-	-
<b>Total revenue</b>	<b>578,970</b>	<b>548,465</b>	<b>569,209</b>	<b>20,744</b>
<b>Expenditures</b>				
Current:				
Public works:				
Personnel services	611,924	574,688	541,776	(32,912)
Other services and charges	744,400	697,800	570,296	(127,504)
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Capital outlay	-	-	-	-
<b>Total expenditures</b>	<b>1,356,324</b>	<b>1,272,488</b>	<b>1,112,072</b>	<b>(160,416)</b>
<b>Revenue over (under) expenditures</b>	<b>(777,354)</b>	<b>(724,023)</b>	<b>(542,863)</b>	<b>181,160</b>
<b>Other financing sources (uses)</b>				
Transfers in	777,354	724,023	542,863	(181,160)
Transfers out	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>777,354</b>	<b>724,023</b>	<b>542,863</b>	<b>(181,160)</b>
<b>Net change in fund balances</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Fund balances, beginning of year	2,000	2,000	2,000	-
<b>Fund balances, end of year</b>	<b>\$ 2,000</b>	<b>\$ 2,000</b>	<b>\$ 2,000</b>	<b>\$ -</b>

# CITY OF HOLLAND, MICHIGAN

## Schedule of Revenue, Expenditures and Changes in Fund Balances Budget and Actual - Allegan County Road Tax Fund For the Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
<b>Revenue</b>				
Special assessments	\$ -	\$ -	\$ -	\$ -
Property taxes	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental	413,000	401,900	385,343	(16,557)
Charges for services	-	-	-	-
Fines and fees	-	-	-	-
Contributions from private sector	-	-	-	-
Interest and rents	(230)	290	299	9
Miscellaneous	-	-	-	-
<b>Total revenue</b>	<b>412,770</b>	<b>402,190</b>	<b>385,642</b>	<b>(16,548)</b>
<b>Expenditures</b>				
Current:				
Public works:				
Personnel services	-	-	-	-
Other services and charges	-	-	-	-
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Capital outlay	-	-	-	-
<b>Total expenditures</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Revenue over (under) expenditures</b>	<b>412,770</b>	<b>402,190</b>	<b>385,642</b>	<b>(16,548)</b>
<b>Other financing sources (uses)</b>				
Transfers in	-	-	-	-
Transfers out	(400,000)	(418,510)	(402,622)	(15,888)
<b>Total other financing sources (uses)</b>	<b>(400,000)</b>	<b>(418,510)</b>	<b>(402,622)</b>	<b>(15,888)</b>
<b>Net change in fund balances</b>	<b>12,770</b>	<b>(16,320)</b>	<b>(16,980)</b>	<b>660</b>
<b>Fund balances, beginning of year</b>	<b>38,980</b>	<b>38,980</b>	<b>38,980</b>	<b>-</b>
<b>Fund balances, end of year</b>	<b>\$ 51,750</b>	<b>\$ 22,660</b>	<b>\$ 22,000</b>	<b>\$ 660</b>

CITY OF HOLLAND, MICHIGAN

**Schedule of Revenue, Expenditures and Changes in Fund Balances**  
 Budget and Actual - Street Improvements Reserve Fund  
 For the Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
<b>Revenue</b>				
Special assessments	\$ -	\$ -	\$ -	\$ -
Property taxes	1,037,196	1,034,449	1,033,924	(525)
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Fines and fees	-	-	-	-
Contributions from private sector	-	-	-	-
Interest and rents	5,100	8,056	12,537	4,481
Miscellaneous	-	-	-	-
<b>Total revenue</b>	<b>1,042,296</b>	<b>1,042,505</b>	<b>1,046,461</b>	<b>3,956</b>
<b>Expenditures</b>				
Current:				
Public works:				
Personnel services	-	-	-	-
Other services and charges	-	-	-	-
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Bond issuance costs	-	-	-	-
Capital outlay	-	-	-	-
<b>Total expenditures</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Revenue over (under) expenditures</b>	<b>1,042,296</b>	<b>1,042,505</b>	<b>1,046,461</b>	<b>3,956</b>
<b>Other financing sources (uses)</b>				
Transfers in	1,083,612	403,791	233,408	(170,383)
Transfers out	(2,337,694)	(2,820,986)	(1,608,366)	(1,212,620)
<b>Total other financing sources (uses)</b>	<b>(1,254,082)</b>	<b>(2,417,195)</b>	<b>(1,374,958)</b>	<b>(1,383,003)</b>
<b>Net change in fund balances</b>	<b>(211,786)</b>	<b>(1,374,690)</b>	<b>(328,497)</b>	<b>(1,046,193)</b>
<b>Fund balances, beginning of year</b>	<b>1,574,290</b>	<b>1,574,290</b>	<b>1,574,290</b>	<b>-</b>
<b>Fund balances, end of year</b>	<b>\$ 1,362,504</b>	<b>\$ 199,600</b>	<b>\$ 1,245,793</b>	<b>\$ (1,046,193)</b>

# CITY OF HOLLAND, MICHIGAN

## Schedule of Revenue, Expenditures and Changes in Fund Balances Budget and Actual - Public Parking System Fund For the Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
<b>Revenue</b>				
Special assessments	\$ 175,175	\$ 175,819	\$ 175,820	\$ 1
Property taxes	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	20,700	17,077	22,137	5,060
Fines and fees	-	-	-	-
Contributions from private sector	-	-	-	-
Interest and rents	910	650	817	167
Miscellaneous	-	1,407	1,407	-
<b>Total revenue</b>	<b>196,785</b>	<b>194,953</b>	<b>200,181</b>	<b>5,228</b>
<b>Expenditures</b>				
Current:				
Public Works:				
Personnel services	69,700	49,725	46,899	(2,826)
Other services and charges	114,650	89,896	79,629	(10,267)
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	39	20	33	13
Capital outlay	400	159	159	-
<b>Total expenditures</b>	<b>184,789</b>	<b>139,800</b>	<b>126,720</b>	<b>(13,080)</b>
<b>Revenue over (under) expenditures</b>	<b>11,996</b>	<b>55,153</b>	<b>73,461</b>	<b>18,308</b>
<b>Other financing sources (uses)</b>				
Transfers in	-	-	-	-
Transfers out	(9,762)	(9,762)	(10,253)	491
<b>Total other financing sources (uses)</b>	<b>(9,762)</b>	<b>(9,762)</b>	<b>(10,253)</b>	<b>491</b>
<b>Net change in fund balances</b>	<b>2,234</b>	<b>45,391</b>	<b>63,208</b>	<b>(17,817)</b>
Fund balances, beginning of year	105,193	105,193	105,193	-
<b>Fund balances, end of year</b>	<b>\$ 107,427</b>	<b>\$ 150,584</b>	<b>\$ 168,401</b>	<b>\$ (17,817)</b>

# CITY OF HOLLAND, MICHIGAN

## Schedule of Revenue, Expenditures and Changes in Fund Balances Budget and Actual - Snow Melt Operating System Fund For the Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
<b>Revenue</b>				
Special assessments	\$ 120,200	\$ 120,254	\$ 120,254	\$ -
Property taxes	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Fines and fees	-	-	-	-
Contributions from private sector	-	-	-	-
Interest and rents	2,050	930	1,151	221
Miscellaneous	-	-	-	-
<b>Total revenue</b>	<b>122,250</b>	<b>121,184</b>	<b>121,405</b>	<b>221</b>
<b>Expenditures</b>				
Current:				
Public works:				
Personnel services	-	-	-	-
Other services and charges	182,900	184,017	164,862	(19,155)
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Capital outlay	-	-	-	-
<b>Total expenditures</b>	<b>182,900</b>	<b>184,017</b>	<b>164,862</b>	<b>(19,155)</b>
<b>Revenue over (under) expenditures</b>	<b>(60,650)</b>	<b>(62,833)</b>	<b>(43,457)</b>	<b>19,376</b>
<b>Other financing sources (uses)</b>				
Transfers in	27,100	27,100	27,100	-
Transfers out	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>27,100</b>	<b>27,100</b>	<b>27,100</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>(33,550)</b>	<b>(35,733)</b>	<b>(16,357)</b>	<b>19,376</b>
Fund balances, beginning of year	156,859	156,859	156,859	-
<b>Fund balances, end of year</b>	<b>\$ 123,309</b>	<b>\$ 121,126</b>	<b>\$ 140,502</b>	<b>\$ 19,376</b>

# CITY OF HOLLAND, MICHIGAN

## Schedule of Revenue, Expenditures and Changes in Fund Balances Budget and Actual - Principal Shopping District Fund For the Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
<b>Revenue</b>				
Special assessments	\$ 183,000	\$ 181,119	\$ 181,119	\$ -
Property taxes	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	146,900	149,765	172,843	23,078
Fines and fees	-	-	-	-
Contributions from private sector	18,600	18,935	25,936	7,001
Interest and rents	2,120	831	1,168	337
Miscellaneous	-	-	124	124
<b>Total revenue</b>	<b>350,620</b>	<b>350,650</b>	<b>381,190</b>	<b>30,540</b>
<b>Expenditures</b>				
Current:				
Culture and recreation:				
Personnel services	144,100	151,200	152,397	1,197
Other services and charges	210,000	229,494	217,121	(12,373)
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Capital outlay	1,800	3,905	3,904	(1)
<b>Total expenditures</b>	<b>355,900</b>	<b>384,599</b>	<b>373,422</b>	<b>(11,177)</b>
<b>Revenue over (under) expenditures</b>	<b>(5,280)</b>	<b>(33,949)</b>	<b>7,768</b>	<b>41,717</b>
<b>Other financing sources (uses)</b>				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>(5,280)</b>	<b>(33,949)</b>	<b>7,768</b>	<b>41,717</b>
Fund balances, beginning of year	187,286	187,286	187,286	-
<b>Fund balances, end of year</b>	<b>\$ 182,006</b>	<b>\$ 153,337</b>	<b>\$ 195,054</b>	<b>\$ 41,717</b>

# CITY OF HOLLAND, MICHIGAN

## Schedule of Revenue, Expenditures and Changes in Fund Balances Budget and Actual - CATV (Public Access Channels) Fund For the Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
<b>Revenue</b>				
Special assessments	\$ -	\$ -	\$ -	\$ -
Property taxes	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Fines and fees	331,400	344,000	353,003	9,003
Contributions from private sector	-	-	-	-
Interest and rents	4,700	2,695	2,406	(289)
Miscellaneous	-	-	-	-
<b>Total revenue</b>	<b>336,100</b>	<b>346,695</b>	<b>355,409</b>	<b>8,714</b>
<b>Expenditures</b>				
Current:				
General government:				
Personnel services	2,200	1,700	3,625	1,925
Other services and charges	211,300	227,700	225,315	(2,385)
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Capital outlay	50,000	50,000	7,131	(42,869)
<b>Total expenditures</b>	<b>263,500</b>	<b>279,400</b>	<b>236,071</b>	<b>(43,329)</b>
<b>Revenue over (under) expenditures</b>	<b>72,600</b>	<b>67,295</b>	<b>119,338</b>	<b>52,043</b>
<b>Other financing sources (uses)</b>				
Transfers in	-	-	-	-
Transfers out	(100,000)	(100,000)	(100,000)	-
<b>Total other financing sources (uses)</b>	<b>(100,000)</b>	<b>(100,000)</b>	<b>(100,000)</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>(27,400)</b>	<b>(32,705)</b>	<b>19,338</b>	<b>52,043</b>
<b>Fund balances, beginning of year</b>	<b>389,411</b>	<b>389,411</b>	<b>389,411</b>	<b>-</b>
<b>Fund balances, end of year</b>	<b>\$ 362,011</b>	<b>\$ 356,706</b>	<b>\$ 408,749</b>	<b>\$ 52,043</b>

# CITY OF HOLLAND, MICHIGAN

## Schedule of Revenue, Expenditures and Changes in Fund Balances Budget and Actual - Revolving Cash Assistance Fund For the Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
<b>Revenue</b>				
Special assessments	\$ 79,669	\$ 206,319	\$ 210,238	\$ 3,919
Property taxes	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Fines and fees	-	-	-	-
Contributions from private sector	-	-	-	-
Interest and rents	863	7,636	8,195	559
Miscellaneous	-	-	-	-
<b>Total revenue</b>	<b>80,532</b>	<b>213,955</b>	<b>218,433</b>	<b>4,478</b>
<b>Expenditures</b>				
Current:				
General government:				
Personnel services	-	-	-	-
Other services and charges	-	-	-	-
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Capital outlay	-	-	-	-
<b>Total expenditures</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Revenue over (under) expenditures</b>	<b>80,532</b>	<b>213,955</b>	<b>218,433</b>	<b>4,478</b>
<b>Other financing sources (uses)</b>				
Transfers in	3,822	3,913	3,626	(287)
Transfers out	-	(525,865)	(525,865)	-
<b>Total other financing sources (uses)</b>	<b>3,822</b>	<b>(521,952)</b>	<b>(522,239)</b>	<b>(287)</b>
<b>Net change in fund balances</b>	<b>84,354</b>	<b>(307,997)</b>	<b>(303,806)</b>	<b>4,191</b>
Fund balances, beginning of year	64,422	64,422	64,422	-
<b>Fund balances (deficit), end of year</b>	<b>\$ 148,776</b>	<b>\$ (243,575)</b>	<b>\$ (239,384)</b>	<b>\$ 4,191</b>

# CITY OF HOLLAND, MICHIGAN

## Schedule of Revenue, Expenditures and Changes in Fund Balances

Budget and Actual - Specified Donations Fund

For the Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
<b>Revenue</b>				
Special assessments	\$ -	\$ -	\$ -	\$ -
Property taxes	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental	-	900	900	-
Charges for services	-	-	-	-
Fines and fees	-	-	-	-
Contributions from private sector	-	130,681	130,682	1
Interest and rents	130	130	26	(104)
Miscellaneous	-	-	-	-
<b>Total revenue</b>	<b>130</b>	<b>131,711</b>	<b>131,608</b>	<b>(103)</b>
<b>Expenditures</b>				
Current:				
General government:				
Personnel services	-	-	-	-
Other services and charges	71,253	193,787	109,465	(84,322)
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Capital outlay	7,444	13,922	2,700	(11,222)
<b>Total expenditures</b>	<b>78,697</b>	<b>207,709</b>	<b>112,165</b>	<b>(95,544)</b>
<b>Revenue over (under) expenditures</b>	<b>(78,567)</b>	<b>(75,998)</b>	<b>19,443</b>	<b>95,441</b>
<b>Other financing sources (uses)</b>				
Transfers in	-	-	-	-
Transfers out	(4,213)	(8,782)	(7,274)	(1,508)
<b>Total other financing sources (uses)</b>	<b>(4,213)</b>	<b>(8,782)</b>	<b>(7,274)</b>	<b>(1,508)</b>
<b>Net change in fund balances</b>	<b>(82,780)</b>	<b>(84,780)</b>	<b>12,169</b>	<b>(96,949)</b>
Fund balances, beginning of year	88,482	88,482	88,482	-
<b>Fund balances, end of year</b>	<b>\$ 5,702</b>	<b>\$ 3,702</b>	<b>\$ 100,651</b>	<b>\$ (96,949)</b>

# CITY OF HOLLAND, MICHIGAN

## Schedule of Revenue, Expenditures and Changes in Fund Balances Budget and Actual - Dangerous Structures Fund For the Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
<b>Revenue</b>				
Special assessments	\$ -	\$ -	\$ -	\$ -
Property taxes	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	28,200	20,000	14,077	(5,923)
Fines and fees	-	-	-	-
Contributions from private sector	-	-	-	-
Interest and rents	-	-	-	-
Miscellaneous	-	-	-	-
<b>Total revenue</b>	<b>28,200</b>	<b>20,000</b>	<b>14,077</b>	<b>(5,923)</b>
<b>Expenditures</b>				
Current:				
General government:				
Personal services	-	-	-	-
Other services and charges	28,200	22,000	16,021	(5,979)
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Capital outlay	-	-	-	-
<b>Total expenditures</b>	<b>28,200</b>	<b>22,000</b>	<b>16,021</b>	<b>(5,979)</b>
Revenue over (under) expenditures	-	(2,000)	(1,944)	56
<b>Other financing sources (uses)</b>				
Transfers in	-	2,500	687	(1,813)
Transfers out	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>2,500</b>	<b>687</b>	<b>(1,813)</b>
Net change in fund balances	-	500	(1,257)	(1,757)
Fund balances, beginning of year	1,257	1,257	1,257	-
<b>Fund balances, end of year</b>	<b>\$ 1,257</b>	<b>\$ 1,757</b>	<b>\$ -</b>	<b>\$ (1,757)</b>

CITY OF HOLLAND, MICHIGAN

**Schedule of Revenue, Expenditures and Changes in Fund Balances**  
 Budget and Actual - Police Criminal Justice Training Fund  
 For the Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
<b>Revenue</b>				
Special assessments	\$ -	\$ -	\$ -	\$ -
Property taxes	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental	12,000	11,800	10,792	(1,008)
Charges for services	-	-	-	-
Fines and fees	-	-	-	-
Contributions from private sector	-	-	-	-
Interest and rents	-	-	-	-
Miscellaneous	-	-	-	-
<b>Total revenue</b>	<b>12,000</b>	<b>11,800</b>	<b>10,792</b>	<b>(1,008)</b>
<b>Expenditures</b>				
Current:				
Public safety:				
Personal services	-	-	-	-
Other services and charges	12,000	11,800	11,111	(689)
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Capital outlay	-	-	-	-
<b>Total expenditures</b>	<b>12,000</b>	<b>11,800</b>	<b>11,111</b>	<b>(689)</b>
Revenue over (under) expenditures	-	-	(319)	(319)
<b>Other financing sources (uses)</b>				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Net change in fund balances	-	-	(319)	(319)
Fund balances, beginning of year	1,582	1,582	1,582	-
<b>Fund balances, end of year</b>	<b>\$ 1,582</b>	<b>\$ 1,582</b>	<b>\$ 1,263</b>	<b>\$ (319)</b>

CITY OF HOLLAND, MICHIGAN

**Schedule of Revenue, Expenditures and Changes in Fund Balances**  
 Budget and Actual - Anti-Drug Abuse Grant Fund  
 For the Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
<b>Revenue</b>				
Special assessments	\$ -	\$ -	\$ -	\$ -
Property taxes	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental	-	96,184	95,456	(728)
Charges for services	-	-	-	-
Fines and fees	-	-	-	-
Contributions from private sector	-	-	-	-
Interest and rents	-	-	-	-
Miscellaneous	-	-	-	-
<b>Total revenue</b>	<b>-</b>	<b>96,184</b>	<b>95,456</b>	<b>(728)</b>
<b>Expenditures</b>				
<b>Current:</b>				
<b>Public safety:</b>				
Personal services	-	257,938	256,923	(1,015)
Other services and charges	-	-	-	-
<b>Debt service:</b>				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Capital outlay	-	-	-	-
<b>Total expenditures</b>	<b>-</b>	<b>257,938</b>	<b>256,923</b>	<b>(1,015)</b>
<b>Revenue over (under) expenditures</b>	<b>-</b>	<b>(161,754)</b>	<b>(161,467)</b>	<b>287</b>
<b>Other financing sources (uses)</b>				
Transfers in	-	161,754	161,467	(287)
Transfers out	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>161,754</b>	<b>161,467</b>	<b>(287)</b>
<b>Net change in fund balances</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund balances, beginning of year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund balances, end of year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

CITY OF HOLLAND, MICHIGAN

**Schedule of Revenue, Expenditures and Changes in Fund Balances**  
 Budget and Actual - Office of Highway Safety Planning (OHSP) Grant Fund  
 For the Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenue				
Special assessments	\$ -	\$ -	\$ -	\$ -
Property taxes	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental	86,696	189,416	120,029	(69,387)
Charges for services	-	-	-	-
Fines and fees	-	-	-	-
Contributions from private sector	-	-	-	-
Interest and rents	-	-	-	-
Miscellaneous	-	-	-	-
<b>Total revenue</b>	<b>86,696</b>	<b>189,416</b>	<b>120,029</b>	<b>(69,387)</b>
Expenditures				
Current:				
Public safety:				
Personal services	50,878	126,598	84,211	(42,387)
Other services and charges	-	-	-	-
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Capital outlay	35,818	62,818	35,818	(27,000)
<b>Total expenditures</b>	<b>86,696</b>	<b>189,416</b>	<b>120,029</b>	<b>(69,387)</b>
Revenue over (under) expenditures	-	-	-	-
Other financing sources (uses)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Net change in fund balances	-	-	-	-
Fund balances, beginning of year	-	-	-	-
<b>Fund balances, end of year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

CITY OF HOLLAND, MICHIGAN

**Schedule of Revenue, Expenditures and Changes in Fund Balances**  
 Budget and Actual - Law Enforcement Block Grant Fund  
 For the Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
<b>Revenue</b>				
Special assessments	\$ -	\$ -	\$ -	\$ -
Property taxes	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental	32,300	47,555	40,735	(6,820)
Charges for services	-	-	-	-
Fines and fees	-	-	-	-
Contributions from private sector	-	-	-	-
Interest and rents	-	-	120	120
Miscellaneous	-	-	-	-
<b>Total revenue</b>	<b>32,300</b>	<b>47,555</b>	<b>40,855</b>	<b>(6,700)</b>
<b>Expenditures</b>				
Current:				
Public safety:				
Personal services	-	-	-	-
Other services and charges	-	18,260	8,055	(10,205)
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Capital outlay	34,068	34,068	29,255	(4,813)
<b>Total expenditures</b>	<b>34,068</b>	<b>52,328</b>	<b>37,310</b>	<b>(15,018)</b>
<b>Revenue over (under) expenditures</b>	<b>(1,768)</b>	<b>(4,773)</b>	<b>3,545</b>	<b>8,318</b>
<b>Other financing sources (uses)</b>				
Transfers in	-	3,005	2,705	300
Transfers out	-	-	(6,130)	6,130
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>3,005</b>	<b>(3,425)</b>	<b>6,430</b>
<b>Net change in fund balances</b>	<b>(1,768)</b>	<b>(1,768)</b>	<b>120</b>	<b>(1,888)</b>
<b>Fund balances, beginning of year</b>	<b>1,767</b>	<b>1,767</b>	<b>1,767</b>	<b>-</b>
<b>Fund balances, end of year</b>	<b>\$ (1)</b>	<b>\$ (1)</b>	<b>\$ 1,887</b>	<b>\$ (1,888)</b>

CITY OF HOLLAND, MICHIGAN

**Schedule of Revenue, Expenditures and Changes in Fund Balances**  
 Budget and Actual - Homeland Security Grant Fund  
 For the Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
<b>Revenue</b>				
Special assessments	\$ -	\$ -	\$ -	\$ -
Property taxes	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental	-	49,205	5,576	(43,629)
Charges for services	-	-	-	-
Fines and fees	-	-	-	-
Contributions from private sector	-	9,700	7,806	(1,894)
Interest and rents	-	-	-	-
Miscellaneous	-	-	-	-
<b>Total revenue</b>	<b>-</b>	<b>58,905</b>	<b>13,382</b>	<b>(45,523)</b>
<b>Expenditures</b>				
Current:				
Public safety:				
Personnel services	-	1,000	-	(1,000)
Other services and charges	-	8,700	2,696	(6,004)
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Capital outlay	-	49,205	5,576	(43,629)
<b>Total expenditures</b>	<b>-</b>	<b>58,905</b>	<b>8,272</b>	<b>(50,633)</b>
<b>Revenue over (under) expenditures</b>	<b>-</b>	<b>-</b>	<b>5,110</b>	<b>5,110</b>
<b>Other financing sources (uses)</b>				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>-</b>	<b>-</b>	<b>5,110</b>	<b>5,110</b>
<b>Fund balances, beginning of year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund balances, end of year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 5,110</b>	<b>\$ 5,110</b>

CITY OF HOLLAND, MICHIGAN

**Schedule of Revenue, Expenditures and Changes in Fund Balances**  
 Budget and Actual - District Library Taxation Fund  
 For the Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
<b>Revenue</b>				
Special assessments	\$ -	\$ -	\$ -	\$ -
Property taxes	1,318,770	1,345,232	1,336,645	(8,587)
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Fines and fees	-	-	-	-
Contributions from private sector	-	-	-	-
Interest and rents	-	-	-	-
Miscellaneous	-	-	-	-
<b>Total revenue</b>	<b>1,318,770</b>	<b>1,345,232</b>	<b>1,336,645</b>	<b>(8,587)</b>
<b>Expenditures</b>				
Current:				
Culture and recreation:				
Personnel services	-	-	-	-
Other services and charges	1,318,770	1,345,221	1,335,386	(9,835)
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Capital outlay	-	-	-	-
<b>Total expenditures</b>	<b>1,318,770</b>	<b>1,345,221</b>	<b>1,335,386</b>	<b>(9,835)</b>
Revenue over (under) expenditures	-	11	1,259	1,248
<b>Other financing sources (uses)</b>				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Net change in fund balances	-	11	1,259	1,248
Fund balances, beginning of year	333	333	333	-
<b>Fund balances, end of year</b>	<b>\$ 333</b>	<b>\$ 344</b>	<b>\$ 1,592</b>	<b>\$ 1,248</b>

CITY OF HOLLAND, MICHIGAN

**Schedule of Revenue, Expenditures and Changes in Fund Balances**  
 Budget and Actual - MSHDA Grant Fund  
 For the Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
<b>Revenue</b>				
Special assessments	\$ -	\$ -	\$ -	\$ -
Property taxes	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental	150,000	150,000	-	(150,000)
Charges for services	-	-	-	-
Fines and fees	-	-	-	-
Contributions from private sector	-	-	-	-
Interest and rents	-	-	-	-
Miscellaneous	-	-	-	-
<b>Total revenue</b>	<b>150,000</b>	<b>150,000</b>	<b>-</b>	<b>(150,000)</b>
<b>Expenditures</b>				
Current:				
Welfare and social services:				
Personnel services	-	-	-	-
Other services and charges	150,000	150,000	-	(150,000)
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Capital outlay	-	-	-	-
<b>Total expenditures</b>	<b>150,000</b>	<b>150,000</b>	<b>-</b>	<b>(150,000)</b>
Revenue over (under) expenditures	-	-	-	-
<b>Other financing sources (uses)</b>				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Net change in fund balances	-	-	-	-
Fund balances, beginning of year	-	-	-	-
<b>Fund balances, end of year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

