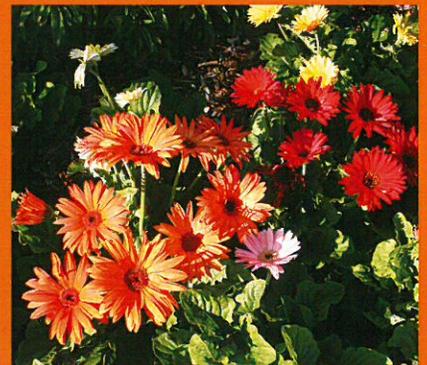
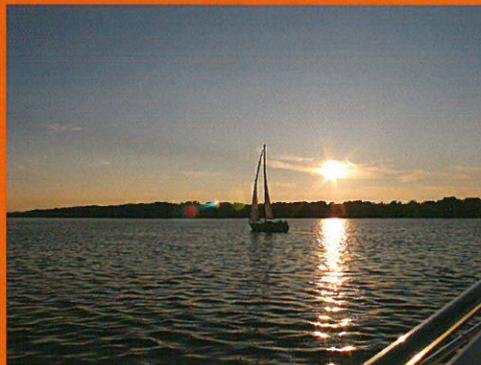


# COMPREHENSIVE ANNUAL FINANCIAL REPORT

For Fiscal Year Ended June 30, 2014



**holland, michigan**

## INTRODUCTORY SECTION

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# CITY OF HOLLAND

## HOLLAND, MICHIGAN

### COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2014

Prepared by:

Finance Office

Tim Vagle

Director of Finance

# CITY OF HOLLAND, MICHIGAN

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# CITY OF HOLLAND, MICHIGAN

## ELECTED OFFICERS

For the Year Ended June 30, 2014

### CITY COUNCIL

Kurt D. Dykstra  
Mayor

Myron Trethewey  
*Ward 1*

Jay Peters  
*Ward 2*

Brian Burch  
*Ward 3*

Robert Vande Vusse  
*Ward 4*

Todd Whiteman  
*Ward 5*

David Hoekstra  
*Ward 6*

Nancy DeBoer  
*At-Large*

Wayne Klomparens  
*At-Large*

### STAFF APPOINTED BY THE CITY COUNCIL

Ryan Cotton  
*City Manager*

### STAFF APPOINTED BY THE CITY MANAGER, SUBJECT TO COUNCIL APPROVAL

Andrew J. Mulder (Cunningham Dalman, P.C.)  
*City Attorney*

Anna Perales  
*Deputy City Clerk*

Tim Vagle  
*City Director of Finance*

Dave VanderHeide  
*City Assessor*

### STAFF APPOINTED BY THE CITY MANAGER, NOT SUBJECT TO COUNCIL APPROVAL

Greg Robinson  
*Assistant City Manager*

Matt Messer  
*Director of Public Safety*

Philip Meyer  
*Director of Community & Neighborhood Services*

Andy Kenyon  
*Interim Director of Parks & Recreation Services*

Brian White  
*Interim Director of Transportation Services*

Chanda Schab-Koryto  
*Director of Human Resources*

### STAFF OFFICIALS APPOINTED BY BOARDS OR COMMISSIONS

Dave Koster  
*Board of Public Works (Utilities) General  
Manager*

Freda Velzen  
*Board of Public Works (Utilities) Finance  
Director*

City of Holland  
Finance Office - City Hall  
270 River Avenue  
Holland, Michigan 49423

TELEPHONE (616) 355-1370    FAX (616) 355-1470

December 15, 2014

TO CITY OF HOLLAND CITIZENS AND OTHER INTERESTED PERSONS:

The *Comprehensive Annual Financial Report (CAFR)* of the City of Holland, Michigan, for the fiscal year ended June 30, 2014, 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 15.1085 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 22.4% 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 estimated a 2013 population of 33,481 with a median age of 31.7 years per the 2010 adjusted census. This is a 4.5% reduction in population since the high of 35,048 from the 2000 census. At June 30, 2014 the City included an area of 17.45 square miles, 149.1 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 a 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 and 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 as 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 (45.69%), commercial (22.97%), industrial (30.56%), and all other (0.78%). The industrial sector includes a diversification of manufacturing, including office systems and furniture, auto and truck parts, boats, aluminum extrusion, pickle and 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 are 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 employment staff includes 385 full-time positions, and 54 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	93
Police Officers	Fraternal Order of Police, Holland Police Officers Division	54
Firefighters	International Association of Firefighters, Local 759	19
Non-Union	None	<u>219</u>
Total		385

## 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 and 61*, 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 on one large type of industry, such as automotive.

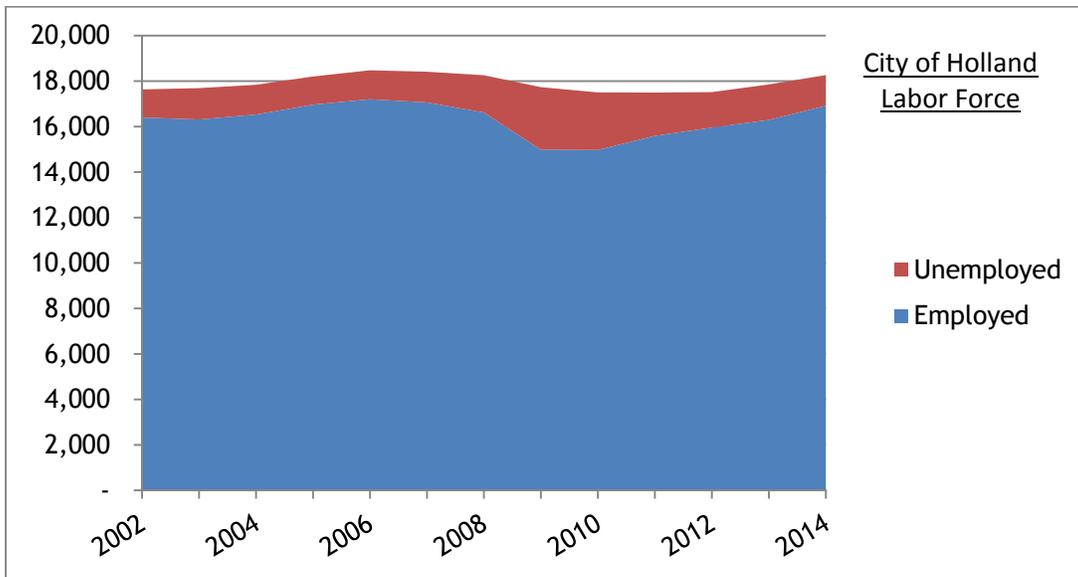
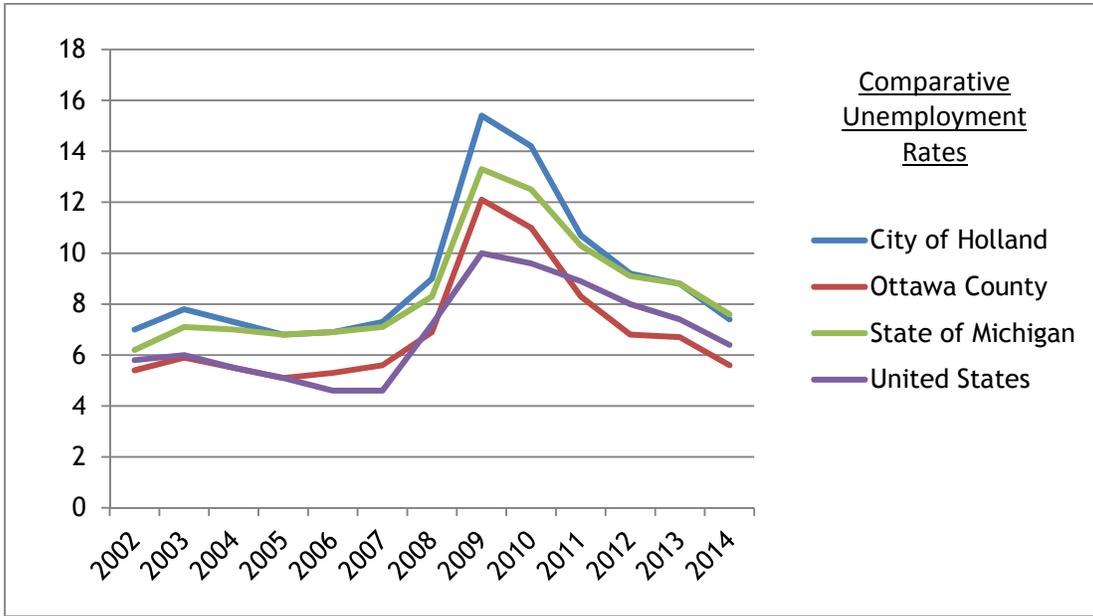
The local West Michigan area has substantially recovered from the Great Recession/national economic downturn which began in 2008-09. The following table of comparative unemployment rates reflects local unemployment rates within the City, the two counties it is located in, as well as with national and state trends. Significant improvements have been seen in the past year or two as the economy continues a gradual recovery.

### Comparative Unemployment Rates

Annual Average	City of Holland	Holland/Grand Haven Metro Area	County of Ottawa	County of Allegan	State of Michigan	<u>United States</u>
<u>2014 (Aug.31)</u>	<u>7.4</u>	<u>5.6</u>	<u>5.6</u>	<u>6.3</u>	<u>7.6</u>	<u>6.4</u>
2013	8.8	6.7	6.7	7.2	8.8	7.4
2012	9.2	6.8	6.8	7.3	9.1	8.0
2011	10.7	8.3	8.3	8.7	10.3	8.9
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
2003	7.8	5.9	5.9	6.6	7.1	6.0
2002	7.0	5.4	5.4	5.6	6.2	5.8

## 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 an increase in population and employment, and is one of the fastest growing counties in the Midwest. Between March, 2013 and March, 2014 employment in Ottawa County grew by 3,746. The W.E. Upjohn Institute for Employment Research publication Business Outlook for West Michigan in June 2014 stated that “in Ottawa County, employment by place of work improved 1.3 percent during the first quarter, a gain of nearly 1,500 jobs”. From 2010 to 2013, Ottawa County’s total population had a net increase of nearly 8,900 residents up to 272,701, for a growth rate of 3.37%. The Macatawa Area Coordinating Council (MACC) population, made up of Holland, Zeeland and the surrounding seven townships, grew by 2.71% from 2010 to 2013.

## ECONOMIC CONDITIONS OF THE COMMUNITY

(Continued from Previous Page)

### City of Holland Labor Force

	<u>Employed</u>	<u>Unemployed</u>	<u>Labor Force / % Change</u>	
2014 (Aug. 31)	16,916	1,351	18,267	+2.64%
2013	16,229	1,568	17,797	+1.59%
2012	15,958	1,560	17,518	+0.14%
2011	15,597	1,897	17,494	-0.07%
2010	14,970	2,536	17,506	-1.29%
2009	14,984	2,751	17,735	-2.88%
2008	16,623	1,638	18,261	-0.82%
2007	17,063	1,349	18,412	-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%

The local Manpower office reports they are currently at approximately 1,100 placements, with 300 open jobs to fill. They continue to see strong growth in the job market, with some employers raising their pay rates to make job positions more attractive and increase employee retention. Many of their placements are leading to permanent employment.

Lakeshore Advantage, which provides regional economic development services for the Holland, Zeeland and Saugatuck area, indicates that Lakeshore area companies continue to lead Ottawa County, the Midwest and U.S. on a variety of metrics such as international sales growth, lower unemployment, exports (as shared of Total Output), employee training, sales gains, expansion plans, new product development, and future product development.

Recent positive announcements from businesses in the Holland area include:

- Johnson Controls employs 2,827 people in the Holland Community. Johnson Controls has a technical center and several manufacturing locations in Holland that support the automotive industry. Employees at the technical center design, develop and engineer products for automotive interiors, including door panels, overhead consoles, instrument panels, and floor consoles. The plants manufacture automotive interior and seat components, and lithium-ion batteries for hybrid and electric vehicles. JCI recently sold portions of its electronics business to Gentex, a Zeeland Company. It also has divested majority ownership of its local operations (excluding lithium-ion batteries) to Visteon and Modal. The transition will continue over the next months, but all plants are expected to continue operating in their current Holland locations.
- Construction was completed in September 2011 on the 600,000 square foot \$303 million LG Chem plant to manufacture lithium-ion cells in the City of Holland. The Holland location, which employs about 120 people, sent its first shipment of batteries in November, 2013. LG Chem supplies the battery for the Chevrolet Volt. LG Chem Michigan recently held a job fair to fill both current and future positions needed for anticipated expansion.

## ECONOMIC CONDITIONS OF THE COMMUNITY

(Continued from Previous Page)

- Globally, Haworth improves workplaces with award-winning furniture, interior architecture and technology solutions to help customers achieve business goals, transform culture, as well as support collaboration and innovation. Research + design drive a deep understanding of agile workplace needs and are at the center of the company's strategy. Haworth is committed to protecting and restoring the environment, creating economic value, as well as supporting and strengthening its communities. Founded in 1948, Haworth remains family-owned and privately-held and serves markets in more than 120 countries through a global network of 600 dealers. The company had global sales of \$1.41 billion in 2013. "As we enter 2014, Haworth's strategy is sound, our company is strong and we're well positioned for continued growth in all sectors," said Franco Bianchi, Haworth President and CEO. "Our strategy enables excellence in innovation and design, as proven by our 2013 results."
- 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. Their technology includes design, engineering and manufacturing of wind turbine blades and parts for utility-scale turbines. A tax abatement valued in excess of \$5 million was approved by the City Council in May 2012.
- Holland Community Hospital constructed and opened a new medical office building in 2014 on the hospital's main campus. The building was a collaborative project between Holland Hospital and Spectrum Health, and now serves as the Holland location for the cardiologists of West Michigan HEART, a Spectrum Health Medical Group. The Hospital also introduced Urgent Care services at its medical facility in Zeeland and announced the availability of a primary care physician at its Douglas location. Staffing at Holland Hospital and its off-campus locations in 2014 reached 1,570 full time equivalents or approximately 2,000 employees. For the sixth year in a row, Holland Community Hospital received an Outstanding Patient Experience Award™ from Healthgrades.
- Holland Public Schools completed \$73 million in school construction and technology upgrades in 2014. These upgrades will help prepare its 4,000 students in pre-kindergarten through grade 12 for future success. Holland High earned a 2013 "Silver Medal Award" from *U.S. News & World Report* for the excellent academic performance of students in its Advanced Placement Program. The tradition of success continued as the High School theatre and orchestras earned both regional and national recognition, while the Forensics, Quiz Bowl, and National History Day teams earned state honors and competed nationally. The Holland High School/Haworth Robotics Team captured an International Championship trophy. In athletics, the Holland High Girls Swimming & Diving Team was Division 2 state champions for the third year in a row. The most recent school year was great for Holland Public Schools.

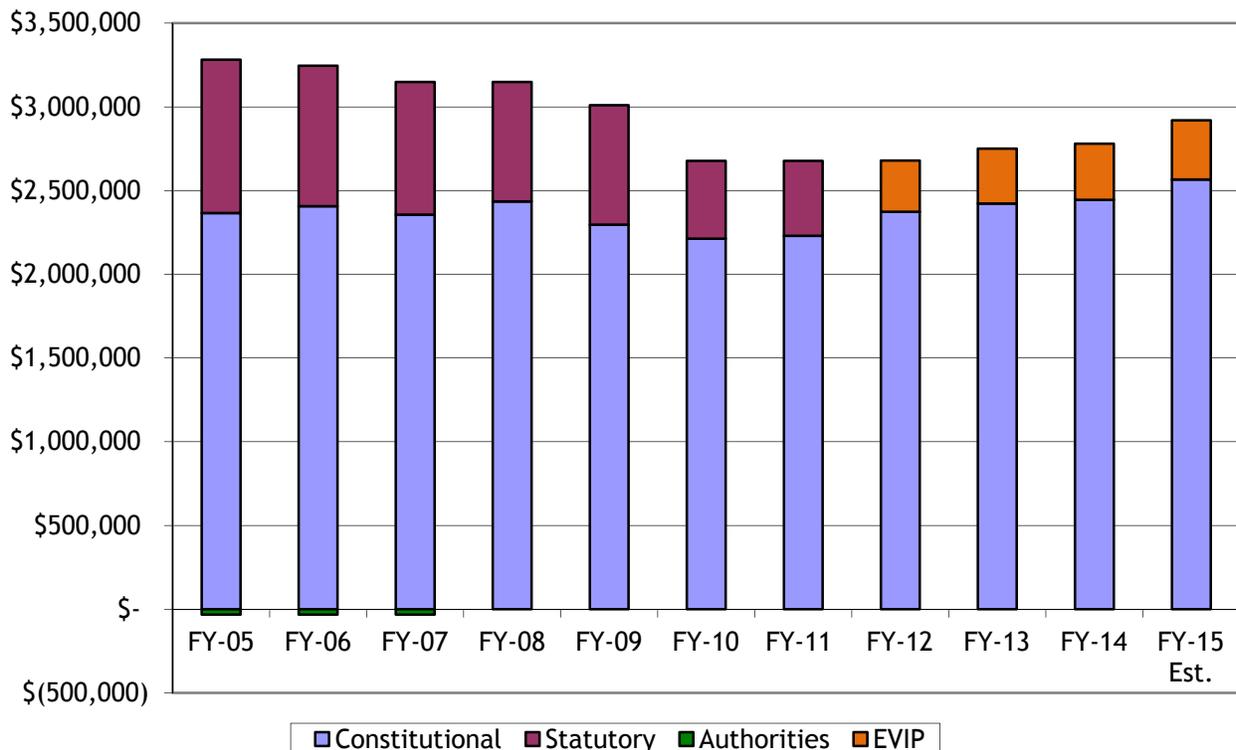
ECONOMIC CONDITIONS OF THE COMMUNITY

(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, not solely within the City of Holland, these three local companies employ about 8,000. Major cutbacks for any of these companies could 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.

For the past several years, the State has adopted their annual budget in May/June, much earlier than prior years. After years of cuts and reductions in Revenue Sharing largely due to the poor performance of the Michigan economy, slight increases were received in FY2013 and 2014 and are expected in 2015. The constitutional portion, based on a specific percentage of the sales tax revenues, is expected to continue increasing as the State economy gains momentum. 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 FY2012-2014, and the program requirements have been significantly reduced for 2015. \$343,674 received in FY2014 compares to \$448,000 in the former formula. What has been of great concern regarding revenues is recent legislation approved in the August 2014 election, eliminating the Personal Property tax over a ten-year period, which previously raised more than \$1 billion a year for local governments and schools across the State and \$2.4 million for the City of Holland. While the law provides a provision for “full recovery” of any lost revenues, growth in the personal property tax rolls offsets any reimbursement from the State. Since much of Holland’s growth in Taxable Value has historically come from growth in Personal Property Taxes, it is likely future growth in Taxable Values will be slower, but major losses are not expected as once feared. Residential property values are increasing, which provides a balance for possible PPT losses.

**CITY OF HOLLAND STATE REVENUE SHARING**



ECONOMIC CONDITIONS OF THE COMMUNITY

(Continued from Previous Page)

Based on 2014 PA198 industrial facilities and PA328 new personal property tax abatements granted by the City of Holland, 70 new jobs are anticipated to be created along with \$8.0 million of new related construction and machinery. For 2014 the City currently has 122 PA198 industrial facilities certificates active and 8 PA328's active. In 2013, Ottawa County issued 63 PA198 tax abatement certificates, representing an investment of \$152 million in the next two years.

In 2012, several new public acts were passed regarding personal property. These public acts will completely exempt industrial personal property starting in 2016, with a gradual phase-out over the next 10 years. This change in the taxable status of industrial personal property will eliminate the need for all PA328's and the personal property portion of PA198's.

The following table identifies the 2014 PA198 industrial tax abatements issued by the City. The value of PA198 abatements is down by \$19.8 million from 2013. The largest job creator and the largest investment came from ROL USA, Inc., a new business in the City for 2015 and a manufacturer of metal work.

**PA 198 Industrial Facilities Tax Abatements (IFT's) 2014**

Company	Description of Services	Planned Investment	Projected Job Growth
Genzink Steel	Steel fabricated products	\$ 989,000	15
JMS	Metal fabricated parts	2,000,000	5
Koops, Inc.	Manufacture machines and machine parts	727,855	7
Michigan Wood Fuels	Manufacture residential pellet fuel	251,000	0
ROL USA, Inc.	Manufacture office product metal work	2,920,330	40
True Form Tool & Engineering	Tool & Die and machining operation	1,100,000	3
		<hr/> \$ 7,988,185	<hr/> 70

**PA 328 New Personal Property Abatement 2014**

No new PA 328's for 2014

-

Total PA 198 & PA328 Investment for 2014 \$7,988,185

## ECONOMIC CONDITIONS OF THE COMMUNITY

(Continued from Previous Page)

Due to several large area building projects, building permit construction values increased overall by 33% from FY2013 (\$57.9 million) to FY2014 (\$76.8 million). Institutional and municipal permits totaled \$38.9 million for FY2014. The largest combined permit value for one entity in FY2014 was for Hope College, which includes two new fine arts buildings and a dining hall renovation at a combined value of \$33.6 million. Other large permits included Appledorn Assisted Living Center for \$7.1 million and Quality Car Wash for \$3.3 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.

The housing occupancy rate in 2010 was 91%. Neighborhood improvement projects continue to be a top priority of the Holland City Council and \$650,310 in local and grant funds were expended in homeowner and neighborhood improvements in FY2014. Forbes magazine included Holland on its list of 15 "America's Prettiest Towns" in 2013. Money magazine ranked Holland fourth on the magazine's list of "Where Homes Are Affordable" in 2009. According to real estate reports for the 3<sup>rd</sup> quarter of 2014, the median sales price of homes in Holland was \$145,000. The median sales price of homes increased 16.2% in the 3<sup>rd</sup> quarter of 2014 compared to 2013, and the number of houses sold decreased 2.7%. USA Today ranked the Holland-Grand Haven market as "first for feeling safe walking at night". The City maintains a high 49.5% demographic of households as married-couple families which compares favorably to most other cities. In February 2014 the *Gallup-Healthways Well-Being Index* ranked the Holland-Grand Haven area first in the nation in two of six health and well-being based criteria.

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 visitors come to Hope College spending over \$9 million in the region during their visits. Enrollment at Hope College is growing despite increased competition for students, with changes in demographics. However, enrollment across all local colleges and universities are down in total by 132 from a year ago.