CITY OF HOLLAND, MICHIGAN

**Schedule of Revenue, Expenditures and Changes in Fund Balances**  
 Budget and Actual - Community Development Block Grant Fund  
 For the Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
<b>Revenue</b>				
Special assessments	\$ -	\$ -	\$ -	\$ -
Property taxes	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental	557,706	481,473	333,938	(147,535)
Charges for services	-	-	-	-
Fines and fees	-	-	-	-
Contributions from private sector	27,826	150,827	142,582	(8,245)
Interest and rents	-	-	-	-
Miscellaneous	-	-	-	-
<b>Total revenue</b>	<b>585,532</b>	<b>632,300</b>	<b>476,520</b>	<b>(155,780)</b>
<b>Expenditures</b>				
Current:				
Welfare and social services:				
Personnel services	101,637	93,300	88,654	(4,646)
Other services and charges	427,019	479,415	350,314	(129,101)
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Capital outlay	-	-	-	-
<b>Total expenditures</b>	<b>528,656</b>	<b>572,715</b>	<b>438,968</b>	<b>(133,747)</b>
<b>Revenues over (under) expenditures</b>	<b>56,876</b>	<b>59,585</b>	<b>37,552</b>	<b>(22,033)</b>
<b>Other financing sources (uses)</b>				
Transfers in	4,080	4,080	4,080	-
Transfers out	(60,956)	(63,665)	(41,632)	(22,033)
<b>Total other financing sources (uses)</b>	<b>(56,876)</b>	<b>(59,585)</b>	<b>(37,552)</b>	<b>(22,033)</b>
<b>Net change in fund balances</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund balances, beginning of year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund balances, end of year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

# CITY OF HOLLAND, MICHIGAN

## Schedule of Revenue, Expenditures and Changes in Fund Balances Budget and Actual - Eat Healthy For Life Fund For the Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
<b>Revenue</b>				
Special assessments	\$ -	\$ -	\$ -	\$ -
Property taxes	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental	-	12,800	1,481	(11,319)
Charges for services	-	-	-	-
Fines and fees	-	-	-	-
Contributions from private sector	-	-	-	-
Interest and rents	-	-	-	-
Miscellaneous	-	-	-	-
<b>Total revenue</b>	<b>-</b>	<b>12,800</b>	<b>1,481</b>	<b>(11,319)</b>
<b>Expenditures</b>				
<b>Current:</b>				
<b>Welfare and social services:</b>				
Personnel services	-	12,800	1,481	(11,319)
Other services and charges	-	-	-	-
<b>Debt service:</b>				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Capital outlay	-	-	-	-
<b>Total expenditures</b>	<b>-</b>	<b>12,800</b>	<b>1,481</b>	<b>(11,319)</b>
Revenues over (under) expenditures	-	-	-	-
<b>Other financing sources (uses)</b>				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Net change in fund balances	-	-	-	-
Fund balances, beginning of year	-	-	-	-
<b>Fund balances, end of year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

# CITY OF HOLLAND, MICHIGAN

## Schedule of Revenue, Expenditures and Changes in Fund Balances Budget and Actual - Cemetery Perpetual Care Fund For the Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
<b>Revenue</b>				
Special assessments	\$ -	\$ -	\$ -	\$ -
Property taxes	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	29,300	26,055	26,740	685
Fines and fees	-	-	-	-
Contributions from private sector	-	-	-	-
Interest and rents	21,639	21,639	11,349	(10,290)
Miscellaneous	-	-	-	-
<b>Total revenue</b>	<b>50,939</b>	<b>47,694</b>	<b>38,089</b>	<b>(9,605)</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>General government:</b>				
Personnel services	-	-	-	-
Other services and charges	-	-	-	-
<b>Debt service</b>				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Capital outlay	-	-	-	-
<b>Total expenditures</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Revenue over (under) expenditures</b>	<b>50,939</b>	<b>47,694</b>	<b>38,089</b>	<b>(9,605)</b>
<b>Other financing sources (uses)</b>				
Transfers in	1,862	1,862	2,353	(491)
Transfers out	(26,532)	(33,532)	(11,316)	(22,216)
<b>Total other financing sources (uses)</b>	<b>(24,670)</b>	<b>(31,670)</b>	<b>(8,963)</b>	<b>(22,707)</b>
<b>Net change in fund balances</b>	<b>26,269</b>	<b>16,024</b>	<b>29,126</b>	<b>(13,102)</b>
Fund balances, beginning of year	1,520,216	1,520,216	1,520,216	-
<b>Fund balances, end of year</b>	<b>\$ 1,546,485</b>	<b>\$ 1,536,240</b>	<b>\$ 1,549,342</b>	<b>\$ (13,102)</b>

This page intentionally left blank.

# CITY OF HOLLAND, MICHIGAN

## Enterprise Funds

Enterprise Funds are proprietary funds that account for operations (a) financed and operated in a manner similar to private-sector business entities - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed primarily through user charges; or, (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

### Electric Utility Fund

Mandated by chapter 12 of the City Charter, the Electric Utility Fund provides financial accountability for a municipally-owned electric generating facility and distribution system that supplies electrical power to residential, commercial, industrial, and other users. Fiber Optics (broadband) is also supplied to a limited customer base. The City has entered into agreements with several of the surrounding governmental jurisdictions to supply electrical power to various residential, commercial, and industrial areas outside of the City.

By way of a Joint Venture with the Michigan Public Power Agency, contractual arrangements have been adopted with other electric generating companies and authorities for the purchase of additional electricity to meet anticipated local requirements into future years, and also to sell excess electrical capacity generated locally.

Outstanding long-term debt may be reflected in this fund in the form of electric system revenue bonds payable (currently no debt). This fund provides financial accountability for revenues, expenses, and balance sheet items.

This utility is managed and operated by a Board of Public Works appointed by and responsible to the City Council.

### Wastewater Utility Fund

The Wastewater Utility Fund provides financial accountability for a municipally-owned sewage treatment facility and collection system that services residential, commercial, industrial, and other users within the City of Holland.

In 1979, a joint agreement was established between the City of Holland and surrounding townships to expand the sewage treatment plant, and provide sewage collection services to an expanded area. In 1994 and 1995 these same governing units took action to construct another large expansion of the treatment plant capacity to service the ever-increasing volumes of sewage treatment requirements.

Because the City of Holland retains significant control within the governing body of the system, together with responsibility for system operations, the Wastewater Utility Fund is accounted and reported as an entity of the City.

# CITY OF HOLLAND, MICHIGAN

## Enterprise Funds

Outstanding long-term debt is reflected in the form of assessment payable to County of Ottawa for 70% commitment of debt service for county sewage bonds. This fund provides financial accountability for revenues, expenses, and balance sheet items.

This utility is managed and operated by a Board of Public Works appointed by and responsible to the City Council.

### Water Utility Fund

Mandated by chapter 12 of the Holland City Charter, the Water Utility Fund provides financial accountability for a municipally-owned water treatment facility and distribution system that supplies water - drawn from Lake Michigan and treated for cleanliness - to residential, commercial, industrial, and other users within the City of Holland.

The City of Holland has entered into joint agreements with several of the surrounding governmental jurisdictions for the sale and distribution of water to various areas outside of the City.

In response to projected significant increases in demand for water usage by both residential and commercial/industrial customers, additional long-term debt (Water Utility Revenue Bonds) was issued during fiscal year 2005 to finance the expansion of water treatment capacity, together with installation of additional primary watermain lines.

This utility is managed and operated by a Board of Public Works appointed by and responsible to the City Council.

### Refuse and Recycling Pickup Fund

Since 1992, the City of Holland has administered a mandatory refuse and recycling pickup program for all single family residences, as well as multi-family residential units. Each residence is provided the choice of using either refuse bags or municipally-owned refuse containers, plus recycling bags.

At June 30, 2012, the residential customer count for this service is:

- Single-family residences and multi-family housing developments of up to 4-family units = 8,884
- Multi-family housing developments of greater than 4-family units = 6

The entire pickup and hauling operation is contracted to one private sector hauler, with options for contract extension if stipulated by both parties. Administration, billing and collection functions are performed by the City; with payment made to the hauling firm at the conclusion of each month.

## CITY OF HOLLAND, MICHIGAN

### Enterprise Funds

Additionally, this fund accounts for the financing and costs of a year round program referred to as *Project Pride*. This program provides residents opportunity to dispose of unwanted scrap household items (such as old appliances, furniture, etc) as well as hazardous household waste items (such as old paint, turpentine, or various chemical items).

This fund provides financial accountability of revenues, expenses, capital outlays, and balance sheet items.

#### Windmill Island Fund

Since 1964, the City of Holland owns and operates a public attraction referred to as Windmill Island that exhibits an imported authentic operating windmill from The Netherlands, along with various authentic Dutch buildings and facilities. This attraction remains open approximately six months from May thru October, providing visitors with an authentic re-creation of picturesque structures, architectures and landscaping similar to that found in The Netherlands approximately 100 to 200 years earlier.

Presently there is no long-term debt outstanding for Windmill Island. Two earlier revenue bond issues (originally issued in 1964 and 1988) had financed major acquisitions, developments and enhancements for Windmill Island. Management continually studies ideas and concepts regarding the most feasible and prudent uses for Windmill Island. During fiscal year 2005, a new 40' x 80' open space facility - referred to as the 'Pavilion' - was acquired and constructed, primarily financed from fund reserves. This facility is proving to be a popular attraction for private-party events (such as weddings and company picnics). Rental income from event usage indicates a relatively quick payback of costs.

The revenue base for Windmill Island consists of admission fees, concession fees, and other miscellaneous revenues; together with an annual General Fund transfer to subsidize operating deficits.

This fund provides financial accountability of revenues, expenses, capital outlays, and balance sheet items.

#### Depot Operations Fund

The City of Holland owns and leases out a renovated railroad depot located on the main street of the downtown area. Referred to as the Holland Transportation Center, this facility provides:

- a passenger loading/unloading stop for *Amtrak Railroad - Indian Trails Bus - MAX local-area bus system*.
- administrative offices - for the *Macatawa Area Express Transportation Authority (MAX)*.

Per agreement the MAX Authority operates and maintains the building and grounds and also receives related rental income from the other tenants. No long term debt exists in this fund.

## CITY OF HOLLAND, MICHIGAN

### Enterprise Funds

This fund provides financial accountability for capital grants, assets, related depreciation and balance sheet items.

#### Airport Facilities and Management System Fund

In previous years, since 1986, the City of Holland owned and operated the Tulip City Airport. The initial purchase and major enhancements to the airport were financed primarily by grants from the Federal Aviation Administration and the Michigan Bureau of Aeronautics, along with several contributions from the private sector with no local tax dollars used.

On January 18, 2007 the City of Holland adopted a resolution to form the West Michigan Airport Authority along with Holland Charter Township, Park Township and the City of Zeeland. The tax levy up to 0.1 mill was approved by voters in all jurisdictions, except Holland Charter Township, in May 2008. Rather than the airport entity imposing its own tax levy, the intergovernmental contractual arrangement provides that the City and two adjacent jurisdictions (composing the airport authority) each levy an identical tax millage rate for the Airport, and each taxing unit will pay the collected taxes to the Authority. The City's portion of this tax levy is accounted for by this fund.

Effective July 1, 2008 the Authority became an entirely separate entity and is no longer included in the City's financial report. New grants administered by the Michigan Bureau of Aeronautics will be issued to the Authority from the transition forward. Airport operations, including payments to the Fixed Base Operator (FBO) which manages and operates the airport and lease revenues from T-hangar, private hangar and agricultural rentals are separately accounted for by the West Michigan Airport Authority and no longer included in this City fund.

Capital assets formerly acquired by the City of Holland, prior to the formation of the Authority, remain under the City's ownership and continue to be accounted for in this City fund. These City owned assets are leased to the Authority for their use, operation and maintenance. The Authority contracts with the City for managerial staff, fiscal agent services and some minor administrative costs which continue to be accounted for in this fund. The Airport name was changed to the West Michigan Regional Airport in October 2011.

Two long-term *Installment Purchase Obligation* debt instruments (originally issued in 1989 and 1995) provided financing for construction of three T-Hanger buildings for smaller-sized aircraft. The final maturity on the 1995 obligation occurred in the fiscal year which ended on June 30, 2010; whereas the final maturity on the 1989 obligation occurred in fiscal year 2005. Debt service was financed by a payment from the West Michigan Airport Authority.

#### Public Transit Facilities and Management System Fund

In previous years the City of Holland, together with the neighboring municipalities of Holland Charter Township and City of Zeeland entered into a joint agreement to provide public busing transportation services. This system was officially titled the Macatawa Area Express System ("MAX"). The MAX served the citizens of these communities with both a fixed-route bus system, as well as a demand-response personalized system.

## CITY OF HOLLAND, MICHIGAN

### Enterprise Funds

On June 7, 2006 the City of Holland adopted a resolution to form the Macatawa Area Express Transportation Authority with an incorporation date of 7/1/06, along with Holland Charter Township. The authority was authorized to levy a tax up to 0.4 mills as approved by the voters in the City of Holland and Holland Charter Township (not approved in the City of Zeeland) at the November 7, 2006 election. The millage cannot be increased to an amount exceeding 0.4 mills without the prior approval of the City of Holland and Holland Charter Township as well as a majority of the voters within the Authority boundaries. Between July 1, 2006 and June 30, 2007 the Authority existed under an “interim period” status, operating as a City of Holland fund (Macatawa Area Public Transit System Fund), as in prior years

Effective July 1, 2007 the Authority became an entirely separate entity and is no longer included in the City’s financial report. The MAX administrative staff are no longer City of Holland employees, but rather directly employed by the MAX Authority. Most of the capital assets in the former fund, including buses and equipment, were transferred to the Authority, but the dispatch building assets are retained in this fund by the City. The City continues to receive a very small portion of the Authority’s grant funds, for older grants previously formally granted to the City, which are immediately passed through to the Authority.

#### Employee Benefit Fund

Various departmental facilities provide a coffee shop / lunch room for the benefit of staff members and commissions. This fund provides financial accountability for each of the respective operations. Revenues are primarily derived from merchandise sales to employees. Expenses include the purchase of lunch room inventory items, along with miscellaneous costs for special events such as decorated cakes, flowers, holiday meats, cards, and gifts.

CITY OF HOLLAND, MICHIGAN

**Combining Statement of Net Assets**  
 Nonmajor Enterprise Funds  
 June 30, 2012

	Refuse and Recycling Pickup	Windmill Island	Depot Operations	Airport Facilities and Management System
<b>Assets</b>				
Current assets:				
Cash and pooled investments	\$ 344,863	\$ 69,288	\$ 4	\$ -
Receivables:				
Accounts	153,922	12,017	-	-
Taxes and special assessments	-	-	-	125
Prepaid items	-	2,495	-	-
<b>Total current assets</b>	<b>498,785</b>	<b>83,800</b>	<b>4</b>	<b>125</b>
Noncurrent assets:				
Capital assets:				
Land	-	99,809	291,300	5,961,250
Machinery and equipment	-	2,813,154	1,667,199	14,043,709
Accumulated depreciation	-	(1,440,469)	(1,087,169)	(8,395,033)
<b>Total noncurrent assets</b>	<b>-</b>	<b>1,472,494</b>	<b>871,330</b>	<b>11,609,926</b>
<b>Total assets</b>	<b>498,785</b>	<b>1,556,294</b>	<b>871,334</b>	<b>11,610,051</b>
<b>Liabilities</b>				
Current liabilities:				
Accounts payable	92,600	8,371	-	-
Accrued payroll and benefits	1,300	19,785	-	-
Due to other funds	-	2,003	-	33
Deposits	-	42,400	-	-
Accrued compensated absences - current	-	11,241	-	-
<b>Total current liabilities</b>	<b>93,900</b>	<b>83,800</b>	<b>-</b>	<b>33</b>
<b>Net assets</b>				
Invested in capital assets	-	1,472,494	871,330	11,609,926
Unrestricted	404,885	-	4	92
<b>Total net assets</b>	<b>\$ 404,885</b>	<b>\$ 1,472,494</b>	<b>\$ 871,334</b>	<b>\$ 11,610,018</b>

Public Transit Facilities and Management System	Employee Benefit Fund	Total
\$ -	\$ 10,035	\$ 424,190
1,939	80	167,958
-	-	125
-	-	2,495
<u>1,939</u>	<u>10,115</u>	<u>594,768</u>
-	-	6,352,359
508,254	-	19,032,316
(230,002)	-	(11,152,673)
<u>278,252</u>	<u>-</u>	<u>14,232,002</u>
<u>280,191</u>	<u>10,115</u>	<u>14,826,770</u>
-	358	101,329
139	-	21,224
177	-	2,213
-	-	42,400
-	-	11,241
<u>316</u>	<u>358</u>	<u>178,407</u>
278,252	-	14,232,002
<u>1,623</u>	<u>9,757</u>	<u>416,361</u>
<u>\$ 279,875</u>	<u>\$ 9,757</u>	<u>\$ 14,648,363</u>

CITY OF HOLLAND, MICHIGAN

Combining Statement of Revenue, Expenses and Changes in Fund Net Assets

Nonmajor Enterprise Funds  
For the Year Ended June 30, 2012

	Refuse and Recycling Pickup	Windmill Island	Depot Operations	Airport Facilities and Management System
Operating revenue				
Usage fees and charges for services	\$ 1,425,110	\$ 40,475	\$ -	\$ -
Admissions and fares	-	287,411	-	-
Rentals	-	94,429	1	-
<b>Total operating revenue</b>	<b>1,425,110</b>	<b>422,315</b>	<b>1</b>	<b>-</b>
Operating expenses				
Personal services	106,612	408,925	-	-
Other current expenses	1,275,570	221,120	-	103,346
Depreciation	-	112,300	37,016	522,786
<b>Total operating expenses</b>	<b>1,382,182</b>	<b>742,345</b>	<b>37,016</b>	<b>626,132</b>
Operating income (loss)	42,928	(320,030)	(37,015)	(626,132)
Nonoperating revenue (expenses)				
Property taxes	-	-	-	103,438
Federal and/or state grants	-	-	-	-
Federal awards passed-through to the Macatawa Area Express Transportation Authority	-	-	-	-
Investment earnings	2,117	479	-	-
<b>Total nonoperating revenue (expenses)</b>	<b>2,117</b>	<b>479</b>	<b>-</b>	<b>103,438</b>
Income (loss) before contributions and transfers	45,045	(319,551)	(37,015)	(522,694)
Capital contributions and transfers				
Capital contributions	-	2,519	-	-
Other private donations	-	-	-	-
Transfers in	-	438,054	-	-
<b>Total capital contributions and transfers</b>	<b>-</b>	<b>440,573</b>	<b>-</b>	<b>-</b>
Change in net assets	45,045	121,022	(37,015)	(522,694)
Net assets, beginning of year	359,840	1,351,472	908,349	12,132,712
Net assets, end of year	\$ 404,885	\$ 1,472,494	\$ 871,334	\$ 11,610,018

Public Transit Facilities and Management System	Employee Benefit Fund	Total
\$ 7,277	\$ 9,531	\$ 1,482,393
-	-	287,411
-	-	94,430
<u>7,277</u>	<u>9,531</u>	<u>1,864,234</u>
6,551	-	522,088
726	9,303	1,610,065
11,711	-	683,813
<u>18,988</u>	<u>9,303</u>	<u>2,815,966</u>
<u>(11,711)</u>	<u>228</u>	<u>(951,732)</u>
-	-	103,438
221,503	-	221,503
(221,503)	-	(221,503)
-	69	2,665
<u>-</u>	<u>69</u>	<u>106,103</u>
<u>(11,711)</u>	<u>297</u>	<u>(845,629)</u>
-	-	2,519
-	1,155	1,155
-	-	438,054
<u>-</u>	<u>1,155</u>	<u>441,728</u>
<u>(11,711)</u>	<u>1,452</u>	<u>(403,901)</u>
<u>291,586</u>	<u>8,305</u>	<u>15,052,264</u>
<u>\$ 279,875</u>	<u>\$ 9,757</u>	<u>\$ 14,648,363</u>

CITY OF HOLLAND, MICHIGAN

**Combining Statement of Cash Flows**

Nonmajor Enterprise Funds

For the Year Ended June 30, 2012

	Refuse and Recycling Pickup	Windmill Island	Depot Operations	Airport Facilities and Management System
Cash flows from operating activities				
Receipts from customers and users	\$ 1,430,373	\$ 398,293	\$ 1	\$ 615
Payments to suppliers	(1,293,492)	(227,719)	-	(103,346)
Payments to employees	(106,740)	(414,597)	-	-
Net cash provided by (used in) operating activities	30,141	(244,023)	1	(102,731)
Cash flows from noncapital financing activities				
Property taxes	-	-	-	100,860
Other private donations	-	-	-	-
Intragovernmental receipts	-	437,980	-	33
Intragovernmental payments	(96,872)	-	-	-
Net cash provided by (used in) noncapital financing activities	(96,872)	437,980	-	100,893
Cash flows from capital and related financing activities				
Federal and/or state grants	-	-	-	-
Federal awards pass-through to the Macatawa Area Express Transportation Authority	-	-	-	-
Capital contributions	-	2,519	-	-
Purchase of capital assets	-	(233,322)	-	-
Net cash used in capital and related financing activities	-	(230,803)	-	-
Cash flows from investing activities				
Investment earnings	2,117	479	-	-
Net cash provided by investing activities	2,117	479	-	-
Net increase (decrease) in cash and cash equivalents	(64,614)	(36,367)	1	(1,838)
Cash and pooled investments, beginning of year	409,477	105,655	3	1,838
Cash and pooled investments, end of year	\$ 344,863	\$ 69,288	\$ 4	\$ -

Public Transit Facilities and Management System	Employee Benefit Fund	Total
\$ 7,249	\$ 9,451	\$ 1,845,982
(726)	(9,399)	(1,634,682)
(6,529)	-	(527,866)
(6)	52	(316,566)
14	-	100,874
-	1,155	1,155
-	-	438,013
(8)	-	(96,880)
6	1,155	443,162
221,503	-	221,503
(221,503)	-	(221,503)
-	-	2,519
-	-	(233,322)
-	-	(230,803)
-	69	2,665
-	69	2,665
-	1,276	(101,542)
-	8,759	525,732
\$ -	\$ 10,035	\$ 424,190

continued...

CITY OF HOLLAND, MICHIGAN

**Combining Statement of Cash Flows**

Nonmajor Enterprise Funds

For the Year Ended June 30, 2012

	Refuse and Recycling Pickup	Windmill Island	Depot Operations	Airport Facilities and Management System
Cash flows from operating activities				
Operating income (loss)	\$ 42,928	\$ (320,030)	\$ (37,015)	\$ (626,132)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation expense	-	112,300	37,016	522,786
Change in:				
Receivable	5,263	(3,822)	-	615
Prepaid items	-	(1,245)	-	-
Accounts payable	(17,922)	(5,354)	-	-
Accrued payroll and benefits	(128)	677	-	-
Accrued compensated absences	-	(6,349)	-	-
Unearned revenue	-	(20,200)	-	-
Net cash provided by (used in) operating activities	<u>\$ 30,141</u>	<u>\$ (244,023)</u>	<u>\$ 1</u>	<u>\$ (102,731)</u>

Public Transit Facilities and Management System	Employee Benefit Fund	Total
\$ (11,711)	\$ 228	\$ (951,732)
11,711	-	683,813
(28)	(80)	1,948
-	-	(1,245)
-	-	(23,276)
22	(96)	475
-	-	(6,349)
-	-	(20,200)
<u>\$ (6)</u>	<u>\$ 52</u>	<u>\$ (316,566)</u>

concluded

This page intentionally left blank.

# CITY OF HOLLAND, MICHIGAN

## Internal Service Funds

Internal Service Funds are used to account for the financing of services provided by one department or activity to other departments or activities of the City, and/or to other governmental units on a cost-reimbursement basis. These types of funds are established, managed, and operated as a proprietary type operation, providing financial accountability for revenues, expenses, and balance sheet items.

### Computer Services Fund

The Technology Services Department provides computer-processing capabilities to several departments and programs; and to a small extent, to other local area governmental units.

Basic functions of the Technology Services Department include:

- administration, maintenance, backup and development of entire computer system
- centralized server-driven systems for local area networking and for specific software applications
- end-user client equipment such as PC's and remote printers
- internet access
- website development, modifications, and routine updating of information
- g.i.s. and mapping capabilities
- assistance in evaluating and purchasing commercial software systems
- software training sessions and assistance.

Established user fee charges to departments include the following elements:

- number of active directories
- number of computers
- in-house staff time that is responsible to:
  - maintain a multiple server system and network system
  - maintain sufficient storage capability on the City's network system to accommodate all City users
  - maintain and service PC's located at individual workstations throughout the City departments
  - maintain functionality of various proprietary software programs loaded on computer center servers
  - develop & maintain an Internet capability, to include the City's website
  - develop & maintain a G.I.S. system

# CITY OF HOLLAND, MICHIGAN

## Internal Service Funds

- in-house staff time that is responsible to:
  - annual surcharges (assessed to all user departments) for the purpose of maintaining reserves for future new and/or replacement acquisitions.

Departments and offices of the City have access to various console and desktop photocopying equipment that serves most departmental photocopying requirements.

Established user fee charges to departments include the following elements:

- recovery of costs for supplies, such as photocopier paper, machine toner, etc.
- recovery of overhead costs for maintenance to equipment

This fund provides financial accountability for revenues, expenses, and balance sheet items.

### Postage Services Fund

An automated postage meter machine provides centralized support services to all City Hall departments for U.S. Postal Service mailing purposes. A third party postal service provider processes the outgoing mail to achieve lower bulk postal rates. A separate machine provides services at the Transportation Services facility. Applicable postage rates are affixed to individual pieces of mail by each metered machine.

Established user fee charges to departments include the following elements:

- recovery of actual postage use, as recorded by the equipment with each use
- recovery of overhead costs for meter-box rental, operating supplies, and equipment maintenance
- equipment replacement reserves are not accumulated in this fund

This fund provides financial accountability for revenues, expenses, and balance sheet items.

### Communication Services Fund

A networked telephone system provides internally connected voice communication services for most departments and activities of the City, as well as communications outside the network. Driven by in-house phone servers, the system provides multiple capabilities for communicating both inside and outside the network. The City has entered into a contractual arrangement with TDS Metrocom as the communication link and processor for all incoming and outgoing phone calls and fax messages outside of the network, to include both local-area and long-distance outgoing calls.

Also captured are operating costs across all departments for usage of Nextel cellular phones, pager units, fax machines, broadband fiber as well as modems for computers and credit card validation machines.

# CITY OF HOLLAND, MICHIGAN

## Internal Service Funds

Established user fee charges to departments include the following elements:

- recovery of costs billed to City of Holland by TDS Metrocom
- surcharge to accumulate a sufficient reserve for system maintenance and, to a limited extent, universal system equipment.

This fund provides financial accountability for revenues, expenses, and balance sheet items.

### Fuel Dispension Fund

By formal agreement, the *City of Holland* and *Holland Public School District* share the operating, maintenance, and capital costs for underground storage tanks and automated fuel dispensing systems. The fuel storage and dispensing facility is located at the site of the *Holland Public Schools - Transportation Center*.

Fuel is purchased in bulk quantities, and stored in large underground tanks. Users (departments) are billed monthly for gasoline and diesel fuel, as recorded and summarized by computer-generated records of gallons dispensed. Select vehicles are participating in an ongoing biodiesel blend study using a temporary above ground storage tank.

Established user fee charges to departments include the following elements:

- recovery of actual fuel dispensed, using a first-in first-out method of inventory accounting
- recovery of administrative overhead costs to operate the system
- surcharge to accumulate reserve for future replacement of equipment and underground tanks

The contractual arrangement between the City and School District for shared facility and operation is determined not to be a joint-venture operation, as defined in Governmental Accounting Standards Board (GASB) - Statement No. 14. The Macatawa Area Express Transportation Authority participates as a customer in the shared fuel dispensing system.

This fund provides financial accountability for revenues, expenses, and balance sheet items.

### Centralized Vehicle/Equipment Fund

The following activities comprise the operations and assets of this fund:

#### *General Vehicle & Equipment Pool*

- All vehicles & equipment assigned to this pool are capital assets (minus depreciation) of this fund.
- Several departments are provided with specifically assigned vehicles and/or equipment. Detailed accounting is maintained for each such vehicle or equipment item. Also included in this pool are a certain number of unassigned vehicles made available for sign-out by any department with a mileage fee assessed. An annual flat-fee 'rental and use charge' is assessed to respective departments for each individual vehicle or equipment item

# CITY OF HOLLAND, MICHIGAN

## Internal Service Funds

- Vehicles and equipment assigned to this pool (other than signout cars) are assessed an annual flat-fee for:
  - > recovery of fuel costs
  - > recovery of overhead costs for vehicle/equipment maintenance and upkeep
  - > surcharge to accumulate reserve for future replacements of vehicles/equipment.

### *Streets Vehicle & Equipment Pool*

- All vehicles & equipment assigned to this pool are capital assets (minus depreciation) of this fund.
- State of Michigan Act 51 of 1951 (as amended) requires identifiable accounting for vehicles & equipment dedicated to street maintenance & construction. Detailed accounting is maintained for each such vehicle or equipment item. Michigan Dept of Transportation (MDOT) annually provides a mandatory schedule of hourly 'rental and use' rates applicable to each individual type of vehicle or equipment for actual time of use.
  - Vehicles and equipment assigned to this pool are assessed an established hourly rate for:
    - > recovery of fuel costs
    - > recovery of overhead costs for vehicle/equipment maintenance and upkeep
    - > surcharge to accumulate reserve for future replacements of vehicles/equipment.

### *Central Maintenance Activity*

- A centralized vehicle & equipment maintenance activity is operated at the City's Transportation Services facility. Various support staff (including several vehicle & equipment mechanics) are permanently assigned to this function.
  - The mechanics staff performs virtually all maintenance service work for the two Vehicle & Equipment Pools described above; and their services are compensated from the fee structures as described above for each of the two pools.
  - In addition, the mechanics perform maintenance services for vehicles & equipment that are not assigned to either of the two pools (such as the MAX Bus Transportation Services System and the City's Fire Emergency Vehicles). Annually an internally-determined hourly rate is established using a 'Cost Allocation Plan' that is acceptable to state & federal agencies providing grant subsidies to the MAX Transportation System. This rate is charged to the appropriate agency for mechanics time to provide repair and maintenance services on vehicles & equipment outside of the two pools described above.

This fund provides financial accountability for revenues, expenses, and balance sheet items.

### **Fire Vehicle/Equipment Fund**

The Fire Vehicle/Equipment Pool provides a centralized vehicle and equipment support service for the Holland Fire Department. This fund provides financial accountability for cash reserves, for purchase of additional or replacement emergency vehicles, and for major renovations to emergency vehicles.

# CITY OF HOLLAND, MICHIGAN

## Internal Service Funds

Primary financing for this fund is an annual operating transfer from the general fund derived from a schedule - updated annually - projecting both short-term and long-term cash requirements. Other revenue sources may include sale of existing capital assets and investment income.

### Workers Compensation Fund

The City of Holland provides workers compensation insurance coverage through a first-dollar coverage (no self-insured retention) commercial plan with Accident Fund of Michigan. Claims are administered by this carrier. The policy provides specific and aggregate coverage limits up to the maximum level requirements, per state statutes.

Revenues to this fund are generated primarily from internally-developed premium charges to various governmental and proprietary funds. Expenses of the fund include commercial insurance premiums on the current policy.

A small number of medical/indemnity claims of prior years have continued to linger (retroactive to a time when the City's workers compensation coverage was partially self-insured). However, all such claims have reached the stop-loss limits of self-insured coverage, thereby transferring further claim payment burden to a commercial insurance carrier.

### Employee Disability Income Protection Fund

The City of Holland provides a short-term disability income protection coverage through a fully self-funded plan, with the City acting as the administrator. For a legitimate and certified disability, the plan provides for 65% of the employee's gross weekly income (up to \$1,000), but only after the employee's accumulated sick leave balance is exhausted and a minimum of 30 calendar days of disability has elapsed.

The 'short-term' disability coverage continues for up to a maximum of 48 weeks. A commercial long-term disability plan then provides continuation of coverage (for certain groups), per the employee handbook or applicable union contract. The commercial carrier for this plan administers disability claim cases.

Revenues to this fund are generated from a combination of internally-developed premium charges (short-term) and commercial carrier rates (long-term) to various departments and funds. Expenses include disability income claims, as well as commercial insurance premiums for long-term income protection.

### Employee & Retiree Health/Dental Fund

Medical/dental insurance is provided for full-time employees and dependents, as well as for retirees, through a partially self-funded plan, with claims administration contracted out to *Priority Health Managed Benefits*. A commercial policy with Priority Health provides a specific stop-loss threshold on individual policies, and an aggregate stop-loss threshold on the entire City of Holland group plan. Prior to January 1, 2011 the City contracted with Blue Cross Blue Shield of Michigan (BCBSM) for claims administration and the commercial policy component.

## CITY OF HOLLAND, MICHIGAN

### Internal Service Funds

Financial planning takes into consideration probable claims and potential worst case scenarios to assure adequate funding to meet medical and dental claims. Revenues to this fund are generated primarily from internal premium charges to departments and funds, to employees and retirees with required premium co-payments. Expenses include payments for claims, administrative claim-handling fees, and commercial insurance premiums for stop-loss (excess) coverage's. Various co-pays for certain claims are delineated in the policy.

As a methodology for establishing internal premium rate structure for employer/employees/retirees for an ensuing calendar year, a determination is made to project a fund reserve that is equivalent to approximately 25% of the new calendar year Projected Aggregate Exposure, as calculated. In this process, '*Illustrative Rates*' provided by Priority Health, together with the fund balance cash reserves as of the most recent June 30th are examined as a starting point. If the June 30 cash reserves balance exceeds 25% of the new calendar year Projected Aggregate Exposure, then '*Illustrative Rates*' can be adjusted downward to - in effect - reduce the reserve balance of the next June 30 date. If the June 30 cash reserves balance is less than 25% of the Projected Aggregate Exposure, then the '*Illustrative Rates*' can be adjusted higher to - in effect - increase the reserve balance of the next June 30 date. Notwithstanding this theoretical methodology for establishing internal premium rate structures, for the past eightization period at December 31, 2010, the date of the latest actuarial valuation, was 28 years. on the information b

#### Vehicle Damage & Liability Fund

The City of Holland partially self-insures for the cost of repairs or replacement to its damaged vehicles, other than fire emergency vehicles. Claims administration is handled internally by City staff, unless excess coverage or liability claims are involved. No commercial excess coverage is purchased for damages to City vehicles, with the exception of coverage for fire trucks, for which a \$1,000 deductible threshold has been established.

A commercial policy provides aggregate coverage for the remote possibility of an entire group of vehicles being simultaneously damaged in a single disaster. The same policy provides first dollar liability coverage for all personal injuries and for property damages to other parties, up to specified coverage limits for 'per occurrence' and 'aggregate'.

Revenues to this fund are generated primarily from internally-developed premium charges to various departments and funds. Expenses are primarily for self-retention vehicle damage claims, as well as commercial insurance premiums for stop-loss (excess) coverage.

# CITY OF HOLLAND, MICHIGAN

## Internal Service Funds

### Property Damage Fund

The City of Holland partially self-insures coverage for the cost of repairs or replacement to its damaged property (other than vehicles). Claims administration is handled internally, except when a claim for excess coverage would be involved. Commercial umbrella coverage is purchased for damages in excess of a \$100,000 retention, per occurrence. The commercial umbrella policies designate specific upper limits of coverage based upon the type of property line. Commercial excess coverage policies provide an aggregate coverage across all municipally-owned property (excluding the Electric Generating Plant and Municipal Airport property, which are insured under a separate policies outside of this fund).

Revenues to this fund are generated primarily from internally-developed premium charges to various departments and funds. Expenses are primarily for self-retention property damage claims, as well as commercial insurance premiums for stop-loss (excess) coverage.

### General & Professional Liability Fund

The City of Holland partially self-insures coverage for the cost of General Liability claims against the City. Coverage's for Public Officials Liability and Law Enforcement Liability are also included in this fund. Administration of claims is handled by a contracted third-party administrator. Commercial insurance coverage is purchased for each individual claim occurrence that exceeds a self-funded retention of \$100,000. The commercial policies provide stop-loss protection at \$100,000 'per occurrence' and 'aggregate' after \$1,000,000 of individual occurrences. The commercial policies also provide additional 'umbrella coverage' up to \$10,000,000 'per occurrence.

Revenues to this fund are generated primarily from internally-developed premium charges to various departments and funds. Expenses are primarily for payment of liability claims of the general public related to injuries and/or damaged property resulting from administrative errors & omissions, faulty design, negligence, carelessness, etc. Expenses also include commercial insurance premiums for stop-loss (excess) coverage.

### Compensated Absences Fund

This fund is used to account for liabilities related to accumulated vacation, longevity, unused sick, time off in lieu of holiday (Fire), comp time and related mandatory fringes across the General Fund and Special Revenue Funds.

Revenues and expenses relate to the annual adjustment of this liability.

CITY OF HOLLAND, MICHIGAN

Combining Statement of Net Assets  
Internal Service Funds  
June 30, 2012

	Technology Services			Equipment Services		
	Computer Services	Postage Services	Communication Services	Fuel Dispensing	Centralized Vehicle / Equipment	Fire Vehicle / Equipment
<b>Assets</b>						
Current assets:						
Cash and pooled investments	\$ 212,312	\$ 3,259	\$ 10,587	\$ 139,132	\$ 2,375,998	\$ 467,716
Accounts receivable	13,798	-	-	42,453	26,549	-
Deposit with others	-	-	-	-	-	-
Due from other funds	-	-	-	9,273	99	-
Inventories	-	3,405	-	32,850	47,799	-
Prepaid items	-	350	-	-	-	-
Total current assets	<u>226,110</u>	<u>7,014</u>	<u>10,587</u>	<u>223,708</u>	<u>2,450,445</u>	<u>467,716</u>
Noncurrent assets:						
Capital assets:						
Construction in progress	-	-	-	-	2,975	-
Machinery and equipment	981,976	-	122,261	50,906	7,339,236	2,175,300
Accumulated depreciation	(652,933)	-	(110,409)	(47,706)	(4,615,271)	(1,121,053)
Total noncurrent assets	<u>329,043</u>	<u>-</u>	<u>11,852</u>	<u>3,200</u>	<u>2,726,940</u>	<u>1,054,247</u>
Total assets	<u>555,153</u>	<u>7,014</u>	<u>22,439</u>	<u>226,908</u>	<u>5,177,385</u>	<u>1,521,963</u>
<b>Liabilities</b>						
Current liabilities:						
Accounts payable	2,957	-	-	33,838	43,035	-
Claims payable	-	-	-	-	-	-
Accrued payroll and benefits	11,579	-	-	-	18,574	-
Due to other funds	420	-	-	50,738	75	-
Accrued compensated absences, current	-	-	-	-	-	-
Total current liabilities	<u>14,956</u>	<u>-</u>	<u>-</u>	<u>84,576</u>	<u>61,684</u>	<u>-</u>
Noncurrent liabilities, net of current portion:						
Accrued compensated absences	<u>27,424</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>74,076</u>	<u>-</u>
Total liabilities	<u>42,380</u>	<u>-</u>	<u>-</u>	<u>84,576</u>	<u>135,760</u>	<u>-</u>
<b>Net assets</b>						
Invested in capital assets	329,043	-	11,852	3,200	2,726,940	1,054,247
Unrestricted	<u>183,730</u>	<u>7,014</u>	<u>10,587</u>	<u>139,132</u>	<u>2,314,685</u>	<u>467,716</u>
Total net assets	<u>\$ 512,773</u>	<u>\$ 7,014</u>	<u>\$ 22,439</u>	<u>\$ 142,332</u>	<u>\$ 5,041,625</u>	<u>\$ 1,521,963</u>

Insurance Services							
Workers Compensation	Employee Disability Income Protection	Employee and Retiree Health / Dental	Vehicle Damage and Liability	Property Damage	General and Professional Liability	Compensated Absences	Total
\$ 506,948	\$ 87,076	\$ 968,123	\$ 225,889	\$ 411,189	\$ -	\$ 1,559,263	\$ 6,967,492
41,434	-	42,847	114	-	298,419	-	465,614
-	-	109,570	-	-	-	-	109,570
-	2,969	152,257	-	-	1,739	-	166,337
-	-	-	-	-	-	-	84,054
3,320	-	-	-	-	20,000	-	23,670
<u>551,702</u>	<u>90,045</u>	<u>1,272,797</u>	<u>226,003</u>	<u>411,189</u>	<u>320,158</u>	<u>1,559,263</u>	<u>7,816,737</u>
-	-	-	-	-	-	-	2,975
-	-	-	-	-	-	-	10,669,679
-	-	-	-	-	-	-	(6,547,372)
-	-	-	-	-	-	-	<u>4,125,282</u>
<u>551,702</u>	<u>90,045</u>	<u>1,272,797</u>	<u>226,003</u>	<u>411,189</u>	<u>320,158</u>	<u>1,559,263</u>	<u>11,942,019</u>
13,355	-	228,210	-	1,976	3,599	-	326,970
-	-	178,203	-	-	12,000	-	190,203
-	9,195	-	-	-	-	-	39,348
-	-	-	-	-	21,999	-	73,232
-	-	-	-	-	-	1,055,000	1,055,000
<u>13,355</u>	<u>9,195</u>	<u>406,413</u>	<u>-</u>	<u>1,976</u>	<u>37,598</u>	<u>1,055,000</u>	<u>1,684,753</u>
-	-	-	-	-	-	504,263	605,763
<u>13,355</u>	<u>9,195</u>	<u>406,413</u>	<u>-</u>	<u>1,976</u>	<u>37,598</u>	<u>1,559,263</u>	<u>2,290,516</u>
-	-	-	-	-	-	-	4,125,282
<u>538,347</u>	<u>80,850</u>	<u>866,384</u>	<u>226,003</u>	<u>409,213</u>	<u>282,560</u>	<u>-</u>	<u>5,526,221</u>
<u>\$ 538,347</u>	<u>\$ 80,850</u>	<u>\$ 866,384</u>	<u>\$ 226,003</u>	<u>\$ 409,213</u>	<u>\$ 282,560</u>	<u>\$ -</u>	<u>\$ 9,651,503</u>

CITY OF HOLLAND, MICHIGAN

Combining Statement of Revenues, Expenses and Changes in Fund Net Assets  
Internal Service Funds  
For the Year Ended June 30, 2012

	Technology Services			Equipment Services		
	Computer Services	Postage Services	Communication Services	Fuel Dispensing	Centralized Vehicle / Equipment	Fire Vehicle / Equipment
Operating revenue						
Charges for services	\$ 507,279	\$ 18,027	\$ 112,960	\$ 1,043,347	\$ 261,877	\$ -
Premiums	-	-	-	-	-	-
Rentals	-	-	-	-	1,743,507	-
Miscellaneous	-	-	-	-	-	-
Total operating revenue	507,279	18,027	112,960	1,043,347	2,005,384	-
Operating expenses						
Personnel services	336,648	-	-	5,246	630,771	-
Other current expenses	287,111	19,155	113,978	1,000,814	1,110,865	-
Depreciation expense	33,688	-	2,235	2,529	596,057	91,219
Total operating expenses	657,447	19,155	116,213	1,008,589	2,337,693	91,219
Operating income (loss)	(150,168)	(1,128)	(3,253)	34,758	(332,309)	(91,219)
Nonoperating revenue (expenses)						
Investment earnings	1,364	19	14	309	16,971	3,126
Insurance recovery	-	-	-	-	-	-
Gain on disposal of capital assets	-	-	-	-	19,302	-
Total nonoperating revenue (expenses)	1,364	19	14	309	36,273	3,126
Income (loss) before transfers	(148,804)	(1,109)	(3,239)	35,067	(296,036)	(88,093)
Transfers and contributions						
Capital contributions	-	-	-	-	2,966	-
Transfers in	106,130	-	-	-	-	75,000
Transfers out	-	-	-	-	-	-
Net transfers and contributions	106,130	-	-	-	2,966	75,000
Change in net assets	(42,674)	(1,109)	(3,239)	35,067	(293,070)	(13,093)
Net assets, beginning of year	555,447	8,123	25,678	107,265	5,334,695	1,535,056
Net assets, end of year	\$ 512,773	\$ 7,014	\$ 22,439	\$ 142,332	\$ 5,041,625	\$ 1,521,963

Insurance Services							
Workers Compensation	Employee Disability Income Protection	Employee and Retiree Health / Dental	Vehicle Damage and Liability	Property Damage	General and Professional Liability	Compensated Absences	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,087,965	\$ 3,031,455
238,450	102,818	5,001,713	119,912	25,512	116,161	-	5,604,566
-	-	-	-	-	-	-	1,743,507
128,934	-	437,726	1,000	220	-	-	567,880
367,384	102,818	5,439,439	120,912	25,732	116,161	1,087,965	10,947,408
-	11,034	59	-	-	-	1,087,965	2,071,723
363,687	222,941	5,754,729	127,360	28,440	250,073	-	9,279,153
-	-	-	-	-	-	-	725,728
363,687	233,975	5,754,788	127,360	28,440	250,073	1,087,965	12,076,604
3,697	(131,157)	(315,349)	(6,448)	(2,708)	(133,912)	-	(1,129,196)
3,515	1,129	3,523	936	517	2,244	-	33,667
-	-	-	-	-	151,697	-	151,697
-	-	-	-	-	-	-	19,302
3,515	1,129	3,523	936	517	153,941	-	204,666
7,212	(130,028)	(311,826)	(5,512)	(2,191)	20,029	-	(924,530)
-	-	-	-	-	-	-	2,966
-	-	-	-	-	-	-	181,130
-	-	-	-	(17,340)	-	-	(17,340)
-	-	-	-	(17,340)	-	-	166,756
7,212	(130,028)	(311,826)	(5,512)	(19,531)	20,029	-	(757,774)
531,135	210,878	1,178,210	231,515	428,744	262,531	-	10,409,277
\$ 538,347	\$ 80,850	\$ 866,384	\$ 226,003	\$ 409,213	\$ 282,560	\$ -	\$ 9,651,503

CITY OF HOLLAND, MICHIGAN

**Combining Statement of Cash Flows**  
Internal Service Funds  
For the Year Ended June 30, 2012

	Technology Services			Equipment Services		
	Computer Services	Postage Services	Communication Services	Fuel Dispensing	Centralized Vehicle / Equipment	Fire Vehicle / Equipment
<b>Cash flows from operating activities</b>						
Receipts from interfund services provided	\$ 522,196	\$ 18,027	\$ 112,961	\$ 1,100,368	\$ 2,004,488	\$ -
Payments to suppliers	(279,338)	(20,491)	(113,979)	(1,009,188)	(1,134,455)	-
Payments to employees	(336,876)	-	-	(5,246)	(616,549)	-
<b>Net cash provided by (used in) operating activities</b>	<b>(94,018)</b>	<b>(2,464)</b>	<b>(1,018)</b>	<b>85,934</b>	<b>253,484</b>	<b>-</b>
<b>Cash flows from noncapital financing activities</b>						
Insurance refunds	-	-	-	-	-	-
Intragovernmental receipts	106,130	-	-	-	-	75,000
Intragovernmental payments	-	-	-	-	-	-
<b>Net cash provided by (used in) noncapital financing activities</b>	<b>106,130</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>75,000</b>
<b>Cash flows from capital and related financing activities</b>						
Capital contributions	-	-	-	-	2,966	-
Proceeds from sale of capital assets	-	-	-	-	68,614	-
Purchase of capital assets	(87,768)	-	-	-	(351,981)	-
<b>Net cash used in capital and related financing activities</b>	<b>(87,768)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(280,401)</b>	<b>-</b>
<b>Cash flows from investing activities</b>						
Investment earnings	1,364	19	14	309	16,971	3,126
<b>Net increase (decrease) in cash and pooled investments</b>	<b>(74,292)</b>	<b>(2,445)</b>	<b>(1,004)</b>	<b>86,243</b>	<b>(9,946)</b>	<b>78,126</b>
<b>Cash and pooled investments, beginning of year</b>	<b>286,604</b>	<b>5,704</b>	<b>11,591</b>	<b>52,889</b>	<b>2,385,944</b>	<b>389,590</b>
<b>Cash and pooled investments, end of year</b>	<b>\$ 212,312</b>	<b>\$ 3,259</b>	<b>\$ 10,587</b>	<b>\$ 139,132</b>	<b>\$ 2,375,998</b>	<b>\$ 467,716</b>
<b>Cash flows from operating activities</b>						
Operating income (loss)	\$ (150,168)	\$ (1,128)	\$ (3,253)	\$ 34,758	\$ (332,309)	\$ (91,219)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:						
Depreciation expense	33,688	-	2,235	2,529	596,057	91,219
Change in:						
Accounts receivable	14,917	-	-	4,524	(839)	-
Deposits held with others	-	-	-	-	-	-
Due from other funds	-	-	-	1,935	(57)	-
Inventories	-	(1,336)	-	16,500	981	-
Prepaid items	9,656	-	-	-	-	-
Accounts payable	(1,883)	-	-	(24,875)	(24,571)	-
Claims payable	-	-	-	-	-	-
Accrued payroll and benefits	664	-	-	-	1,994	-
Due to other funds	-	-	-	50,563	-	-
Accrued compensated absences	(892)	-	-	-	12,228	-
<b>Net cash provided by (used in) operating activities</b>	<b>\$ (94,018)</b>	<b>\$ (2,464)</b>	<b>\$ (1,018)</b>	<b>\$ 85,934</b>	<b>\$ 253,484</b>	<b>\$ -</b>

Insurance Services							
Workers Compensation	Employee Disability Income Protection	Employee and Retiree Health / Dental	Vehicle Damage and Liability	Property Damage	General and Professional Liability	Compensated Absences	Total
\$ 336,498	\$ 109,044	\$ 5,313,383	\$ 121,262	\$ 25,752	\$ 48,878	\$ 1,087,965	\$ 10,800,822
(349,524)	(222,941)	(4,993,571)	(127,360)	(32,424)	-	(1,103,447)	(9,386,718)
-	(11,339)	(59)	-	-	(261,264)	-	(1,231,333)
(13,026)	(125,236)	319,753	(6,098)	(6,672)	(212,386)	(15,482)	182,771
-	-	-	-	-	151,697	-	151,697
-	-	-	-	-	-	-	181,130
-	-	-	-	(17,340)	-	-	(17,340)
-	-	-	-	(17,340)	151,697	-	315,487
-	-	-	-	-	-	-	2,966
-	-	-	-	-	-	-	68,614
-	-	-	-	-	-	-	(439,749)
-	-	-	-	-	-	-	(368,169)
3,515	1,129	3,523	936	517	2,244	-	33,667
(9,511)	(124,107)	323,276	(5,162)	(23,495)	(58,445)	(15,482)	163,756
516,459	211,183	644,847	231,051	434,684	58,445	1,574,745	6,803,736
\$ 506,948	\$ 87,076	\$ 968,123	\$ 225,889	\$ 411,189	\$ -	\$ 1,559,263	\$ 6,967,492
\$ 3,697	\$ (131,157)	\$ (315,349)	\$ (6,448)	\$ (2,708)	\$ (133,912)	\$ -	\$ (1,129,196)
-	-	-	-	-	-	-	725,728
(30,886)	-	26,200	350	20	(89,431)	-	(75,145)
-	-	(109,570)	-	-	-	-	(109,570)
-	(2,969)	(152,257)	-	-	149	-	(153,199)
-	-	-	-	-	-	-	16,145
6,680	-	851,046	-	-	2,292	-	869,674
7,483	-	212,529	-	(3,984)	(13,483)	-	151,216
-	-	(192,846)	-	-	-	-	(192,846)
-	(305)	-	-	-	-	-	2,353
-	9,195	-	-	-	21,999	-	81,757
-	-	-	-	-	-	(15,482)	(4,146)
\$ (13,026)	\$ (125,236)	\$ 319,753	\$ (6,098)	\$ (6,672)	\$ (212,386)	\$ (15,482)	\$ 182,771

This page intentionally left blank.