<u>Higher Education Institution</u>	<u>Enrollment (Degree Seeking)</u>
Hope College	3,327
Grand Valley State University (Meijer Campus)	100
Grand Rapids Community College (includes all local "Lakeshore" campuses within 10 miles)	1,058
Davenport University	<u>397</u>
Total	4,882

Approximately 100 students are enrolled at Grand Valley State University's Meijer Campus in Holland for Fall 2014. The Holland Campus also hosts a variety of adult learning programs including professional development opportunities in the areas of education and social work. During Fall 2014, Grand Valley began a partnership with Muskegon Community College and the Ottawa Area Intermediate School District which allows some high school students to take dual enrollment classes at the Meijer Campus.

## 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 locations. The Market offers special programs such as a chef series, children’s activities and cooking contests. A current occupancy rate of 95.59% 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” highlights the City as an entertainment destination. In 2014, Parade Magazine named Downtown Holland as one of the best 16 Main Streets in the United States.

The downtown area 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 downtown outdoor fireplace and fountain serve as popular pedestrian gathering spots. There is a two-story 7<sup>th</sup> Street Parking Deck located in the east end of the downtown area. A temporary outdoor ice skating rink is installed downtown in the winter to evaluate potential viability of a permanent skating rink. It should also be noted that the Holland Aquatic Center, Herrick District Library and Evergreen Commons Senior Center facilities located near downtown are considered top notch for a community of this size.

The annual Tulip Time Festival is an eight day event held in May each year and draws tourists downtown and City-wide from across the nation. The festival, celebrating the City’s Dutch heritage, includes parades, Dutch dancing, tulips, fireworks, food, entertainment, shopping, a carnival, tours, and a running race. A popular Tulip Time attraction, Windmill Island Gardens, features a working Dutch windmill. This attraction is open seasonally.

Amtrak ridership at the downtown Holland depot stop puts Chicago within a 3 hour reach of Holland and the schedule is conducive for a day-only or weekend trip. Ridership was down comparing Fiscal Year 2013 to Fiscal Year 2014 by 3.4%.

*Standard & Poor’s* December, 2013 credit rating report noted that Holland has “consistent financial performance and is further supported by good financial management policies”. The most recently assigned credit ratings to City of Holland debt are as follows:

Moody’s Investors Service (reviewed and rated 2014)	Aa3
Standard & Poor’s (reviewed and rated 2014)	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, 2013	@ June 30, 2014	Increase (Decrease)
General Fund - General	\$ 4,042,040	\$ 3,716,988	\$(325,052)
Gen. Fund - Budget Stabilization	917,936	983,286	65,350
Special Revenue	4,831,599	5,893,800	1,062,201
Debt Service Funds	252,747	199,810	(52,937)
Capital Projects Funds	1,750,867	2,112,719	361,852
Permanent Trust Funds	1,575,485	1,595,330	19,845
<b>Totals</b>	<b>\$ 13,370,674</b>	<b>\$14,501,933</b>	<b>\$1,131,259</b>

**Additional Comments Concerning Certain Fund Balances**

- > The FY2014 decrease in *General Fund - Fund Balance* to \$3,716,988 at June 30, 2014 is due to paying down debt, reducing interest costs in debt service funds. All staff vacancies continue to be carefully scrutinized prior to filling them, but as property tax values stabilize and slowly increase, it appears that continuing staff reductions may no longer be necessary. Increasing health insurance premiums, and a large unfunded accrued liability leading to higher pension contributions, present challenges to management.
- > The decrease in the *Fund Balance of the Debt Service Funds* in FY2014 was due to pre-payment of a special assessment bond issue and tax levy re-allocation of .0867 mills from debt service to municipal capital projects. The increase in the *Fund Balance of the Capital Projects Funds* resulted from increased revenue from property taxes; due to the re-allocation of the tax millage and delays in closing projects.
- > The *General Fund - Budget Stabilization* portion ended the fiscal year with an *Undesignated Fund Balance* of \$983,286; intentionally increased after drawdowns in recent years to settle tax appeals and transfers to the General Fund. Most property tax appeals have been settled and this fund is expected to stabilize in the next years. Balances in this fund are more than adequate when combined with the General Fund, at 22.4% of the ensuing FY2014-15 General Fund budget.

**GOVERNMENTAL-TYPE FUNDS - CAPITAL PROJECTS**

Expenditures in the *Capital Projects Funds*, excluding interfund transfers, totaled \$2,168,236 for FY2014 as compared to \$5,671,837 for FY2013. More significant projects with expenditures exceeding \$50,000 during the fiscal year included:

INFRASTRUCTURE PROJECTS (Excluding Utility Fund Share)	
Resurfacing Program	\$515,815
Washington Avenue, Matt Urban to 32 <sup>nd</sup> Street	926,660
City Wide Drainage Study / Master Plan	53,931
MUNICIPAL CAPITAL PROJECTS	
Planning & Neighborhood Improvements	68,373
City Hall Parking Lot Resurfacing	58,084
Smallenburg Park Skate Park Enhancements	57,260

## GOVERNMENTAL - TYPE FUNDS

### CAPITAL ASSETS - GOVERNMENTAL ACTIVITIES

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 GASB 34 regarding capital assets. In 2011 a full land and building appraisal was done by a professional appraisal firm.

### 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 strives 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, 2013</u>	<u>Working Capital June 30, 2014</u>
Technology Services	\$ 240,766	\$ 219,824
Equipment Services	2,552,403	2,213,550
Insurance Services	<u>2,712,499</u>	<u>3,486,974</u>
Totals	<u>\$ 5,505,668</u>	<u>\$ 5,920,348</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 several years, the City has embraced a 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. In fiscal year 1998-99, Workers Compensation reverted to a commercial policy with no self-insured retention; and 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 has been retained to provide annual appraisal updates of all capital assets for insurance coverage purposes. A complete insurance reappraisal of all assets was completed in the spring of 2011 and updated in 2013.

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 2013-14 was \$3,605,265.

The most recent actuarial valuation, dated December 31, 2013, indicates that the City's valuation assets (stated at market value) provide 68.2% funding (employer portion only), based upon actuarial determined accrued liabilities of \$119,545,474, valuation assets of \$81,578,217, and unfunded accrued liabilities of \$37,967,257.

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 6% City contribution with an optional 2% employee contribution along with an additional City match of 2% for all City and HBPW non-union employees and HBPW utility union employees. The total contribution paid by the employer for fiscal year 2013-14 was \$634,851 and by employees was \$158,804.

DEFERRED COMPENSATION

In addition to the MERS defined benefit plan, the City also makes three deferred compensation plans available that employees may voluntarily participate in, via payroll withholding up to the annual maximum of \$17,500. The plans are sponsored and administered by *International City Management Association (ICMA)*, *Mass Mutual Financial Group* and *Michigan Municipal Employees Retirement System (MERS)*. These plans have been placed in a 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 0.787%, as compared to 0.256% for the previous fiscal year. If investments had not been valued at market the annualized average interest rate would have been 0.566%. The fiscal year adjustment for market write-up for the pool was \$65,035 and the overall ending market write-up balance was \$6,612. The City typically buys and holds long term investments to maturity so fiscal year end market adjustments are not actually realized. Bonds were sold for the BPW Power Plant, which represents much of the significant growth in earnings in Enterprise Funds. The exhibit below also includes funds that do not participate in the pool.

Fund Type	INVESTMENTS EARNINGS			
	Fiscal Year		Year-to-Year Change	
	2012-2013	2013-2014	Amount	Percentage
General Fund	\$ 35,580	\$ 93,075	\$ 57,495	161.6%
Permanent	3,242	13,582	10,340	318.9%
Special Revenue	8,501	45,668	37,167	437.2%
Debt Service	3,726	5,079	1,353	36.3%
Capital Projects	2,413	16,664	14,251	590.6%
Enterprise	26,918	747,888	720,970	2,678.4%
Internal Service	10,930	45,152	34,222	313.1%
Component Units	73,127	98,089	24,962	34.1%
<b>Total</b>	<b>\$164,437</b>	<b>\$ 1,065,197</b>	<b>\$ 900,760</b>	<b>547.7%</b>

## 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
Silver Telly Award (2009) (Marketing DVD)	Telly Awards	Management & Administrative
Award of Merit for Personal Property Tax Reform (Mayor Dykstra) (2014)	Michigan Municipal League	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
eCities 2013 Award - 4 Star Rating	University of Michigan	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
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
America's Most Secure Mid-Sized City Award (2013)	Farmers Insurance	Public Safety
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.
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.

<u>Award or Accreditation</u>	<u>Granting Agency</u>	<u>Department</u>
Dozen Distinctive Destinations Award (2002)	National Trust for Historic Preservation	Community & Neighborhood Svcs.
National Award Winner for Outstanding Participation in National Night Out (2008, 2011, & 2012)	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.
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.
Social Justice Award (2011)	City of Holland Human Relations Commission	Community & Neighborhood Svcs.
"Special Tribute" for Recycling & Trash Inspection Program (2003)	State of Michigan	Community & Neighborhood Svcs.
"Finalist" in Green City Award Competition (2011)	National Residential Recycling Conference	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 & 2014)	Michigan Department of Environmental Quality	Utility Services
Award of Excellence Digital Annual Report (2010, 2011 & 2014)	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
Reliable Public Power Provider (Diamond Level) (2013 & 2014)	American Public Power Association	Utility Services
Michigan Section Class III Safety Award (2013)	American Water Works Association	Utility Services
Class C Award of Excellence Digital Annual Report (2013)	American Public Power Association	Utility Services
Exemplary Water Protection Program Award (2013)	American Water Works Association	Utility Services
Leadership in Housing Award (2013)	ENERGY STAR	Utility Services
Safety Award of Excellence (2014)	American Public Power Association	Utility Services
Macatawa Watershed Stakeholder Award (2014)	Macatawa Watershed Project	Utility Services

<u>Award or Accreditation</u>	<u>Granting Agency</u>	<u>Department</u>
Five Bloom Rating and Outstanding Achievement in Heritage Preservation Award (2014)	America in Bloom National Awards Program	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 a top priority. Much of the staff time of the 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 four of these projects being completed with 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. 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-JCS, Compact Power/LG Chem) have been approved and Act 198 tax abatements continue to be issued prolifically.

- Infrastructure Projects:

- > It is the City's normal practice to complete an annual road resurfacing program including several streets. This fiscal year the City completed resurfacing of nine different streets at a cost of \$514,235. Another \$1,580 was spent in preparation for the next fiscal year resurfacing project.
- > Work continued on the \$1.7 million reconstruction project of Washington Avenue, between Matt Urban Drive and 32<sup>nd</sup> Street than began during the fiscal year and will conclude in FY2015. The project consists of road reconstruction, curb and gutter work, sidewalk repairs and replacing of certain storm sewers, sanitary sewers and water mains. Money received for transferring jurisdiction of the Allegan County portion of US-31 business route to MDOT was used to help fund this project.
- > Following a 100 year type major rainstorm event on June 19, 2009 and another major storm in July 2011, an update to the City's Storm Water master plan was deemed necessary. Since FY2011 \$188,553 has been spent on this multi-year project, with \$53,931 spent in FY2014.
- > Major reconstruction and widening of Lincoln Avenue, 16<sup>th</sup> to 24<sup>th</sup> Street, begun prior to June 30, 2012 continued in FY2014. The project includes construction of a new roadway, sidewalks, curb and gutter, storm drainage and utility improvements. At fiscal year-end, \$2.9 million, of the \$3 million budget, was expended. The project will not be completed until FY2015.

## SIGNIFICANT INITIATIVES, EVENTS AND ACCOMPLISHMENTS

(Continued from Previous Page)

- Electric Utility:

- > Production costs with the power plant significantly increased due to the harsh winter that drove up the cost of purchased power.
- > The Holland Board of Public Works has entered into multiple contracts for renewable energy which are projected to be 16% of sales by 2015.
- > Property was acquired for approximately \$7,400,000 to construct a new power plant on the east side of the city. A world class infrastructure is planned that will provide a sustainable long term power source, provide a connection to the community, and is designed to serve as a gateway to the City. Bonds in the amount of \$158,840,000 were sold to finance the project.
- > An outage management system was completed at a cost of approximately \$165,000.
- > A Diamond Level RP3 Award was received from the American Public Power Association, which puts the Holland BPW in the top 1% of municipal utilities in the nation for innovation, reliability, safety, and continuous improvement.

- Water Utility:

- > Water main replacements and improvements were completed at a cost of approximately \$1,400,000. Additional replacements and improvements are expected to continue in FY2015 at a cost of approximately \$1,600,000.
- > The Holland/Wyoming Interconnect Project experienced a leakage event that caused the valve and metering station to fail. The station will be rebuilt in 2015, with the costs of rebuilding expected to be covered by insurance.

- Wastewater Treatment Plant:

- > The Wastewater Treatment Plant (WWTP) continues to experience cost savings and improved efficiency because of the headworks project and improved processes that use less chemicals.
- > The WWTP replaced and enhanced sewer infrastructure in 2014 at a cost of \$2,600,000. Additional replacements and enhancements will continue in 2015 at an expected cost of \$1,500,000. Replacements and improvements were also made to the feed and sewage pumps, along with upgrades at the east administration building, for a combined cost of approximately \$150,000.

- Municipal Capital Projects:

- > Several reconstruction projects began in FY2013 at Windmill Island Gardens, including windmill repair, restoration to the Dutch organ and carousel, bridge upgrades, road paving and exterior repairs to the Post House. The windmill repair and bridge upgrades were completed in FY2014, but the remaining projects will conclude in FY2015. Plan design work for a non-motorized pathway connecting the Island to Holland Township began this fiscal year and is expected to be a multi-year project. The estimated total cost for all projects is \$2.1 million. The majority of the work will be funded by grants and donations but the municipal capital improvement fund will contribute approximately \$100,000.
- > Fencing, lighting and security cameras were installed at the Smallenburg Skate Park at a cost of \$57,260.
- > City Hall parking lot resurfacing was completed during the fiscal year, at a cost of \$58,084. The project consisted of milling and resurfacing the HMA pavement within the lot, reconstruction of two catch basin inlets and restoration around the inlets with pervious concrete.

## SIGNIFICANT INITIATIVES, EVENTS AND ACCOMPLISHMENTS

(Continued from Previous Page)

- Sustainability and Energy Conservation:

- > Implementation of the Community Energy Plan continued through the work of seven (7) City Council appointed task forces. The Home Energy Retrofit task force and Schneider Electric are in the implementation stage of a comprehensive Home Energy Retrofit Pilot Program whereby a total of 50 homes will be audited, analyzed and deeply retrofitted with energy efficiency measures. The Building Energy Performance Labeling task force has retained the Green Home Institute, which is currently implementing a pilot Energy Performance Labeling project where 50 residential homes will receive an energy audit and energy performance label. The Holland Board of Public Works is implementing their development of a new electric generating facility in the vicinity of Fairbanks Avenue and East 8<sup>th</sup> Street, which will have the capacity to vastly increase the availability of the snowmelt system in the Downtown area as well as providing thermal resources for a potential district energy system for the Downtown and Hope College areas. Other task forces that include the Industrial Park Full-Service Utility Bundle, Commercial and Institutional Energy Efficiency, and Community Education/Outreach all continue to make progress with the diligent work of many volunteers and City/HBPW staff.
- > The City, in partnership with the HBPW, continued its program to improve the energy efficiency of its various assets by completing a LED street lighting pilot project along 32<sup>nd</sup> Street that retrofitted all of the existing high pressure sodium street lights with highly efficient LED fixtures. This project reduced the electrical use of these street lights by 70%, reduced the actual cost rate for the lights by about 10%, and improved the quality of the street lighting by changing from the yellow/orange light of the high pressure sodium lighting to the white light of LED lighting. The City and HBPW anticipate moving aggressively to change the remaining City street light system to LEDs in the future.
- > The Holland/Hope College Sustainability Institute hired its first Director and looks forward to making great strides in elevating energy efficiency and sustainable business practices throughout the Holland community.
- > The City of Holland and Holland Board of Public Works made application to enter the Georgetown University Energy Prize and to use the competition as “a catalyst and a galvanizing force...inspiring us to work quickly to design and implement plans to reach our Community Energy Plan vision and goals”. Should the City win the \$5 million competition, the prize money will be used to create a Holland Energy Trust, “which will help us scale improvements throughout the entire community to achieve the long-range goals of our 2050 Community Energy Plan”.
- > The City endorsed the Outdoor Discovery Center Macatawa Greenway’s Project Clarity as one of the premier environmental restoration programs that will greatly enhance the surface water quality of our area’s streams and Lake Macatawa.
- > The City continues its development of an energy management system by contracting with Facility Dude to monitor and track utility use and costs for every electric, natural gas and water meter in City owned facilities. The City is finding that this system is very useful in discerning individual building performance trends, and is working to maximize the system’s ability to predict future utility use and costs, and help the City prioritize energy efficiency and building improvement projects.
- > The City continues to add improvements to its non-motorized path system that will provide greater convenience and a much higher safety level for pedestrians and bicyclers alike. To this end, 0.85 miles of non-motorized path was constructed from 40<sup>th</sup> Street south along Lincoln Avenue, and then east along 48<sup>th</sup> Street to Industrial Drive.

## SIGNIFICANT INITIATIVES, EVENTS AND ACCOMPLISHMENTS

(Continued from Previous Page)

- Budgetary Predictors:

- > The economy has improved significantly since the Great Recession which placed severe stress on the City's budget, primarily due to losses in Property Values and Property Tax revenues which represent approximately 50% of the General Fund budget. Numerous steps were taken to address these losses including staff layoffs, reductions due to attrition and reductions in benefits. Property values have slowly trended upward for the past year and appear to continue in that direction, even though taxable values are limited by Michigan law to the rate of inflation (excluding property sales).
- > The City's General Fund receives a transfer from the Electric Utility Fund consisting of 5.5% of sales. Electric sales continue to increase as a result of a strong manufacturing demand, resulting in increased payments to the General Fund.
- > Pension costs will continue to increase until 2017, but the shift to a defined contribution plan in 2003 should result in a downward trend after that date for non-union employees. Public Safety union employee groups continue to have a large accrued actuarial liability.
- > As revenues stabilize, the most critical issue to be faced will be addressing the capital investment in infrastructure. A Capital Reinvestment Task Force has been assembled to address that issue, and strategies will be reviewed as part of the FY2014-15 budget.
- > The City Manager and Council addressed a "List of 50" potential cost savings measures in the past couple years to trim a nearly \$2 million structural deficit. Much progress has been made as nearly every service delivered by the City of Holland is undergoing careful evaluation, as evidenced by increases in General Fund Balances the past couple years.
- > The Holland Board of Public Works Electric Utility will be constructing a new natural gas-fired electric generation plant in the next few years and has begun acquiring property for the facility. 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 for the project, estimated to cost \$250 million, will come from the sale of bonds, although there has been a buildup of cash reserves in anticipation for this long-awaited project.

## 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, 2013. 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 employee, *Michelle Price* for her 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



Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**City of Holland  
Michigan**

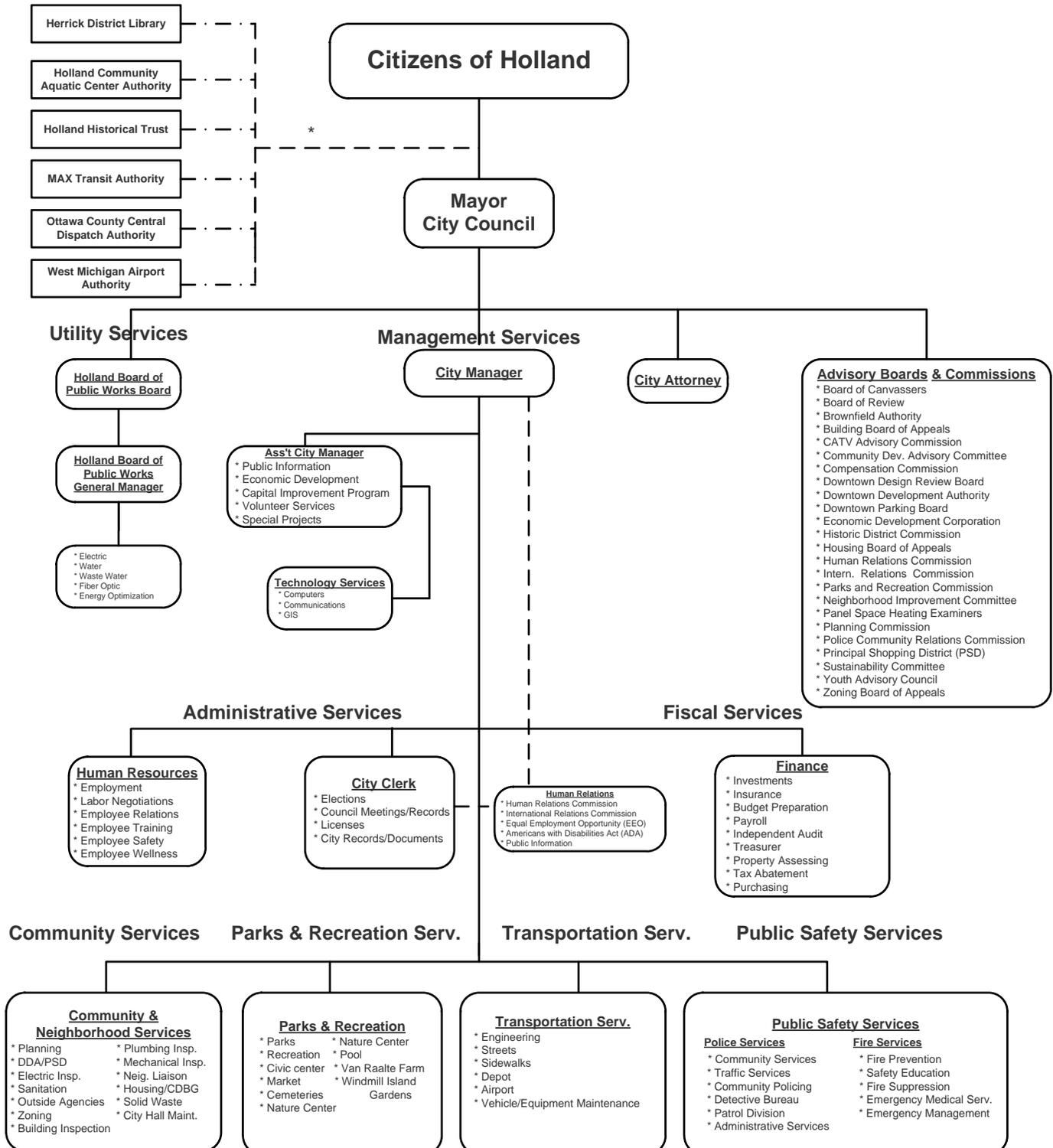
For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2013**

Executive Director/CEO

# City of Holland

## Organizational Chart



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

## FINANCIAL SECTION

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## INDEPENDENT AUDITORS' REPORT

December 15, 2014

Honorable Mayor  
and City Council  
City of Holland, Michigan

## Report on the Financial Statements

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, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

*Management's Responsibility for the Financial Statements*

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

*Independent Auditors' Responsibility*

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

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

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

### *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Holland, Michigan, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

### *Other Matters*

#### *Required Supplementary Information*

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

#### *Other Information*

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, and the introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. 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 have 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 the information.

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

In accordance with *Government Auditing Standards*, we have also issued, under separate cover, our report dated December 15, 2014, on our consideration of the City of Holland, Michigan's internal control over financial reporting and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

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

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## 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, 2014. 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:

- Work continued on a multi-year \$1.7 million Washington Avenue road reconstruction project. As of June 30, 2014 \$1.65 million has been spent; with current year expenditures totaling \$1.1 million.
- Work continued on a multi-year \$3.0 million road reconstruction and widening project on Lincoln Avenue, between 16th Street and 24th Street. As of June 30, 2014 \$2.9 million has been spent on this project.
- The City's utility funds expended a total of \$33.1 million in capital purchases and projects and have committed to spending \$50.6 million in fiscal year ending June 30, 2015. Additional commitments of \$160 million are expected for the multi-year natural gas power plant construction project.
- Initial work began on a multi-year \$1.5 million 16th Street, from Waverly to Quarterline, resurfacing project; that include water main replacement and ADA upgrades to non-motorized facilities.

The assets and deferred outflows of resources of the City exceeded its liabilities at the close of the most recent fiscal year by \$429,157,794 (net position). Of this amount, \$188,535,646 was unrestricted net position and may be used to meet the City's ongoing obligations to citizens and creditors.

The City's total net position increased by \$14,388,019.

As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$14,501,933, an increase of \$1,131,259 in comparison with the prior year.

At the end of the current fiscal year, unassigned fund balance for the general fund was \$4,672,551 or 22.4% 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 position presents information on all of the City's assets, deferred outflows of resources and liabilities, with the difference being reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

# CITY OF HOLLAND, MICHIGAN

## Management's Discussion and Analysis

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported 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).

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, welfare and social services, and cultural and recreation. The business-type activities of the City include electric, wastewater, water, refuse and recycling pickup, Windmill Island, and Airport facilities and management systems.

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-nine 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, which is considered to be a major fund. Data from the other twenty-eight 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.

# CITY OF HOLLAND, MICHIGAN

## Management's Discussion and Analysis

**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 utilities 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.

**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 position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities by \$429,157,794 at the close of the most recent fiscal year.

	Net Position					
	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$ 27,819,182	\$ 27,076,332	\$ 329,613,394	\$ 174,026,697	\$ 357,432,576	\$ 201,103,029
Capital assets, net	121,166,982	124,226,655	173,923,952	151,236,938	295,090,934	275,463,593
<b>Total assets</b>	<b>148,986,164</b>	<b>151,302,987</b>	<b>503,537,346</b>	<b>325,263,635</b>	<b>652,523,510</b>	<b>476,566,622</b>
Deferred outflows of resources	398,811	474,331	467,469	587,925	866,280	1,062,256
Long-term liabilities	23,290,326	27,029,500	186,452,581	21,906,594	209,742,907	48,936,094
Other liabilities	3,757,079	3,748,967	10,732,010	10,174,042	14,489,089	13,923,009
<b>Total liabilities</b>	<b>27,047,405</b>	<b>30,778,467</b>	<b>197,184,591</b>	<b>32,080,636</b>	<b>224,231,996</b>	<b>62,859,103</b>
Net position:						
Net investment in capital assets	101,283,878	100,986,324	109,000,184	130,923,312	210,284,062	231,909,636
Restricted	7,274,432	5,290,226	23,063,654	10,299,047	30,338,086	15,589,273
Unrestricted	13,779,260	14,722,301	174,756,386	152,548,565	188,535,646	167,270,866
<b>Total net position</b>	<b>\$ 122,337,570</b>	<b>\$ 120,998,851</b>	<b>\$ 306,820,224</b>	<b>\$ 293,770,924</b>	<b>\$ 429,157,794</b>	<b>\$ 414,769,775</b>

## CITY OF HOLLAND, MICHIGAN

### Management's Discussion and Analysis

A substantial portion of the City's net position, \$210,284,062 (49.0 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 position of \$30,338,086 (7.1 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 position of \$188,535,646 (43.9 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 position, 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

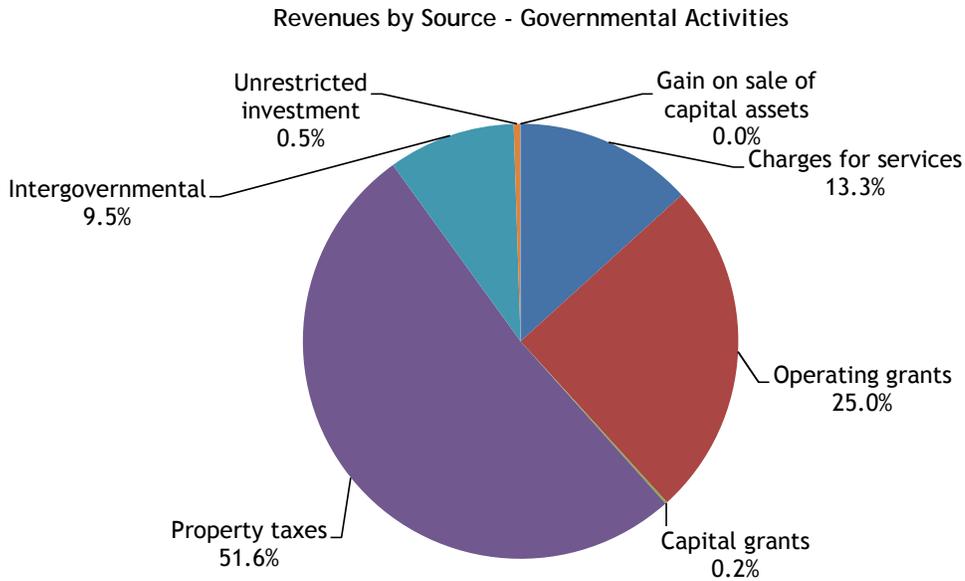
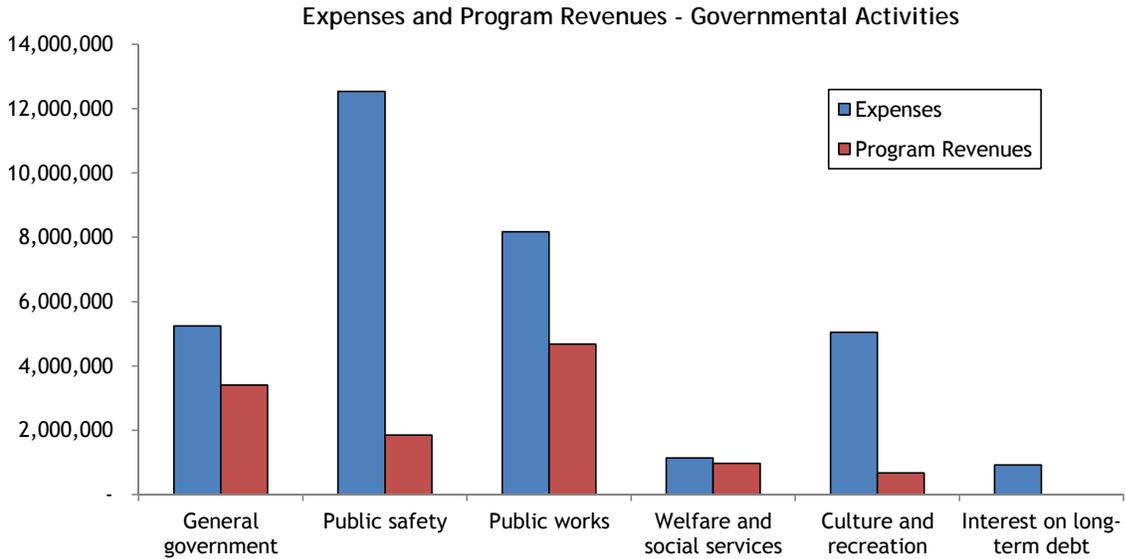
	Change in Net Position					
	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 3,988,518	\$ 3,915,125	\$ 118,623,964	\$ 113,632,311	\$ 122,612,482	\$ 117,547,436
Operating grants	7,521,923	7,590,327	779,632	1,534,672	8,301,555	9,124,999
Capital grants	49,739	2,427,984	272,815	617,604	322,554	3,045,588
General revenues:						
Property taxes	15,531,647	15,305,039	98,858	97,572	15,630,505	15,402,611
Intergovernmental	2,843,918	2,771,987	-	-	2,843,918	2,771,987
Unrestricted investment earnings	154,894	48,935	-	26,918	154,894	75,853
Gain on sale of capital assets	-	603,794	31,135	-	31,135	603,794
<b>Total revenues</b>	<b>30,090,639</b>	<b>32,663,191</b>	<b>119,806,404</b>	<b>115,909,077</b>	<b>149,897,043</b>	<b>148,572,268</b>
<b>Expenses</b>						
General government	5,242,181	4,820,804	-	-	5,242,181	4,820,804
Public safety	12,534,364	12,316,027	-	-	12,534,364	12,316,027
Public works	8,172,879	8,716,017	-	-	8,172,879	8,716,017
Welfare and social services	1,133,724	908,229	-	-	1,133,724	908,229
Culture and recreation	5,048,229	5,290,515	-	-	5,048,229	5,290,515
Interest on long-term debt	911,559	1,015,138	-	-	911,559	1,015,138
Electric utility	-	-	84,346,528	79,504,798	84,346,528	79,504,798
Wastewater utility	-	-	8,512,074	8,419,218	8,512,074	8,419,218
Water utility	-	-	6,282,005	6,215,516	6,282,005	6,215,516
Other enterprise activities	-	-	2,805,066	4,428,481	2,805,066	4,428,481
<b>Total expenses</b>	<b>33,042,936</b>	<b>33,066,730</b>	<b>101,945,673</b>	<b>98,568,013</b>	<b>134,988,609</b>	<b>131,634,743</b>
Change in net position, before transfers	(2,952,297)	(403,539)	17,860,731	17,341,064	14,908,434	16,937,525
Transfers	4,291,016	4,422,221	(4,291,016)	(4,422,221)	-	-
Change in net position, before extraordinary item	1,338,719	4,018,682	13,569,715	12,918,843	14,908,434	16,937,525
Extraordinary item	-	-	(520,415)	-	(520,415)	-
<b>Change in net position</b>	<b>1,338,719</b>	<b>4,018,682</b>	<b>13,049,300</b>	<b>12,918,843</b>	<b>14,388,019</b>	<b>16,937,525</b>
Net position, beginning of year	120,998,851	116,980,169	293,770,924	280,852,081	414,769,775	397,832,250
<b>Net position, end of year</b>	<b>\$ 122,337,570</b>	<b>\$ 120,998,851</b>	<b>\$ 306,820,224</b>	<b>\$ 293,770,924</b>	<b>\$ 429,157,794</b>	<b>\$ 414,769,775</b>

The City's net position increased by \$14,388,019 during the current fiscal year. The primary reasons for the increase are the charges for services provided by business-type activities and the investment earnings on the cash balance for these funds.

# CITY OF HOLLAND, MICHIGAN

## Management's Discussion and Analysis

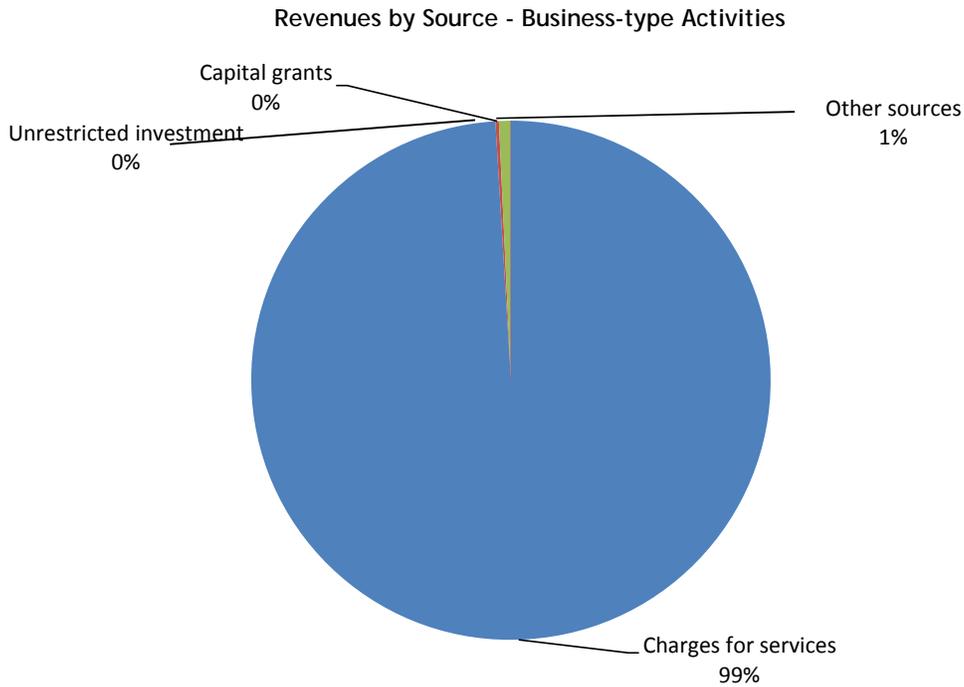
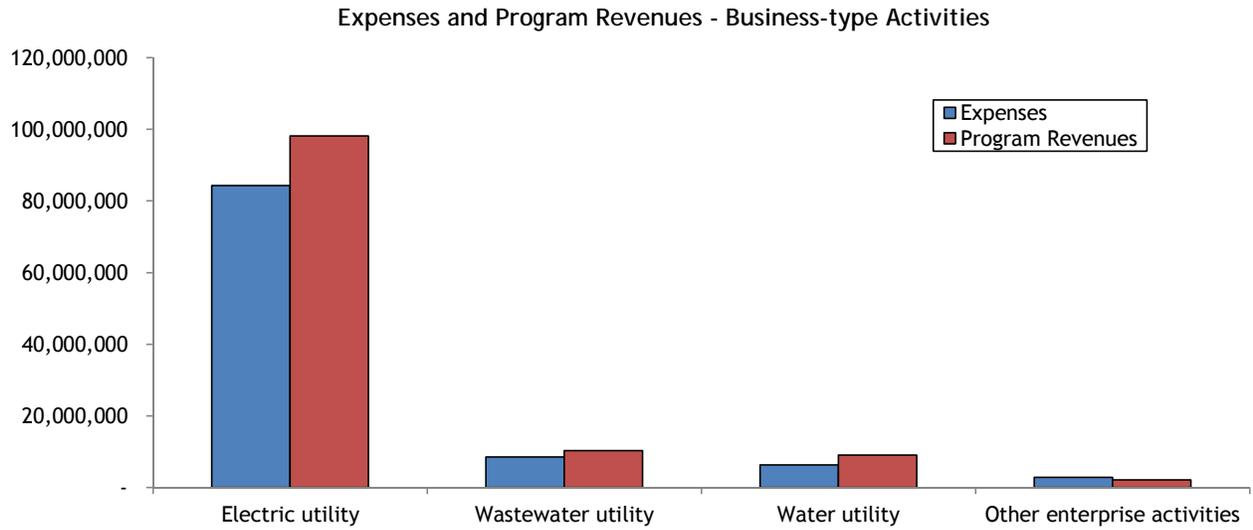
**Governmental Activities.** Governmental activities increased the City's net position by \$1,338,719 mainly due to fewer infrastructure projects and capital assets purchased and an increase in funds transferred in from proprietary funds. Additionally, there was also a decrease in operating grants awarded for various public safety special projects and capital grant funding received for infrastructure projects.



# CITY OF HOLLAND, MICHIGAN

## Management's Discussion and Analysis

**Business-type Activities.** Business-type activities increased the City of Holland's net position by \$13,049,300, mainly due to an increase, effective July 1, 2013, in electric, wastewater and water utility rates; ranging from 3.2% to 13.0%.



# 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 decreased by \$259,702 mainly because City Council approved pre-paying the remaining principal of the 2004 Building Authority Refunding City Hall Bond Issue.

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 \$800,672 and the actual decrease in fund balance was \$259,702. Significant changes in budgetary variances are as follows:

- Revenue for licenses & permits had a positive budgetary variance of \$53,816. The majority of this relates to an increase in electrical, mechanical and building permits issued.
- Revenue for charges for services had a positive budgetary variance of \$40,289, of which the majority relates to public safety billings.
- Interest and rents had a positive budgetary variance of \$46,72, due to an increase in interest income.
- Expenditures had an overall positive budgetary variance of \$181,682, of which the greatest portions related to general government, (\$27,215), public safety (\$39,014), public works (\$29,842) and culture & recreation (\$71,032). A major reason for the variance is the delay in filling staffing vacancies.
- Other financing uses had a positive budgetary variance of \$175,005 because actual transfers out to the Windmill Island Fund and Liability Insurance Fund, to subsidize operations, were less than anticipated.

**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 position during the year. The electric utility fund experienced an \$8,874,420 increase in net position; \$10.86 million was budgeted and planned. Increased operating costs caused the actual expenses to be higher than budgeted. The nonmajor enterprise funds reported an increase of \$150,721 in net position.

### General Fund Budgetary Highlights

The original revenue budget was \$15,603,572 and as amended was \$15,692,172 which represents an increase of \$88,600. The original expenditure budget was \$19,589,351 and as amended was \$19,216,866 which represents a decrease of \$372,485.

Several increases in revenue classifications indicate the economy is improving. For the first time in several years, investment income increased from the previous year; licenses and permits sold to contractors increased, and public safety charges for services increased.

# CITY OF HOLLAND, MICHIGAN

## Management's Discussion and Analysis

Actual expenditures came in \$181,682 less than the amended budget. The positive variance increases to \$356,687 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 when possible.

### Capital Asset and Debt Administration

**Capital Assets.** The City's capital assets for its governmental and business-type activities as of June 30, 2014 amounted to \$295,090,934 (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 a 2.5 percent decrease for governmental activities and a 15.0 percent increase for business-type activities.

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

- Land at a cost of \$7,400,000 was purchased for the new Energy Park, to be constructed by the Board of Public Works.
- General government infrastructure improvements totaling \$580,055.
- Replacement vehicles, police weapons, equipment and office furniture.

	Capital Assets (Net of Depreciation)					
	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Land	\$ 16,339,146	\$ 16,339,146	\$ 13,382,213	\$ 13,344,916	\$ 29,721,359	\$ 29,684,062
Construction in progress	5,370,677	3,297,990	25,941,371	3,556,883	31,312,048	6,854,873
Buildings, equipment and infrastructure, net	99,457,159	104,589,519	134,600,368	134,335,139	234,057,527	238,924,658
<b>Total capital assets, net</b>	<b>\$ 121,166,982</b>	<b>\$ 124,226,655</b>	<b>\$ 173,923,952</b>	<b>\$ 151,236,938</b>	<b>\$ 295,090,934</b>	<b>\$ 275,463,593</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	
	2014	2013	2014	2013	2014	2013
Bonds	\$ 21,245,000	\$ 24,815,000	\$ 177,055,301	\$ 20,199,064	\$ 198,300,301	\$ 45,014,064
Unamortized premium/discount on bonds payable	227,915	276,662	8,333,456	702,487	8,561,371	979,149
Other debt	134,000	403,000	-	-	134,000	403,000
Compensated absences	1,683,411	1,534,838	1,063,824	1,005,043	2,747,235	2,539,881
<b>Total long-term debt</b>	<b>\$ 23,290,326</b>	<b>\$ 27,029,500</b>	<b>\$ 186,452,581</b>	<b>\$ 21,906,594</b>	<b>\$ 209,742,907</b>	<b>\$ 48,936,094</b>

The City'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 is \$111,048,237.

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 City's future includes a new Energy Park that will provide a connection to the community and serve as a gateway to the City. The Electric Utility is planning to construct a gas fired power plant and associated facilities. Property for the plant was acquired this fiscal year and bonds were sold in the amount of \$158.8 million to help finance the project. Several street capital projects, an upgrade to the West Michigan Regional Airport and improvements to various City facilities are also planned. A vibrant downtown area and an increasing popular mass transit system add to the area's appeal to residents and businesses. The resurgence of the automotive industry, the rebounding furniture industry, a major hospital, and numerous vibrant Brownfield Redevelopment and Renaissance Zone projects provide a positive economic outlook for the City. As of September 30, 2014, the unemployment rate within the City has dropped to 6.0%, from the 2009 high of 15.4%. The total labor force continues to experience modest growth.

Fiscal year 2014 experienced a 3.6% increase in taxable valuation base, although actual property tax revenue is projected to increase only 1.4%; as a result of economic development incentives. The City's five year budget projection includes a 2.5% increase on property values for the upcoming fiscal year 2015; however, a State of Michigan publication projects a 1.6% inflation rate.

The overall tax rate for the City increased from 14.25 to 15.1085 mills for fiscal year 2013 but remained the same for 2014 and 2015. The general fund budget, excluding budget stabilization, for fiscal year 2015 projects a \$598 increase in fund balance to \$3,717,586 on June 30, 2015 or 17.8% of budgeted expenditures. Fiscal year 2015 current estimates indicate that negative factors such as increasing health insurance costs and unfunded pension liability will present future budgeting challenges.

### Requests for Information

This financial report is designed to provide a general overview of the City 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.