# CITY OF HOLLAND, MICHIGAN

## Agency Funds

Fiduciary Funds account for assets held by a governmental unit in a trustee capacity or as an agent for individuals, private organizations, and other governmental units. Included are:

- trust funds (none)
- agency funds

### Current Tax Collections Fund (an Agency Fund)

The Current Tax Collections Fund performs the role of a central receiving agency for collection and disposition of all current year property taxes that are levied on the City of Holland tax roll.

Receipts include property taxes that are collected on behalf of various local area district library, local area swimming pool authority, local area public schools, an intermediate school district, public transit authority, airport authority, state education, two counties, as well as the City of Holland. Collections of special assessment installments are also recorded in this fund.

Distribution payments are made semi-monthly to each of the respective taxing jurisdictional units, as determined from analysis of software-generated detail.

### Outside Agencies Collections Fund (an Agency Fund)

This fund performs the role of a central receiving agency for collection and disposition of various delinquent taxes, assessments, and certain other designated revenues of other governmental jurisdictions and authorities.

Receipts include such items as delinquent personal property taxes, mobile home park monthly fees, dog license fees, advance payments on unbonded utility special assessments, utility connection fees, sex offender registration fees, and state food license fees.

Distribution payments are made to the respective governmental units at the conclusion of each calendar month, as determined from analysis of software-generated detail.

### Employees' Flexible Spending Plan Fund (an Agency Fund)

Section 125 of the Internal Revenue Code authorizes an employer to establish an *Employee Flexible Spending Account Plan* to receive designated funds from employee pre-tax withholdings, and to disburse payments for eligible employee expenses. Costs for dependent child care and various medical expenses are considered eligible under this plan.

A contracted third-party administrator provides a record-keeping service for all transactions of each employee, to include analysis and approval of individual expense submittals from each of the employees. Upon approval and preparation of flex reimbursement checks or electronic direct deposit to the employees for eligible expenses incurred, the third-party administrator bills the City of Holland for the total of all flex reimbursement payments for a particular time period.

## CITY OF HOLLAND, MICHIGAN

### Agency Funds

This fund performs the role of custodial agent for unexpended employee cash withholding balances, together with financial accountability of employee withholdings (deposits into the fund) and reimbursements to employees for eligible expenses incurred (disbursements from the fund).

#### Imprest Payroll Fund (an Agency Fund)

This fund provides custodial agent accountability for total cash of each individual payroll.

Receipts into the fund include payment received from each of the City's funds to which gross payroll amounts are charged.

Disbursements out of the fund include:

- payments to various governmental agencies and private-sector entities, representing mandatory and elective withholdings from employees 'gross pay'
- payments to the City's Self-Funded Employee Health & Dental Insurance Plan for related employee payroll withholdings
- payment of 'net pay' to employees, in the form of checks or as employee-designated electronic direct deposits to financial institutions.

#### WMAA Pooled Cash Fund

This fund provides custodial agent accountability for total cash of the West Michigan Airport Authority, which is a governmental unit legally separate from the City of Holland.

This page intentionally left blank.

CITY OF HOLLAND, MICHIGAN

**Combining Statement of Fiduciary Assets and Liabilities**

Agency Funds  
June 30, 2012

	Current Tax Collections	Outside Agency Collections	Employees' Flexible Spending Plan	Imprest Payroll
<b>Assets</b>				
Cash and pooled investments	\$ -	\$ 38,183	\$ 10,695	\$ 69,702
Accounts receivable	-	-	385	-
<b>Total assets</b>	<b>\$ -</b>	<b>\$ 38,183</b>	<b>\$ 11,080</b>	<b>\$ 69,702</b>
<b>Liabilities</b>				
Accounts payable	\$ -	\$ 37,464	\$ 372	\$ 33,403
Due to other governmental units	-	719	-	36,299
Other liabilities and deposits	-	-	10,708	-
<b>Total liabilities</b>	<b>\$ -</b>	<b>\$ 38,183</b>	<b>\$ 11,080</b>	<b>\$ 69,702</b>



WMAA Pooled Cash fund	Total
\$ 639,908	\$ 758,488
-	385
<u>\$ 639,908</u>	<u>\$ 758,873</u>
\$ -	\$ 71,239
639,908	676,926
-	10,708
<u>\$ 639,908</u>	<u>\$ 758,873</u>

CITY OF HOLLAND, MICHIGAN

Combining Statement of Changes in Assets and Liabilities

Agency Funds

For the Year Ended June 30, 2012

	Balance July 1, 2011	Additions	Deletions	Balance June 30, 2012
<i>Current Tax Collection Fund</i>				
<b>Assets</b>				
Cash and pooled investments	\$ -	\$ 50,918,144	\$ 50,918,144	\$ -
Accounts receivable	-	40,849	40,849	-
Due from other governmental units	2,541	429,328	431,869	-
<b>Total assets</b>	<b>\$ 2,541</b>	<b>\$ 51,388,321</b>	<b>\$ 51,390,862</b>	<b>\$ -</b>
<b>Liabilities</b>				
Accounts payable	\$ 2,541	\$ 33,765,188	\$ 33,767,729	\$ -
Due to other governmental units	-	17,623,133	17,623,133	-
<b>Total liabilities</b>	<b>\$ 2,541</b>	<b>\$ 51,388,321</b>	<b>\$ 51,390,862</b>	<b>\$ -</b>
<i>Outside Agency Collection Fund</i>				
<b>Assets</b>				
Cash and pooled investments	\$ 19,757	\$ 279,587	\$ 261,161	\$ 38,183
Accounts receivable	25	-	25	-
Other assets	-	303,664	303,664	-
<b>Total assets</b>	<b>\$ 19,782</b>	<b>\$ 583,251</b>	<b>\$ 564,850</b>	<b>\$ 38,183</b>
<b>Liabilities</b>				
Accounts payable	\$ 18,978	\$ 275,058	\$ 256,572	\$ 37,464
Due to other governmental units	804	308,193	308,278	719
<b>Total liabilities</b>	<b>\$ 19,782</b>	<b>\$ 583,251</b>	<b>\$ 564,850</b>	<b>\$ 38,183</b>
<i>Employees' Flexible Spending Plan</i>				
<b>Assets</b>				
Cash and pooled investments	\$ 17,022	\$ 110,410	\$ 116,737	\$ 10,695
Accounts receivable	410	143,029	143,054	385
<b>Total assets</b>	<b>\$ 17,432</b>	<b>\$ 253,439</b>	<b>\$ 259,791</b>	<b>\$ 11,080</b>
<b>Liabilities</b>				
Accounts payable	\$ 423	\$ 8,130	\$ 8,181	\$ 372
Other liabilities and deposits	17,009	245,309	251,610	10,708
<b>Total liabilities</b>	<b>\$ 17,432</b>	<b>\$ 253,439</b>	<b>\$ 259,791</b>	<b>\$ 11,080</b>

continued...

CITY OF HOLLAND, MICHIGAN

**Combining Statement of Changes in Assets and Liabilities**

Agency Funds

For the Year Ended June 30, 2012

	Balance July 1, 2011	Additions	Deletions	Balance June 30, 2012
<i>Imprest Payroll Fund</i>				
<b>Assets</b>				
Cash and pooled investments	\$ 67,317	\$ 21,818,158	\$ 21,815,773	\$ 69,702
Accounts receivable	-	32,645	32,645	-
<b>Total assets</b>	<b>\$ 67,317</b>	<b>\$ 21,850,803</b>	<b>\$ 21,848,418</b>	<b>\$ 69,702</b>
<b>Liabilities</b>				
Accounts payable	\$ 29,281	\$ 21,368,522	\$ 21,364,400	\$ 33,403
Due to other governmental units	38,036	482,281	484,018	36,299
<b>Total liabilities</b>	<b>\$ 67,317</b>	<b>\$ 21,850,803</b>	<b>\$ 21,848,418</b>	<b>\$ 69,702</b>
<i>WMAA Pooled Cash Fund</i>				
<b>Assets</b>				
Cash and pooled investments	\$ -	\$ 774,098	\$ 134,190	\$ 639,908
<b>Liabilities</b>				
Due to other governmental units	\$ -	\$ 774,098	\$ 134,190	\$ 639,908
<i>Total All Agency Funds</i>				
<b>Assets</b>				
Cash and pooled investments	\$ 104,096	\$ 73,900,397	\$ 73,246,005	\$ 758,488
Accounts receivable	435	216,523	216,573	385
Due from other governmental units	2,541	429,328	431,869	-
Other assets	-	303,664	303,664	-
<b>Total assets</b>	<b>\$ 107,072</b>	<b>\$ 74,849,912</b>	<b>\$ 74,198,111</b>	<b>\$ 758,873</b>
<b>Liabilities</b>				
Accounts payable	\$ 51,223	\$ 55,416,898	\$ 55,396,882	\$ 71,239
Due to other funds				
Due to other governmental units	38,840	19,187,705	18,549,619	676,926
Other liabilities and deposits	17,009	245,309	251,610	10,708
<b>Total liabilities</b>	<b>\$ 107,072</b>	<b>\$ 74,849,912</b>	<b>\$ 74,198,111</b>	<b>\$ 758,873</b>

concluded

This page intentionally left blank.

# CITY OF HOLLAND, MICHIGAN

## Component Units

A component unit is a legally separate entity that satisfies at least one of the following criteria:

- The primary government (City of Holland) is financially accountable for the legally separate entity.
- The nature and significance of the relationship between the primary government and the legally separate entity is such that to exclude the entity from the financial reporting entity would render the financial statements misleading or incomplete.

### Brownfield Redevelopment Authority Funds

The Brownfield Redevelopment Authority Financing Act, State of Michigan P.A. 381 of 1996, as amended, establishes a method for municipalities to facilitate and promote revitalization of environmentally contaminated and/or blighted and functionally obsolete sites. Two primary tax incentives made available through this legislation include:

- State of Michigan Single Business Tax Credits (replaced with Michigan Business Tax in 2008)
- City of Holland Tax Increment Financing (TIF).

A separate fund is established for each approved project site, to record revenues from Tax Increment Financing 'captured property taxes'; and to record reimbursement payments to project developers for authorized redevelopment expenditure outlays. The City's Brownfield Redevelopment Authority Board - together with the State of Michigan - establish parameters for Tax Increment Financing captures and eligible types of reimbursable expenditures to developers.

As of the fiscal year ending June 30, 2012 fourteen individual Brownfield Redevelopment Projects have been approved, with the current status of each project delineated as follows:

Brownfield Redevelopment Project Sites	TIF Capture Base Year	Brownfield Construction Activity
570 East 16th Street (former General Electric location, new Menards)	2002	Completed
29 East 6 <sup>th</sup> St. (former City landfill location, new residential condos)	2002	Completed
635 East 48 <sup>th</sup> Street (former Lifesavers location, new industrial condos)	2002	Completed
345 East 48 <sup>th</sup> Street (former Textron Micromatics location, new industrial condos including Hudsonville Ice Cream)	2004	Completed
13 West 4 <sup>th</sup> Street (current Steketee VanHuis location, new same use)	2003	Completed/TIF Done
573 Columbia Avenue (former Baker Furniture location, new residential condos, Baker Events catering and commercial/retail, NEZ)	2004	Completed

# CITY OF HOLLAND, MICHIGAN

## Component Units

[ Note: 'Tax Increment Financing' (TIF) capture provisions for this specific project are delayed for up to seven years because this same Brownfield Project is also established as a 'Neighborhood Enterprise Zone' (NEZ), freezing property taxes at a fixed dollar level for the duration of this seven year NEZ period. ]

141 East 8 <sup>th</sup> St. (former muffler shop location, new Macatawa Bank)	2005	Completed/TIF Done
96 West 15 <sup>th</sup> Street (former Holland Public Schools location, new multiple commercial condos and banquet facility)	2006	Completed/TIF Done
99 East 8 <sup>th</sup> Street (former auto supply store, new office and retail)	2006	Completed
479 Columbia Ave (former auto repair shop, new Tic Tock Studios movie production company)	2006	In Progress
146 River Avenue (former manufacturing bldg., new residential condos, NEZ)	2007	Completed
95-135 East 7 <sup>th</sup> Street (formerly vacant, new parking garage)	2007	Completed
561 Crescent Drive (former marina, new residential condos and commercial space, NEZ on residential condos)	2008	Not Started
1130 Lincoln Ave (former house, new convenience store)	2011	In Progress

### Downtown Development Authority Fund

The Downtown Development Authority (DDA) Fund was established in May 1984 with adoption of City Ordinance Number 757, under authority granted by State of Michigan, Public Act 197 of 1975, as amended. The Main Street Program, modeled somewhat after the national program with the same name, is the mechanism used for administering operations and programs, under direction of a DDA board of directors.

At the current time funding is accomplished with a district-wide tax levy rather than tax increment financing (TIF).

Activities include a program for low interest loans to improve both exteriors and interiors of downtown buildings; recruitment of new businesses to downtown area; improved ambiance for shoppers such as assistance with window displays, a sidewalk hanging banners program, improved shopping atmosphere through new and expanded decorations and music, underground electrical expansion programs; and presentations to area groups and news media which promotes the downtown area. Most activities performed by the DDA are provided for benefit of the private sector.

This fund provides financial accountability for the administration and general operations of the DDA.

## CITY OF HOLLAND, MICHIGAN

### Component Units

#### Holland Historical Trust

Holland Historical Trust is a Michigan non-profit corporation with its own board of directors that is not appointed by the Holland City Council. However, this fund is currently financially dependent upon the City of Holland for a substantial portion of its overall financing.

Primary revenue sources include an annual contribution from the City of Holland - general fund and bequests from the private sector. The portion of this fund that represents accumulated bequests - with limitations placed upon use of the contributed principal - is established as non-expendable.

This fund provides financial accountability for the administration, operations and general maintenance of four local area historical buildings: Holland Museum, Holland Armory (currently offices), Cappon House and the Settlers House. The buildings, with the exception of the Armory, are owned by the City of Holland.

# CITY OF HOLLAND, MICHIGAN

## Balance Sheet

Downtown Development Authority Component Unit  
June 30, 2012

### Assets

#### Current assets:

Cash and pooled investments	\$	135,699
Taxes receivable		133
Prepaid items		200
		<hr/>

Total assets \$ 136,032

### Liabilities

#### Current liabilities:

Accounts payable	\$	2,677
Accrued payroll and fringe benefits		3,851
		<hr/>

Total liabilities 6,528

### Fund balances

Nonspendable		200
Unassigned		129,304
		<hr/>

Total fund balances 129,504

Total liabilities and fund balances \$ 136,032

# CITY OF HOLLAND, MICHIGAN

## Reconciliation

Fund Balances for Governmental Funds  
to Net Assets of Governmental Activities  
Downtown Development Authority Component Unit  
June 30, 2012

Fund balance - total governmental fund	\$	129,504
--	----	---------

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

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

Capital assets, net		<u>258,325</u>
---------------------	--	----------------

Net assets of governmental activities	\$	<u><u>387,829</u></u>
---------------------------------------	----	-----------------------

# CITY OF HOLLAND, MICHIGAN

## Statement of Revenue, Expenditures and Changes in Fund Balances

Downtown Development Authority Component Unit

For the Year Ended June 30, 2012

Revenue	
Property taxes	\$ 178,462
Charges for services	2,762
Investment earnings	<u>1,632</u>
Total revenue	<u>182,856</u>
Expenditures	
Economic development:	
Personal services	110,394
Current operating expenditures	<u>99,113</u>
Total expenditures	<u>209,507</u>
Net change in fund balances	(26,651)
Fund balances, beginning of year	<u>156,155</u>
Fund balances, end of year	<u><u>\$ 129,504</u></u>

# CITY OF HOLLAND, MICHIGAN

## Reconciliation

Net Changes in Fund Balances of Governmental Funds  
to Change in Net Assets of Governmental Activities  
Downtown Development Authority Component Unit  
For the Year Ended June 30, 2012

Net change in fund balance - total governmental fund \$ (26,651)

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

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 and reported as depreciation expense.

Purchases of capital assets	162,518
Depreciation expense	<u>(19,215)</u>

Change in net assets of governmental activities \$ 116,652

# CITY OF HOLLAND, MICHIGAN

## Detailed Schedule of Revenue, Expenditures and Changes in Fund Balance Budget and Actual - Downtown Development Authority Component Unit For the Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenue				
Property taxes	\$ 178,630	\$ 178,463	\$ 178,462	\$ (1)
Charges for services	1,500	1,500	2,762	1,262
Investment earnings	2,835	1,770	1,632	(138)
<b>Total revenue</b>	<b>182,965</b>	<b>181,733</b>	<b>182,856</b>	<b>1,123</b>
Expenditures				
Economic development:				
Personal services	109,600	109,750	110,394	644
Other services and charges	106,700	104,338	99,113	(5,225)
<b>Total expenditures</b>	<b>216,300</b>	<b>214,088</b>	<b>209,507</b>	<b>(4,581)</b>
Net change in fund balances	(33,335)	(32,355)	(26,651)	5,704
Fund balances, beginning of year	156,155	156,155	156,155	-
<b>Fund balances, end of year</b>	<b>\$ 122,820</b>	<b>\$ 123,800</b>	<b>\$ 129,504</b>	<b>\$ 5,704</b>

# CITY OF HOLLAND, MICHIGAN

## Balance Sheet

Brownfield Redevelopment Authority Component Unit  
June 30, 2012

### Assets

#### Current assets:

Cash and pooled investments	\$ 32,301
-----------------------------	-----------

### Liabilities

#### Current liabilities:

Accounts payable	\$ -
Accrued payroll and fringe benefits	-
Other accrued liabilities and deposits	-
Due to other governmental units	-
Deferred revenue	-

### Total liabilities

### Fund balances

Unassigned	\$ 32,301
------------	-----------

# CITY OF HOLLAND, MICHIGAN

## Statement of Revenue, Expenditures and Changes in Fund Balances

Brownfield Redevelopment Authority Component Unit

For the Year Ended June 30, 2012

Revenue	
Property taxes	\$ 716,359
Contributions	36,352
Investment earnings	<u>2,033</u>
Total revenue	754,744
Expenditures	
Economic development	<u>746,391</u>
Net change in fund balances	8,353
Fund balances, beginning of year	<u>23,948</u>
Fund balances, end of year	<u><u>\$ 32,301</u></u>

# CITY OF HOLLAND, MICHIGAN

**Detailed Schedule of Revenue, Expenditures and Changes in Fund Balance**  
 Budget and Actual - Brownfield Redevelopment Authority Component Unit  
 For the Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenue				
Property taxes	\$ 718,170	\$ 716,354	\$ 716,359	\$ 5
Contributions	36,271	36,346	36,352	6
Investment earnings	-	1,558	2,033	475
<b>Total revenue</b>	<b>754,441</b>	<b>754,258</b>	<b>754,744</b>	<b>486</b>
Expenditures				
Economic development	746,791	745,859	746,391	532
<b>Net change in fund balances</b>	<b>7,650</b>	<b>8,399</b>	<b>8,353</b>	<b>(46)</b>
Fund balances, beginning of year	23,948	23,948	23,948	-
<b>Fund balances, end of year</b>	<b>\$ 31,598</b>	<b>\$ 32,347</b>	<b>\$ 32,301</b>	<b>\$ (46)</b>

This page intentionally left blank.

## STATISTICAL SECTION

This page intentionally left blank.

# CITY OF HOLLAND, MICHIGAN

## Statistical Section Table of Contents

This part of the City’s Comprehensive Annual Financial Report presents detailed information to assist the user in understanding what the financial statements, note disclosures and required supplementary information say about the overall economic condition of the City of Holland.

		<u>Page</u>
Financial Trends	These schedules contain trend information to help the reader understand and evaluate how the City’s financial condition, performance and well-being have changed over time.	208
Revenue Capacity	These schedules contain information to help the reader assess the City’s ability to generate its most significant local revenue source, the property tax.	218
Debt Capacity	These schedules present information to help the reader assess the affordability of the City’s current levels of outstanding debt and its ability to issue additional debt in the future.	224
Demographic and Economic Information	These schedules present various demographic and economic indicators to help the reader understand the environment within which the City operates and how they affect the City’s financial activities.	233
Operating Information	These schedules contain information about the City’s operations and resources to help the reader understand how the information in the City’s financial report relates to the services the City provides and the activities it performs.	236

Sources: Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Report for the relevant year.

# CITY OF HOLLAND, MICHIGAN

## Net Assets by Component Last Ten Fiscal Years

Primary Government Activities	Fiscal Year			
	2012	2011	2010	2009
<b>Governmental activities</b>				
Invested in capital assets, net of related debt	\$ 98,805,338	\$ 97,982,454	\$ 91,848,117	\$ 96,236,210
Restricted	5,038,121	5,007,295	8,273,750	4,739,586
Unrestricted	13,480,119	13,469,116	12,635,427	11,443,984
<b>Total governmental activities net assets</b>	<b>\$ 117,323,578</b>	<b>\$ 116,458,865</b>	<b>\$ 112,757,294</b>	<b>\$ 112,419,780</b>
<b>Business-type activities</b>				
Invested in capital assets, net of related debt	\$ 132,936,434	\$ 130,752,723	\$ 125,755,686	\$ 129,330,134
Restricted	15,130,725	12,841,230	11,605,553	11,591,211
Unrestricted	133,025,971	126,288,993	122,779,775	111,446,733
<b>Total business-type activities net assets</b>	<b>\$ 281,093,130</b>	<b>\$ 269,882,946</b>	<b>\$ 260,141,014</b>	<b>\$ 252,368,078</b>
<b>Primary government</b>				
Invested in capital assets, net of related debt	\$ 231,741,772	\$ 228,735,177	\$ 217,603,803	\$ 225,566,344
Restricted	20,168,846	17,848,525	19,879,303	16,330,797
Unrestricted	146,506,090	139,758,109	135,415,202	122,890,717
<b>Total primary government net assets</b>	<b>\$ 398,416,708</b>	<b>\$ 386,341,811</b>	<b>\$ 372,898,308</b>	<b>\$ 364,787,858</b>

Fiscal Year					
2008	2007	2006	2005	2004	2003
\$ 94,586,185	\$ 85,215,206	\$ 77,018,752	\$ 41,668,796	\$ 27,487,076	\$ 4,326,052
5,726,977	6,836,980	8,068,218	11,469,701	3,412,885	3,041,791
13,044,127	18,854,026	22,673,963	21,156,010	30,711,466	41,516,219
<u>\$ 113,357,289</u>	<u>\$ 110,906,212</u>	<u>\$ 107,760,933</u>	<u>\$ 74,294,507</u>	<u>\$ 61,611,427</u>	<u>\$ 48,884,062</u>
\$ 133,094,822	\$ 134,418,954	\$ 137,313,844	\$ 146,437,083	\$ 142,754,355	\$ 139,109,944
13,532,257	14,296,104	6,770,323	6,402,803	10,712,670	10,089,985
101,113,510	92,581,178	86,838,111	74,394,903	70,573,561	71,126,895
<u>\$ 247,740,589</u>	<u>\$ 241,296,236</u>	<u>\$ 230,922,278</u>	<u>\$ 227,234,789</u>	<u>\$ 224,040,586</u>	<u>\$ 220,326,824</u>
\$ 227,681,007	\$ 219,634,160	\$ 214,332,596	\$ 188,105,879	\$ 170,241,431	\$ 143,435,996
19,259,234	21,133,084	14,838,541	17,872,504	14,125,555	13,131,776
114,157,637	111,435,204	109,512,074	95,550,913	101,285,027	112,643,114
<u>\$ 361,097,878</u>	<u>\$ 352,202,448</u>	<u>\$ 338,683,211</u>	<u>\$ 301,529,296</u>	<u>\$ 285,652,013</u>	<u>\$ 269,210,886</u>

# CITY OF HOLLAND, MICHIGAN

## Changes in Net Assets Last Ten Fiscal Years

	Fiscal Year			
	2012	2011	2010	2009
<b>Expenses</b>				
Governmental activities:				
General government	\$ 4,822,179	\$ 4,746,330	\$ 4,486,867	\$ 7,087,290
Public safety	12,099,607	12,078,156	12,220,723	12,845,443
Public works	11,382,965	7,821,063	7,966,875	9,420,191
Culture and recreation	1,019,891	5,244,382	5,293,696	6,048,286
Welfare and social services	4,837,537	1,332,557	1,473,119	1,495,708
Interest on debt	1,115,515	968,108	1,143,337	1,253,379
Total governmental activities expenses	<u>35,277,694</u>	<u>32,190,596</u>	<u>32,584,617</u>	<u>38,150,297</u>
Business-type activities:				
Electric utility	76,116,440	73,286,291	68,510,184	67,823,832
Wastewater utility	8,401,050	8,230,946	7,926,053	8,185,044
Water utility	6,305,874	6,293,924	6,020,005	6,181,007
Other enterprise activities	3,037,469	3,176,910	3,296,369	3,409,153
Total business-type activities expenses	<u>93,860,833</u>	<u>90,988,071</u>	<u>85,752,611</u>	<u>85,599,036</u>
Total primary government expenses	<u>\$ 129,138,527</u>	<u>\$ 123,178,667</u>	<u>\$ 118,337,228</u>	<u>\$ 123,749,333</u>
<b>Program revenue</b>				
Governmental activities:				
Charges for services:				
General government	\$ 1,461,558	\$ 1,380,752	\$ 1,271,066	\$ 3,040,152
Public safety	1,091,868	1,002,070	811,487	798,688
Culture and recreation	521,717	510,063	495,074	495,556
Other activities	1,350,055	928,157	607,705	982,413
Operating grants and contributions	4,279,364	4,905,759	4,833,063	4,807,025
Capital grants and contributions	5,396,650	4,372,059	906,356	2,534,159
Total governmental activities program revenue	<u>14,101,212</u>	<u>13,098,860</u>	<u>8,924,751</u>	<u>12,657,993</u>
Business-type activities:				
Charges for services:				
Electric utility	88,066,208	84,411,319	78,536,430	75,466,722
Wastewater utility	8,619,974	8,854,094	7,874,856	6,879,454
Water utility	7,346,263	7,133,417	6,331,397	5,881,210
Other enterprise activities	1,864,234	1,905,362	2,042,509	2,032,514
Operating grants and contributions	1,970,111	157,859	59,954	89,035
Capital grants and contributions	233,950	639,163	544,493	1,670,442
Total business-type activities program revenue	<u>108,100,740</u>	<u>103,101,214</u>	<u>95,389,639</u>	<u>92,019,377</u>
Total primary government program revenue	<u>\$ 122,201,952</u>	<u>\$ 116,200,074</u>	<u>\$ 104,314,390</u>	<u>\$ 104,677,370</u>
<b>Net (Expense) Revenue</b>				
Governmental activities	\$ (21,176,482)	\$ (19,091,736)	\$ (23,659,866)	\$ (25,492,304)
Business-type activities	<u>14,239,907</u>	<u>12,113,143</u>	<u>9,637,028</u>	<u>6,420,341</u>
Total primary government net (expense) revenue	<u>\$ (6,936,575)</u>	<u>\$ (6,978,593)</u>	<u>\$ (14,022,838)</u>	<u>\$ (19,071,963)</u>