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## BASIC FINANCIAL STATEMENTS

CITY OF HOLLAND, MICHIGAN

**Statement of Net Position**  
June 30, 2014

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>Assets</b>				
Cash and pooled investments	\$ 21,819,625	\$ 72,607,465	\$ 94,427,090	\$ 509,290
Investments	-	79,328,224	79,328,224	640,219
Receivables, net	4,793,627	17,776,002	22,569,629	30,020
Internal balances	(166,019)	166,019	-	-
Inventory	84,193	15,417,704	15,501,897	8,982
Prepaid items	40,526	1,256,806	1,297,332	20,200
Restricted assets:				
Cash and pooled investments	-	137,621,236	137,621,236	-
Investments	-	5,439,938	5,439,938	-
Net pension asset	1,247,230	-	1,247,230	-
Capital assets:				
Land	16,339,146	13,382,213	29,721,359	40,000
Construction in progress	5,370,677	25,941,371	31,312,048	-
Being depreciated, net of depreciation	99,457,159	134,600,368	234,057,527	1,810,877
<b>Total assets</b>	<b>148,986,164</b>	<b>503,537,346</b>	<b>652,523,510</b>	<b>3,059,588</b>
<b>Deferred outflows of resources</b>				
Loss on advance bond refundings, net	398,811	467,469	866,280	-
<b>Liabilities</b>				
Payables	2,301,118	7,607,734	9,908,852	71,409
Unearned revenue	255,435	186,589	442,024	64,430
Deposits	23,907	447,539	471,446	3,305
Accrued interest payable from restricted assets	-	1,498,308	1,498,308	-
Landfill closure and postclosure cost	-	327,450	327,450	-
Long-term debt:				
Due within one year from restricted assets	-	1,664,367	1,664,367	-
Due within one year	3,637,747	1,063,824	4,701,571	-
Due in more than one year	19,652,579	183,724,390	203,376,969	-
Net other postemployment benefit obligation	1,176,619	664,390	1,841,009	-
<b>Total liabilities</b>	<b>27,047,405</b>	<b>197,184,591</b>	<b>224,231,996</b>	<b>139,144</b>
<b>Net position</b>				
Net investment in capital assets	101,283,878	109,000,184	210,284,062	1,850,877
Restricted:				
Nonexpendable:				
Cemetery endowment corpus	1,530,437	-	1,530,437	-
Expendable for:				
Cemetery maintenance	64,893	-	64,893	-
Street construction and maintenance	4,776,746	-	4,776,746	-
Grant programs	8,548	-	8,548	-
Library	68	-	68	-
Capital projects and by agreement	893,740	23,063,654	23,957,394	402,372
Unrestricted	13,779,260	174,756,386	188,535,646	667,195
<b>Total net position</b>	<b>\$ 122,337,570</b>	<b>\$ 306,820,224</b>	<b>\$ 429,157,794</b>	<b>\$ 2,920,444</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, 2014

Functions / Programs	Expenses	Program Revenues			Net (Expenses) Revenues
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Primary government</b>					
Governmental activities:					
General government	\$ 5,242,181	\$ 1,293,631	\$ 2,064,895	\$ 39,612	\$ (1,844,043)
Public safety	12,534,364	1,331,259	504,162	10,127	(10,688,816)
Public works	8,172,879	550,420	4,131,566	-	(3,490,893)
Welfare and social services	1,133,724	202,062	760,473	-	(171,189)
Culture and recreation	5,048,229	611,146	60,827	-	(4,376,256)
Interest on long-term debt	911,559	-	-	-	(911,559)
<b>Total governmental activities</b>	<b>33,042,936</b>	<b>3,988,518</b>	<b>7,521,923</b>	<b>49,739</b>	<b>(21,482,756)</b>
Business-type activities:					
Electric utility	84,346,528	97,539,619	646,468	-	13,839,559
Wastewater utility	8,512,074	10,107,589	64,406	143,151	1,803,072
Water utility	6,282,005	8,835,889	52,480	129,664	2,736,028
Refuse and recycling pickup	1,435,446	1,568,719	2,238	-	135,511
Windmill Island	763,749	563,639	11,555	-	(188,555)
Airport facilities and management system	560,008	-	-	-	(560,008)
Other enterprise activities	45,863	8,509	2,485	-	(34,869)
<b>Total business-type activities</b>	<b>101,945,673</b>	<b>118,623,964</b>	<b>779,632</b>	<b>272,815</b>	<b>17,730,738</b>
<b>Total primary government</b>	<b>\$ 134,988,609</b>	<b>\$ 122,612,482</b>	<b>\$ 8,301,555</b>	<b>\$ 322,554</b>	<b>\$ (3,752,018)</b>
<b>Component units</b>					
Downtown Development Authority	\$ 165,798	\$ 3,685	\$ 1,831	\$ -	\$ (160,282)
Holland Historical Trust	952,548	159,078	464,651	-	(328,819)
Brownfield Redevelopment Authority	805,783	-	68,895	-	(736,888)
<b>Total component units</b>	<b>\$ 1,924,129</b>	<b>\$ 162,763</b>	<b>\$ 535,377</b>	<b>\$ -</b>	<b>\$ (1,225,989)</b>

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CITY OF HOLLAND, MICHIGAN

**Statement of Activities**

For the Year Ended June 30, 2014

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Change in net position				
Net revenues (expenses)	\$ (21,482,756)	\$ 17,730,738	\$ (3,752,018)	\$ (1,225,989)
General revenues:				
Property taxes	15,531,647	98,858	15,630,505	965,840
State shared revenues	2,843,918	-	2,843,918	-
Unrestricted investment earnings	154,894	-	154,894	-
Gain on sale of capital assets	-	31,135	31,135	-
Transfers	4,291,016	(4,291,016)	-	-
Total general revenues and transfers	22,821,475	(4,161,023)	18,660,452	965,840
Change in net position before extraordinary item	1,338,719	13,569,715	14,908,434	(260,149)
Extraordinary item	-	(520,415)	(520,415)	-
Change in net position	1,338,719	13,049,300	14,388,019	(260,149)
Net position, beginning of year	120,998,851	293,770,924	414,769,775	3,180,593
Net position, end of year	\$122,337,570	\$306,820,224	\$429,157,794	\$ 2,920,444

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

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# CITY OF HOLLAND, MICHIGAN

## Balance Sheet

Governmental Funds

June 30, 2014

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>			
Cash and pooled investments	\$ 5,170,967	\$ 9,011,654	\$ 14,182,621
Receivables:			
Accounts	237,515	127,978	365,493
Taxes and special assessments	2,837	864,632	867,469
Interest	20,061	-	20,061
Leases	-	1,334,188	1,334,188
Due from other governmental units	482,016	585,975	1,067,991
Due from other funds	11,107	1,270,653	1,281,760
Prepaid items	14,808	300	15,108
<b>Total assets</b>	<b>\$ 5,939,311</b>	<b>\$ 13,195,380</b>	<b>\$ 19,134,691</b>
<b>Liabilities</b>			
Accounts payable	\$ 361,191	\$ 546,152	\$ 907,343
Accrued payroll and benefits	473,644	65,686	539,330
Due to other governmental units	168,494	-	168,494
Due to other funds	85,710	454,482	540,192
Deposits	23,907	-	23,907
Unearned revenue	126,091	129,344	255,435
<b>Total liabilities</b>	<b>1,239,037</b>	<b>1,195,664</b>	<b>2,434,701</b>
<b>Deferred inflows of resources</b>			
Unavailable revenue - special assessment receivable	-	863,869	863,869
Unavailable revenue - lease receivable	-	1,334,188	1,334,188
<b>Total deferred inflows of resources</b>	<b>-</b>	<b>2,198,057</b>	<b>2,198,057</b>
<b>Fund balances</b>			
Nonspendable	14,808	1,530,737	1,545,545
Restricted	-	5,743,695	5,743,695
Committed	12,915	2,678,973	2,691,888
Unassigned (deficit)	4,672,551	(151,746)	4,520,805
<b>Total fund balances</b>	<b>4,700,274</b>	<b>9,801,659</b>	<b>14,501,933</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 5,939,311</b>	<b>\$ 13,195,380</b>	<b>\$ 19,134,691</b>

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

# CITY OF HOLLAND, MICHIGAN

## Reconciliation

Fund Balances for Governmental Funds  
to Net Position of Governmental Activities  
June 30, 2014

Fund balances - total governmental funds \$ 14,501,933

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

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

Land	16,339,146
Construction in progress	5,370,677
Capital assets being depreciated, net	99,457,159
Less capital assets accounted for in the internal service funds	(4,485,756)

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 position.

Net position of governmental activities accounted for in the internal service funds	10,293,459
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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	1,247,230
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The focus of governmental funds is on short-term financing. Accordingly, some assets will not be available to pay for current-period expenditures. Those assets (such as certain receivables) are offset by deferred inflows of resources in the governmental funds, and thus are not included in fund balance.

Deferred inflows from special assessment receivables	863,869
Deferred inflows for Library lease receivable	1,334,188

Certain liabilities and deferred outflows or resources, such as bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

Loss on advance bond refundings, net	398,811
Bonds and loans payable	(21,379,000)
Unamortized premium on bonds payable	(227,915)
Accrued interest on bonds payable	(199,612)
Net other postemployment benefit obligation	<u>(1,176,619)</u>

Net position of governmental activities	<u>\$ 122,337,570</u>
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The accompanying notes are an integral part of these financial statements.

# CITY OF HOLLAND, MICHIGAN

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

Governmental Funds

For the Year Ended June 30, 2014

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues</b>			
Property taxes	\$ 10,179,160	\$ 5,352,487	\$ 15,531,647
Special assessments	-	773,740	773,740
Licenses and permits	627,716	-	627,716
Intergovernmental	2,926,397	5,163,860	8,090,257
Charges for services	1,554,820	210,906	1,765,726
Fines and fees	192,433	437,206	629,639
Contributions from private sector	-	852,417	852,417
Interest and rents	354,830	650,556	1,005,386
Miscellaneous	33,513	254,316	287,829
<b>Total revenues</b>	<b>15,868,869</b>	<b>13,695,488</b>	<b>29,564,357</b>
<b>Expenditures</b>			
Current:			
General government	3,298,689	238,361	3,537,050
Public safety	11,031,015	345,327	11,376,342
Public works	1,215,559	3,412,282	4,627,841
Welfare and social services	490,258	652,049	1,142,307
Culture and recreation	2,922,082	1,588,408	4,510,490
Other	77,581	-	77,581
Debt service:			
Principal retirement	-	3,839,000	3,839,000
Interest and fiscal charges	-	912,384	912,384
Capital outlay	-	2,336,346	2,336,346
<b>Total expenditures</b>	<b>19,035,184</b>	<b>13,324,157</b>	<b>32,359,341</b>
<b>Revenues over (under) expenditures</b>	<b>(3,166,315)</b>	<b>371,331</b>	<b>(2,794,984)</b>
<b>Other financing sources (uses)</b>			
Transfers in	4,712,021	6,761,829	11,473,850
Transfers out	(1,805,408)	(5,742,199)	(7,547,607)
<b>Total other financing sources (uses)</b>	<b>2,906,613</b>	<b>1,019,630</b>	<b>3,926,243</b>
<b>Net changes in fund balances</b>	<b>(259,702)</b>	<b>1,390,961</b>	<b>1,131,259</b>
Fund balances, beginning of year	4,959,976	8,410,698	13,370,674
<b>Fund balances, end of year</b>	<b>\$ 4,700,274</b>	<b>\$ 9,801,659</b>	<b>\$ 14,501,933</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 Position of Governmental Activities  
For the Year Ended June 30, 2014

Net changes in fund balances - total governmental funds	\$ 1,131,259
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	2,318,433
Depreciation expense	(4,819,174)
Loss on sale of capital assets	(921,331)
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 position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	
Principal payments on long-term liabilities	3,839,000
Internal service funds are used by management to charge the costs of certain equipment usage to individual governmental funds. The net revenues (expenses) attributable to those funds is reported with governmental activities.	
Gain from governmental activities in internal service funds	760,371
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds, but rather are deferred to the following fiscal year.	
Net change in special assessments receivable	(275,521)
Net change in Library lease receivable	(458,233)
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.	
Amortization of deferred loss on refunding costs	(75,520)
Amortization of premium on long-term debt	48,747
Change in net pension asset	(14,444)
Change in accrued interest on bonds payable	27,598
Change in net other postemployment benefit obligation	(222,466)
Change in net position of governmental activities	<u>\$ 1,338,719</u>

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

# CITY OF HOLLAND, MICHIGAN

## Statement of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - General Fund

For the Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
<b>Revenues</b>				
Property taxes	\$ 10,182,630	\$ 10,161,980	\$ 10,179,160	\$ 17,180
Licenses and permits	527,800	573,900	627,716	53,816
Intergovernmental	2,925,310	2,922,200	2,926,397	4,197
Charges for services	1,436,745	1,514,531	1,554,820	40,289
Fines and fees	181,500	181,850	192,433	10,583
Interest and rents	307,501	308,101	354,830	46,729
Miscellaneous	42,086	29,610	33,513	3,903
<b>Total revenues</b>	<b>15,603,572</b>	<b>15,692,172</b>	<b>15,868,869</b>	<b>176,697</b>
<b>Expenditures</b>				
Current:				
General government	3,410,097	3,325,904	3,298,689	(27,215)
Public safety	11,095,409	11,070,029	11,031,015	(39,014)
Public works	1,281,363	1,245,401	1,215,559	(29,842)
Welfare and social services	526,641	504,837	490,258	(14,579)
Culture and recreation	2,923,841	2,993,114	2,922,082	(71,032)
Other	352,000	77,581	77,581	-
<b>Total expenditures</b>	<b>19,589,351</b>	<b>19,216,866</b>	<b>19,035,184</b>	<b>(181,682)</b>
<b>Revenues over (under) expenditures</b>	<b>(3,985,779)</b>	<b>(3,524,694)</b>	<b>(3,166,315)</b>	<b>358,379</b>
<b>Other financing sources (uses)</b>				
Transfers in	4,718,500	4,704,435	4,712,021	7,586
Transfers out	(729,511)	(1,980,413)	(1,805,408)	175,005
<b>Total other financing sources (uses)</b>	<b>3,988,989</b>	<b>2,724,022</b>	<b>2,906,613</b>	<b>182,591</b>
<b>Net changes in fund balance</b>	<b>3,210</b>	<b>(800,672)</b>	<b>(259,702)</b>	<b>540,970</b>
Fund balance, beginning of year	4,959,976	4,959,976	4,959,976	-
<b>Fund balance, end of year</b>	<b>\$ 4,963,186</b>	<b>\$ 4,159,304</b>	<b>\$ 4,700,274</b>	<b>\$ 540,970</b>

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

CITY OF HOLLAND, MICHIGAN

**Statement of Net Position**  
 Proprietary Funds  
 June 30, 2014

	Business-type Activities - Enterprise Funds				Governmental	
	Electric Utility	Wastewater Utility	Water Utility	Nonmajor Enterprise Funds	Total	Internal Service Funds
<b>Assets</b>						
Current assets:						
Cash and pooled investments	\$ 57,674,950	\$ 9,415,536	\$ 4,946,791	\$ 570,188	\$ 72,607,465	\$ 7,637,004
Investments	74,427,456	3,203,997	1,696,771	-	79,328,224	-
Receivables:						
Accounts	11,756,656	1,256,581	1,317,005	291,167	14,621,409	1,138,425
Taxes and special assessments	-	80,361	131,388	26	211,775	-
Interest	73,040	1,519	1,189	-	75,748	-
Due from other funds	189,156	1,728	28,724	-	219,608	23,158
Inventories	15,156,713	54,750	206,241	-	15,417,704	84,193
Prepaid items	1,204,416	29,899	22,491	-	1,256,806	25,418
Total current assets	<u>160,482,387</u>	<u>14,044,371</u>	<u>8,350,600</u>	<u>861,381</u>	<u>183,738,739</u>	<u>8,908,198</u>
Noncurrent assets:						
Restricted assets:						
Cash and pooled investments	131,225,270	3,197,605	3,198,361	-	137,621,236	-
Investments	5,439,938	-	-	-	5,439,938	-
Capital assets:						
Land	4,829,437	260,673	1,939,744	6,352,359	13,382,213	-
Construction in progress	24,517,939	1,297,791	112,394	13,247	25,941,371	300,331
Machinery and equipment	236,437,443	79,870,961	61,508,568	19,778,346	397,595,318	11,659,243
Accumulated depreciation	(182,308,029)	(43,907,984)	(24,417,904)	(12,361,033)	(262,994,950)	(7,473,818)
Due from City of Wyoming	-	-	2,867,070	-	2,867,070	-
Total noncurrent assets	<u>220,141,998</u>	<u>40,719,046</u>	<u>45,208,233</u>	<u>13,782,919</u>	<u>319,852,196</u>	<u>4,485,756</u>
Total assets	<u>380,624,385</u>	<u>54,763,417</u>	<u>53,558,833</u>	<u>14,644,300</u>	<u>503,590,935</u>	<u>13,393,954</u>
Deferred outflows of resources						
Loss on advance bond refundings, net	-	-	467,469	-	467,469	-
<b>Liabilities</b>						
Current liabilities:						
Accounts payable	5,514,267	1,213,775	249,705	39,464	7,017,211	407,384
Claims payable	-	-	-	-	-	44,267
Accrued payroll and benefits	354,195	107,136	99,388	29,804	590,523	34,688
Accrued interest payable from restricted assets	1,269,103	-	229,205	-	1,498,308	-
Due to other funds	23,056	8,612	20,020	1,901	53,589	930,745
Deposits	413,539	-	-	34,000	447,539	-
Unearned revenue	-	-	-	186,589	186,589	-
Accrued compensated absences - current	468,053	317,550	263,778	14,443	1,063,824	1,200,000
Bonds payable from restricted assets - current	306,797	-	1,357,570	-	1,664,367	-
Total current liabilities	<u>8,349,010</u>	<u>1,647,073</u>	<u>2,219,666</u>	<u>306,201</u>	<u>12,521,950</u>	<u>2,617,084</u>
Noncurrent liabilities:						
Landfill closure and postclosure cost	327,450	-	-	-	327,450	-
Accrued compensated absences	-	-	-	-	-	483,411
Bonds payable	166,151,423	-	17,572,967	-	183,724,390	-
Net other postemployment benefit obligation	400,308	146,830	117,252	-	664,390	-
Total noncurrent liabilities	<u>166,879,181</u>	<u>146,830</u>	<u>17,690,219</u>	<u>-</u>	<u>184,716,230</u>	<u>483,411</u>
Total liabilities	<u>175,228,191</u>	<u>1,793,903</u>	<u>19,909,885</u>	<u>306,201</u>	<u>197,238,180</u>	<u>3,100,495</u>
<b>Net position</b>						
Net investment in capital assets	37,016,090	37,521,441	20,679,734	13,782,919	109,000,184	4,485,756
Restricted for capital projects and by agreement	16,667,688	3,197,605	3,198,361	-	23,063,654	-
Unrestricted	151,712,416	12,250,468	10,238,322	555,180	174,756,386	5,807,703
Total net position	<u>\$205,396,194</u>	<u>\$ 52,969,514</u>	<u>\$ 34,116,417</u>	<u>\$ 14,338,099</u>	<u>\$306,820,224</u>	<u>\$ 10,293,459</u>

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

CITY OF HOLLAND, MICHIGAN

Statement of Revenues, Expenses and Changes in Fund Net Position  
 Proprietary Funds  
 For the Year Ended June 30, 2014

	Business-type Activities - Enterprise Funds					Governmental Activities
	Electric Utility	Wastewater Utility	Water Utility	Nonmajor Enterprise Funds	Total	Internal Service Funds
<b>Operating revenues</b>						
Usage fees and charges for services	\$ 97,539,619	\$ 10,107,589	\$ 8,835,889	\$ 1,621,378	\$ 118,104,475	\$ 3,144,803
Premiums	-	-	-	-	-	5,720,435
Admissions and fares	-	-	-	439,113	439,113	-
Rentals	-	-	-	80,176	80,176	2,061,456
Miscellaneous	-	-	-	200	200	56,295
<b>Total operating revenues</b>	<b>97,539,619</b>	<b>10,107,589</b>	<b>8,835,889</b>	<b>2,140,867</b>	<b>118,623,964</b>	<b>10,982,989</b>
<b>Operating expenses</b>						
Personal services	6,324,842	2,037,170	1,559,729	525,068	10,446,809	2,063,085
Other current expenses	70,113,275	4,606,613	2,726,008	1,672,919	79,118,815	9,174,598
Depreciation	6,480,527	1,815,330	1,493,711	607,079	10,396,647	656,811
<b>Total operating expenses</b>	<b>82,918,644</b>	<b>8,459,113</b>	<b>5,779,448</b>	<b>2,805,066</b>	<b>99,962,271</b>	<b>11,894,494</b>
<b>Operating income (loss)</b>	<b>14,620,975</b>	<b>1,648,476</b>	<b>3,056,441</b>	<b>(664,199)</b>	<b>18,661,693</b>	<b>(911,505)</b>
<b>Nonoperating revenues (expenses)</b>						
Property taxes	-	-	-	98,858	98,858	-
Other private donations	-	-	-	13,770	13,770	-
Investment earnings	646,468	46,432	52,480	2,508	747,888	45,152
Interest expense	(1,427,884)	(52,961)	(502,557)	-	(1,983,402)	-
Insurance recovery	-	17,974	-	-	17,974	1,213,725
Gain (loss) on disposal of capital assets	25,661	(1,577)	7,051	-	31,135	47,067
<b>Total nonoperating revenues (expenses)</b>	<b>(755,755)</b>	<b>9,868</b>	<b>(443,026)</b>	<b>115,136</b>	<b>(1,073,777)</b>	<b>1,305,944</b>
<b>Income (loss) before contributions and transfers</b>	<b>13,865,220</b>	<b>1,658,344</b>	<b>2,613,415</b>	<b>(549,063)</b>	<b>17,587,916</b>	<b>394,439</b>
<b>Contributions and transfers</b>						
Capital contributions	-	143,151	129,664	-	272,815	1,159
Transfers in	-	-	-	708,459	708,459	431,178
Transfers out	(4,990,800)	-	-	(8,675)	(4,999,475)	(66,405)
<b>Net transfers and contributions</b>	<b>(4,990,800)</b>	<b>143,151</b>	<b>129,664</b>	<b>699,784</b>	<b>(4,018,201)</b>	<b>365,932</b>
<b>Change in net position before extraordinary item</b>	<b>8,874,420</b>	<b>1,801,495</b>	<b>2,743,079</b>	<b>150,721</b>	<b>13,569,715</b>	<b>760,371</b>
<b>Extraordinary item</b>	<b>-</b>	<b>-</b>	<b>(520,415)</b>	<b>-</b>	<b>(520,415)</b>	<b>-</b>
<b>Changes in net position</b>	<b>8,874,420</b>	<b>1,801,495</b>	<b>2,222,664</b>	<b>150,721</b>	<b>13,049,300</b>	<b>760,371</b>
<b>Net position, beginning of year</b>	<b>196,521,774</b>	<b>51,168,019</b>	<b>31,893,753</b>	<b>14,187,378</b>	<b>293,770,924</b>	<b>9,533,088</b>
<b>Net position, end of year</b>	<b>\$205,396,194</b>	<b>\$ 52,969,514</b>	<b>\$ 34,116,417</b>	<b>\$ 14,338,099</b>	<b>\$306,820,224</b>	<b>\$ 10,293,459</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, 2014

	Business-type Activities - Enterprise Funds					Governmental Activities
	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	\$ 97,170,198	\$ 10,024,219	\$ 8,586,956	\$ 2,051,895	\$ 117,833,268	\$ -
Receipts from interfund services provided	-	-	-	-	-	11,978,621
Payments to suppliers	(73,953,070)	(4,167,858)	(3,002,764)	(1,763,523)	(82,887,215)	(9,100,071)
Payments to employees	(6,620,208)	(1,822,458)	(1,393,148)	(520,305)	(10,356,119)	(1,912,952)
<b>Net cash provided by (used in) operating activities</b>	<b>16,596,920</b>	<b>4,033,903</b>	<b>4,191,044</b>	<b>(231,933)</b>	<b>24,589,934</b>	<b>965,598</b>
<b>Cash flows from noncapital financing activities</b>						
Property taxes	-	-	-	98,870	98,870	-
Private donations	-	-	-	13,770	13,770	-
Insurance refunds	-	17,974	-	-	17,974	266,467
Intragovernmental receipts	-	-	-	-	-	640,077
Intragovernmental payments	(4,990,800)	-	-	-	(4,990,800)	(66,405)
Capital grant - State Drinking Water Revolving Fund - Wyoming portion	-	-	945	-	945	-
Purchase/construction of property, plant and equipment owned by the City of Wyoming	-	-	(33,506)	-	(33,506)	-
<b>Net cash provided by (used in) noncapital financing activities</b>	<b>(4,990,800)</b>	<b>17,974</b>	<b>(32,561)</b>	<b>112,640</b>	<b>(4,892,747)</b>	<b>840,139</b>
<b>Cash flows from capital and related financing activities</b>						
Principal paid on long-term debt	-	(682,500)	(1,175,000)	-	(1,857,500)	-
Interest paid on long-term debt	(158,781)	(13,650)	(641,712)	-	(814,143)	-
Proceeds received on refunded bonds	-	-	3,260,000	-	3,260,000	-
Proceeds from State Drinking Water Revolving Fund	-	-	38,737	-	38,737	-
Proceeds on issuance of long-term debt	158,840,000	-	-	-	158,840,000	-
Capital grant - State Drinking Water Revolving grant	-	-	3,593	-	3,593	-
Premium on issuance of refunded bonds	-	-	151,423	-	151,423	-
Premium on issuance of bonds	7,618,220	-	-	-	7,618,220	-
Cash transferred to escrow for defeased bonds	-	-	(3,441,256)	-	(3,441,256)	-
Capital contributions	-	101,551	50,891	-	152,442	1,159
Proceeds from sales of capital assets	97,022	32,535	66,853	-	196,410	58,763
Intragovernmental receipts	-	-	-	700,033	700,033	-
Purchase of capital assets	(26,737,357)	(4,323,828)	(1,970,390)	(620,996)	(33,652,571)	(1,030,906)
<b>Net cash provided by (used in) capital and related financing activities</b>	<b>139,659,104</b>	<b>(4,885,892)</b>	<b>(3,656,861)</b>	<b>79,037</b>	<b>131,195,388</b>	<b>(970,984)</b>
<b>Cash flows from investing activities</b>						
Proceeds from sales of investments	66,655,563	4,996,698	990,900	-	72,643,161	-
Purchase of investments	(79,740,899)	(3,194,848)	(1,662,890)	-	(84,598,637)	-
Investment earnings	519,318	42,889	17,410	2,508	582,125	45,152
<b>Net cash provided by (used in) investing activities</b>	<b>(12,566,018)</b>	<b>1,844,739</b>	<b>(654,580)</b>	<b>2,508</b>	<b>(11,373,351)</b>	<b>45,152</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>138,699,206</b>	<b>1,010,724</b>	<b>(152,958)</b>	<b>(37,748)</b>	<b>139,519,224</b>	<b>879,905</b>
Cash and cash equivalents, beginning of year	50,201,014	11,602,417	8,298,110	607,936	70,709,477	6,757,099
<b>Cash and cash equivalents, end of year</b>	<b>\$ 188,900,220</b>	<b>\$ 12,613,141</b>	<b>\$ 8,145,152</b>	<b>\$ 570,188</b>	<b>\$ 210,228,701</b>	<b>\$ 7,637,004</b>
<b>Classified on the statement of net position as</b>						
Current assets	\$ 57,674,950	\$ 9,415,536	\$ 4,946,791	\$ 570,188	\$ 72,607,465	\$ 7,637,004
Restricted assets	131,225,270	3,197,605	3,198,361	-	137,621,236	-
	<b>\$ 188,900,220</b>	<b>\$ 12,613,141</b>	<b>\$ 8,145,152</b>	<b>\$ 570,188</b>	<b>\$ 210,228,701</b>	<b>\$ 7,637,004</b>

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CITY OF HOLLAND, MICHIGAN

Statement of Cash Flows  
 Proprietary Funds  
 For the Year Ended June 30, 2014

	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)	\$ 14,620,975	\$ 1,648,476	\$ 3,056,441	\$ (664,199)	\$ 18,661,693	\$ (911,505)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:						
Depreciation	6,480,527	1,815,330	1,493,711	607,079	10,396,647	656,811
Change in:						
Receivables	(411,107)	(83,783)	(238,781)	(130,024)	(863,695)	377,382
Deposits with others	-	-	-	-	-	5,289
Due from other funds	(33,254)	413	(10,152)	-	(42,993)	(4,275)
Inventories	(1,813,692)	(6,918)	(19,645)	-	(1,840,255)	14,797
Prepaid items	(905,430)	(23,226)	(19,111)	1,295	(946,472)	(2,502)
Accounts payable	(1,232,516)	498,570	(142,270)	(91,899)	(968,115)	175,181
Claims payable	-	-	-	-	-	(118,238)
Accrued payroll and benefits	(295,366)	214,712	166,581	5,420	91,347	1,560
Due to other funds	13,905	(58,178)	(120,125)	-	(164,398)	622,525
Unearned revenue	-	-	-	41,052	41,052	-
Accrued compensated absences	-	-	-	(657)	(657)	148,573
Deposits	74,940	-	-	-	74,940	-
Net other postemployment benefits obligation	97,938	28,507	24,395	-	150,840	-
Net cash provided by (used in) operating activities	\$ 16,596,920	\$ 4,033,903	\$ 4,191,044	\$ (231,933)	\$ 24,589,934	\$ 965,598

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, 2014

Assets	
Cash and pooled investments	\$ 1,052,136
Accounts receivable	915
	<hr/>
Total assets	\$ 1,053,051
	<hr/> <hr/>
Liabilities	
Accounts payable	\$ 30,235
Due to other governmental units	1,001,036
Other liabilities and deposits	21,780
	<hr/>
Total liabilities	\$ 1,053,051
	<hr/> <hr/>

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

# CITY OF HOLLAND, MICHIGAN

## Combining Statement of Net Position Discretely Presented Component Units June 30, 2014

	Downtown Development Authority	Holland Historical Trust	Brownfield Redevelopment Authority	Total
<b>Assets</b>				
Cash and pooled investments	\$ 179,536	\$ 233,319	\$ 96,435	\$ 509,290
Investments	-	640,219	-	640,219
Receivables, net	20	30,000	-	30,020
Inventory	-	8,982	-	8,982
Prepaid items	200	20,000	-	20,200
Capital assets:				
Land	-	40,000	-	40,000
Being depreciated, net of depreciation	218,853	1,592,024	-	1,810,877
<b>Total assets</b>	<b>398,609</b>	<b>2,564,544</b>	<b>96,435</b>	<b>3,059,588</b>
<b>Liabilities</b>				
Accounts payable	4,045	41,331	-	45,376
Accrued payroll and benefits	3,364	22,669	-	26,033
Unearned revenue	-	64,430	-	64,430
Deposits	-	3,305	-	3,305
<b>Total liabilities</b>	<b>7,409</b>	<b>131,735</b>	<b>-</b>	<b>139,144</b>
<b>Net position</b>				
Net investment in capital assets	218,853	1,632,024	-	1,850,877
Restricted by agreement	-	402,372	-	402,372
Unrestricted	172,347	398,413	96,435	667,195
<b>Total net position</b>	<b>\$ 391,200</b>	<b>\$ 2,432,809</b>	<b>\$ 96,435</b>	<b>\$ 2,920,444</b>

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

# CITY OF HOLLAND, MICHIGAN

## Combining Statement of Activities Discretely Presented Component Units For the Year Ended June 30, 2014

	Downtown Development Authority	Holland Historical Trust	Brownfield Redevelopment Authority	Total
<b>Expenses</b>				
Downtown Development Authority	\$ 165,798	\$ -	\$ -	\$ 165,798
Holland Historical Trust	-	952,548	-	952,548
Brownfield Redevelopment Authority	-	-	805,783	805,783
<b>Total expenses</b>	<b>165,798</b>	<b>952,548</b>	<b>805,783</b>	<b>1,924,129</b>
<b>Program revenues</b>				
Charges for services	3,685	159,078	-	162,763
Operating grants and contributions	1,831	464,651	68,895	535,377
<b>Total program revenues</b>	<b>5,516</b>	<b>623,729</b>	<b>68,895</b>	<b>698,140</b>
<b>Net revenues (expenses)</b>	<b>(160,282)</b>	<b>(328,819)</b>	<b>(736,888)</b>	<b>(1,225,989)</b>
<b>General revenues</b>				
Property taxes	181,019	-	784,821	965,840
<b>Change in net position</b>	<b>20,737</b>	<b>(328,819)</b>	<b>47,933</b>	<b>(260,149)</b>
<b>Net position, beginning of year</b>	<b>370,463</b>	<b>2,761,628</b>	<b>48,502</b>	<b>3,180,593</b>
<b>Net position, end of year</b>	<b>\$ 391,200</b>	<b>\$ 2,432,809</b>	<b>\$ 96,435</b>	<b>\$ 2,920,444</b>

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

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## 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 ("HHT") 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. HHT's budget is subject to review by the City Council prior to final decision concerning a General Fund contribution toward the Trust's operations. In addition, the City continues to make capital investments in the buildings the HHT uses for operations. 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 position 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 fund:

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 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.

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.

# CITY OF HOLLAND, MICHIGAN

## Notes to Financial Statements

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

Restricted net position 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.

# CITY OF HOLLAND, MICHIGAN

## Notes to Financial Statements

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.

### 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 to other governments include amounts collected for payments in lieu of taxes that have not yet been remitted to other governmental agencies. 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. Amount received in advance of costs being incurred are reported as unearned revenue.

# CITY OF HOLLAND, MICHIGAN

## Notes to Financial Statements

### Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

### 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.

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.

# CITY OF HOLLAND, MICHIGAN

## Notes to Financial Statements

### Deferred Outflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City only has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price.

### Bond Discounts, Premiums and Deferred Refunding Costs

Premiums, discounts, and deferred refunding 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 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.

### Unearned Revenue

The City reports unearned revenue in connection with assets received or receivable that are not considered to have yet been earned. At the end of the current fiscal year, the various components of unearned revenue were as follows:

	Governmental Activities	Business-type Activities	Component Units
Grant drawdowns in excess of amounts expended:			
Culture and community improvement	\$ 45,177	\$ -	\$ -
Infrastructure projects	84,167	-	-
Fees collected in excess of amounts earned	126,091	186,589	64,430
<b>Total unearned revenue</b>	<b>\$ 255,435</b>	<b>\$ 186,589</b>	<b>\$ 64,430</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, 2012 was \$1,110,482,365, 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	9.6585		
Street development and improvement	1.0000		
Sidewalk development and improvement	0.0500		
Municipal capital projects	0.2360		
Debt service general obligation	2.8069		
	<u>13.7514</u>	16.1346	1
		17.5000	City Charter
Library support / debt service	1.2571	1.4834	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 5.5 percent of electric utility fund budgeted revenues of the same fiscal year. For fiscal year 2014, a total transfer of \$4,990,800 was made. A \$4,590,804 transfer was made to the general fund and a \$399,996 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, 2014. 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.

### Deferred Inflows of Resources

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The governmental funds report unavailable revenues, which arises only under a modified accrual basis of accounting, from two sources: special assessment and leases receivables. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

### 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.

# CITY OF HOLLAND, MICHIGAN

## Notes to Financial Statements

### 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.
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.

# CITY OF HOLLAND, MICHIGAN

## Notes to Financial Statements

### 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, 2014, expenditures exceeded appropriations at the legal level of budgetary control in the following funds:

	Total Appropriations	Amount of Expenditure	Budget Variance
General Fund			
General government:			
City council	\$ 160,466	\$ 163,886	\$ 3,420
City manager	325,305	325,689	384
Elections	30,301	31,231	930
Legal services	189,850	215,347	25,497
Human resources	244,457	252,305	7,848
City hall and grounds	225,398	229,647	4,249
Public safety - fire	2,533,850	2,537,967	4,117
Public works - transportation management/ engineering	171,955	174,598	2,643
Welfare and social service - human relations commission	89,848	91,930	2,082
Culture and recreation - civic center	241,726	245,065	3,339
Budget stabilization fund - general government	3,000	3,650	650
Snowmelt Operating System Fund	202,317	238,717	36,400
Dangerous Structures Fund	1,194	1,707	513
Organized Crime Enforcement Fund	15,000	17,723	2,723
District Library Taxation Fund	1,246,648	1,247,632	984
Cemetery Perpetual Care Fund	17,932	21,072	3,140

#### *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 \$151,746 at June 30, 2014. Management expects this deficit to be eliminated over time as special assessments are collected.

# CITY OF HOLLAND, MICHIGAN

## Notes to Financial Statements

### 4. DEPOSITS AND INVESTMENTS

The City's reporting entity deposits and investments as of June 30, 2014 are included on the statement of net position under the following classifications:

	Governmental Activities	Business-type Activities	Component Units	Agency Funds	Total
Cash and pooled investments	\$ 21,819,625	\$ 72,607,465	\$ 509,290	\$ 1,052,136	\$ 95,988,516
Investments	-	79,328,224	640,219	-	79,968,443
Restricted assets					
Cash and pooled investments	-	137,621,236	-	-	137,621,236
Investments	-	5,439,938	-	-	5,439,938
<b>Total</b>	<b>\$ 21,819,625</b>	<b>\$ 294,996,863</b>	<b>\$ 1,149,509</b>	<b>\$ 1,052,136</b>	<b>\$ 319,018,133</b>

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

Petty cash	\$ 13,327
Deposits (checking/savings accounts)	151,106,475
Certificate of deposit (due within one year)	11,211,129
Certificate of deposit (due within one to five years)	36,861,182
Investments:	
Primary government	119,185,801
Component units	640,219
	<u>\$ 319,018,133</u>

#### *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 below for investments held at year-end.

# CITY OF HOLLAND, MICHIGAN

## Notes to Financial Statements

Maturity dates for investments held at year-end are summarized as follows:

	No maturity	Due < 1 year	Due in 1-5 years	Totals
Primary Government				
U.S. government securities	\$ -	\$ 4,510,551	\$ 39,429,016	\$ 43,939,567
Municipal bonds	-	1,357,662	3,707,576	5,065,238
Money market funds	203,214	-	-	203,214
Repurchase agreements	64,537,844	-	-	64,537,844
MPPA Investments	5,439,938	-	-	5,439,938
<b>Total Primary Government</b>	<b>\$ 70,180,996</b>	<b>\$ 5,868,213</b>	<b>\$ 43,136,592</b>	<b>\$ 119,185,801</b>

*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 below 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, \$188,691,285 of the bank balance of \$197,940,583 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 \$119,185,801 of investments held at year-end, the City has a custodial credit risk exposure of \$54,647,957 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.

Credit risk ratings, where applicable, are summarized as follows:

S&P AAA	\$ 203,214
S&P AA+	44,116,099
S&P AA	488,847
S&P AA-	4,399,859
Unrated	5,439,938
Not subject to credit risk	64,537,844
	<u>\$ 119,185,801</u>

# CITY OF HOLLAND, MICHIGAN

## Notes to Financial Statements

*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 (“Board”) 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.

### Component Unit - Holland Historical Trust

*Interest Rate Risk.* The Holland Historical Trust 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 below 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 below 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, \$139,688 of the bank balance of \$237,282 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.

	Fair Market Value	Interest Rate	Maturity Date	Rating
<b>Component Units</b>				
<b>Holland Historical Trust</b>				
Bond mutual funds	\$ 143,709	n/a	n/a	Various
Equity mutual funds	376,225	n/a	n/a	n/a
Other mutual funds	77,879	n/a	n/a	n/a
Corporate equities, domestic	<u>42,406</u>	n/a	n/a	n/a
<b>Total Component Units</b>	<u><u>\$ 640,219</u></u>			

# CITY OF HOLLAND, MICHIGAN

## Notes to Financial Statements

### 5. RECEIVABLES

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

	Governmental Activities	Business-type Activities	Component Units
Accounts	\$ 1,504,918	\$ 14,707,986	\$ -
Allowance for uncollectible receivables	(1,000)	(86,577)	-
Taxes and special assessments	893,871	211,920	522
Allowance for uncollectible taxes and special assessments	(26,402)	(145)	(502)
Interest	20,061	75,748	-
Leases	1,334,188	-	-
Pledges receivable	-	-	30,000
Due from other governmental units	1,067,991	2,867,070	-
	<u>\$ 4,793,627</u>	<u>\$ 17,776,002</u>	<u>\$ 30,020</u>

Of the governmental activities amounts reported for receivables above, leases receivable in the amount of \$875,000 and special assessments receivable in the amount of \$171,318 are not expected to be collected within one year. Of the business-type activities amounts reported for receivables above, due from other governmental units from the City of Wyoming in the amount of \$2,867,070 is not expected to be collected within one year.

# CITY OF HOLLAND, MICHIGAN

## Notes to Financial Statements

### 6. CAPITAL ASSETS

#### Primary government

Capital asset activity for the primary government for the year ended June 30, 2014, was as follows:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
<b>Governmental Activities</b>					
Capital assets, not being depreciated:					
Land	\$ 16,339,146	\$ -	\$ -	\$ -	\$ 16,339,146
Construction in progress	3,297,990	2,179,573	(4,174)	(102,712)	5,370,677
	<u>19,637,136</u>	<u>2,179,573</u>	<u>(4,174)</u>	<u>(102,712)</u>	<u>21,709,823</u>
Capital assets, being depreciated:					
Land improvements	19,547,227	126,270	(35,610)	-	19,637,887
Buildings	36,913,660	12,910	(38,070)	-	36,888,500
Machinery and equipment	8,689,971	226,056	(25,127)	-	8,890,900
Vehicles	7,080,504	603,205	(85,064)	2,455	7,601,100
Infrastructure	101,256,223	201,325	(1,454,160)	100,257	100,103,645
	<u>173,487,585</u>	<u>1,169,766</u>	<u>(1,638,031)</u>	<u>102,712</u>	<u>173,122,032</u>
Less accumulated depreciation for:					
Land improvements	(10,056,920)	(896,604)	35,610	-	(10,917,914)
Buildings	(12,894,221)	(1,002,125)	24,822	-	(13,871,524)
Machinery and equipment	(5,633,319)	(459,717)	21,938	-	(6,071,098)
Vehicles	(4,332,562)	(439,821)	76,557	-	(4,695,826)
Infrastructure	(35,981,044)	(2,677,718)	550,251	-	(38,108,511)
	<u>(68,898,066)</u>	<u>(5,475,985)</u>	<u>709,178</u>	<u>-</u>	<u>(73,664,873)</u>
Total capital assets being depreciated, net	<u>104,589,519</u>	<u>(4,306,219)</u>	<u>(928,853)</u>	<u>102,712</u>	<u>99,457,159</u>
Governmental activities capital assets, net	<u>\$ 124,226,655</u>	<u>\$ (2,126,646)</u>	<u>\$ (933,027)</u>	<u>\$ -</u>	<u>\$ 121,166,982</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	\$ 13,344,916	\$ 37,297	\$ -	\$ -	\$ 13,382,213
Construction in progress	3,556,883	30,319,973	(143,070)	(7,792,415)	25,941,371
	<u>16,901,799</u>	<u>30,357,270</u>	<u>(143,070)</u>	<u>(7,792,415)</u>	<u>39,323,584</u>
Capital assets, being depreciated:					
Land improvements	14,265,985	-	-	93,608	14,359,593
Buildings	3,816,202	18,665	-	607,014	4,441,881
Machinery and equipment	366,358,612	2,950,416	(740,226)	7,091,793	375,660,595
Office equipment / furniture	35,758	-	-	-	35,758
Vehicles	2,844,505	443,000	(190,014)	-	3,097,491
	<u>387,321,062</u>	<u>3,412,081</u>	<u>(930,240)</u>	<u>7,792,415</u>	<u>397,595,318</u>
Less accumulated depreciation for:					
Land improvements	(8,865,435)	(443,639)	-	-	(9,309,074)
Buildings	(2,405,333)	(81,712)	-	-	(2,487,045)
Machinery and equipment	(239,772,319)	(9,646,285)	197,606	-	(249,220,998)
Office equipment / furniture	(35,758)	-	-	-	(35,758)
Vehicles	(1,907,078)	(225,011)	190,014	-	(1,942,075)
	<u>(252,985,923)</u>	<u>(10,396,647)</u>	<u>387,620</u>	<u>-</u>	<u>(262,994,950)</u>
Total capital assets being depreciated, net	<u>134,335,139</u>	<u>(6,984,566)</u>	<u>(542,620)</u>	<u>7,792,415</u>	<u>134,600,368</u>
Business-type activities capital assets, net	<u>\$ 151,236,938</u>	<u>\$ 23,372,704</u>	<u>\$ (685,690)</u>	<u>\$ -</u>	<u>\$ 173,923,952</u>