Fiscal Year					
2008	2007	2006	2005	2004	2003
\$ 6,606,201	\$ 6,249,186	\$ 8,643,952	\$ 6,376,009	\$ 6,055,106	\$ 5,076,083
11,782,618	11,584,857	10,738,962	10,544,833	9,787,165	9,567,243
7,270,495	6,996,667	4,382,884	5,324,083	3,330,034	3,267,272
5,457,951	5,818,508	6,060,666	6,013,457	5,725,045	5,755,879
1,093,507	1,310,221	1,372,729	1,310,458	1,371,551	1,390,845
1,193,155	1,277,812	1,394,338	1,498,919	2,150,038	1,621,923
<u>33,403,927</u>	<u>33,237,251</u>	<u>32,593,531</u>	<u>31,067,759</u>	<u>28,418,939</u>	<u>26,679,245</u>
71,198,426	70,982,822	76,883,149	65,698,626	59,519,913	56,964,153
8,006,723	7,692,405	7,708,629	7,235,531	7,068,457	7,019,711
5,558,454	5,662,012	5,542,208	4,858,304	4,927,953	4,574,975
4,471,485	5,940,049	5,533,235	5,086,577	4,793,862	4,524,561
<u>89,235,088</u>	<u>90,277,288</u>	<u>95,667,221</u>	<u>82,879,038</u>	<u>76,310,185</u>	<u>73,083,400</u>
<u>\$ 122,639,015</u>	<u>\$ 123,514,539</u>	<u>\$ 128,260,752</u>	<u>\$ 113,946,797</u>	<u>\$ 104,729,124</u>	<u>\$ 99,762,645</u>
\$ 2,514,224	\$ 2,475,575	\$ 2,450,074	\$ 2,418,923	\$ 2,639,966	\$ 1,993,105
867,229	988,690	928,337	952,885	893,450	836,797
1,162,829	1,122,695	987,705	968,203	904,771	901,904
618,367	691,541	917,065	651,398	520,492	465,134
4,156,784	1,471,960	1,727,564	1,961,673	1,813,765	1,625,468
1,858,530	5,969,801	7,028,471	14,868,097	13,085,189	3,710,288
<u>11,177,963</u>	<u>12,720,262</u>	<u>14,039,216</u>	<u>21,821,179</u>	<u>19,857,633</u>	<u>9,532,696</u>
79,166,950	81,276,323	78,272,801	67,001,967	64,819,973	64,463,883
6,997,724	7,315,443	7,219,855	6,634,140	6,912,837	7,099,310
5,715,370	5,668,249	5,859,601	5,213,380	5,251,241	4,924,641
1,997,363	2,273,950	2,103,966	2,158,971	1,731,232	1,690,390
1,605,962	2,075,992	2,172,593	1,701,262	1,829,910	1,796,648
1,465,771	834,580	3,513,337	3,484,614	1,136,306	1,487,949
<u>96,949,140</u>	<u>99,444,537</u>	<u>99,142,153</u>	<u>86,194,334</u>	<u>81,681,499</u>	<u>81,462,821</u>
<u>\$ 108,127,103</u>	<u>\$ 112,164,799</u>	<u>\$ 113,181,369</u>	<u>\$ 108,015,513</u>	<u>\$ 101,539,132</u>	<u>\$ 90,995,517</u>
\$ (22,225,964)	\$ (20,516,989)	\$ (18,554,315)	\$ (9,246,580)	\$ (8,561,306)	\$ (17,146,549)
7,714,052	9,167,249	3,474,932	3,315,296	5,371,314	8,379,421
<u>\$ (14,511,912)</u>	<u>\$ (11,349,740)</u>	<u>\$ (15,079,383)</u>	<u>\$ (5,931,284)</u>	<u>\$ (3,189,992)</u>	<u>\$ (8,767,128)</u>

continued...

# CITY OF HOLLAND, MICHIGAN

## Changes in Net Assets Last Ten Fiscal Years

	Fiscal Year			
	2012	2011	2010	2009
General revenues and other changes in net assets				
Governmental Activities:				
Property taxes	\$ 15,345,237	\$ 16,121,528	\$ 17,251,755	\$ 17,089,338
State shared revenue	2,700,327	2,697,917	2,698,103	3,041,193
Investment earnings - unrestricted	126,645	197,270	455,666	635,831
Miscellaneous	-	482,588	-	-
Transfers - internal activities	3,868,986	3,294,004	3,600,531	3,788,433
Total governmental activities	<u>22,041,195</u>	<u>22,793,307</u>	<u>24,006,055</u>	<u>24,554,795</u>
Business-type activities:				
Property taxes	103,438	108,734	118,962	117,952
Investment earnings - unrestricted	735,825	814,059	1,608,802	2,296,887
Miscellaneous	-	-	-	-
Transfers - internal activities	(3,868,986)	(3,294,004)	(3,600,531)	(3,788,433)
Special item:				
Transfer of assets to transportation authority	-	-	-	-
Transfer of assets to airport authority	-	-	-	(419,258)
Total business-type activities	<u>(3,029,723)</u>	<u>(2,371,211)</u>	<u>(1,872,767)</u>	<u>(1,792,852)</u>
Total primary government general revenue	<u>\$ 19,011,472</u>	<u>\$ 20,422,096</u>	<u>\$ 22,133,288</u>	<u>\$ 22,761,943</u>
Change in net assets				
Governmental activities	\$ 864,713	\$ 3,701,571	\$ 346,189	\$ (937,509)
Business-type activities	11,210,184	9,741,932	7,764,261	4,627,489
Total primary government change in net assets	<u>\$ 12,074,897</u>	<u>\$ 13,443,503</u>	<u>\$ 8,110,450</u>	<u>\$ 3,689,980</u>

Fiscal Year						
2008	2007	2006	2005	2004	2003	
\$ 17,313,526	\$ 16,771,182	\$ 16,368,318	\$ 16,033,637	\$ 15,286,387	\$ 14,898,818	
3,168,205	3,133,796	3,229,886	3,265,596	3,412,306	3,700,383	
1,254,996	1,222,007	909,619	611,338	479,191	986,897	
-	-	-	-	-	(156,220)	
2,940,314	2,535,283	2,041,365	2,019,089	2,110,785	1,378,919	
<u>24,677,041</u>	<u>23,662,268</u>	<u>22,549,188</u>	<u>21,929,660</u>	<u>21,288,669</u>	<u>20,808,797</u>	
19	171,058	113,079	111,020	217,306	234,954	
4,213,060	3,953,403	2,138,700	1,786,976	235,927	2,037,688	
-	(382,469)	2,143	-	-	19,348	
(2,940,314)	(2,535,283)	(2,041,365)	(2,019,089)	(2,110,785)	(1,378,919)	
(2,542,464)	-	-	-	-	-	
-	-	-	-	-	-	
<u>(1,269,699)</u>	<u>1,206,709</u>	<u>212,557</u>	<u>(121,093)</u>	<u>(1,657,552)</u>	<u>913,071</u>	
<u>\$ 23,407,342</u>	<u>\$ 24,868,977</u>	<u>\$ 22,761,745</u>	<u>\$ 21,808,567</u>	<u>\$ 19,631,117</u>	<u>\$ 21,721,868</u>	
\$ 2,451,077	\$ 3,145,279	\$ 3,994,873	\$ 12,683,080	\$ 12,727,363	\$ 3,662,248	
6,444,353	10,373,958	3,687,489	3,194,203	3,713,762	9,292,492	
<u>\$ 8,895,430</u>	<u>\$ 13,519,237</u>	<u>\$ 7,682,362</u>	<u>\$ 15,877,283</u>	<u>\$ 16,441,125</u>	<u>\$ 12,954,740</u>	

concluded

# CITY OF HOLLAND, MICHIGAN

## Fund Balances for Governmental Funds Last Ten Fiscal Years

	Fiscal Year			
	2012	2011	2010	2009
<b>General fund</b>				
Reserved	\$ -	\$ -	\$ 5,010	\$ 2,144
Unreserved	-	-	3,229,998	2,563,468
Nonspendable	7,028	300	-	-
Committed	27,090	66,490	-	-
Unassigned	4,183,015	4,065,072	-	-
<b>Total general fund</b>	<b>\$ 4,217,133</b>	<b>\$ 4,131,862</b>	<b>\$ 3,235,008</b>	<b>\$ 2,565,612</b>
<b>All other governmental funds</b>				
Reserved:				
Prepaid Items	\$ -	\$ -	\$ 300	\$ 300
Assets held for resale	-	-	-	20,000
Special revenue funds	-	-	-	-
Capital projects funds	-	-	-	-
Debt service funds	-	-	-	-
Permanent trust funds	-	-	-	-
Permanent fund corpus	-	-	1,441,142	1,411,567
Permanent fund expendable	-	-	52,068	127,130
Unreserved, reported in:				
Special revenue funds	-	-	6,587,493	3,396,437
Debt service funds	-	-	804,641	753,755
Capital projects funds	-	-	1,291,149	834,822
Other funds	-	-	-	-
Nonspendable	1,488,822	1,465,142	-	-
Restricted	3,783,400	4,932,209	-	-
Committed	2,118,169	1,593,998	-	-
Unassigned	(239,384)	-	-	-
<b>Total all other governmental funds</b>	<b>\$ 7,151,007</b>	<b>\$ 7,991,349</b>	<b>\$ 10,176,793</b>	<b>\$ 6,544,011</b>

GASB 54 was implemented for Fiscal Year Ended June 30, 2011. Information on this schedule is reported prospectively for the year of implementation. The City of Holland has chosen not to make the necessary calculations to retroactively report the information for the nine Fiscal Years Ended June 30, 2002 to 2010.

Fiscal Year					
2008	2007	2006	2005	2004	2003
\$ 6,863	\$ 10,874	\$ 14,360	\$ -	\$ -	\$ -
2,329,183	2,575,413	2,528,264	2,543,921	2,551,853	2,789,935
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 2,336,046</u>	<u>\$ 2,586,287</u>	<u>\$ 2,542,624</u>	<u>\$ 2,543,921</u>	<u>\$ 2,551,853</u>	<u>\$ 2,789,935</u>
\$ 50,169	\$ 1,241	\$ 41,525	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	3,700,089	3,611,008
-	-	-	5,142,821	-	-
-	-	-	907,645	-	-
-	-	-	-	1,827,723	1,758,561
1,385,867	1,365,692	1,339,292	1,236,292	-	-
220,112	267,434	287,653	584,311	-	-
3,883,960	4,803,171	4,749,558	6,815,229	4,402,875	6,627,218
826,450	905,740	941,569	-	937,873	948,239
1,348,069	1,742,621	1,517,035	-	-	214,983
-	-	-	-	5,119,179	15,178,311
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 7,714,627</u>	<u>\$ 9,085,899</u>	<u>\$ 8,876,632</u>	<u>\$ 14,686,298</u>	<u>\$ 15,987,739</u>	<u>\$ 28,338,320</u>

CITY OF HOLLAND, MICHIGAN

**Changes in Fund Balances for Governmental Funds**  
For the Last Ten Fiscal Years

	Fiscal Year			
	2012	2011	2010	2009
<b>Revenues</b>				
Property taxes	\$ 15,345,237	\$ 16,121,528	\$ 17,251,755	\$ 17,089,338
Special assessments	814,214	721,343	695,621	659,329
Licenses, fees and permits	497,102	551,740	378,613	331,941
Intergovernmental	11,513,296	11,048,271	7,682,981	8,148,604
Charges for services	1,727,647	1,544,669	1,408,254	1,360,268
Fines and penalties	558,518	549,498	495,531	474,462
Contributions from private sector	570,496	586,279	386,717	408,948
Interest and rents	1,026,240	1,103,409	1,294,685	3,702,781
Other revenues	346,334	256,580	260,585	419,427
<b>Total revenues</b>	<b>32,399,084</b>	<b>32,483,317</b>	<b>29,854,742</b>	<b>32,595,098</b>
<b>Expenditures</b>				
Current:				
General government	4,045,535	3,893,107	3,708,153	6,014,901
Public safety	10,947,361	11,212,040	11,095,227	11,336,176
Public works	3,890,213	3,951,785	3,850,331	4,273,397
Welfare and social services	1,003,258	1,326,664	1,451,323	1,289,774
Culture and recreation	4,771,718	4,986,686	5,122,991	5,134,093
Other	64,781	69,432	75,282	85,705
Debt service:				
Principal	2,631,963	1,981,964	1,807,961	2,567,963
Interest	1,108,456	1,047,485	1,181,812	1,230,937
Bond issuance costs	-	114,289	62,973	151,980
Capital outlay	8,396,066	8,214,505	5,970,223	9,538,667
<b>Total expenditures</b>	<b>36,859,351</b>	<b>36,797,957</b>	<b>34,326,276</b>	<b>41,623,593</b>
Revenues under expenditures	\$ (4,460,267)	\$ (4,314,640)	\$ (4,471,534)	\$ (9,028,495)
<b>Other Financing Sources (Uses)</b>				
Bond issue and land contract	\$ -	\$ 7,425,000	\$ 5,820,000	\$ 4,000,000
Bond premium	-	385,976	-	34,490
Payment to escrow agent	-	(7,852,210)	-	-
Transfers in	9,647,680	10,616,583	11,403,402	12,243,923
Transfers out	(5,942,484)	(7,540,624)	(8,449,690)	(8,190,968)
<b>Total other financing sources (uses)</b>	<b>3,705,196</b>	<b>3,034,725</b>	<b>8,773,712</b>	<b>8,087,445</b>
<b>Net change in fund balances</b>	<b>\$ (755,071)</b>	<b>\$ (1,279,915)</b>	<b>\$ 4,302,178</b>	<b>\$ (941,050)</b>
Debt service as a percentage of noncapital expenditures	11.9%	10.6%	10.3%	11.8%

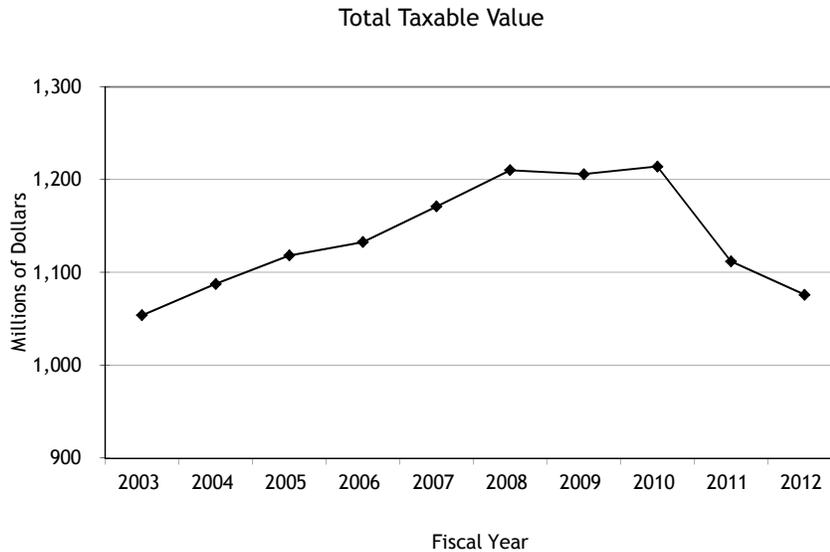
Fiscal Year					
2008	2007	2006	2005	2004	2003
\$ 17,313,526	\$ 16,771,182	\$ 16,368,318	\$ 16,033,637	\$ 15,633,888	\$ 15,190,306
624,352	682,982	728,498	583,084	609,316	546,185
428,256	556,324	517,223	510,922	482,360	450,298
8,977,468	10,402,819	11,650,263	19,848,219	17,815,507	8,705,043
1,201,777	1,174,439	1,176,727	1,118,339	1,032,832	1,065,981
460,144	445,206	423,176	450,799	434,164	430,223
375,206	408,474	542,430	456,891	811,369	599,173
4,078,215	4,009,704	3,660,418	3,317,548	3,161,838	2,805,317
15,666	10,384	41,169	125,155	24,538	34,637
<u>33,474,610</u>	<u>34,461,514</u>	<u>35,108,222</u>	<u>42,444,594</u>	<u>40,005,812</u>	<u>29,827,163</u>
6,115,337	5,793,527	5,713,523	5,748,867	5,566,723	4,880,548
11,353,454	11,274,392	10,301,845	10,438,435	9,529,234	9,022,053
4,005,177	3,760,112	3,290,658	3,043,671	3,024,687	3,068,727
1,112,074	1,304,323	1,399,094	1,369,692	582,131	543,109
5,408,323	5,156,184	5,439,768	5,196,498	5,844,799	5,773,547
81,242	151,255	115,681	147,246	144,212	216,841
2,427,963	2,322,963	2,292,963	2,079,475	1,829,475	1,286,975
1,195,690	1,273,710	1,534,371	1,489,744	2,266,535	1,421,970
-	-	-	-	-	-
6,455,022	6,056,550	13,185,288	16,301,232	26,310,205	10,282,213
<u>38,154,282</u>	<u>37,093,016</u>	<u>43,273,191</u>	<u>45,814,860</u>	<u>55,098,001</u>	<u>36,495,983</u>
<u>\$ (4,679,672)</u>	<u>\$ (2,631,502)</u>	<u>\$ (8,164,969)</u>	<u>\$ (3,370,266)</u>	<u>\$ (15,092,189)</u>	<u>\$ (6,668,820)</u>
\$ -	\$ -	\$ 7,410,000	\$ -	\$ 480,000	\$ 19,675,000
-	-	1,676	-	-	-
-	-	(7,137,158)	-	-	-
10,118,589	8,866,486	10,033,423	8,919,203	7,835,073	9,688,603
(7,060,430)	(5,982,054)	(7,953,935)	(6,858,314)	(5,811,547)	(7,368,213)
<u>3,058,159</u>	<u>2,884,432</u>	<u>2,354,006</u>	<u>2,060,889</u>	<u>2,503,526</u>	<u>21,995,390</u>
<u>\$ (1,621,513)</u>	<u>\$ 252,930</u>	<u>\$ (5,810,963)</u>	<u>\$ (1,309,377)</u>	<u>\$ (12,588,663)</u>	<u>\$ 15,326,570</u>
11.5%	11.3%	11.8%	11.3%	14.2%	10.2%

**Actual Value of Taxable Property**  
For the Last Ten Fiscal Years

Fiscal Year	Residential Property	Commercial Property	Industrial Property	Other Property*	Less: Tax-Exempt Property	Total Taxable Value	Total Direct Tax Rate
2003	\$474,597,871	\$239,774,170	\$405,105,419	\$ 7,213,887	\$ 72,615,350	\$ 1,054,075,997	14.0000
2004	496,712,932	258,448,815	394,638,205	7,505,158	69,610,550	1,087,694,560	14.0000
2005	524,341,222	262,986,849	393,924,363	6,434,551	69,356,000	1,118,330,985	14.0000
2006	550,750,436	267,849,019	369,982,684	6,732,436	62,517,050	1,132,797,525	14.0000
2007	579,585,857	278,879,918	362,481,265	6,704,156	56,444,324	1,171,206,872	14.0000
2008	605,920,196	286,472,472	368,297,169	6,846,131	57,380,750	1,210,155,218	13.8500
2009	602,726,559	297,942,605	351,291,201	7,442,186	53,513,250	1,205,889,301	13.9500
2010	601,084,113	300,249,618	347,825,287	7,428,422	42,432,650	1,214,154,790	13.9500
2011	540,616,527	288,767,424	311,708,814	7,819,201	36,884,736	1,112,027,230	14.2500
2012	528,498,464	272,104,084	299,457,251	8,126,614	32,058,538	1,076,127,875	14.2500

\*Other property includes agricultural, developmental and utilities.

Source: City of Holland Assessor's Office



This page intentionally left blank.

## CITY OF HOLLAND, MICHIGAN

### Direct and Overlapping Property Tax Rates

For the Last Ten Fiscal Years

(Rate per \$1,000 of assessed value)

Fiscal Year	City Direct Rates								
	Basic Rate	General Obligation Debt Service	Capital Projects	Herrick District Library	MAX Public Transit	Airport Authority	Total Direct	State of Michigan	MAX Authority
2003	9.0000	1.3620	2.0376	1.3770	0.2234	-	14.0000	6.0000	-
2004	9.2421	1.5000	1.7000	1.3579	0.2000	-	14.0000	5.0000	-
2005	9.4590	2.0000	1.1000	1.3410	0.1000	-	14.0000	6.0000	-
2006	9.4337	2.0910	1.0500	1.3253	0.1000	-	14.0000	6.0000	-
2007	9.5188	1.9586	1.0642	1.3111	0.1473	-	14.0000	6.0000	-
2008	9.3361	1.8551	1.3477	1.3111	-	-	13.8500	6.0000	0.3500
2009	9.3361	1.9504	1.2549	1.3086	-	0.1000	13.9500	6.0000	0.3500
2010	9.5000	1.6379	1.4579	1.2542	-	0.1000	13.9500	6.0000	0.3500
2011	9.5089	2.1277	1.2504	1.2630	-	0.1000	14.2500	6.0000	0.3500
2012	9.5000	2.1946	1.1871	1.2683	-	0.1000	14.2500	6.0000	0.3500

1.8333 must be added to the City direct rate, for the fiscal year 2012, for all properties in the Downtown Development Authority (DDA) area. This rate applies to approximately 7.5% of the City of Holland's tax base.

**\* Overlapping rates:**

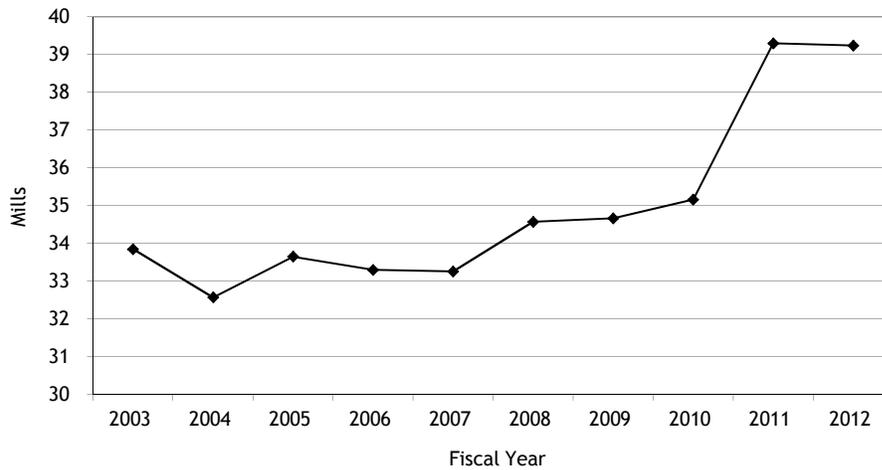
The City of Holland is located in both Ottawa and Allegan County and Holland, Hamilton and Zeeland School District. The county and school tax paid by property owners depends on the location of their property. Approximately 80% of the City of Holland is located in Ottawa County and 20% in Allegan County.

Principal residence rates apply to those homes that are owned and occupied as primary residence. Non-principal residence rates are applied to all other residences.

Sources: Various Taxing Jurisdictions

Overlapping Rates*									
Ottawa Area Intermediate Schools	Holland Community Swimming Pool	Counties		School Districts					
				Holland		Hamilton		Zeeland	
				Principal Residence	Non-Principal Residence	Principal Residence	Non-Principal Residence	Principal Residence	Non-Principal Residence
Ottawa	Allegan								
4.2688	1.6667	4.1672	6.7583	3.7412	21.7412	7.4000	25.4000	7.9965	25.9965
4.2305	1.5900	4.1611	6.6879	3.5868	21.5868	7.4000	25.4000	8.0010	26.0010
4.2192	1.5700	4.2593	6.6275	3.5968	21.5968	7.4000	25.4000	8.0300	26.0300
4.2109	1.5400	4.2579	5.6592	3.2868	21.2868	7.0000	25.0000	8.0300	26.0300
4.2093	1.5000	4.2572	5.8686	3.2868	21.2868	7.0000	25.0000	8.0300	26.0300
5.5234	1.4500	4.3572	5.8974	3.0368	21.0368	7.0000	25.0000	8.0300	26.0300
5.5234	1.4300	4.3572	5.8974	3.0500	21.0500	7.0000	25.0000	8.0300	26.0300
5.5234	1.4300	4.3565	5.8974	3.5500	21.5500	7.0000	25.0000	8.0300	26.0300
5.5234	1.5200	4.3565	5.8975	7.3000	25.3000	7.0000	25.0000	8.0300	26.0300
5.5234	1.4600	4.3565	5.8975	7.3000	25.3000	5.0000	23.0000	8.0300	26.0300

Total Tax Levies



The total tax levy reflects principal residence tax rates for citizens living in Ottawa County and the Holland School District.