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

### Depreciation of governmental activities by function

General government	\$ 234,779
Public safety	543,970
Public works	3,147,685
Cultural and recreation	756,195
Economic development	136,545
Internal service funds	656,811
	<u>\$ 5,475,985</u>

# CITY OF HOLLAND, MICHIGAN

## Notes to Financial Statements

Depreciation of business-type activities by function	
Electric utility	\$ 6,480,527
Wastewater utility	1,815,330
Water utility	1,493,711
Windmill island	109,767
Depot operations	24,540
Airport facilities and management system	461,005
Public transit facilities and management system	11,767
	\$ 10,396,647

### Discretely presented component units

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Component Unit -					
Downtown Development Authority					
Capital assets, being depreciated:					
Land improvements	\$ 395,051	\$ -	\$ -	\$ -	\$ 395,051
Less accumulated depreciation for:					
Land improvements	(156,617)	(19,581)	-	-	(176,198)
Downtown Development Authority capital assets, net	\$ 238,434	\$ (19,581)	\$ -	\$ -	\$ 218,853
Component Unit -					
Holland Historical Trust					
Capital assets, not being depreciated:					
Land	\$ 40,000	\$ -	\$ -	\$ -	\$ 40,000
Capital assets, being depreciated:					
Buildings and improvements	3,006,704	-	-	-	3,006,704
Furniture and equipment	35,943	-	-	-	35,943
	3,042,647	-	-	-	3,042,647
Less accumulated depreciation for:					
Buildings and improvements	(1,280,466)	(136,754)	-	-	(1,417,220)
Furniture and equipment	(31,563)	(1,840)	-	-	(33,403)
	(1,312,029)	(138,594)	-	-	(1,450,623)
Total capital assets being depreciated, net	1,730,618	(138,594)	-	-	1,592,024
Holland Historical Trust capital assets, net	\$ 1,770,618	\$ (138,594)	\$ -	\$ -	\$ 1,632,024

# 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	Component Units
Accounts	\$ 1,314,727	\$ 7,017,211	\$ 45,376
Accrued payroll and benefits	574,018	590,523	26,033
Claims payable	44,267	-	-
Accrued interest payable	199,612	-	-
Due to other governmental units	168,494	-	-
	<u>\$ 2,301,118</u>	<u>\$ 7,607,734</u>	<u>\$ 71,409</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, 2014). The line expires on January 25, 2015. There were not any outstanding borrowings on the line as of June 30, 2014. 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, 2014, 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	\$ 24,815,000	\$ -	\$ (3,570,000)	\$ 21,245,000	\$ 2,315,000
Special assessment bonds	403,000	-	(269,000)	134,000	74,000
Total installment debt	<u>25,218,000</u>	<u>-</u>	<u>(3,839,000)</u>	<u>21,379,000</u>	<u>2,389,000</u>
Premium on bonds payable	276,662	-	(48,747)	227,915	48,747
Compensated absences	<u>1,534,838</u>	<u>1,348,171</u>	<u>(1,199,598)</u>	<u>1,683,411</u>	<u>1,200,000</u>
<b>Totals governmental activities</b>	<u>\$ 27,029,500</u>	<u>\$ 1,348,171</u>	<u>\$ (5,087,345)</u>	<u>\$ 23,290,326</u>	<u>\$ 3,637,747</u>

# CITY OF HOLLAND, MICHIGAN

## Notes to Financial Statements

### General obligation bonds

\$5,400,000 2004 Library Improvement Refunding Bonds, due in annual installments of \$55,000 to \$475,000, plus interest ranging from 2.0 to 4.35%, payable semi-annually, through May 1, 2017.	\$ 1,325,000
\$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 plus interest ranging from 3.5% to 4.0%, payable semi-annually, through April 1, 2022.	7,020,000
\$4,000,000 2008 Capital Improvement Parking Bonds, due in annual installments of \$45,000 to \$290,000 plus interest ranging from 3.25 to 5.0%, payable semi-annually, through May 1, 2033.	3,675,000
\$5,500,000 2010 Capital Improvement Bonds, due in annual installments of \$520,000 to \$715,000, plus interest ranging from 1.25 to 3.2%, payable semi-annually, through August 1, 2019.	3,880,000
\$7,425,000 2010 Building Authority Refunding Bonds, (partial refunding of the 2002 Police and Transportation Facilities Improvement Bonds) due in annual installments of \$35,000 to \$1,460,000, plus interest ranging from 2.0% to 4.5%, payable semi-annually, through October 1, 2018.	<u>5,345,000</u>
Total general obligation bonds	<u>\$ 21,245,000</u>

### Special assessment bonds

\$155,000 2006 Special Assessment Bonds, due in annual installments of \$10,000 to \$15,000 plus interest at 5.06%, payable semi-annually, through June 1, 2020.	\$ 70,000
\$170,000 2010 Drain Improvements Bonds, due in annual installments of \$34,000 plus interest at 4.38%, payable annually, through April 15, 2015.	34,000
\$150,000 2010 Drain Improvements Bonds, due in annual installments of \$30,000 plus interest at 4.38%, payable annually, through April 15, 2015.	<u>30,000</u>
Total special assessment bonds	<u>\$ 134,000</u>

# CITY OF HOLLAND, MICHIGAN

## Notes to Financial Statements

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
<b>Business-type activities</b>					
Revenue bonds	\$ 20,199,064	\$ 162,138,737	\$ (5,282,500)	\$ 177,055,301	\$ 1,225,000
Discount on bonds payable	(3,486)	-	3,486	-	-
Premium on bonds payable	705,973	7,769,643	(142,160)	8,333,456	439,367
Compensated absences	1,005,043	1,068,958	(1,010,177)	1,063,824	1,063,824
<b>Total business-type activities</b>	<b>\$ 21,906,594</b>	<b>\$ 170,977,338</b>	<b>\$ (6,431,351)</b>	<b>\$ 186,452,581</b>	<b>\$ 2,728,191</b>

### Revenue bonds

\$5,653,064 2011A Drinking Water Revolving Bonds, due in annual installments of \$236,500 to \$375,000 plus interest at 2.5%, payable semi-annually, through April 1, 2032.	\$ 5,215,301
\$9,740,000 2012A Water Supply System Revenue Refunding Bonds, due in annual installments of \$190,000 to \$1,430,000 plus interest ranging from 2.0 to 4.0%, payable semi-annually, through July 1, 2024.	9,740,000
\$3,260,000 2013A Water Supply System Revenue Refunding Bonds, due in annual installments of \$780,000 to \$855,000 plus interest ranging from 2.0 to 3.0%, payable semi-annually, through July 1, 2017.	3,260,000
\$158,840,000 2014A Electric Utility System Revenue Bonds, due in annual installments of \$4,600,000 to \$10,705,000 plus interest ranging from 1.659 to 4.919%, payable semi-annually, through July 1, 2039.	<u>158,840,000</u>
<b>Total revenue bonds</b>	<b><u>\$ 177,055,301</u></b>

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 \$10,304 held in trust at June 30, 2014. The City has recognized a liability for landfill closure and post-closure cost of \$327,450 in the Electric Utility 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 68% of the landfill's capacity currently utilized. These estimates are expected to fluctuate based on current usage, 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 funds.

# CITY OF HOLLAND, MICHIGAN

## Notes to Financial Statements

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.

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, 2014, the City has cash and investments of \$26,463 available in the special assessment debt service fund for repayment of these bonds. In addition, there is \$116,466 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, 2014, excluding unamortized premium/discount, are as follows:

Year Ended June 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2015	\$ 2,389,000	\$ 775,398	\$ 1,225,000	\$ 5,094,451
2016	2,445,000	692,757	1,240,000	7,106,226
2017	2,580,000	596,347	1,280,000	7,071,676
2018	2,300,000	503,227	5,910,000	6,990,101
2019	2,435,000	426,005	6,110,000	6,870,976
2020-2024	6,905,000	974,024	33,060,000	31,773,460
2025-2029	1,175,000	436,725	32,945,000	25,862,080
2030-2034	1,150,000	139,975	37,945,301	18,043,403
2035-2039	-	-	46,635,000	8,370,335
2040	-	-	10,705,000	258,022
	<u>\$ 21,379,000</u>	<u>\$ 4,544,458</u>	<u>\$ 177,055,301</u>	<u>\$ 117,440,730</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. In addition, the covenants require that the rates be set sufficient to cover the scheduled debt service.

### Refunded and Defeased Debt

During fiscal year 2014, the Board advance refunded \$3,425,000 of 2005A 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 \$3,771,200 of refunded debt. As a result, the bonds are considered defeased and the liability has been removed from the statement of net position. The refunding resulted in a savings of \$272,850 and an economic gain of \$266,258. As of June 30, 2014, a total of \$12,210,000 of bonded debt is considered defeased.

# CITY OF HOLLAND, MICHIGAN

## Notes to Financial Statements

### Compensated Absences - Business-type Activities

Because of the balance of earned compensated absences at June 30, 2014 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 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 the joint venture, the Board has entered into Power Sales Contracts and Project 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, 26.35% of MPPA's 4.8% ownership in Consumers Energy's Campbell Unit No. 3, which became operational in September 1980, and 13.35% of the energy generated by MPPA's 5.16% ownership in the AMP Fremont Energy Center (AFEC), which became operational in June 2012. The contracts required the Board to purchase approximately 38 and 10 megawatts of power, respectively, in 1995 and thereafter for the Belle Isle and Campbell projects. The contracts relating to the Fremont project requires the Board to purchase approximately 8 megawatts of power in 2013 and thereafter.

For the year ended June 30, 2014, the Board recognized expenses totaling \$17,986,690 under the terms of the contracts which represented \$1,131,858 for fixed operating costs, \$5,372,363 for debt service and \$11,482,469 for the purchase of power. Accounts payable to MPPA totaled \$1,748,001 at June 30, 2014. 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, Consumers Energy's Campbell Unit No. 3 and American Municipal Power's AMP Fremont Energy Center Project (AFEC). 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.

# CITY OF HOLLAND, MICHIGAN

## Notes to Financial Statements

A summary of future transactions with the MPPA is as follows:

Year Ended June 30,	Belle River		Campbell		Fremont (AFEC)		Total
	Debt Service	Fixed Operating	Debt Service	Fixed Operating	Debt Service	Fixed Operating	
2015	\$ 4,305,960	\$ 728,827	\$ 909,075	\$ 435,977	\$ 278,688	\$ 1,009	\$ 6,659,536
2016	4,305,533	750,692	1,011,353	449,056	278,177	1,039	6,795,850
2017	4,305,335	773,213	971,828	462,528	278,317	1,071	6,792,292
2018	4,305,656	796,409	1,111,483	476,404	278,691	1,103	6,969,746
2019	4,305,962	820,302	1,111,242	490,696	278,264	1,136	7,007,602
2020-2024	-	-	4,445,650	2,114,477	1,391,811	6,211	7,958,149
2025-2029	-	-	-	-	1,391,711	7,200	1,398,911
2030-2034	-	-	-	-	1,392,038	8,347	1,400,385
2035-2039	-	-	-	-	1,391,204	9,678	1,400,882
2040-2044	-	-	-	-	1,391,404	11,219	1,402,623
	<u>\$21,528,446</u>	<u>\$ 3,869,443</u>	<u>\$ 9,560,631</u>	<u>\$ 4,429,138</u>	<u>\$ 8,350,305</u>	<u>\$ 48,013</u>	<u>\$47,785,976</u>

Debt Service requirements expire in the years 2019 and 2023 for the Belle River and Campbell projects, respectively and in 2044 for the Fremont project. 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, 2014, was as follows:

	Due from Other Funds						Total
	General Fund	Nonmajor Governmental Funds	Electric Utility	Wastewater Utility	Water Utility	Internal Service Funds	
Due to Other Funds							
General fund	\$ -	\$ -	\$ 73,825	\$ 674	\$ 11,211	\$ -	\$ 85,710
Nonmajor governmental funds	-	322,954	113,290	1,035	17,203	-	454,482
Electric utility	4,954	7,772	-	-	-	10,330	23,056
Wastewater utility	1,851	2,903	-	-	-	3,858	8,612
Water utility	4,302	6,748	-	-	-	8,970	20,020
Nonmajor enterprise funds	-	26	1,615	15	245	-	1,901
Internal service funds	-	930,250	426	4	65	-	930,745
	<u>\$ 11,107</u>	<u>\$ 1,270,653</u>	<u>\$ 189,156</u>	<u>\$ 1,728</u>	<u>\$ 28,724</u>	<u>\$ 23,158</u>	<u>\$ 1,524,526</u>

For the year ended June 30, 2014, interfund transfers consisted of the following:

	Transfers in				Total
	General Fund	Nonmajor Governmental Funds	Nonmajor Enterprise Funds	Internal Service Funds	
Transfers out					
General fund	\$ -	\$ 1,431,776	\$ 62,745	\$ 310,887	\$ 1,805,408
Nonmajor governmental funds	121,217	4,854,977	645,714	120,291	5,742,199
Electric utility	4,590,804	399,996	-	-	4,990,800
Nonmajor enterprise funds	-	8,675	-	-	8,675
Internal service funds	-	66,405	-	-	66,405
	<u>\$ 4,712,021</u>	<u>\$ 6,761,829</u>	<u>\$ 708,459</u>	<u>\$ 431,178</u>	<u>\$ 12,613,487</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. NET INVESTMENT IN CAPITAL ASSETS

The composition of net investment in capital assets as of June 30, 2014, was as follows:

	Governmental Activities	Business-type Activities	Component Units
<b>Capital assets:</b>			
Land	\$ 16,339,146	\$ 13,382,213	\$ 40,000
Construction in progress	5,370,677	25,941,371	-
Capital assets being depreciated, net	99,457,159	134,600,368	1,810,877
	<u>121,166,982</u>	<u>173,923,952</u>	<u>1,850,877</u>
<b>Related debt:</b>			
Total bonds and notes payable	21,379,000	177,055,301	-
Net bond premium/discount	227,915	8,333,456	-
Deferred loss on advance refunding	(398,811)	(467,469)	-
Less: bonds payable related to capital leases	(1,325,000)	-	-
Unspent bond proceeds	-	(119,997,520)	-
	<u>19,883,104</u>	<u>64,923,768</u>	<u>-</u>
<b>Net investment in capital assets</b>	<u>\$ 101,283,878</u>	<u>\$ 109,000,184</u>	<u>\$ 1,850,877</u>

### 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	Nonmajor Governmental Funds	Total
<b>Nonspendable:</b>			
Prepaid items	\$ 14,808	\$ 300	\$ 15,108
Cemetery endowment corpus	-	1,530,437	1,530,437
<b>Total nonspendable</b>	<u>14,808</u>	<u>1,530,737</u>	<u>1,545,545</u>
<b>Restricted:</b>			
Street construction and maintenance	-	3,264,804	3,264,804
Cemetery maintenance and improvements	-	64,893	64,893
Capital improvements	-	8,652	8,652
Infrastructure construction and maintenance	-	1,511,942	1,511,942
Parking system and maintenance	-	202,949	202,949
Snowmelt system and maintenance	-	26,258	26,258
Downtown promotion	-	190,577	190,577
Grant and support programs	-	8,616	8,616
Specified donations	-	465,004	465,004
<b>Total restricted</b>	<u>-</u>	<u>5,743,695</u>	<u>5,743,695</u>

# CITY OF HOLLAND, MICHIGAN

## Notes to Financial Statements

	General Fund	Nonmajor Governmental Funds	Total
Committed:			
Debt service	\$ -	\$ 199,810	\$ 199,810
Public access television	-	375,096	375,096
Grant and support programs	12,915	-	12,915
Capital improvements	-	2,104,067	2,104,067
Total committed	12,915	2,678,973	2,691,888
Unassigned (deficit)	4,672,551	(151,746)	4,520,805
Total fund balances - governmental funds	\$ 4,700,274	\$ 9,801,659	\$ 14,501,933

### 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 19.68% to 28.54% 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)	\$ 71,710
Public safety	20,398
Public works (local 586)	74,794
Public Works (non-union)	45,512
Clerical	5,589

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.

# CITY OF HOLLAND, MICHIGAN

## Notes to Financial Statements

For the year ended June 30, 2014, the City's required contribution for MERS was \$3,605,265. The required contribution was determined as part of the December 31, 2011 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 13.0% 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, 2013, the date of the latest actuarial valuation, was 25 years.

Three-Year Trend Information			
Years Ended June 30,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (Asset)
2012	\$ 2,848,999	99.0%	\$ (971,868)
2013	3,062,653	99.0%	(1,261,674)
2014	3,619,709	99.6%	(1,247,230)

*Funded Status and Funding Progress.* As of December 31, 2013, the most recent actuarial valuation date, the Plan was 68 percent funded. The actuarial accrued liability for benefits was \$119,545,474, and the actuarial value of assets was \$81,578,217, resulting in an unfunded actuarial accrued liability (UAAL) of \$37,967,257. The covered payroll (annual payroll of active employees covered by the Plan) was \$13,172,941, and the ratio of the UAAL to the covered payroll was 288 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:

Annual required contribution	\$ 3,605,265
Interest on net pension asset	(100,934)
Adjustment to annual required contribution	<u>115,378</u>
Annual pension cost	3,619,709
Contributions made	<u>3,605,265</u>
Increase (decrease) in net pension asset	(14,444)
Net pension asset, beginning of the year	<u>1,261,674</u>
Net pension asset, end of the year	<u><u>\$ 1,247,230</u></u>

# CITY OF HOLLAND, MICHIGAN

## Notes to Financial Statements

### Defined Contribution Pension Plan

The City participates in a defined contribution retirement plan which is administered by the MERS 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 \$634,851 and employees contributed \$158,804 to the defined contribution plan.

## 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 can be purchased 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, 2014, the City contributed \$447,450 including cash contributions of \$298,117 and an implicit rate subsidy (which did not require cash) of \$149,333.

*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	\$ 852,385
Interest on net OPEB obligation	58,708
Adjustment to annual required contribution	<u>(90,337)</u>
Net OPEB cost (expense)	820,756
Contributions made	<u>(447,450)</u>
Increase in net OPEB obligation	373,306
Net OPEB obligation, beginning of year	<u>1,467,703</u>
Net OPEB obligation, end of year	<u><u>\$ 1,841,009</u></u>

The statements of net position present net OPEB obligation liability of \$1,176,619 and \$664,390 for governmental and business-type activities, respectively.

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
2012	\$ 861,630	70.0%	\$ 1,043,790
2013	914,993	54.0%	1,467,703
2014	820,756	54.5%	1,841,009

*Funded Status and Funding Progress.* As of June 30, 2014, the most recent actuarial valuation date, the Plan was 0 percent funded. The actuarial accrued liability for benefits was \$7,545,462, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$7,545,462. The covered payroll (annual payroll of active employees covered by the Plan) was \$17,685,705, and the ratio of the UAAL to the covered payroll was 43 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, 2014 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%; (b) a general inflation rate of 3% and (c) projected healthcare benefit increases (graded inflation rate) of 9% for 2015 graded down to 5% for 2019. 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 25 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, 2012	\$ 276,595	\$ -	\$ -	\$ -	\$ -	\$ 276,595
Estimated claims incurred	6,669,789	110,561	212,268	433,103	106,234	7,531,955
Claim payments	(6,679,485)	(110,561)	(212,268)	(433,103)	(106,234)	(7,541,651)
Estimated liability, June 30, 2013	266,899	-	-	-	-	266,899
Estimated claims incurred	6,626,280	110,202	1,333,435	314,455	89,069	8,473,441
Claim payments	(6,728,605)	(110,202)	(1,333,435)	(314,455)	(89,069)	(8,575,766)
Estimated liability, June 30, 2014	<u>\$ 164,574</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 164,574</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 \$4,820,600 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, 2014, the City had the following outstanding commitments:

- \$104,000 for various drain projects
- \$302,000 for capital projects
- \$924,000 for road construction and related infrastructure projects
- \$426,000 for sidewalk construction
- \$50,796,000 for various electric utility projects
- \$59,000 for various water utility projects
- \$2,780,000 for various wastewater utility projects

### 19. EXTRAORDINARY ITEM

In September 2013, the Holland/Wyoming Interconnect Project experienced a water leakage event that caused a complete failure of the valve and metering station. Consequently, the Board incurred a property loss, along with additional expenses related to the incident. The Board expects that all costs to repair the damage related to this incident will ultimately be reimbursed by a third party; however, no receivable has been recorded as of June 30, 2014.

## CITY OF HOLLAND, MICHIGAN

### Notes to Financial Statements

The damaged building was constructed in the previous fiscal year and was placed in service at June 30, 2013. As of the date of incident, the Board had a building asset value of \$523,997, with accumulated depreciation of \$3,582, resulting in a net book value of \$520,415. An impairment loss has been recorded as an extraordinary item for the net book value of the portion of the building owned by the Board. In addition to this loss, the Board has recorded a receivable in the Water Utility fund of approximately \$200,000 for legal and consulting expenses incurred subsequent to and as a result of this incident as of June 30, 2014. Such costs are also expected to be reimbursed by a third party.

■ ■ ■ ■ ■

## 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)
12/31/2008	\$ 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%
12/31/2011	81,003,748	114,040,624	33,036,876	71.0%	14,669,619	225.2%
12/31/2012	80,567,872	115,731,070	35,163,198	69.6%	13,842,617	254.0%
12/31/2013	81,578,217	119,545,474	37,967,257	68.2%	13,172,941	288.2%

Schedule of Employer Contributions  
MERS Defined Benefit Pension Plan

Year Ended June 30,	Annual Required Contributions	Percentage Contributed
2009	\$ 2,236,726	100%
2010	2,288,612	100%
2011	2,755,133	100%
2012	2,829,370	100%
2013	3,052,459	110%
2014	3,605,265	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)
6/30/2010	\$ -	\$ 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%
6/30/2014	-	7,545,462	7,545,462	0.0%	17,685,705	42.7%

Schedule of Employer Contributions  
Other Postemployment Benefits Plan

Year Ended June 30,	Annual Required Contributions	Percentage Contributed
2012	\$ 876,345	70%
2013	936,036	52%
2014	852,385	52%

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**COMBINING AND INDIVIDUAL FUND  
FINANCIAL STATEMENTS AND SCHEDULES**

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# 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 Position (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 taxpayer 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

## Combining Balance Sheet

General Fund - By Activity

June 30, 2014

	General	Budget Stabilization	Total General Fund
<b>Assets</b>			
Cash and pooled investments	\$ 4,187,681	\$ 983,286	\$ 5,170,967
Receivables, net:			
Accounts	237,515	-	237,515
Property taxes	2,837	-	2,837
Interest	20,061	-	20,061
Other governmental units	482,016	-	482,016
Due from other funds	11,107	-	11,107
Prepaid items	14,808	-	14,808
<b>Total assets</b>	<b>\$ 4,956,025</b>	<b>\$ 983,286</b>	<b>\$ 5,939,311</b>
<b>Liabilities</b>			
Accounts payable	\$ 361,191	\$ -	\$ 361,191
Accrued payroll and benefits	473,644	-	473,644
Due to other governmental units	168,494	-	168,494
Due to other funds	85,710	-	85,710
Deposits for:			
Fire escrow	14,985	-	14,985
Other	8,922	-	8,922
Unearned revenue	126,091	-	126,091
<b>Total liabilities</b>	<b>1,239,037</b>	<b>-</b>	<b>1,239,037</b>
<b>Fund balances</b>			
Nonspendable	14,808	-	14,808
Committed	12,915	-	12,915
Unassigned	3,689,265	983,286	4,672,551
<b>Total fund balances</b>	<b>3,716,988</b>	<b>983,286</b>	<b>4,700,274</b>
<b>Total liabilities and fund balances</b>	<b>\$ 4,956,025</b>	<b>\$ 983,286</b>	<b>\$ 5,939,311</b>

# CITY OF HOLLAND, MICHIGAN

## Combining Statement of Revenues, Expenditures and Changes in Fund Balances

General Fund - By Activity

For the Year Ended June 30, 2014

	General	Budget Stabilization	Elimination	Total General Fund
<b>Revenues</b>				
Property taxes	\$ 10,179,160	\$ -	\$ -	\$ 10,179,160
Licenses and permits	627,716	-	-	627,716
Intergovernmental	2,926,397	-	-	2,926,397
Charges for services	1,554,820	-	-	1,554,820
Fines and fees	192,433	-	-	192,433
Interest and rents	354,830	-	-	354,830
Miscellaneous	33,513	-	-	33,513
<b>Total revenues</b>	<b>15,868,869</b>	<b>-</b>	<b>-</b>	<b>15,868,869</b>
<b>Expenditures</b>				
Current:				
General government	3,295,039	3,650	-	3,298,689
Public safety	11,031,015	-	-	11,031,015
Public works	1,215,559	-	-	1,215,559
Welfare and social services	490,258	-	-	490,258
Culture and recreation	2,922,082	-	-	2,922,082
Other	77,581	-	-	77,581
<b>Total expenditures</b>	<b>19,031,534</b>	<b>3,650</b>	<b>-</b>	<b>19,035,184</b>
Revenue under expenditures	(3,162,665)	(3,650)	-	(3,166,315)
<b>Other financing sources (uses)</b>				
Transfers in	4,712,021	69,000	(69,000)	4,712,021
Transfers out	(1,874,408)	-	69,000	(1,805,408)
<b>Total other financing sources (uses)</b>	<b>2,837,613</b>	<b>69,000</b>	<b>-</b>	<b>2,906,613</b>
<b>Net changes in fund balances</b>	<b>(325,052)</b>	<b>65,350</b>	<b>-</b>	<b>(259,702)</b>
Fund balances, beginning of year	4,042,040	917,936	-	4,959,976
<b>Fund balances, end of year</b>	<b>\$ 3,716,988</b>	<b>\$ 983,286</b>	<b>\$ -</b>	<b>\$ 4,700,274</b>

# CITY OF HOLLAND, MICHIGAN

## Detailed Schedule of Revenues

Budget and Actual - General Fund

For the Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Taxes:				
Property	\$ 9,556,230	\$ 9,548,480	\$ 9,558,807	\$ 10,327
Penalties and interest on delinquent taxes	85,000	85,000	91,865	6,865
Administration fee	502,000	485,100	484,873	(227)
Public service charge in lieu of property tax	38,000	42,000	42,183	183
Other miscellaneous tax revenue	1,400	1,400	1,432	32
Total taxes	<u>10,182,630</u>	<u>10,161,980</u>	<u>10,179,160</u>	<u>17,180</u>
Licenses and permits:				
Business	23,600	30,900	30,564	(336)
Nonbusiness	504,200	543,000	597,152	54,152
Total licenses and permits	<u>527,800</u>	<u>573,900</u>	<u>627,716</u>	<u>53,816</u>
Intergovernmental:				
State	2,840,310	2,839,810	2,844,147	4,337
Federal	40,000	37,390	39,533	2,143
Other	45,000	45,000	42,717	(2,283)
Total intergovernmental	<u>2,925,310</u>	<u>2,922,200</u>	<u>2,926,397</u>	<u>4,197</u>
Charges for services:				
Fees	723,135	768,070	777,701	9,631
Services rendered	611,910	645,918	663,212	17,294
Sales	101,700	100,543	113,907	13,364
Total charges for services	<u>1,436,745</u>	<u>1,514,531</u>	<u>1,554,820</u>	<u>40,289</u>
Fines and fees	<u>181,500</u>	<u>181,850</u>	<u>192,433</u>	<u>10,583</u>
Interest and rents:				
Investment earnings	59,001	59,001	93,075	34,074
Rents	248,500	249,100	261,755	12,655
Total interest and rents	<u>307,501</u>	<u>308,101</u>	<u>354,830</u>	<u>46,729</u>
Miscellaneous	<u>42,086</u>	<u>29,610</u>	<u>33,513</u>	<u>3,903</u>
Total revenues	<u>\$ 15,603,572</u>	<u>\$ 15,692,172</u>	<u>\$ 15,868,869</u>	<u>\$ 176,697</u>

# CITY OF HOLLAND, MICHIGAN

## Detailed Schedule of Expenditures

Budget and Actual - General Fund

For the Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
<b>Expenditures</b>				
<i>General fund expenditures</i>				
General government:				
City council	\$ 176,275	\$ 160,466	\$ 163,886	\$ 3,420
City manager	329,829	325,305	325,689	384
Elections	48,376	30,301	31,231	930
City finance	512,384	510,125	502,165	(7,960)
Independent audit	55,250	52,650	48,292	(4,358)
City assessor	539,371	448,596	443,488	(5,108)
Legal services	190,150	189,850	215,347	25,497
City clerk	174,524	188,800	186,766	(2,034)
Human resources	197,335	244,457	252,305	7,848
City treasurer	197,109	196,270	172,057	(24,213)
City hall and grounds	199,967	225,398	229,647	4,249
Cemetery	448,233	483,603	465,674	(17,929)
Volunteer services	9,212	8,113	7,272	(841)
Planning commission	263,082	258,970	251,220	(7,750)
Total general government	<u>3,341,097</u>	<u>3,322,904</u>	<u>3,295,039</u>	<u>(27,865)</u>
Public safety:				
Police	7,770,044	7,694,391	7,658,619	(35,772)
Fire	2,523,168	2,533,850	2,537,967	4,117
Environmental health/inspections	358,434	381,463	376,625	(4,838)
Construction inspections	443,763	460,325	457,804	(2,521)
Total public safety	<u>11,095,409</u>	<u>11,070,029</u>	<u>11,031,015</u>	<u>(39,014)</u>
Public works:				
Streets	1,151,376	1,073,446	1,040,961	(32,485)
Transportation management/engineering	129,987	171,955	174,598	2,643
Total public works	<u>1,281,363</u>	<u>1,245,401</u>	<u>1,215,559</u>	<u>(29,842)</u>
Welfare and social services:				
Housing and neighborhood	211,101	211,590	200,033	(11,557)
Economic development assistance	218,567	203,399	198,295	(5,104)
Human relations commission	96,973	89,848	91,930	2,082
Total welfare and social services	<u>526,641</u>	<u>504,837</u>	<u>490,258</u>	<u>(14,579)</u>

continued...

# CITY OF HOLLAND, MICHIGAN

## Detailed Schedule of Expenditures

Budget and Actual - General Fund

For the Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Expenditures (continued)				
<i>General fund expenditures (continued)</i>				
Culture and recreation:				
Parks	\$ 1,365,282	\$ 1,338,629	\$ 1,321,050	\$ (17,579)
Nature center	223,441	251,262	246,851	(4,411)
Cultural-recreational	97,645	97,669	97,589	(80)
Civic center	226,898	241,726	245,065	3,339
Recreation	850,357	865,600	828,658	(36,942)
Market	133,792	130,713	122,969	(7,744)
Leisure services administration	26,426	67,515	59,900	(7,615)
Total culture and recreation	<u>2,923,841</u>	<u>2,993,114</u>	<u>2,922,082</u>	<u>(71,032)</u>
Other appropriations:				
Insurance	72,000	77,581	77,581	-
Contingencies	280,000	-	-	-
Total other appropriations	<u>352,000</u>	<u>77,581</u>	<u>77,581</u>	<u>-</u>
Total general fund expenditures	<u>19,520,351</u>	<u>19,213,866</u>	<u>19,031,534</u>	<u>(182,332)</u>
<i>Budget stabilization fund expenditures</i>				
General government:				
Other services and charges	<u>69,000</u>	<u>3,000</u>	<u>3,650</u>	<u>650</u>
Total expenditures	<u>\$ 19,589,351</u>	<u>\$ 19,216,866</u>	<u>\$ 19,035,184</u>	<u>\$ (181,682)</u>

concluded

# CITY OF HOLLAND, MICHIGAN

## Detailed Schedule of Transfers Budget and Actual - General Fund For the Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
<b>Transfers in</b>				
Permanent Fund:				
Cemetery Trust	\$ 8,000	\$ 6,000	\$ 13,582	\$ 7,582
Special Revenue Fund:				
Culture and Community Improvement:				
MSHDA Grant	5,000	7,635	7,635	-
Miscellaneous Government Functions:				
CATV - (Public Access Channels)	114,700	100,000	100,000	-
Enterprise Funds:				
Electric Utility	4,590,800	4,590,800	4,590,804	4
Budget Stabilization Fund	69,000	69,000	69,000	-
Elimination	(69,000)	(69,000)	(69,000)	-
<b>Total transfers in</b>	<b>\$ 4,718,500</b>	<b>\$ 4,704,435</b>	<b>\$ 4,712,021</b>	<b>\$ 7,586</b>
<b>Transfers out</b>				
Special Revenue Funds:				
Street Maintenance and Improvements:				
Street Improvements Reserve	\$ 100,000	\$ 100,000	\$ 100,000	\$ -
General Government:				
Specified Donations	-	5,000	5,000	-
Miscellaneous Government Functions:				
Dangerous Structures	-	-	1,707	1,707
Public Safety Grants:				
Anti-Drug Abuse WEMET Grants	192,520	224,889	225,069	180
Capital Projects Funds:				
Municipal Facilities/Land Improvement Projects	165,000	165,000	165,000	-
Debt Service Funds:				
General Obligation	-	935,000	935,000	-
Enterprise Funds:				
Windmill Island	185,101	143,634	62,745	(80,889)
Internal Service Funds:				
Fire Vehicle/Equipment	86,890	86,890	86,890	-
General and Professional Liability	-	320,000	223,997	(96,003)
Budget Stabilization Fund	69,000	69,000	69,000	-
Elimination	(69,000)	(69,000)	(69,000)	-
<b>Total transfers out</b>	<b>\$ 729,511</b>	<b>\$ 1,980,413</b>	<b>\$ 1,805,408</b>	<b>\$ (175,005)</b>

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# 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, 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 County 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.

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.

# CITY OF HOLLAND, MICHIGAN

## Nonmajor Governmental Funds

### Special Revenue Funds (Continued)

#### *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 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 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.

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.

# CITY OF HOLLAND, MICHIGAN

## Nonmajor Governmental Funds

### Special Revenue Funds (Continued)

#### *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 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.

City staff provides local cable television programming services for and by various religious, educational, governmental, ethnic, professional, cultural and other special interest groups.

#### *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.

# CITY OF HOLLAND, MICHIGAN

## Nonmajor Governmental Funds

### Special Revenue Funds (Continued)

#### *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.

#### *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 Grants Funds*

The City 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, 2014, of estimated revenues and appropriations are carried forward to the ensuing fiscal year.

## CITY OF HOLLAND, MICHIGAN

### Nonmajor Governmental Funds

#### Special Revenue Funds (Continued)

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

The City 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*.

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, 2014, of estimated revenues and appropriations are carried forward to the ensuing fiscal year.

##### *Law Enforcement Block Grant*

The City 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, 2014, of estimated revenues and appropriations are carried forward to the ensuing fiscal year.

##### *Homeland Security Grant Fund*

The City 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, 2014, of estimated revenues and appropriations are carried forward to the ensuing fiscal year.

## CITY OF HOLLAND, MICHIGAN

### Nonmajor Governmental Funds

#### Special Revenue Funds (Continued)

##### *Michigan Rehabilitation Services Grant Fund*

The City entered into a Interagency Cash Transfer Agreement (ICTA) with Michigan Rehabilitation Services (MRS) for the 27% local share to a vocational rehabilitation services federal grant. Disability Network/Lakeshore (DNL) provided the local match however; State policy requires it to be passed through a local government. Acting as the financial conduit, the City deposited the funds and issued a check to MRS.

##### *Organized Crime Enforcement Fund*

The City is a recipient of funds from U.S. Department of Justice providing reimbursement for overtime wages paid to police officers. The strategy of the task force is to reduce availability of drugs by disrupting and dismantling major drug trafficking and money laundering organizations.

This fund supports multi-year revenues and expenditures from inception to completion of the project. For financial reporting purposes, revenues and expenditures are also recognized by fiscal year. Open budget balances at June 30, 2014 are carried forward to the ensuing fiscal year.

##### *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.

##### *MSHDA Grant Fund*

The City 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, 2014, of estimated revenues and appropriations are carried forward to the ensuing fiscal year.

## CITY OF HOLLAND, MICHIGAN

### ■ Nonmajor Governmental Funds

#### Special Revenue Funds (Concluded)

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

The City 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*.

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, 2014, of estimated revenues and appropriations are carried forward to the ensuing fiscal year.

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

The City 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, 2014 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 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 *2004 Building Authority Refunding Bond Issue, 2006 Building Authority Partial Refunding Bond Issue and 2010 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.

#### *Building Authority Debt Service Fund*

The *City of Holland Building Authority* (“Building 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 - Refunding Bonds, Series 2004 \*\*
- Building Authority - Refunding (Partial) Bonds, Series 2006 \*\*\*
- Building Authority - Refunding (Partial) Bonds, Series 2010 \*\*\*

\*\* 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.

\*\*\* 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.

## CITY OF HOLLAND, MICHIGAN

### ■ Nonmajor Governmental Funds

#### Debt Service Funds (Continued)

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

The original issue was partially refunded in 2006 and 2010, and now cancelled is:

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

#### *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 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

### 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, 2014, of estimated revenues and appropriations are carried forward to the ensuing fiscal year.

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

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

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

- Pilgrim Home Cemetery - Roofing
- Civic Center - Study of New or Renovated Facility
- Holland Museum - Assessment of Windows
- Tennis & Basketball Courts - Resurfacing
- Smallenburg Skate Park - Fence and Security Cameras

##### Public Safety

- Police Station:
  - Design for Lobby Renovations
- Fire Stations:
  - Waverly Station - Refinish Apparatus Bay Floor

# CITY OF HOLLAND, MICHIGAN

## ■ Nonmajor Governmental Funds

### All Other Municipal Projects & Programs

#### City Hall:

- Resurface Parking Lot

#### Sustainability:

- Study and Public Workshop
- Home Energy Retrofits
- Building Labeling
- Energy Upgrades to City Facilities

#### Ourstreet Program and Central Neighborhoods Restoration:

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

#### Transportation Services Bldg:

- Office Area - Paint and Carpet
- Maintenance Area - Install Roof Fans

#### Planning:

- Master Plans
- Waterfront Redevelopment

### Street Development and/or Redevelopment Projects

- Annual Resurfacing Program of Various Streets, includes residual crack sealing

- 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

- Geurink Boulevard, street reconstruction and enhancements

- Traffic Study

- Central Avenue, 8th Street to State Street, A&E for street reconstruction

- I196EB, US31 to Ottagon, street reconstruction

- 16th Street, Waverly to Quarterline, street reconstruction and enhancements

- Washington Avenue, Matt Urban to 32nd Street, street reconstruction and enhancements

### Drain Projects

#### Major Drain System Project:

- Watershed / Storm Water Regulation (MACC Project)

#### Studies:

- City Wide Drainage Master Plan

- Various Small Drain Projects

### Traffic Signalization Projects:

- Pine Avenue Signal Evaluation

### Sidewalk Projects:

- Sidewalk Repair / Replacement; designated areas for removal and replacement

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



CITY OF HOLLAND, MICHIGAN

**Combining Balance Sheet**  
 Nonmajor Governmental Funds  
 June 30, 2014

	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	\$ 2,504,418	\$ -	\$ 534,844	\$ 1,512,339
Receivables:				
Accounts	1,511	2,156	-	-
Taxes and special assessments	-	-	-	-
Leases receivable	-	-	-	-
Due from other governmental units	331,026	93,361	-	-
Due from other funds	4,763	5,138	-	-
Prepaid items	-	-	-	-
<b>Total assets</b>	<u>\$ 2,841,718</u>	<u>\$ 100,655</u>	<u>\$ 534,844</u>	<u>\$ 1,512,339</u>
<b>Liabilities</b>				
Accounts payable	\$ 67,629	\$ 31,633	\$ -	\$ 397
Accrued payroll and benefits	14,931	15,314	-	-
Due to other funds	31,198	51,708	-	-
Unearned revenue	-	-	-	-
<b>Total liabilities</b>	<u>113,758</u>	<u>98,655</u>	<u>-</u>	<u>397</u>
<b>Deferred inflows of resources</b>				
Unavailable revenue - special assessment receivable	-	-	-	-
Unavailable revenue - lease receivable	-	-	-	-
<b>Total deferred inflows of resources</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund balances</b>				
Nonspendable	-	-	-	-
Restricted	2,727,960	2,000	534,844	1,511,942
Committed	-	-	-	-
Unassigned (deficit)	-	-	-	-
<b>Total fund balances</b>	<u>2,727,960</u>	<u>2,000</u>	<u>534,844</u>	<u>1,511,942</u>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<u>\$ 2,841,718</u>	<u>\$ 100,655</u>	<u>\$ 534,844</u>	<u>\$ 1,512,339</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	Dangerous Structures
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\$ 204,885	\$ 123,072	\$ 199,374	\$ 261,347	\$ -	\$ 494,591	\$ -
371	-	550	118,842	-	3,924	-
-	-	-	-	746,911	-	-
-	-	-	-	-	-	-
-	-	-	-	-	2,500	-
-	-	300	-	-	-	-

<u>\$ 205,256</u>	<u>\$ 123,072</u>	<u>\$ 200,224</u>	<u>\$ 380,189</u>	<u>\$ 746,911</u>	<u>\$ 501,015</u>	<u>\$ -</u>
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\$ 63	\$ 11	\$ 753	\$ 290	\$ -	\$ 29,152	\$ -
1,540	-	8,460	4,803	-	6,859	-
704	96,803	134	-	151,746	-	-
-	-	-	-	-	-	-

<u>2,307</u>	<u>96,814</u>	<u>9,347</u>	<u>5,093</u>	<u>151,746</u>	<u>36,011</u>	<u>-</u>
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-	-	-	-	746,911	-	-
-	-	-	-	-	-	-

-	-	-	-	746,911	-	-
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-	-	300	-	-	-	-
202,949	26,258	190,577	-	-	465,004	-
-	-	-	375,096	-	-	-
-	-	-	-	(151,746)	-	-

<u>202,949</u>	<u>26,258</u>	<u>190,877</u>	<u>375,096</u>	<u>(151,746)</u>	<u>465,004</u>	<u>-</u>
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<u>\$ 205,256</u>	<u>\$ 123,072</u>	<u>\$ 200,224</u>	<u>\$ 380,189</u>	<u>\$ 746,911</u>	<u>\$ 501,015</u>	<u>\$ -</u>
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CITY OF HOLLAND, MICHIGAN

**Combining Balance Sheet**  
 Nonmajor Governmental Funds  
 June 30, 2014

	Special Revenue Funds			
	Public Safety			
	Police Criminal Justice Training	Anti-Drug Abuse Grants	Office of Highway Safety Planning (OHSP) Grant	Law Enforcement Block Grant
<b>Assets</b>				
Cash and pooled investments	\$ 773	\$ 12,090	\$ -	\$ -
Receivables:				
Accounts	-	-	-	-
Taxes and special assessments	-	-	-	-
Leases receivable	-	-	-	-
Due from other governmental units	-	1,222	6,246	610
Due from other funds	-	-	-	-
Prepaid items	-	-	-	-
<b>Total assets</b>	<u>\$ 773</u>	<u>\$ 13,312</u>	<u>\$ 6,246</u>	<u>\$ 610</u>
<b>Liabilities</b>				
Accounts payable	\$ 200	\$ 3,910	\$ -	\$ -
Accrued payroll and benefits	-	8,180	-	-
Due to other funds	-	1,222	6,246	610
Unearned revenue	-	-	-	-
<b>Total liabilities</b>	<u>200</u>	<u>13,312</u>	<u>6,246</u>	<u>610</u>
<b>Deferred inflows of resources</b>				
Unavailable revenue - special assessment receivable	-	-	-	-
Unavailable revenue - lease receivable	-	-	-	-
<b>Total deferred inflows of resources</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund balances</b>				
Nonspendable	-	-	-	-
Restricted	573	-	-	-
Committed	-	-	-	-
Unassigned (deficit)	-	-	-	-
<b>Total fund balances</b>	<u>573</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<u>\$ 773</u>	<u>\$ 13,312</u>	<u>\$ 6,246</u>	<u>\$ 610</u>



Special Revenue Funds

Public Safety			Culture and Community Improvement			
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Homeland Security Grant	Michigan Rehabilitation Services Grant	Organized Crime Enforcement	District Library Taxation	M.S.H.D.A. Grant	Community Development Block Grant (CDBG)	Eat Healthy For Life - EBT Program
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\$ -	\$ -	\$ -	\$ 12	\$ -	\$ 42,841	\$ 14,399
-	-	-	499	-	-	-
-	-	-	64	-	-	-
-	-	-	-	-	-	-
-	-	9,087	-	-	144,374	49
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,087</u>	<u>\$ 575</u>	<u>\$ -</u>	<u>\$ 187,215</u>	<u>\$ 14,448</u>