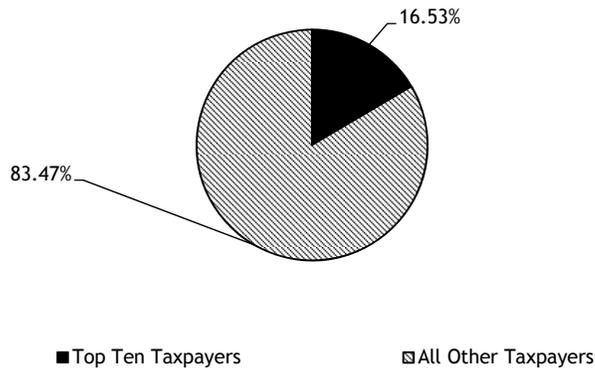
**Principal Property Tax Payers**  
For the Current Fiscal Year and Nine Years Ago

Taxpayer	2012			2003		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Johnson Controls Interiors	\$ 69,286,543	1	6.23 %	\$ 65,029,046	1	7.16 %
Haworth, Inc	31,200,019	2	2.81	55,887,943	2	6.15
ARC Holland Real Estate	16,175,017	3	1.45	17,814,566	4	1.96
H.J. Heinz Co	12,110,323	4	1.09	8,200,490	7	0.90
Lumir LLC	11,611,655	5	1.04	7,915,290	8	0.87
American Bottling Co	10,059,200	6	0.90	7,230,606	10	0.80
Hydro Automotive Structures	9,724,500	7	0.87	7,248,033	9	0.80
L&W Engineering	9,403,600	8	0.85	-----		----
Challenge MFG Company	7,870,250	9	0.71	-----		----
Meijer Realty Co.	6,440,254	10	0.58	-----		----
Planters Lifesaver	-----		----	22,135,550	3	2.44
Herman Miller Inc	-----		----	12,781,830	5	1.41
1451 M-40 LLC	-----		----	8,779,800	6	0.97
	<u>\$183,881,361</u>		<u>16.53</u>	<u>\$213,023,154</u>		<u>23.46</u>

Source: City of Holland Assessor's Office

2012 Total Taxable Value is \$1,076,127,875, which includes IFT's at equivalency valuation.

Concentration of 2012 Taxpayers



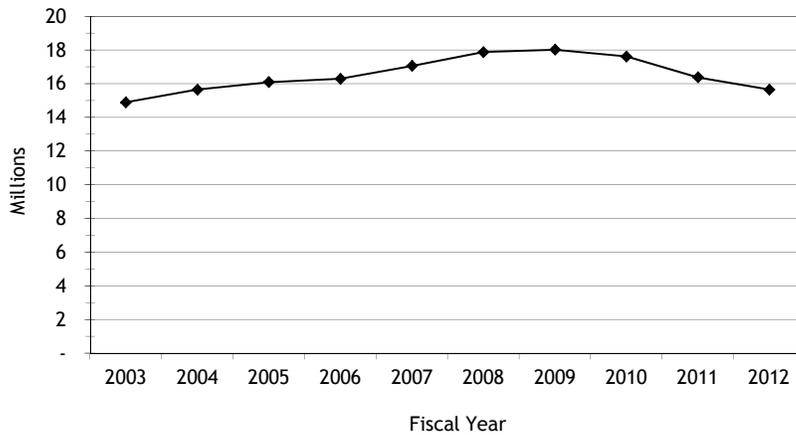
**Property Tax Levies and Collections**  
For the Last Ten Fiscal Years

Fiscal Year Ended June 30	Taxes Levied for the Fiscal Year*	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2003	\$ 15,221,185	\$ 14,826,300	97.41	\$ 63,955	\$ 14,890,255	97.83
2004	15,682,955	15,596,119	99.45	56,959	15,653,078	99.81
2005	16,111,453	16,015,933	99.41	80,168	16,096,101	99.90
2006	16,312,191	16,280,453	99.81	13,542	16,293,995	99.89
2007	17,067,702	17,037,496	99.82	15,340	17,052,836	99.91
2008	17,987,290	17,870,193	99.35	6,240	17,876,433	99.38
2009	18,028,276	17,999,874	99.84	15,161	18,015,035	99.93
2010	17,613,111	17,601,147	99.93	11,964	17,613,111	100.00
2011	16,390,200	16,369,079	99.87	9,741	16,378,820	99.93
2012	15,668,076	15,652,580	99.90	-	15,652,580	99.90

Source: City of Holland Assessor's Office and Finance Office.

\* Excludes the DDA tax levy and Brownfield Redevelopment Authority tax levy, both of which are component units.

Total Tax Collections



CITY OF HOLLAND, MICHIGAN

**Ratios of Outstanding Debt By Type**  
For the Last Ten Fiscal Years

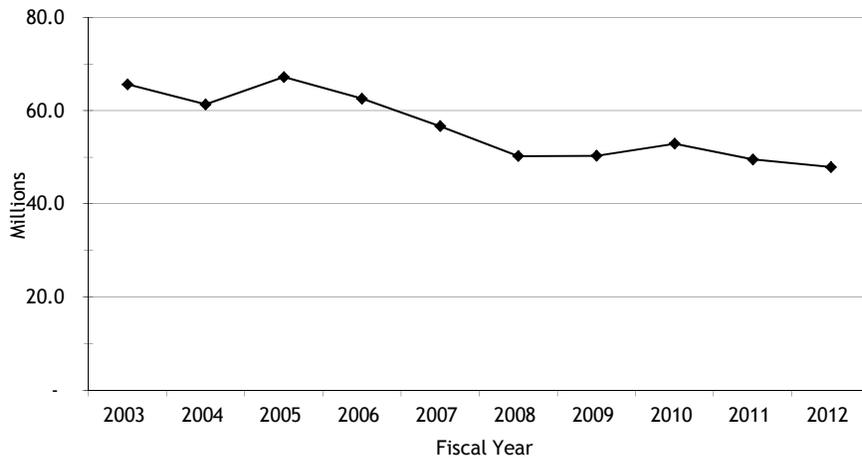
Fiscal Year	Governmental Activities						
	General Obligation Bonds	Building Authority Bonds	Michigan Transportation Bonds	Special Assessment Bonds	Environmental Clean-up Costs	Capital Improvement Bonds	Airport Bonds
2003	\$ 175,000	\$ 31,365,000	\$ 3,185,000	\$ 2,728,913	\$ 90,000	\$ -	\$ 146,277
2004	464,500	30,830,000	2,665,000	2,496,942	75,000	-	108,277
2005	452,000	29,550,000	2,105,000	2,269,963	60,000	-	70,000
2006	439,500	28,570,000	1,500,000	2,179,500	45,000	-	58,000
2007	427,000	26,970,000	1,025,000	1,944,037	30,000	-	45,000
2008	414,500	25,265,000	525,000	1,733,574	15,000	-	31,000
2009	402,000	23,460,000	-	1,508,111	-	4,000,000	16,000
2010	389,500	21,925,000	-	1,612,650	-	9,455,000	-
2011	377,000	20,310,000	-	1,333,186	-	9,400,000	-
2012	364,500	18,530,000	-	1,078,723	-	8,815,000	-

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

\*\* See Exhibit K-1 for personal income and population data.

County Bonds	Water Bonds	Electric Bonds	Total Primary Government	Percentage of Personal Income**	Per Capita**
\$ 6,093,500	\$ 9,315,000	\$ 12,580,000	\$ 65,678,690	10.05	\$ 1,892
5,656,000	8,915,000	10,150,000	61,360,719	9.38	1,766
5,201,000	19,815,000	7,735,000	67,257,963	10.32	1,942
4,721,500	19,815,000	5,260,000	62,588,500	9.66	1,818
4,221,000	19,340,000	2,705,000	56,707,037	8.80	1,656
3,699,500	18,585,000	-	50,268,574	7.85	1,478
3,153,500	17,795,000	-	50,334,611	6.94	1,477
2,579,500	16,975,000	-	52,936,650	7.31	1,555
2,002,000	16,130,000	-	49,552,186	7.02	1,499
1,347,500	17,781,651	-	47,917,374	7.06	1,440

PRIMARY GOVERNMENT DEBT



**Ratios of General Bonded Debt Outstanding**  
For the Last Ten Fiscal Years

Fiscal Year	General Bonded Debt Outstanding			Percentage of Actual Taxable Value* of Property	Per Capita**
	General Obligation Bonds	Building Authority Bonds	Total		
2003	\$ 175,000	\$ 31,365,000	\$ 31,540,000	2.99	\$ 909
2004	464,500	30,830,000	31,294,500	2.88	901
2005	452,000	29,550,000	30,002,000	2.68	866
2006	439,500	28,570,000	29,009,500	2.56	843
2007	427,000	26,970,000	27,397,000	2.34	800
2008	414,500	25,265,000	25,679,500	2.12	755
2009	402,000	23,460,000	23,862,000	1.98	700
2010	389,500	21,925,000	22,314,500	1.84	655
2011	377,000	20,310,000	20,687,000	1.86	626
2012	364,500	18,530,000	18,894,500	1.76	568

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

\* See Exhibit I-1 for property value data.

\*\* Population data can be found in Exhibit K-1.

**Direct and Overlapping Governmental Activities Debt**  
As of June 30, 2012

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable*	Estimated Share of Overlapping Debt
<b>Debt repaid with property taxes</b>			
Ottawa Area Intermediate School District	\$ 5,289,067	9.93%	\$ 525,204
Hamilton School District	31,273,400	20.05%	6,270,317
Holland School District	79,997,356	87.35%	69,877,690
Zeeland School District	98,113,473	0.01%	9,811
Allegan County	14,310,660	9.33%	1,335,185
Ottawa County	142,386,933	7.11%	10,123,711
Holland Area Community Swimming Pool Authority	4,835,000	87.35%	<u>4,223,373</u>
<b>Subtotal, overlapping debt</b>			<b>92,365,291</b>
<b>City direct debt</b>			<u><b>31,833,651</b></u>
<b>Total direct and overlapping debt</b>			<u><u><b>\$ 124,198,942</b></u></u>

Sources: Assessed value data used to estimate applicable percentages provided by the 2011 Allegan and 2011 Ottawa Equalization Reports. Debt outstanding data provided by each governmental unit.

Note: Overlapping governments are those that coincide, at least in part, within the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of Holland. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

\* For debt repaid with property taxes, the percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of another governmental unit's taxable assessed value that is within the city's boundaries and dividing it by each unit's total taxable assessed value.

CITY OF HOLLAND, MICHIGAN

**Legal Debt Margin Information**  
For the Last Ten Fiscal Years

**Legal Debt Margin Calculation for Fiscal Year 2012**

Assessed value	\$1,076,127,875
Debt limit (10% of assessed value)	107,612,788
Debt applicable to limit:	
General obligation bonds	364,500
Building authority bonds	18,530,000
County bonds	1,347,500
Capital improvement bonds	8,815,000
Less: Amount set aside for repayment of debt	<u>(41,965)</u>
Total net debt applicable to limit	<u>29,015,035</u>
Legal debt margin	<u>\$ 78,597,753</u>

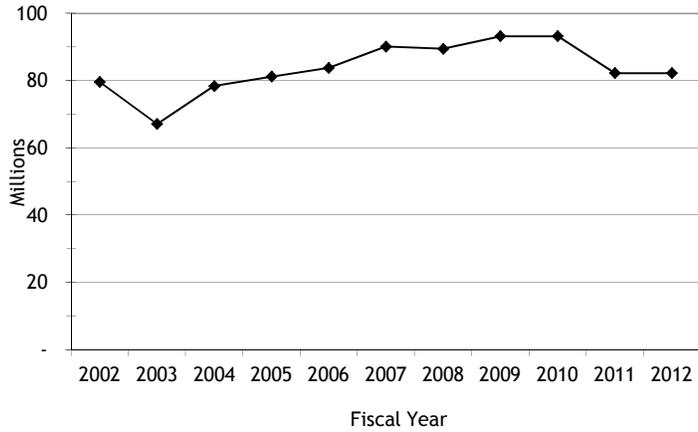
	Fiscal Year				
	2012	2011	2010	2009	2008
Debt Limit	\$ 107,612,788	\$ 111,202,723	\$ 121,415,479	\$ 120,588,930	\$ 115,235,643
Total net debt applicable to limit	<u>29,015,035</u>	<u>28,956,240</u>	<u>31,046,745</u>	<u>27,390,212</u>	<u>25,741,478</u>
Legal debt margin	<u>\$ 78,597,753</u>	<u>\$ 82,246,483</u>	<u>\$ 90,368,734</u>	<u>\$ 93,198,718</u>	<u>\$ 89,494,165</u>
Total net debt applicable to the limit as a percentage of debt limit	36.92%	35.21%	34.36%	29.39%	28.76%

Note: The City of Holland is legally indebted for the Building Authority Bonds issued in 2004 for the Herrick District Library Expansion Project. Payment of approximately 62.1% of the debt is committed to be paid by three area local governmental jurisdictions based upon an executed Library Support Agreement. A uniform millage rate is levied annually across the four (including the City of Holland) participating governmental units to support this debt repayment. For practical purpose 62.1% of \$2,255,000, or \$1,400,355, should be added to the Legal Debt Margin shown above.

Under state finance law, the City's outstanding general obligation debt should not exceed 10% of total assessed property value.

Fiscal Year					
2007	2006	2005	2004	2003	2002
\$ 117,120,687	\$ 113,279,753	\$ 111,833,099	\$ 108,769,456	\$ 105,407,600	\$ 102,005,523
<u>26,998,987</u>	<u>28,457,723</u>	<u>30,561,460</u>	<u>30,405,457</u>	<u>38,328,920</u>	<u>22,414,826</u>
<u>\$ 90,121,700</u>	<u>\$ 84,822,030</u>	<u>\$ 81,271,639</u>	<u>\$ 78,363,999</u>	<u>\$ 67,078,680</u>	<u>\$ 79,590,697</u>
29.96%	33.55%	37.60%	38.80%	57.14%	28.16%

Legal Debt Margin



**Pledged-Revenue Coverage**  
For the Last Ten Fiscal Years

Water Revenue Bonds						
Fiscal Year	Utility Service Charges	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2003	\$ 4,924,641	\$ 4,086,454	\$ 838,187	\$ 380,000	\$ 486,383	0.97
2004	5,251,241	4,399,197	852,044	400,000	469,918	0.98
2005	5,213,380	4,361,641	851,739	7,875,534	368,866	0.10
2006	5,859,601	4,677,570	1,182,031	-	864,638	1.37
2007	5,668,249	4,822,704	845,545	475,000	839,308	0.64
2008	5,715,370	4,904,705	810,665	755,000	638,708	0.58
2009	5,881,210	5,315,683	565,527	790,000	770,500	0.36
2010	6,331,397	5,278,098	1,053,299	820,000	742,037	0.67
2011	7,133,417	5,583,004	1,550,413	845,000	712,548	1.00
2012	7,346,263	5,655,211	1,691,052	11,519,500	752,472	0.14

continued...

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements. Operating expenses include depreciation but exclude interest expense. The 2005 principal payment for the water revenue bonds represents the amount of the outstanding debt refunded. The 2012 principal payment includes regularly scheduled installment payments and refunded debt.

**Pledged-Revenue Coverage**  
For the Last Ten Fiscal Years

**Electric Revenue Bonds**

Fiscal Year	Utility Service Charges	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2003	\$ 64,463,883	\$ 56,134,987	\$ 8,328,896	\$ 6,493,955	\$ 829,166	1.14
2004	64,819,973	59,062,650	5,757,323	2,254,793	405,568	2.16
2005	67,001,967	65,382,432	1,619,535	2,415,000	316,350	0.59
2006	78,272,801	76,653,737	1,619,064	2,475,000	229,412	0.60
2007	81,276,323	70,857,856	10,418,467	2,555,000	124,966	3.89
2008	79,166,950	71,261,399	7,905,551	2,705,000	267	2.92
2009	75,466,722	67,827,040	7,639,682	-	-	-
2010	78,536,430	68,524,197	10,012,233	-	-	-
2011	84,411,319	73,247,745	11,163,574	-	-	-
2012	88,066,208	76,132,185	11,934,023	-	-	-

continued...

**Pledged-Revenue Coverage**  
For the Last Ten Fiscal Years

Special Assessment Bonds				
Fiscal Year	Special Assessment Collections	Debt Service		Coverage
		Principal	Interest	
2003	\$ 321,621	\$ 206,975	\$ 142,923	0.92
2004	451,133	231,975	132,415	1.24
2005	298,087	226,975	118,420	0.86
2006	477,146	245,462	105,818	1.36
2007	464,465	235,463	102,159	1.38
2008	283,251	210,463	91,560	0.94
2009	252,483	225,463	81,655	0.82
2010	269,369	215,461	71,172	0.94
2011	299,684	215,464	62,711	1.08
2012	373,960	190,463	51,956	1.54

concluded

**Demographic and Economic Statistics**

For the Last Twelve Calendar Years

Year	Estimated Population (1)	Personal Income (thousands of dollars)	Per Capita Personal Income (2)	Unemployment Rate (3)
2000	35,048	\$ 659,709	\$ 18,823	3.5%
2001	35,023	659,238	N/A	5.3%
2002	34,710	653,346	N/A	7.0%
2003	34,748	654,062	N/A	7.8%
2004	34,637	651,972	N/A	7.3%
2005	34,429	648,057	N/A	6.8%
2006	34,245	644,594	N/A	6.9%
2007	34,002	640,020	N/A	7.3%
2008	34,076	725,001	21,276	9.2%
2009	34,053	724,512	21,276	15.4%
2010	33,051	705,804	21,355	14.2%
2011	33,270	687,624	20,668	10.7%

Sources:

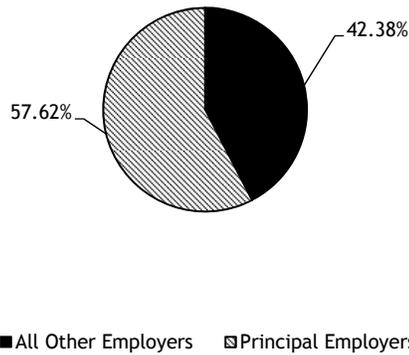
- (1) United States Census Bureau
- (2) United States Census Bureau - 2000 Census (last reported)
- (3) Michigan Bureau of Labor Statistics

**Principal Employers**  
Current Year and Six Years Ago

Employer	2012			2006		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Johnson Controls Interiors	2,223	1	14.40 %	1,289	3	7.51 %
Haworth Inc	1,750	2	11.34	1,878	1	10.95
Holland Community Hospital	1,462	3	9.47	1,740	2	10.14
Challenge Mfg Company	766	4	4.96	825	5	4.81
S2 Yachts	611	5	3.96	763	6	4.45
Hope College	573	6	3.71	760	7	4.43
Holland Public Schools	527	7	3.41	-	-	-
City of Holland / BPW	362	8	2.35	-	-	-
L&W Engineering	321	9	2.08	351	9	2.05
Genzink Steel Supply	300	10	1.94	-	-	-
Plastech	-	-	-	1,035	4	6.03
ARC Holland Real Estate	-	-	-	400	8	2.33
- Freedom Village Retirement	-	-	-	-	-	-
American Bottling Co	-	-	-	330	10	1.92
	<u>8,895</u>		<u>57.62</u>	<u>9,371</u>		<u>54.62</u>

Sources:  
Michigan Department of Labor & Economic Growth  
City of Holland Assessor's Office  
Principal Employers

2011 Principal Employers



Note: Employment Information from 9 years ago is unavailable. The oldest available information is shown.

This page intentionally left blank.

# CITY OF HOLLAND, MICHIGAN

## Full-Time Equivalent City Government Employees By Function For the Last Ten Fiscal Years

Function	Full-time Equivalent Employees as of June 30				
	2012	2011	2010	2009	2008
<b>General government</b>					
Management services	2.85	2.85	3.33	3.20	3.20
Fiscal services	13.15	13.15	13.35	14.30	14.35
City clerk	2.25	2.25	2.25	2.25	3.25
Human resources	2.25	2.25	2.25	2.25	2.25
Building	1.00	1.00	1.00	1.00	1.00
Cemetery	2.90	2.40	3.15	4.15	4.15
Planning	2.60	2.67	3.20	3.20	3.10
Technology	4.00	4.00	4.00	4.00	4.00
<b>Public safety</b>					
Police	66.00	69.00	71.00	73.50	74.50
Fire	54.00	55.00	56.00	57.00	58.00
Environmental health & inspections	8.85	8.85	10.15	10.20	10.20
<b>Public works</b>					
Streets	18.15	17.90	19.90	19.91	19.82
Engineering	2.60	2.90	3.00	3.00	2.90
Transit	0.00	0.00	2.75	2.75	2.75
Centralized vehicle maintenance	7.80	7.75	8.44	9.95	8.93
<b>Welfare and social services</b>					
Ourstreet / Human relations	2.80	2.80	3.80	3.80	3.80
Economic development assistance	2.20	2.13	1.84	1.95	2.00
Downtown development	3.20	3.20	2.20	2.20	2.15
<b>Culture and recreation</b>					
Recreation	4.75	4.60	4.60	4.60	4.60
Parks	12.95	13.40	13.75	14.65	14.65
Civic Center	1.40	1.60	1.50	1.60	1.65
Board of Public Works Utilities	179.00	182.00	183.00	186.00	185.00
<b>Total</b>	<b>394.70</b>	<b>401.70</b>	<b>414.46</b>	<b>425.46</b>	<b>426.25</b>

Source: City of Holland Finance Office Fiscal Year 2012 Budget (Approved Positions)

Exhibit L-1 - Unaudited



Full-time Equivalent Employees as of June 30				
2007	2006	2005	2004	2003
3.20	3.65	3.65	3.55	4.65
14.35	13.90	14.90	14.90	14.90
3.25	3.00	3.00	3.88	3.88
2.25	2.25	2.25	2.25	2.35
1.00	1.00	1.00	1.00	1.00
4.15	4.15	4.15	4.15	4.25
3.30	3.50	3.50	2.40	2.90
4.00	5.00	5.00	5.00	6.00
74.50	74.50	74.50	75.00	76.00
58.00	58.00	58.00	58.00	59.00
11.20	11.50	11.50	11.90	11.90
19.74	19.74	19.74	20.04	19.40
2.90	2.90	2.90	2.90	2.90
1.58	0.83	0.98	2.43	2.25
8.93	8.93	8.78	6.90	7.65
3.80	5.05	5.05	6.00	5.80
2.80	2.30	2.10	1.85	1.85
2.05	2.05	2.05	2.15	2.15
4.60	4.60	4.60	5.60	5.60
13.65	13.65	14.65	14.75	15.75
1.75	1.75	1.75	2.50	2.50
180.00	182.00	182.00	182.00	182.00
421.00	424.25	426.05	429.15	434.68

# CITY OF HOLLAND, MICHIGAN

## Operating Indicators by Function For the Last Ten Fiscal Years

Function	Fiscal Year				
	2012	2011	2010	2009	2008
<b>Cemetery</b>					
Burials	229	266	245	262	213
<b>Police</b>					
Physical arrests	2,241	2,281	3,339	3,237	3,496
Parking violations	5,040	4,589	4,832	4,551	5,533
Traffic violations	4,006	3,769	2,924	6,383	6,762
<b>Fire</b>					
Emergency responses	2,768	2,709	2,799	2,994	2,913
Fires	86	86	94	89	146
Medical Emergencies	1,944	1,858	1,909	2,112	1,959
Inspections	132	116	145	96	109
<b>Public works</b>					
Street resurfacing (miles)	8.7	4.9	5.5	11.2	11.4
Working in the ROW permits	282	302	337	346	336
<b>Community &amp; neighborhood services</b>					
Number of construction permits:					
Industrial & commercial	78	86	70	68	96
Residential	508	440	43	459	552
Institutional & municipal	26	23	29	16	27
Value of construction permits (thousands of dollars)					
Industrial & commercial	24,800	52,447	6,151	6,546	15,116
Residential	8,600	10,209	6,671	7,005	8,754
Institutional & municipal	47,000	16,062	13,810	7,250	27,180
<b>Culture and recreation</b>					
Program participants	185,974	16,965	30,782	35,450	28,115
Pool attendance	18,790	17,224	16,969	9,047	10,998
<b>Water</b>					
Service connections	13,028	13,284	13,261	13,414	13,155
Average daily consumption (thousands of gallons)	11,666	10,211	10,088	10,689	12,459
<b>Wastewater</b>					
Service connections	12,272	12,202	12,184	12,397	12,169
Average daily consumption (thousands of gallons)	7,501	7,370	7,274	7,538	7,448

Source: Various city departments

Exhibit L-2 - Unaudited

Fiscal Year				
2007	2006	2005	2004	2003
292	257	260	283	298
3,186	2,933	2,972	3,096	3,084
6,120	5,187	5,678	4,581	6,930
7,235	7,436	7,946	8,430	10,524
2,786	2,670	2,562	2,597	2,511
98	129	118	212	188
1,916	1,752	1,644	1,742	1,661
71	129	112	75	49
2.2	6.8	6.5	6.7	6.4
307	327	371	282	285
96	116	110	132	98
550	603	631	709	825
35	33	30	35	24
67,243	25,759	12,687	27,518	13,717
10,598	15,435	17,574	16,517	25,661
7,681	19,096	44,336	35,235	20,786
26,386	20,784	17,795	16,067	16,817
11,214	13,317	11,500	11,106	11,639
13,190	13,139	13,162	13,209	13,039
12,428	13,387	13,260	12,161	13,336
12,196	12,143	12,107	12,097	12,024
7,578	8,839	8,941	9,071	8,345

# CITY OF HOLLAND, MICHIGAN

## Capital Asset Statistics by Function For the Last Ten Fiscal Years

Function	Fiscal Year				
	2012	2011	2010	2009	2008
<b>General Government</b>					
Cemeteries	2	2	2	2	2
<b>Police</b>					
Stations	1	1	1	1	1
Patrol Units	19	19	19	19	19
<b>Fire Stations</b>	3	3	3	3	3
<b>Public works</b>					
Streets (miles)	148.7	148.5	148.5	148.5	148.8
Streetlights	2,504	2,534	2,581	2,520	4,742
<b>Culture and recreation</b>					
Park acreage	508	508	509	509	460
Parks	23	23	24	24	24
Baseball/softball diamonds	1	1	9	9	9
Soccer fields	1	1	9	9	9
Swimming pools	1	1	1	1	1
Tennis courts	1	1	21	21	21
Stadiums	1	1	1	1	1
Nature centers	1	1	1	1	1
Tourist attractions	1	1	1	1	1
Community centers	1	1	1	1	1
<b>Water</b>					
Water mains (miles)	240.73	240.15	236.96	236.72	233.08
Fire hydrants	2,345	2,342	2,320	2,321	2,250
Maximum daily capacity of plant (thousands of gallons)	38,500	38,500	38,500	38,500	38,500
<b>Wastewater</b>					
Sanitary sewers (miles)	182.94	183.73	183.21	185.84	182.81
Storm sewers (miles)	159.0	155.0	155.0	155.0	155.0
Maximum daily capacity of plant (thousands of gallons)	12,000	12,000	12,000	12,000	12,000

Source: Various city departments

Note: No capital asset indicators are available for the welfare and social services function.

Exhibit L-3 - Unaudited

Fiscal Year				
2007	2006	2005	2004	2003
2	2	2	2	2
1	1	1	1	1
18	18	18	18	18
3	3	3	3	3
154.5	148.6	159.3	157.1	151.7
4,643	4,632	4,495	4,435	4,383
448	448	448	448	423.8
24	24	24	24	21
9	9	9	9	9
9	9	9	9	9
1	1	1	1	1
21	21	21	21	21
1	1	1	1	1
1	1	1	1	1
1	1	1	1	1
1	1	1	1	1
232.44	229.54	226.45	221.09	221.88
2,256	2,195	2,166	2,110	2,112
38,500	38,500	38,500	38,500	38,500
183.16	182.52	177.46	165.49	164.74
155.0	155.0	131.9	134.0	134.0
12,000	12,000	12,000	12,000	12,000

City of Holland,  
Michigan



Year Ended  
June 30, 2012

Single Audit Act  
Compliance

# CITY OF HOLLAND, MICHIGAN

## Table of Contents

	<u>Page</u>
Independent Auditors' Report on the Schedule of Expenditures of Federal Awards	1
Schedule of Expenditures of Federal Awards	2
Notes to Schedule of Expenditures of Federal Awards	4
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	7
Independent Auditors' Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133	9
Schedule of Findings and Questioned Costs	11
Summary Schedule of Prior Audit Findings	14



INDEPENDENT AUDITORS' REPORT ON THE  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

December 12, 2012

Honorable Mayor  
and City Council  
City of Holland, Michigan

We have audited the 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 Holland, Michigan*, as of and for the year ended June 30, 2012, which collectively comprise the basic financial statements, and have issued our report thereon dated December 12, 2012. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

A handwritten signature in black ink that reads "Rehmann Johnson". The signature is written in a cursive, flowing style.

# CITY OF HOLLAND, MICHIGAN

## Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2012

Federal Agency / Cluster / Program Title	CFDA Number	Passed Through	Pass-through / Grantor Number	Federal Expenditures
U.S. Department of Agriculture				
Eat Healthy for Life - EBT Project	10.168	OTTCO	12-25-G-1356	\$ 1,481
Project Fresh Agreement	10.572	MDCH	MM#4454	18,343
Total U.S. Department of Agriculture				19,824
U.S. Department of Housing and Urban Development				
Community Development Block Grants:				
Entitlement XXVIII	14.218	Direct	B-11-MC-23-0036	192,132
Entitlement XXVII	14.218	Direct	B-10-MC-23-0036	137,810
Entitlement XXVI	14.218	Direct	B-09-MC-23-0036	2,982
Total U.S. Department of Housing and Urban Development				332,924
U.S. Department of Justice				
ADAA/WEMET XXVI Grants:				
10/01/2010-09/30/2011	16.579	MDMB-OCJ	70834-3-11-B	15,495
10/01/2011-09/30/2012	16.579	MDMB-OCJ	70834-4-12-B	59,611
HIDTA Grant	16.579	MDMB-OCJ	N/A	11,077
				86,183
Organized Crime Drug Enforcement Task Force	16.UNK	Direct	GL-MIW-0142	9,273
Bulletproof Vest	16.607	Direct	N/A	2,705
JAG Program Cluster:				
Law Enforcement Block Grant - JAG				
10/01/2008-09/30/2012	16.738	Direct	2009-DJ-BX-1479	6,130
10/01/2008-09/30/2012	16.738	Direct	2011-DJ-BX-2624	9,044
ARRA - Law Enforcement Block Grant - JAG	16.804	Direct	2009-SB-B9-1527	22,856
				38,030
Total U.S. Department of Justice				136,191
U.S. Department of Transportation				
Federal Transit Formula Grants:				
Section 5037	20.500	Direct	MI-03-0236	217,361
Section 5037	20.500	Direct	MI-04-0010	4,142
				221,503
State and Community Highway Safety:				
Safe Communities:				
10/01/2010-09/30/2011	20.600	MSP	TR-11-11	35,818
10/01/2010-09/30/2011	20.600	MSP	PT-11-11	43,033
10/01/2011-09/30/2012	20.600	MSP	PT-12-12	39,342
Underage Drinking	20.600	OTTCO	JJ-12-02	1,836
				120,029
Total U.S. Department of Transportation				341,532

continued...

CITY OF HOLLAND, MICHIGAN

**Schedule of Expenditures of Federal Awards**  
 For the Year Ended June 30, 2012

Federal Agency / Cluster / Program Title	CFDA Number	Passed Through	Pass-through / Grantor Number	Federal Expenditures
U.S. Environmental Protection Agency Drinking Water Revolving Fund	66.468	MDEQ	EQ-00E00345-1	<u>\$ 2,239,724</u>
U.S. Department of Homeland Security Homeland Security Cluster: Non-cash assistance:				
Homeland Security Grant - 03/01/2010-02/29/2012	97.067	OTTCO	N/A	2,552
Homeland Security Grant - 03/01/2009-02/29/2011	97.067	OTTCO	2009-SS-T9-0060	<u>3,024</u>
Total U.S. Department of Homeland Security				<u>5,576</u>
Total Expenditures of Federal Awards				<u>\$ 3,075,771</u>

concluded

See notes to schedule of expenditures of federal awards.

# CITY OF HOLLAND, MICHIGAN

## Notes to Schedule of Expenditures of Federal Awards

### 1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the City of Holland, Michigan (the "City") under programs of the federal government for the year ended June 30, 2012. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net assets or cash flows of the City.

The City's reporting entity is defined in Note 1 of the City's Comprehensive Annual Financial Report.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting, which is described in Note 1 to the City's financial statements. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

### 3. OTHER FEDERAL REVENUE

The City is an indirect beneficiary of federal funds that are expended directly by the Michigan Department of Transportation. These pass-through monies, which will be included in the State of Michigan's single audit, are as follows:

Project Name	CFDA Number	Contract Number	Amount Expended
Lincoln Avenue, 16th to 24th Road/Bridge Projects, Washington Interchange	20.106	12-5227 Fed Item HH7937	\$ 21,502
40th St Ditch Enclosure	20.106	11-5264 Fed Item BB0031; RR6710	672,564
Matt Urban & 48th, Washington to C. Limit	20.106	10-5685 Fed Item RR7433	83,678
		10-5655 Fed Item HH6785	<u>450,188</u>
			<u><u>\$ 1,227,932</u></u>

# CITY OF HOLLAND, MICHIGAN

## Notes to Schedule of Expenditures of Federal Awards

### 4. PASS-THROUGH AGENCIES

The City receives certain federal grant as subawards from non-federal entities. Pass-through entities, where applicable, have been identified in the Schedule with an abbreviation, defined as follows:

Pass-through Agency Abbreviation	Pass-through Agency Name
MDCH	Michigan Department of Community Health
MDMB-OCJ	Michigan Department of Management & Budget, Office of Criminal Justice
MDEQ	Michigan Department of Environmental Quality
MSP	Michigan State Police
OTTCO	County of Ottawa, Michigan

### 5. SUBRECIPIENTS

The City administers certain federal awards programs through subrecipients. Those subrecipients are not considered part of the City's reporting entity. Of the federal expenditures presented in the Schedule, the City provided federal awards to subrecipients as follows:

Program Title	CFDA Number	Amount Provided to Subrecipients
Federal Transit Formula Grants	20.500	\$ 221,503
State and Community Highway Safety	20.600	<u>82,375</u>
		<u>\$ 303,878</u>

■ ■ ■ ■ ■

This page intentionally left blank.

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

December 12, 2012

Honorable Mayor  
and City Council  
City of Holland, Michigan

We have audited the 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 Holland, Michigan* (the "City"), as of and for the year ended June 30, 2012, which collectively comprise the basic financial statements of the City, and have issued our report thereon dated December 12, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the City is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### Compliance and Other Matters

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

We noted certain other matters that we reported to management of the City in a separate letter dated December 12, 2012.

This report is intended solely for the information and use of management, the City Council, others within the organization, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Lehmann Johnson".

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH  
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT  
ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

December 12, 2012

Honorable Mayor  
and City Council  
City of Holland, Michigan

Compliance

We have audited the *City of Holland, Michigan's* (the "City") compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2012. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

## Internal Control Over Compliance

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

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

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

This report is intended solely for the information and use of management, the City Council, others within the organization, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Lehmann Johnson". The signature is written in a cursive, flowing style.

# CITY OF HOLLAND, MICHIGAN

## Schedule of Findings and Questioned Costs For the Year Ended June 30, 2012

### SECTION I - SUMMARY OF AUDITORS' RESULTS

#### Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified?        yes   X   no

Significant deficiency(ies) identified?        yes   X   none reported

Noncompliance material to financial statements noted?        yes   X   no

#### Federal Awards

Internal control over major programs:

Material weakness(es) identified?        yes   X   no

Significant deficiency(ies) identified?        yes   X   none reported

Type of auditors' report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section 510(a)?        yes   X   no

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
66.468	Drinking Water Revolving Fund

Dollar threshold used to distinguish between Type A and Type B programs: \$ 300,000

Auditee qualified as low-risk auditee?   X   yes        no

# CITY OF HOLLAND, MICHIGAN

## Schedule of Findings and Questioned Costs For the Year Ended June 30, 2012

### SECTION II - FINANCIAL STATEMENT FINDINGS

None reported.

# CITY OF HOLLAND, MICHIGAN

## Schedule of Findings and Questioned Costs For the Year Ended June 30, 2012

### SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

# CITY OF HOLLAND, MICHIGAN

## Summary Schedule of Prior Audit Findings For the Year Ended June 30, 2012

None reported.



December 12, 2012

City Council  
City of Holland, Michigan

We have audited the 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 Holland, Michigan* (the "City") for the year ended June 30, 2012, and have issued our report thereon dated December 12, 2012. Professional standards require that we provide you with the following information related to our audit.

**Our Responsibility Under Auditing Standards Generally Accepted in the United States of America and OMB Circular A-133**

As stated in our engagement letter dated July 19, 2012, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your responsibilities.

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also, in accordance with OMB Circular A-133, we examined, on a test basis, evidence about the City's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* applicable to each of its major federal programs for the purpose of expressing an opinion on the City's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on the City's compliance with those requirements.

### Other Information in Documents Containing Audited Financial Statements

Our responsibility for the supplementary information accompanying the financial statements, as described by professional standards, is to evaluate the presentation of the supplementary information in relation to the financial statements as a whole and to report on whether the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole. 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.

### Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our engagement letter and our meeting about planning matters on November 13, 2012.

### Significant Results of the Audit

#### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the City are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

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 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 original cost and accumulated depreciation of its infrastructure capital assets acquired or constructed prior to the implementation of GASB 34 is based on current replacement costs, and an assumed rate of inflation from the dates of original acquisition/construction.
- Management's estimate of the accrued compensated absences is based on current hourly rates and policies regarding payment of sick and vacation banks.
- Management's estimate of the allowance for uncollectible receivable balances is based on past experience and future expectation for collection of various account balances.

- Management's estimate of the insurance claims incurred but not reported is based on information provided by the entity's third party administrators and subsequent claims activity.
- The assumptions used in the actuarial valuations of the pension and other postemployment benefits plans are based on historical trends and industry standards.
- Landfill closure and post-closure costs have been calculated based on state guidelines and landfill utilization to date.
- Future fixed operating costs paid to Michigan Public Power Agency have been calculated based on future debt service requirements and inflation of other costs at 3%.
- Contributed water and sewer infrastructure values have been estimated at current bid cost which is discounted to the date of acquisition utilizing historical construction inflation data.
- The allocation of shared costs between the funds has been determined based on studies of related time expended, services performed or other applicable activities and data.
- Unbilled receivable is estimated based on prior experience with billings.

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

#### *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 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 the financial statements taken as a whole.

#### *Upcoming Changes in Accounting Standards*

Generally accepted accounting principles (GAAP) are continually changing in order to promote the usability and enhance the applicability of information included in external financial reporting. While it would not be practical to include an in-depth discussion of every upcoming change in professional standards, Attachment B to this letter contains a brief overview of recent pronouncements of the Governmental Accounting Standards Board (GASB) and their related effective dates. Management is responsible for reviewing these standards, determining their applicability, and implementing them in future accounting periods.

*Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as 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 attached management representation letter dated December 12, 2012.

*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 entity'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 governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the governing body and management of the City of Holland, Michigan 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 "Lehmann Johnson".

# CITY OF HOLLAND, MICHIGAN

## ■ Attachment A - Consideration of Internal Control Over Financial Reporting For the June 30, 2012 Audit

We have audited the 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 the *City of Holland, Michigan* (the “City”) for the year ended June 30, 2012, and have issued our report thereon dated December 12, 2012.

In planning and performing our audit in accordance with auditing standards generally accepted in the United States of America, we considered the City’s internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City’s internal control. Accordingly, we do not express an opinion on the effectiveness of the City’s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

### Other Matters

#### *Variances in Original Budget*

In tying out the original budget to the download from the accounting software, we noted a number of insignificant variances. These variances were the result of various factors, including purchase orders carried forward from prior years and differences between estimated and actual grant awards. We recommend that the original budget voted on by the City Council be entered in to the City’s accounting software and that any amendment of those amounts be subject to the normal budget amendment process.

#### *Segregation of Duties*

In reviewing the internal control questionnaires completed by management, two issues were identified as lacking certain internal controls over incompatible duties that should be segregated. Firstly, the responsibility for the physical receipt of cash and checks and general ledger recordkeeping can, on occasion, be performed by the same individual. We also noted that the Assistant Treasurer is responsible for both accounts receivable processing functions and review of bank deposits and bank reconciliations. While there are no easy answers to these issues, we recommend that the City introduce as much independent review and approval of accounting transactions as possible so that no single individual is able to initiate, record, and reconcile a transaction by him or herself.



# CITY OF HOLLAND, MICHIGAN

## Attachment B - Upcoming Changes in Accounting Standards

For the June 30, 2012 Audit

The following pronouncements of the Governmental Accounting Standards Board (GASB) have been released recently and may be applicable to the City in the near future. We encourage management to review the following information and determine which standard(s) may be applicable to the City. For the complete text of these and other GASB standards, visit [www.gasb.org](http://www.gasb.org) and click on the “pronouncements” tab. If you have questions regarding the applicability, timing, or implementation approach for any of these standards, please contact your audit team.

### **GASB 63 ■ Deferred Inflows, Outflows, and Net Position**

*Effective 12/15/2012 (your FY 2013)*

This standard will introduce new terminology to the balance sheet by creating a category of quasi-assets called “deferred outflows”, and a category of quasi-liabilities called “deferred inflows”. As a result, the term “net assets” will no longer be used, and is replaced by the more generic term “net position”. Essentially, deferred inflows and outflows will be used to report transactions that occurred prior to year end that relate to revenues and expenses (inflows and outflows) of future periods. The format of the new “statement of net position” will be presented as *assets + deferred outflows - liabilities - deferred inflows = net position*. Net position will be further categorized into *net investment in capital assets, restricted, and unrestricted* amounts. Fund balance of governmental funds will be unaffected, and governmental funds will continue to report a traditional balance sheet (*assets = liabilities + fund balance*).

### **GASB 64 ■ Derivative Instruments (an Amendment of GASB 53)**

*Effective 06/15/2011 (your FY 2011)*

Under certain circumstances, a government is permitted to enter into swap agreements to “hedge” or protect against the risk of loss. The government is required to recognize the income statement impact of a hedge upon its termination. This standard addresses whether amending an existing swap agreement or entering into a new swap agreement qualifies as a termination for accounting purposes.

Statement No. 64 is already in effect. However, since the City does not hold any derivative instruments, this standard had no impact on its financial reporting.

### **GASB 65 ■ Items Previously Reported as Assets and Liabilities**

*Effective 12/15/2013 (your FY 2014)*

This standard builds on the new terminology introduced in GASB 63. Certain items previously reported as assets and liabilities will now be classified as deferred inflows and outflows, while other items will no longer be carried on the balance sheet. As such, a restatement of beginning equity may be required to write off balances from previous years that no longer meet the definition for presentation on the balance sheet. The term “deferred revenue” will no longer be used by governments for any purpose. While GASB 65 is not required to be implemented until one year after GASB 63, we recommend that they be adopted together, as the standards complement one another.

# CITY OF HOLLAND, MICHIGAN

## Attachment B - Upcoming Changes in Accounting Standards For the June 30, 2012 Audit

The following table provides examples of balances affected by this standard:

Item	Pre-GASB 65	Post-GASB 65
Loss/gain on refunding of bonds payable	Liability/asset ("deferred loss/gain on refunding")	Deferred outflow/inflow
Property taxes levied prior to the year they are intended to finance	Liability ("deferred revenue")	Deferred inflow
Grant funds received but all grant requirements not met	Provider: asset ("advance to...") Recipient: liability ("advance from...")	No change
Grant funds received and all grant requirements met, but advance is for the following program year	Provider: asset ("advance to...") Recipient: liability ("advance from...")	Provider: deferred outflow Recipient: deferred inflow
Bond issuance costs	Asset ("deferred bond issuance costs" or "deferred bond charges")	Expense in year incurred
Initial direct costs of operating leases	Asset ("prepaid")	Expense in year incurred
Unexpended proceeds of expenditure-driven grants; charges for services collected in advance	Liability ("deferred revenue")	Liability ("unearned revenue")
Revenues not "available" in governmental funds because they are not collected soon enough after year-end	Liability ("deferred revenue")	Deferred inflow

### GASB 66 ■ 2012 Technical Corrections (an Amendment to GASB 10 and GASB 62) *Effective 12/15/2013 (your FY 2014)*

This standard was issued to eliminate conflicting guidance that resulted from the issuance of GASB 54 and GASB 62, which are both already effective. GASB 10 was amended to allow for risk financing activities to be accounted for in whichever fund type is most applicable (no longer limited to the general fund or an internal service fund). GASB 62 was amended to modify specific guidance related to (1) operating leases with scheduled rent increases, (2) purchase of loans at an amount other than the principal amount, and (3) service fees related to mortgages that are sold when the service rate varies significantly from the current (normal) service fees.

We do not expect GASB 66 to have any significant impact on the City at this time.

### GASB 67 ■ Financial Reporting for Pension Plans *Effective 06/15/2014 (your FY 2014)*

This standard establishes the requirements for pension plans administered by trusts to report on their operations, including setting new uniform requirements for actuarial valuations of the total pension liability, and reporting various 10-year trend data as required supplementary information. The financial statements of pension plans will not change substantially as a result of GASB 67, though the additional note disclosures and required supplementary information will be significant. Additionally, actuarial valuations conducted in accordance with GASB 67 will have to match the government's fiscal year, or be rolled forward to that date by the actuary.

Because the City does not maintain its own pension trust fund, we do not expect GASB 67 to have any significant impact on the City at this time.

# CITY OF HOLLAND, MICHIGAN

## ■ Attachment B - Upcoming Changes in Accounting Standards

For the June 30, 2012 Audit

### GASB 68 ■ Accounting and Financial Reporting for Pensions

*Effective 06/15/2015 (your FY 2015)*

This standard establishes new requirements for governments to report a “net pension liability” for the unfunded portion of its pension plan. Governments that maintain their own pension plans (either single employer or agent multiple-employer) will report a liability for the difference between the total pension liability calculated in accordance with GASB 67 and the amount held in the pension trust fund. Governments that participate in a cost sharing plan will report a liability for their “proportionate share” of the net pension liability of the entire system.

Historically, governments have only been required to report a net pension obligation to the extent that they have not met the annual required contribution (ARC) in any given year. Upon implementation of this standard, governments will be required to report a net pension liability based on the current funded status of their pension plans. This liability would be limited to the government-wide financial statements and proprietary funds. Changes in this liability from year to year will largely be reflected on the income statement, though certain amounts will be deferred and amortized over varying periods.

GASB 68 also requires more extensive note disclosures and required supplementary information, including 10 years of historical information. The methods used to determine the discount rate (the assumed rate of return on plan assets held in trust) are mandated and must be disclosed, along with what the impact would be on the net pension liability if that rate changed by 1% in either direction. Other new disclosure requirements include details of the changes in the components of the net pension liability, comparisons of actual employer contributions to actuarially determined contributions, and ratios to put the net pension liability in context. For single-employer and agent multiple-employer plans, the information for these statements will come from the annual actuarial valuation. For cost sharing plans, this information will be derived from the financial reports of the plan itself, multiplied by the government’s proportionate share of plan.

GASB 67 and 68 are only applicable to pension plans. However, the GASB has announced its intent to issue similar standards for other postemployment benefits (e.g., retiree healthcare) on a two year delay from these standards.



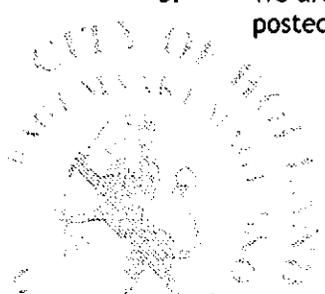
December 12, 2012

Rehmann Robson  
2330 East Paris Ave SE  
Grand Rapids, MI 49546

We are providing this letter in connection with your audit of the financial statements of the *City of Holland, Michigan* as of June 30, 2012 and for the year then ended for the purpose of expressing opinions as to whether the financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Holland, Michigan and the respective changes in financial position and, where applicable, cash flows thereof in conformity with accounting principles generally accepted in the United States of America. We confirm that we are responsible for the fair presentation of the previously mentioned financial statements in conformity with accounting principles generally accepted in the United States of America. We are also responsible for adopting sound accounting policies, establishing and maintaining effective internal control over financial reporting, and preventing and detecting fraud.

We confirm, to the best of our knowledge and belief, as of December 12, 2012, the following representations made to you during your audit.

1. The financial statements referred to above are fairly presented in conformity with accounting principles generally accepted in the United States of America and include all properly classified funds and other financial information of the primary government and all component units required by generally accepted accounting principles to be included in the financial reporting entity.
2. We have made available to you all—
  - a. Financial records and related data and all audit or relevant monitoring reports, if any, received from funding sources.
  - b. Minutes of the meetings of City Council or summaries of actions of recent meetings for which minutes have not yet been prepared.
3. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
4. There are no material transactions that have not been properly recorded in the accounting records underlying the financial statements or the schedule of expenditures of federal awards.
5. We are in agreement with the adjusting journal entries you have proposed, and they have been posted.



6. We acknowledge our responsibility for the design and implementation of programs and controls to prevent and detect fraud.
7. We have no knowledge of any fraud or suspected fraud affecting the entity involving:
  - a. Management,
  - b. Employees who have significant roles in internal control, or
  - c. Others where the fraud could have a material effect on the financial statements.
8. We have no knowledge of any allegations of fraud or suspected fraud affecting the entity received in communications from employees, former employees, analysts, regulators, or others.
9. We have a process to track the status of audit findings and recommendations.
10. We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
11. The City has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or equity.
12. The following, if any, have been properly recorded or disclosed in the financial statements:
  - a. Related party transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties.

For the purposes of this letter, related parties mean members of the governing body; board members; administrative officials; immediate families of administrative officials, board members, and members of the governing body; and any companies affiliated with or owned by such individuals.
  - b. Guarantees, whether written or oral, under which the City is contingently liable.
  - c. All accounting estimates that could be material to the financial statements, including the key factors and significant assumptions underlying those estimates and measurements. We believe the estimates and measurements are reasonable in the circumstances.
13. We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts; and we have identified and disclosed to you all laws, regulations and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial statement amounts, or other financial data significant to the audit objectives, including legal and contractual provisions for reporting specific activities in separate funds.

14. There are no—
  - a. Violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.
  - b. Unasserted claims or assessments that our lawyer has advised us are probable of assertion and must be disclosed in accordance with generally accepted accounting principles.
  - c. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by generally accepted accounting principles.
15. As part of your audit, you assisted with preparation of the financial statements and related notes and schedule of expenditures of federal awards. We have designated an individual with suitable skill, knowledge, or experience to oversee your services and have made all management decisions and performed all management functions. We have reviewed, approved, and accepted responsibility for those financial statements and related notes and schedule of expenditures of federal awards.
16. The City has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
17. The City has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
18. We have followed all applicable laws and regulations in adopting, approving, and amending budgets.
19. The financial statements include all component units as well as joint ventures with an equity interest, and properly disclose all other joint ventures and other related organizations.
20. The financial statements properly classify all funds and activities.
21. All funds that meet the quantitative criteria in GASB Statement Nos. 34 and 37 for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.
22. Components of net assets (invested in capital assets, net of related debt; restricted; and unrestricted) and fund balances (nonspendable, restricted, committed, assigned, and unassigned) are properly classified and, if applicable, approved.
23. Provisions for uncollectible receivables have been properly identified and recorded.
24. Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
25. Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
26. Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.

27. Special and extraordinary items, if any, are appropriately classified and reported.
28. Deposits and investments are properly classified as to risk and are properly disclosed.
29. Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated.
30. We have appropriately disclosed the City's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available and have determined that net assets were properly recognized under the policy.
31. We believe that the actuarial assumptions and methods used to measure pension and OPEB liabilities and costs for financial accounting purposes are appropriate in the circumstances.
32. We acknowledge our responsibility for the required supplementary information (RSI). The required supplementary information is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.
33. With respect to the combining and individual statements and schedules we acknowledge our responsibility for presenting the combining and individual statements and schedules in accordance with accounting principles generally accepted in the United States of America, and we believe the combining and individual statements and schedules, including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United States of America. The methods of measurement and presentation of the combining and individual statements and schedules have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.
34. We have evaluated the City's ability to continue as a going concern and have included appropriate disclosures, as necessary, in the financial statements.
35. With respect to federal award programs:
  - a. We are responsible for understanding and complying with and have complied with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, including requirements relating to preparation of the schedule of expenditures of federal awards.
  - b. We have prepared the schedule of expenditures of federal awards in accordance with OMB Circular A-133, and have identified and disclosed in the schedule expenditures made during the audit period for all awards provided by federal agencies in the form of grants, federal cost-reimbursement contracts, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance.

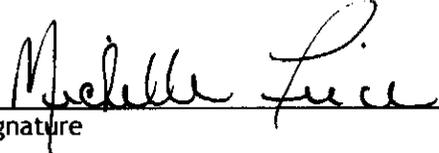
- c. We acknowledge our responsibility for presenting the schedule of expenditures of federal awards (SEFA) in accordance with the requirements of OMB Circular A-133 §310.b and we believe the SEFA, including its form and content, is fairly presented in accordance with the Circular. The methods of measurement and presentation of the SEFA have not changed from those used in the prior period and we have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the SEFA.
- d. If the SEFA is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information no later than the date we issue the supplementary information and the auditor's report thereon.
- e. We have identified and disclosed to you all of our government programs and related activities subject to OMB Circular A-133.
- f. We are responsible for understanding and complying with, and have complied with, the requirements of laws, regulations, and the provisions of contracts and grant agreements related to each of our federal programs and have identified and disclosed to you the requirements of laws, regulations, and the provisions of contracts and grant agreements that are considered to have a direct and material effect on each major program.
- g. We are responsible for establishing and maintaining, and have established and maintained, effective internal control over compliance requirements applicable to federal programs that provides reasonable assurance that we are managing our federal awards in compliance with laws, regulations, and the provisions of contracts and grant agreements that could have a material effect on our federal programs. We believe the internal control system is adequate and is functioning as intended.
- h. We have made available to you all contracts and grant agreements (including amendments, if any) and any other correspondence with federal agencies or pass-through entities relevant to federal programs and related activities.
- i. We have received no requests from a federal agency to audit one or more specific programs as a major program.
- j. We have complied with the direct and material compliance requirements (except for noncompliance disclosed to you), including when applicable, those set forth in the *OMB Circular A-133 Compliance Supplement*, relating to federal awards and have identified and disclosed to you all amounts questioned and any known noncompliance with the requirements of federal awards.
- k. We have disclosed any communications from grantors and pass-through entities concerning possible noncompliance with the direct and material compliance requirements, including communications received from the end of the period covered by the compliance audit to the date of the auditor's report.
- l. We have disclosed to you the findings received and related corrective actions taken for previous audits, attestation engagements, and internal or external monitoring that directly relate to the objectives of the compliance audit, including findings received and corrective actions taken from the end of the period covered by the compliance audit to the date of the auditor's report.

- m. Amounts claimed or used for matching were determined in accordance with relevant guidelines in OMB Circular A-87, *Cost Principles for State, Local, and Tribal Governments*, and OMB's *Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments*.
- n. We have disclosed to you our interpretation of compliance requirements that may have varying interpretations.
- o. We have made available to you all documentation related to compliance with the direct and material requirements, including information related to federal program financial reports and claims for advances and reimbursements.
- p. We have disclosed to you the nature of any subsequent events that provide additional evidence about conditions that existed at the end of the reporting period affecting noncompliance during the reporting period.
- q. There are no known instances of noncompliance with direct and material compliance requirements that occurred subsequent to the period covered by the auditor's report.
- r. No changes have been made in internal control over compliance or other factors that might significantly affect internal control, including any corrective action we have taken regarding significant deficiencies in internal control over compliance (including material weaknesses in internal control over compliance), have occurred subsequent to the date as of which compliance was audited.
- s. Federal program financial reports and claims for advances and reimbursements are supported by the books and records from which the financial statements have been prepared.
- t. The copies of federal program financial reports provided you are true copies of the reports submitted, or electronically transmitted, to the respective federal agency or pass-through entity, as applicable.
- u. We have monitored subrecipients to determine that they have expended pass-through assistance in accordance with applicable laws and regulations and have met the requirements of OMB Circular A-133.
- v. We have taken appropriate action, including issuing management decisions, on a timely basis after receipt of subrecipients' auditor's reports that identified noncompliance with laws, regulations, or the provisions of contracts or grant agreements and have ensured that subrecipients have taken the appropriate and timely corrective action on findings.
- w. We have considered the results of subrecipient audits and have made any necessary adjustments to our books and records.
- x. We have charged costs to federal awards in accordance with applicable cost principles.
- y. We are responsible for and have accurately prepared the summary schedule of prior audit findings to include all findings required to be included by OMB Circular A-133 and we have provided you with all information on the status of the follow-up on prior audit findings by federal awarding agencies and pass-through entities, including all management decisions.

- z. We are responsible for and have accurately prepared the auditee section of the Data Collection Form as required by OMB Circular A-133.
  - aa. We are responsible for preparing and implementing a corrective action plan for each audit finding.
36. We have evaluated and classified any subsequent events as recognized or nonrecognized through the date of this letter. No events, including instances of noncompliance, have occurred subsequent to the balance sheet date and through the date of this letter that would require adjustment to or disclosure in the aforementioned financial statements.

  
\_\_\_\_\_  
Signature

*Director of Finance*  
\_\_\_\_\_  
Title

  
\_\_\_\_\_  
Signature

*Assistant Finance Officer*  
\_\_\_\_\_  
Title

December 12, 2012

City Council  
City of Holland, Michigan

We have audited the 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 Holland, Michigan* (the "City") for the year ended June 30, 2012, and have issued our report thereon dated December 12, 2012. Professional standards require that we provide you with the following information related to our audit.

**Our Responsibility Under Auditing Standards Generally Accepted in the United States of America and OMB Circular A-133**

As stated in our engagement letter dated July 19, 2012, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your responsibilities.

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also, in accordance with OMB Circular A-133, we examined, on a test basis, evidence about the City's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* applicable to each of its major federal programs for the purpose of expressing an opinion on the City's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on the City's compliance with those requirements.

### Other Information in Documents Containing Audited Financial Statements

Our responsibility for the supplementary information accompanying the financial statements, as described by professional standards, is to evaluate the presentation of the supplementary information in relation to the financial statements as a whole and to report on whether the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole. 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.

### Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our engagement letter and our meeting about planning matters on November 13, 2012.

### Significant Results of the Audit

#### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the City are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

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 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 original cost and accumulated depreciation of its infrastructure capital assets acquired or constructed prior to the implementation of GASB 34 is based on current replacement costs, and an assumed rate of inflation from the dates of original acquisition/construction.
- Management's estimate of the accrued compensated absences is based on current hourly rates and policies regarding payment of sick and vacation banks.
- Management's estimate of the allowance for uncollectible receivable balances is based on past experience and future expectation for collection of various account balances.

- Management's estimate of the insurance claims incurred but not reported is based on information provided by the entity's third party administrators and subsequent claims activity.
- The assumptions used in the actuarial valuations of the pension and other postemployment benefits plans are based on historical trends and industry standards.
- Landfill closure and post-closure costs have been calculated based on state guidelines and landfill utilization to date.
- Future fixed operating costs paid to Michigan Public Power Agency have been calculated based on future debt service requirements and inflation of other costs at 3%.
- Contributed water and sewer infrastructure values have been estimated at current bid cost which is discounted to the date of acquisition utilizing historical construction inflation data.
- The allocation of shared costs between the funds has been determined based on studies of related time expended, services performed or other applicable activities and data.
- Unbilled receivable is estimated based on prior experience with billings.

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

#### *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 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 the financial statements taken as a whole.

#### *Upcoming Changes in Accounting Standards*

Generally accepted accounting principles (GAAP) are continually changing in order to promote the usability and enhance the applicability of information included in external financial reporting. While it would not be practical to include an in-depth discussion of every upcoming change in professional standards, Attachment B to this letter contains a brief overview of recent pronouncements of the Governmental Accounting Standards Board (GASB) and their related effective dates. Management is responsible for reviewing these standards, determining their applicability, and implementing them in future accounting periods.

*Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as 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 attached management representation letter dated December 12, 2012.

*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 entity'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 governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the governing body and management of the City of Holland, Michigan 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 "Lehmann Johnson".

# CITY OF HOLLAND, MICHIGAN

## ■ Attachment A - Consideration of Internal Control Over Financial Reporting For the June 30, 2012 Audit

We have audited the 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 the *City of Holland, Michigan* (the “City”) for the year ended June 30, 2012, and have issued our report thereon dated December 12, 2012.

In planning and performing our audit in accordance with auditing standards generally accepted in the United States of America, we considered the City’s internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City’s internal control. Accordingly, we do not express an opinion on the effectiveness of the City’s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

### Other Matters

#### *Variances in Original Budget*

In tying out the original budget to the download from the accounting software, we noted a number of insignificant variances. These variances were the result of various factors, including purchase orders carried forward from prior years and differences between estimated and actual grant awards. We recommend that the original budget voted on by the City Council be entered in to the City’s accounting software and that any amendment of those amounts be subject to the normal budget amendment process.

#### *Segregation of Duties*

In reviewing the internal control questionnaires completed by management, two issues were identified as lacking certain internal controls over incompatible duties that should be segregated. Firstly, the responsibility for the physical receipt of cash and checks and general ledger recordkeeping can, on occasion, be performed by the same individual. We also noted that the Assistant Treasurer is responsible for both accounts receivable processing functions and review of bank deposits and bank reconciliations. While there are no easy answers to these issues, we recommend that the City introduce as much independent review and approval of accounting transactions as possible so that no single individual is able to initiate, record, and reconcile a transaction by him or herself.



# CITY OF HOLLAND, MICHIGAN

## Attachment B - Upcoming Changes in Accounting Standards

For the June 30, 2012 Audit

The following pronouncements of the Governmental Accounting Standards Board (GASB) have been released recently and may be applicable to the City in the near future. We encourage management to review the following information and determine which standard(s) may be applicable to the City. For the complete text of these and other GASB standards, visit [www.gasb.org](http://www.gasb.org) and click on the “pronouncements” tab. If you have questions regarding the applicability, timing, or implementation approach for any of these standards, please contact your audit team.

### **GASB 63 ■ Deferred Inflows, Outflows, and Net Position**

*Effective 12/15/2012 (your FY 2013)*

This standard will introduce new terminology to the balance sheet by creating a category of quasi-assets called “deferred outflows”, and a category of quasi-liabilities called “deferred inflows”. As a result, the term “net assets” will no longer be used, and is replaced by the more generic term “net position”. Essentially, deferred inflows and outflows will be used to report transactions that occurred prior to year end that relate to revenues and expenses (inflows and outflows) of future periods. The format of the new “statement of net position” will be presented as *assets + deferred outflows - liabilities - deferred inflows = net position*. Net position will be further categorized into *net investment in capital assets, restricted, and unrestricted* amounts. Fund balance of governmental funds will be unaffected, and governmental funds will continue to report a traditional balance sheet (*assets = liabilities + fund balance*).

### **GASB 64 ■ Derivative Instruments (an Amendment of GASB 53)**

*Effective 06/15/2011 (your FY 2011)*

Under certain circumstances, a government is permitted to enter into swap agreements to “hedge” or protect against the risk of loss. The government is required to recognize the income statement impact of a hedge upon its termination. This standard addresses whether amending an existing swap agreement or entering into a new swap agreement qualifies as a termination for accounting purposes.

Statement No. 64 is already in effect. However, since the City does not hold any derivative instruments, this standard had no impact on its financial reporting.

### **GASB 65 ■ Items Previously Reported as Assets and Liabilities**

*Effective 12/15/2013 (your FY 2014)*

This standard builds on the new terminology introduced in GASB 63. Certain items previously reported as assets and liabilities will now be classified as deferred inflows and outflows, while other items will no longer be carried on the balance sheet. As such, a restatement of beginning equity may be required to write off balances from previous years that no longer meet the definition for presentation on the balance sheet. The term “deferred revenue” will no longer be used by governments for any purpose. While GASB 65 is not required to be implemented until one year after GASB 63, we recommend that they be adopted together, as the standards complement one another.

# CITY OF HOLLAND, MICHIGAN

## Attachment B - Upcoming Changes in Accounting Standards For the June 30, 2012 Audit

The following table provides examples of balances affected by this standard:

Item	Pre-GASB 65	Post-GASB 65
Loss/gain on refunding of bonds payable	Liability/asset ("deferred loss/gain on refunding")	Deferred outflow/inflow
Property taxes levied prior to the year they are intended to finance	Liability ("deferred revenue")	Deferred inflow
Grant funds received but all grant requirements not met	Provider: asset ("advance to...") Recipient: liability ("advance from...")	No change
Grant funds received and all grant requirements met, but advance is for the following program year	Provider: asset ("advance to...") Recipient: liability ("advance from...")	Provider: deferred outflow Recipient: deferred inflow
Bond issuance costs	Asset ("deferred bond issuance costs" or "deferred bond charges")	Expense in year incurred
Initial direct costs of operating leases	Asset ("prepaid")	Expense in year incurred
Unexpended proceeds of expenditure-driven grants; charges for services collected in advance	Liability ("deferred revenue")	Liability ("unearned revenue")
Revenues not "available" in governmental funds because they are not collected soon enough after year-end	Liability ("deferred revenue")	Deferred inflow

### GASB 66 ■ 2012 Technical Corrections (an Amendment to GASB 10 and GASB 62) *Effective 12/15/2013 (your FY 2014)*

This standard was issued to eliminate conflicting guidance that resulted from the issuance of GASB 54 and GASB 62, which are both already effective. GASB 10 was amended to allow for risk financing activities to be accounted for in whichever fund type is most applicable (no longer limited to the general fund or an internal service fund). GASB 62 was amended to modify specific guidance related to (1) operating leases with scheduled rent increases, (2) purchase of loans at an amount other than the principal amount, and (3) service fees related to mortgages that are sold when the service rate varies significantly from the current (normal) service fees.

We do not expect GASB 66 to have any significant impact on the City at this time.

### GASB 67 ■ Financial Reporting for Pension Plans *Effective 06/15/2014 (your FY 2014)*

This standard establishes the requirements for pension plans administered by trusts to report on their operations, including setting new uniform requirements for actuarial valuations of the total pension liability, and reporting various 10-year trend data as required supplementary information. The financial statements of pension plans will not change substantially as a result of GASB 67, though the additional note disclosures and required supplementary information will be significant. Additionally, actuarial valuations conducted in accordance with GASB 67 will have to match the government's fiscal year, or be rolled forward to that date by the actuary.

Because the City does not maintain its own pension trust fund, we do not expect GASB 67 to have any significant impact on the City at this time.

# CITY OF HOLLAND, MICHIGAN

## ■ Attachment B - Upcoming Changes in Accounting Standards

For the June 30, 2012 Audit

### GASB 68 ■ Accounting and Financial Reporting for Pensions

*Effective 06/15/2015 (your FY 2015)*

This standard establishes new requirements for governments to report a “net pension liability” for the unfunded portion of its pension plan. Governments that maintain their own pension plans (either single employer or agent multiple-employer) will report a liability for the difference between the total pension liability calculated in accordance with GASB 67 and the amount held in the pension trust fund. Governments that participate in a cost sharing plan will report a liability for their “proportionate share” of the net pension liability of the entire system.

Historically, governments have only been required to report a net pension obligation to the extent that they have not met the annual required contribution (ARC) in any given year. Upon implementation of this standard, governments will be required to report a net pension liability based on the current funded status of their pension plans. This liability would be limited to the government-wide financial statements and proprietary funds. Changes in this liability from year to year will largely be reflected on the income statement, though certain amounts will be deferred and amortized over varying periods.

GASB 68 also requires more extensive note disclosures and required supplementary information, including 10 years of historical information. The methods used to determine the discount rate (the assumed rate of return on plan assets held in trust) are mandated and must be disclosed, along with what the impact would be on the net pension liability if that rate changed by 1% in either direction. Other new disclosure requirements include details of the changes in the components of the net pension liability, comparisons of actual employer contributions to actuarially determined contributions, and ratios to put the net pension liability in context. For single-employer and agent multiple-employer plans, the information for these statements will come from the annual actuarial valuation. For cost sharing plans, this information will be derived from the financial reports of the plan itself, multiplied by the government’s proportionate share of plan.

GASB 67 and 68 are only applicable to pension plans. However, the GASB has announced its intent to issue similar standards for other postemployment benefits (e.g., retiree healthcare) on a two year delay from these standards.



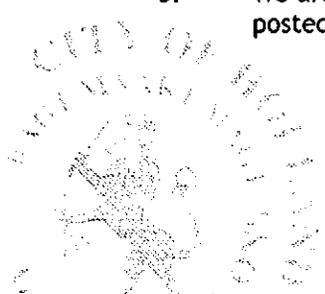
December 12, 2012

Rehmann Robson  
2330 East Paris Ave SE  
Grand Rapids, MI 49546

We are providing this letter in connection with your audit of the financial statements of the *City of Holland, Michigan* as of June 30, 2012 and for the year then ended for the purpose of expressing opinions as to whether the financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Holland, Michigan and the respective changes in financial position and, where applicable, cash flows thereof in conformity with accounting principles generally accepted in the United States of America. We confirm that we are responsible for the fair presentation of the previously mentioned financial statements in conformity with accounting principles generally accepted in the United States of America. We are also responsible for adopting sound accounting policies, establishing and maintaining effective internal control over financial reporting, and preventing and detecting fraud.

We confirm, to the best of our knowledge and belief, as of December 12, 2012, the following representations made to you during your audit.

1. The financial statements referred to above are fairly presented in conformity with accounting principles generally accepted in the United States of America and include all properly classified funds and other financial information of the primary government and all component units required by generally accepted accounting principles to be included in the financial reporting entity.
2. We have made available to you all—
  - a. Financial records and related data and all audit or relevant monitoring reports, if any, received from funding sources.
  - b. Minutes of the meetings of City Council or summaries of actions of recent meetings for which minutes have not yet been prepared.
3. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
4. There are no material transactions that have not been properly recorded in the accounting records underlying the financial statements or the schedule of expenditures of federal awards.
5. We are in agreement with the adjusting journal entries you have proposed, and they have been posted.



6. We acknowledge our responsibility for the design and implementation of programs and controls to prevent and detect fraud.
7. We have no knowledge of any fraud or suspected fraud affecting the entity involving:
  - a. Management,
  - b. Employees who have significant roles in internal control, or
  - c. Others where the fraud could have a material effect on the financial statements.
8. We have no knowledge of any allegations of fraud or suspected fraud affecting the entity received in communications from employees, former employees, analysts, regulators, or others.
9. We have a process to track the status of audit findings and recommendations.
10. We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
11. The City has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or equity.
12. The following, if any, have been properly recorded or disclosed in the financial statements:
  - a. Related party transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties.

For the purposes of this letter, related parties mean members of the governing body; board members; administrative officials; immediate families of administrative officials, board members, and members of the governing body; and any companies affiliated with or owned by such individuals.
  - b. Guarantees, whether written or oral, under which the City is contingently liable.
  - c. All accounting estimates that could be material to the financial statements, including the key factors and significant assumptions underlying those estimates and measurements. We believe the estimates and measurements are reasonable in the circumstances.
13. We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts; and we have identified and disclosed to you all laws, regulations and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial statement amounts, or other financial data significant to the audit objectives, including legal and contractual provisions for reporting specific activities in separate funds.

14. There are no—
  - a. Violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.
  - b. Unasserted claims or assessments that our lawyer has advised us are probable of assertion and must be disclosed in accordance with generally accepted accounting principles.
  - c. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by generally accepted accounting principles.
15. As part of your audit, you assisted with preparation of the financial statements and related notes and schedule of expenditures of federal awards. We have designated an individual with suitable skill, knowledge, or experience to oversee your services and have made all management decisions and performed all management functions. We have reviewed, approved, and accepted responsibility for those financial statements and related notes and schedule of expenditures of federal awards.
16. The City has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
17. The City has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
18. We have followed all applicable laws and regulations in adopting, approving, and amending budgets.
19. The financial statements include all component units as well as joint ventures with an equity interest, and properly disclose all other joint ventures and other related organizations.
20. The financial statements properly classify all funds and activities.
21. All funds that meet the quantitative criteria in GASB Statement Nos. 34 and 37 for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.
22. Components of net assets (invested in capital assets, net of related debt; restricted; and unrestricted) and fund balances (nonspendable, restricted, committed, assigned, and unassigned) are properly classified and, if applicable, approved.
23. Provisions for uncollectible receivables have been properly identified and recorded.
24. Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
25. Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
26. Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.

27. Special and extraordinary items, if any, are appropriately classified and reported.
28. Deposits and investments are properly classified as to risk and are properly disclosed.
29. Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated.
30. We have appropriately disclosed the City's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available and have determined that net assets were properly recognized under the policy.
31. We believe that the actuarial assumptions and methods used to measure pension and OPEB liabilities and costs for financial accounting purposes are appropriate in the circumstances.
32. We acknowledge our responsibility for the required supplementary information (RSI). The required supplementary information is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.
33. With respect to the combining and individual statements and schedules we acknowledge our responsibility for presenting the combining and individual statements and schedules in accordance with accounting principles generally accepted in the United States of America, and we believe the combining and individual statements and schedules, including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United States of America. The methods of measurement and presentation of the combining and individual statements and schedules have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.
34. We have evaluated the City's ability to continue as a going concern and have included appropriate disclosures, as necessary, in the financial statements.
35. With respect to federal award programs:
  - a. We are responsible for understanding and complying with and have complied with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, including requirements relating to preparation of the schedule of expenditures of federal awards.
  - b. We have prepared the schedule of expenditures of federal awards in accordance with OMB Circular A-133, and have identified and disclosed in the schedule expenditures made during the audit period for all awards provided by federal agencies in the form of grants, federal cost-reimbursement contracts, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance.

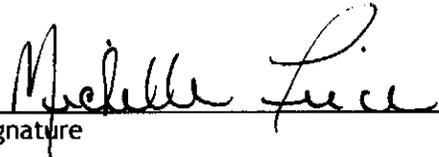
- c. We acknowledge our responsibility for presenting the schedule of expenditures of federal awards (SEFA) in accordance with the requirements of OMB Circular A-133 §310.b and we believe the SEFA, including its form and content, is fairly presented in accordance with the Circular. The methods of measurement and presentation of the SEFA have not changed from those used in the prior period and we have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the SEFA.
- d. If the SEFA is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information no later than the date we issue the supplementary information and the auditor's report thereon.
- e. We have identified and disclosed to you all of our government programs and related activities subject to OMB Circular A-133.
- f. We are responsible for understanding and complying with, and have complied with, the requirements of laws, regulations, and the provisions of contracts and grant agreements related to each of our federal programs and have identified and disclosed to you the requirements of laws, regulations, and the provisions of contracts and grant agreements that are considered to have a direct and material effect on each major program.
- g. We are responsible for establishing and maintaining, and have established and maintained, effective internal control over compliance requirements applicable to federal programs that provides reasonable assurance that we are managing our federal awards in compliance with laws, regulations, and the provisions of contracts and grant agreements that could have a material effect on our federal programs. We believe the internal control system is adequate and is functioning as intended.
- h. We have made available to you all contracts and grant agreements (including amendments, if any) and any other correspondence with federal agencies or pass-through entities relevant to federal programs and related activities.
- i. We have received no requests from a federal agency to audit one or more specific programs as a major program.
- j. We have complied with the direct and material compliance requirements (except for noncompliance disclosed to you), including when applicable, those set forth in the *OMB Circular A-133 Compliance Supplement*, relating to federal awards and have identified and disclosed to you all amounts questioned and any known noncompliance with the requirements of federal awards.
- k. We have disclosed any communications from grantors and pass-through entities concerning possible noncompliance with the direct and material compliance requirements, including communications received from the end of the period covered by the compliance audit to the date of the auditor's report.
- l. We have disclosed to you the findings received and related corrective actions taken for previous audits, attestation engagements, and internal or external monitoring that directly relate to the objectives of the compliance audit, including findings received and corrective actions taken from the end of the period covered by the compliance audit to the date of the auditor's report.

- m. Amounts claimed or used for matching were determined in accordance with relevant guidelines in OMB Circular A-87, *Cost Principles for State, Local, and Tribal Governments*, and OMB's *Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments*.
- n. We have disclosed to you our interpretation of compliance requirements that may have varying interpretations.
- o. We have made available to you all documentation related to compliance with the direct and material requirements, including information related to federal program financial reports and claims for advances and reimbursements.
- p. We have disclosed to you the nature of any subsequent events that provide additional evidence about conditions that existed at the end of the reporting period affecting noncompliance during the reporting period.
- q. There are no known instances of noncompliance with direct and material compliance requirements that occurred subsequent to the period covered by the auditor's report.
- r. No changes have been made in internal control over compliance or other factors that might significantly affect internal control, including any corrective action we have taken regarding significant deficiencies in internal control over compliance (including material weaknesses in internal control over compliance), have occurred subsequent to the date as of which compliance was audited.
- s. Federal program financial reports and claims for advances and reimbursements are supported by the books and records from which the financial statements have been prepared.
- t. The copies of federal program financial reports provided you are true copies of the reports submitted, or electronically transmitted, to the respective federal agency or pass-through entity, as applicable.
- u. We have monitored subrecipients to determine that they have expended pass-through assistance in accordance with applicable laws and regulations and have met the requirements of OMB Circular A-133.
- v. We have taken appropriate action, including issuing management decisions, on a timely basis after receipt of subrecipients' auditor's reports that identified noncompliance with laws, regulations, or the provisions of contracts or grant agreements and have ensured that subrecipients have taken the appropriate and timely corrective action on findings.
- w. We have considered the results of subrecipient audits and have made any necessary adjustments to our books and records.
- x. We have charged costs to federal awards in accordance with applicable cost principles.
- y. We are responsible for and have accurately prepared the summary schedule of prior audit findings to include all findings required to be included by OMB Circular A-133 and we have provided you with all information on the status of the follow-up on prior audit findings by federal awarding agencies and pass-through entities, including all management decisions.

- z. We are responsible for and have accurately prepared the auditee section of the Data Collection Form as required by OMB Circular A-133.
  - aa. We are responsible for preparing and implementing a corrective action plan for each audit finding.
36. We have evaluated and classified any subsequent events as recognized or nonrecognized through the date of this letter. No events, including instances of noncompliance, have occurred subsequent to the balance sheet date and through the date of this letter that would require adjustment to or disclosure in the aforementioned financial statements.

  
\_\_\_\_\_  
Signature

*Director of Finance*  
\_\_\_\_\_  
Title

  
\_\_\_\_\_  
Signature

*Assistant Finance Officer*  
\_\_\_\_\_  
Title