\$ -	\$ -	\$ -	\$ 507	\$ -	\$ 49,428	\$ 169
-	-	-	-	-	2,509	89
-	-	9,087	-	-	96,267	49
-	-	-	-	-	39,011	6,166
-	-	9,087	507	-	187,215	6,473

-	-	-	-	-	-	-
-	-	-	-	-	-	-

-	-	-	-	-	-	-
---	---	---	---	---	---	---

-	-	-	-	-	-	-
-	-	-	68	-	-	7,975
-	-	-	-	-	-	-
-	-	-	-	-	-	-

-	-	-	68	-	-	7,975
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<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,087</u>	<u>\$ 575</u>	<u>\$ -</u>	<u>\$ 187,215</u>	<u>\$ 14,448</u>
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CITY OF HOLLAND, MICHIGAN

**Combining Balance Sheet**  
 Nonmajor Governmental Funds  
 June 30, 2014

	Debt Service Funds			Capital Projects
	General Obligation Debt Service	Building Authority Debt Service	Special Assessment Debt Service	Infrastructure Projects
<b>Assets</b>				
Cash and pooled investments	\$ 169,724	\$ 12,746	\$ 26,463	\$ 520,652
Receivables:				
Accounts	-	-	-	-
Taxes and special assessments	699	-	116,466	492
Leases receivable	-	1,334,188	-	-
Due from other governmental units	-	-	-	-
Due from other funds	-	-	-	5,022
Prepaid items	-	-	-	-
<b>Total assets</b>	<u>\$ 170,423</u>	<u>\$ 1,346,934</u>	<u>\$ 142,929</u>	<u>\$ 526,166</u>
<b>Liabilities</b>				
Accounts payable	\$ 1,114	\$ -	\$ -	\$ 310,718
Accrued payroll and benefits	-	-	-	3,001
Due to other funds	-	-	8,708	-
Unearned revenue	-	-	-	84,167
<b>Total liabilities</b>	<u>1,114</u>	<u>-</u>	<u>8,708</u>	<u>397,886</u>
<b>Deferred inflows of resources</b>				
Unavailable revenue - special assessment receivable	-	-	116,466	492
Unavailable revenue - lease receivable	-	1,334,188	-	-
<b>Total deferred inflows of resources</b>	<u>-</u>	<u>1,334,188</u>	<u>116,466</u>	<u>492</u>
<b>Fund balances</b>				
Nonspendable	-	-	-	-
Restricted	-	-	-	8,652
Committed	169,309	12,746	17,755	119,136
Unassigned (deficit)	-	-	-	-
<b>Total fund balances</b>	<u>169,309</u>	<u>12,746</u>	<u>17,755</u>	<u>127,788</u>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<u>\$ 170,423</u>	<u>\$ 1,346,934</u>	<u>\$ 142,929</u>	<u>\$ 526,166</u>



Capital Projects	Permanent Fund	
Municipal Facilities/Land Improvements Projects	Cemetery Perpetual Care	Total
\$ 781,879	\$ 1,595,205	\$ 9,011,654
-	125	127,978
-	-	864,632
-	-	1,334,188
-	-	585,975
1,253,230	-	1,270,653
-	-	300
<u>\$ 2,035,109</u>	<u>\$ 1,595,330</u>	<u>\$ 13,195,380</u>
\$ 50,178	\$ -	\$ 546,152
-	-	65,686
-	-	454,482
-	-	129,344
<u>50,178</u>	<u>-</u>	<u>1,195,664</u>
-	-	863,869
-	-	1,334,188
<u>-</u>	<u>-</u>	<u>2,198,057</u>
-	1,530,437	1,530,737
-	64,893	5,743,695
1,984,931	-	2,678,973
-	-	(151,746)
<u>1,984,931</u>	<u>1,595,330</u>	<u>9,801,659</u>
<u>\$ 2,035,109</u>	<u>\$ 1,595,330</u>	<u>\$ 13,195,380</u>

concluded

CITY OF HOLLAND, MICHIGAN

Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
 Nonmajor Governmental Funds  
 For the Year Ended June 30, 2014

	Special Revenue Funds			
	Street Maintenance and Improvements			
	Major Street	Local Street	Allegan County Road Tax	Street Improvements Reserve
<b>Revenues</b>				
Property taxes	\$ -	\$ -	\$ -	\$ 988,452
Special assessments	-	-	-	-
Intergovernmental	2,381,647	573,609	427,824	-
Charges for services	16,451	22,815	-	-
Fines and fees	-	-	-	-
Contributions from private sector	-	-	-	-
Interest and rents	22,450	-	2,465	15,409
Miscellaneous	-	-	-	-
<b>Total revenues</b>	<u>2,420,548</u>	<u>596,424</u>	<u>430,289</u>	<u>1,003,861</u>
<b>Expenditures</b>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	1,610,750	1,377,390	-	-
Welfare and social services	-	-	-	-
Culture and recreation	-	-	-	-
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Capital outlay	-	-	-	-
<b>Total expenditures</b>	<u>1,610,750</u>	<u>1,377,390</u>	<u>-</u>	<u>-</u>
Revenue over (under) expenditures	<u>809,798</u>	<u>(780,966)</u>	<u>430,289</u>	<u>1,003,861</u>
<b>Other financing sources (uses)</b>				
Transfers in	-	780,966	-	100,000
Transfers out	(801,666)	-	(165,002)	(779,576)
<b>Total other financing sources (uses)</b>	<u>(801,666)</u>	<u>780,966</u>	<u>(165,002)</u>	<u>(679,576)</u>
Net changes in fund balances	8,132	-	265,287	324,285
Fund balances (deficit), beginning of year	<u>2,719,828</u>	<u>2,000</u>	<u>269,557</u>	<u>1,187,657</u>
Fund balances (deficit), end of year	<u>\$ 2,727,960</u>	<u>\$ 2,000</u>	<u>\$ 534,844</u>	<u>\$ 1,511,942</u>

Special Revenue Funds						
Downtown Operations	Downtown Operations		Miscellaneous Governmental Functions			
Public Parking System	Snowmelt Operating System	Principal Shopping District	CATV - (Public Access Channels)	Revolving Cash Assistance	Specified Donations	Dangerous Structures
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
188,183	130,057	179,733	-	187,306	-	-
-	-	-	-	-	375,000	-
21,311	-	115,694	7,300	-	-	-
-	-	-	437,206	-	-	-
-	-	30,291	-	-	661,921	-
1,625	1,014	1,620	3,337	26,050	-	-
-	-	-	30	-	-	-
<u>211,119</u>	<u>131,071</u>	<u>327,338</u>	<u>447,873</u>	<u>213,356</u>	<u>1,036,921</u>	<u>-</u>
-	-	-	117,835	-	118,819	1,707
-	-	-	-	-	-	-
185,425	238,717	-	-	-	-	-
-	-	-	-	-	-	-
-	-	340,776	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	83,268	-	11,110	-
<u>185,425</u>	<u>238,717</u>	<u>340,776</u>	<u>201,103</u>	<u>-</u>	<u>129,929</u>	<u>1,707</u>
<u>25,694</u>	<u>(107,646)</u>	<u>(13,438)</u>	<u>246,770</u>	<u>213,356</u>	<u>906,992</u>	<u>(1,707)</u>
-	29,250	-	-	-	5,000	1,707
(8,550)	-	-	(200,000)	-	(616,648)	-
<u>(8,550)</u>	<u>29,250</u>	<u>-</u>	<u>(200,000)</u>	<u>-</u>	<u>(611,648)</u>	<u>1,707</u>
17,144	(78,396)	(13,438)	46,770	213,356	295,344	-
<u>185,805</u>	<u>104,654</u>	<u>204,315</u>	<u>328,326</u>	<u>(365,102)</u>	<u>169,660</u>	<u>-</u>
<u>\$ 202,949</u>	<u>\$ 26,258</u>	<u>\$ 190,877</u>	<u>\$ 375,096</u>	<u>\$ (151,746)</u>	<u>\$ 465,004</u>	<u>\$ -</u>

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CITY OF HOLLAND, MICHIGAN

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
 Nonmajor Governmental Funds  
 For the Year Ended June 30, 2014

	Special Revenue Funds			
	Public Safety			
	Police Criminal Justice Training	Anti-Drug Abuse Grants	Office of Highway Safety Planning (OHSP) Grant	Law Enforcement Block Grant
<b>Revenues</b>				
Property taxes	\$ -	\$ -	\$ -	\$ -
Special assessments	-	-	-	-
Intergovernmental	10,531	52,966	38,384	10,737
Charges for services	-	-	-	-
Fines and fees	-	-	-	-
Contributions from private sector	-	-	-	-
Interest and rents	-	-	-	-
Miscellaneous	-	-	-	-
<b>Total revenues</b>	<b>10,531</b>	<b>52,966</b>	<b>38,384</b>	<b>10,737</b>
<b>Expenditures</b>				
Current:				
General government	-	-	-	-
Public safety	10,575	278,035	38,384	610
Public works	-	-	-	-
Welfare and social services	-	-	-	-
Culture and recreation	-	-	-	-
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Capital outlay	-	-	-	10,127
<b>Total expenditures</b>	<b>10,575</b>	<b>278,035</b>	<b>38,384</b>	<b>10,737</b>
Revenue over (under) expenditures	(44)	(225,069)	-	-
<b>Other financing sources (uses)</b>				
Transfers in	-	225,069	-	-
Transfers out	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>225,069</b>	<b>-</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>(44)</b>	<b>-</b>	<b>-</b>	<b>-</b>
Fund balances (deficit), beginning of year	617	-	-	-
<b>Fund balances (deficit), end of year</b>	<b>\$ 573</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>



Special Revenue Funds

Public Safety			Culture and Community Improvement			
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Homeland Security Grant	Michigan Rehabilitation Services Grant	Organized Crime Enforcement	District Library Taxation	M.S.H.D.A. Grant	Community Development Block Grant (CDBG)	Eat Healthy For Life - EBT Program
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\$ -	\$ -	\$ -	\$ 1,247,365	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
63,605	33,700	17,723	-	44,200	427,270	2,300
-	-	-	-	-	-	-
-	-	-	-	-	124,410	8,334
-	-	-	-	-	-	-
-	-	-	-	-	3,498	-
<u>63,605</u>	<u>33,700</u>	<u>17,723</u>	<u>1,247,365</u>	<u>44,200</u>	<u>555,178</u>	<u>10,634</u>

-	-	-	-	-	-	-
-	-	17,723	-	-	-	-
-	-	-	-	-	-	-
-	33,700	-	-	36,565	555,178	26,606
-	-	-	1,247,632	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
63,605	-	-	-	-	-	-

<u>63,605</u>	<u>33,700</u>	<u>17,723</u>	<u>1,247,632</u>	<u>36,565</u>	<u>555,178</u>	<u>26,606</u>
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-	-	-	(267)	7,635	-	(15,972)
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-	-	-	-	-	-	-
-	-	-	-	(7,635)	-	-

-	-	-	-	(7,635)	-	-
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-	-	-	(267)	-	-	(15,972)
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-	-	-	335	-	-	23,947
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<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 68</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,975</u>
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# CITY OF HOLLAND, MICHIGAN

## Combining Statement of Revenues, Expenditures and Changes in Fund Balances Nonmajor Governmental Funds For the Year Ended June 30, 2014

	Debt Service Funds			Capital Projects
	General Obligation Debt Service	Building Authority Debt Service	Special Assessment Debt Service	Infrastructure Projects
<b>Revenues</b>				
Property taxes	\$ 2,834,077	\$ -	\$ -	\$ 49,379
Special assessments	-	-	88,297	164
Intergovernmental	-	-	-	704,364
Charges for services	-	-	-	-
Fines and fees	-	-	-	-
Contributions from private sector	-	-	-	-
Interest and rents	4,393	529,815	11,211	602
Miscellaneous	249,540	-	-	500
<b>Total revenues</b>	<b>3,088,010</b>	<b>529,815</b>	<b>99,508</b>	<b>755,009</b>
<b>Expenditures</b>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Welfare and social services	-	-	-	-
Culture and recreation	-	-	-	-
Debt service:				
Principal retirement	709,000	2,925,000	205,000	-
Interest and fiscal charges	285,206	616,996	10,182	-
Capital outlay	-	-	-	1,678,629
<b>Total expenditures</b>	<b>994,206</b>	<b>3,541,996</b>	<b>215,182</b>	<b>1,678,629</b>
Revenue over (under) expenditures	2,093,804	(3,012,181)	(115,674)	(923,620)
<b>Other financing sources (uses)</b>				
Transfers in	965,164	3,012,339	66,405	944,578
Transfers out	(3,012,339)	-	(50,455)	-
<b>Total other financing sources (uses)</b>	<b>(2,047,175)</b>	<b>3,012,339</b>	<b>15,950</b>	<b>944,578</b>
Net change in fund balances	46,629	158	(99,724)	20,958
Fund balances (deficit), beginning of year	122,680	12,588	117,479	106,830
Fund balances (deficit), end of year	\$ 169,309	\$ 12,746	\$ 17,755	\$ 127,788



Capital Projects	Permanent Fund	
Municipal Facilities/Land Improvements Projects	Cemetery Perpetual Care	Total
\$ 233,214	\$ -	\$ 5,352,487
-	-	773,740
-	-	5,163,860
-	27,335	210,906
-	-	437,206
27,461	-	852,417
16,983	13,582	650,556
748	-	254,316
<u>278,406</u>	<u>40,917</u>	<u>13,695,488</u>
-	-	238,361
-	-	345,327
-	-	3,412,282
-	-	652,049
-	-	1,588,408
-	-	3,839,000
-	-	912,384
489,607	-	2,336,346
<u>489,607</u>	<u>-</u>	<u>13,324,157</u>
<u>(211,201)</u>	<u>40,917</u>	<u>371,331</u>
631,351	-	6,761,829
(79,256)	(21,072)	(5,742,199)
<u>552,095</u>	<u>(21,072)</u>	<u>1,019,630</u>
340,894	19,845	1,390,961
<u>1,644,037</u>	<u>1,575,485</u>	<u>8,410,698</u>
<u>\$ 1,984,931</u>	<u>\$ 1,595,330</u>	<u>\$ 9,801,659</u>

concluded

# CITY OF HOLLAND, MICHIGAN

## Schedule of Revenues, Expenditures and Changes in Fund Balances Budget and Actual - Major Street Fund For the Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
<b>Revenues</b>				
Intergovernmental	\$ 2,139,000	\$ 2,298,007	\$ 2,381,647	\$ 83,640
Charges for services	35,000	17,000	16,451	(549)
Interest and rents	12,000	14,500	22,450	7,950
<b>Total revenues</b>	<b>2,186,000</b>	<b>2,329,507</b>	<b>2,420,548</b>	<b>91,041</b>
<b>Expenditures</b>				
Current:				
Public works:				
Personnel services	490,730	670,480	695,486	25,006
Other services and charges	994,240	966,065	915,264	(50,801)
<b>Total expenditures</b>	<b>1,484,970</b>	<b>1,636,545</b>	<b>1,610,750</b>	<b>(25,795)</b>
Revenues over expenditures	701,030	692,962	809,798	116,836
<b>Other financing uses</b>				
Transfers out	(710,565)	(893,770)	(801,666)	92,104
<b>Net changes in fund balances</b>	<b>(9,535)</b>	<b>(200,808)</b>	<b>8,132</b>	<b>208,940</b>
Fund balances, beginning of year	2,719,828	2,719,828	2,719,828	-
<b>Fund balances, end of year</b>	<b>\$ 2,710,293</b>	<b>\$ 2,519,020</b>	<b>\$ 2,727,960</b>	<b>\$ 208,940</b>

# CITY OF HOLLAND, MICHIGAN

## Schedule of Revenues, Expenditures and Changes in Fund Balances Budget and Actual - Local Street Fund For the Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
<b>Revenues</b>				
Intergovernmental	\$ 538,000	\$ 550,237	\$ 573,609	\$ 23,372
Charges for services	35,000	16,000	22,815	6,815
Interest and rents	1,100	500	-	(500)
<b>Total revenues</b>	<b>574,100</b>	<b>566,737</b>	<b>596,424</b>	<b>29,687</b>
<b>Expenditures</b>				
Current:				
Public works:				
Personnel services	511,665	621,515	632,034	10,519
Other services and charges	752,300	808,388	745,356	(63,032)
<b>Total expenditures</b>	<b>1,263,965</b>	<b>1,429,903</b>	<b>1,377,390</b>	<b>(52,513)</b>
Revenues over (under) expenditures	(689,865)	(863,166)	(780,966)	82,200
<b>Other financing sources</b>				
Transfers in	689,865	863,166	780,966	(82,200)
Net changes in fund balances	-	-	-	-
Fund balances, beginning of year	2,000	2,000	2,000	-
Fund balances, end of year	\$ 2,000	\$ 2,000	\$ 2,000	\$ -

CITY OF HOLLAND, MICHIGAN

**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
 Budget and Actual - Allegan County Road Tax Fund  
 For the Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Intergovernmental	\$ 370,000	\$ 375,000	\$ 427,824	\$ 52,824
Interest and rents	150	1,400	2,465	1,065
	<u>370,150</u>	<u>376,400</u>	<u>430,289</u>	<u>53,889</u>
Total revenues	370,150	376,400	430,289	53,889
Other financing uses				
Transfers out	(165,000)	(382,615)	(165,002)	217,613
	<u>(165,000)</u>	<u>(382,615)</u>	<u>(165,002)</u>	<u>217,613</u>
Net changes in fund balances	205,150	(6,215)	265,287	271,502
Fund balances, beginning of year	<u>269,557</u>	<u>269,557</u>	<u>269,557</u>	<u>-</u>
Fund balances, end of year	<u>\$ 474,707</u>	<u>\$ 263,342</u>	<u>\$ 534,844</u>	<u>\$ 271,502</u>

CITY OF HOLLAND, MICHIGAN

**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
 Budget and Actual - Street Improvements Reserve Fund  
 For the Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Property taxes	\$ 989,600	\$ 988,856	\$ 988,452	\$ (404)
Interest and rents	6,000	9,500	15,409	5,909
<b>Total revenues</b>	<b>995,600</b>	<b>998,356</b>	<b>1,003,861</b>	<b>5,505</b>
Other financing sources (uses)				
Transfers in	100,000	-	100,000	100,000
Transfers out	(1,799,390)	(1,794,610)	(779,576)	1,015,034
<b>Total other financing sources (uses)</b>	<b>(1,699,390)</b>	<b>(1,794,610)</b>	<b>(679,576)</b>	<b>1,115,034</b>
<b>Net changes in fund balances</b>	<b>(703,790)</b>	<b>(796,254)</b>	<b>324,285</b>	<b>1,120,539</b>
Fund balances, beginning of year	1,187,657	1,187,657	1,187,657	-
<b>Fund balances, end of year</b>	<b>\$ 483,867</b>	<b>\$ 391,403</b>	<b>\$ 1,511,942</b>	<b>\$ 1,120,539</b>

# CITY OF HOLLAND, MICHIGAN

## Schedule of Revenues, Expenditures and Changes in Fund Balances Budget and Actual - Public Parking System Fund For the Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Special assessments	\$ 186,433	\$ 188,183	\$ 188,183	\$ -
Charges for services	17,850	19,850	21,311	1,461
Interest and rents	700	700	1,625	925
<b>Total revenues</b>	<b>204,983</b>	<b>208,733</b>	<b>211,119</b>	<b>2,386</b>
Expenditures				
Current:				
Public works:				
Personnel services	76,027	82,539	73,001	(9,538)
Other services and charges	150,860	161,324	112,424	(48,900)
<b>Total expenditures</b>	<b>226,887</b>	<b>243,863</b>	<b>185,425</b>	<b>(58,438)</b>
Revenues over (under) expenditures	(21,904)	(35,130)	25,694	60,824
Other financing sources uses				
Transfers out	(8,500)	(8,550)	(8,550)	-
Net changes in fund balances	(30,404)	(43,680)	17,144	60,824
Fund balances, beginning of year	185,805	185,805	185,805	-
<b>Fund balances, end of year</b>	<b>\$ 155,401</b>	<b>\$ 142,125</b>	<b>\$ 202,949</b>	<b>\$ 60,824</b>

CITY OF HOLLAND, MICHIGAN

**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
 Budget and Actual - Snowmelt Operating System Fund  
 For the Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Special assessments	\$ 130,025	\$ 129,126	\$ 130,057	\$ 931
Interest and rents	300	400	1,014	614
	<u>130,325</u>	<u>129,526</u>	<u>131,071</u>	<u>1,545</u>
Total revenues				
Expenditures				
Current:				
Public works:				
Other services and charges	<u>187,617</u>	<u>202,317</u>	<u>238,717</u>	<u>36,400</u>
Revenues under expenditures	(57,292)	(72,791)	(107,646)	(34,855)
Other financing sources				
Transfers in	<u>29,200</u>	<u>29,250</u>	<u>29,250</u>	<u>-</u>
Net changes in fund balances	(28,092)	(43,541)	(78,396)	(34,855)
Fund balances, beginning of year	<u>104,654</u>	<u>104,654</u>	<u>104,654</u>	<u>-</u>
Fund balances, end of year	<u>\$ 76,562</u>	<u>\$ 61,113</u>	<u>\$ 26,258</u>	<u>\$ (34,855)</u>

# CITY OF HOLLAND, MICHIGAN

## Schedule of Revenues, Expenditures and Changes in Fund Balances Budget and Actual - Principal Shopping District Fund For the Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
<b>Revenues</b>				
Special assessments	\$ 181,200	\$ 179,734	\$ 179,733	\$ (1)
Charges for services	170,500	115,528	115,694	166
Contributions from private sector	26,900	30,230	30,291	61
Interest and rents	500	900	1,620	720
<b>Total revenues</b>	<b>379,100</b>	<b>326,392</b>	<b>327,338</b>	<b>946</b>
<b>Expenditures</b>				
Current:				
Culture and recreation:				
Personnel services	214,690	202,825	181,995	(20,830)
Other services and charges	208,700	176,342	158,781	(17,561)
<b>Total expenditures</b>	<b>423,390</b>	<b>379,167</b>	<b>340,776</b>	<b>(38,391)</b>
<b>Net changes in fund balances</b>	<b>(44,290)</b>	<b>(52,775)</b>	<b>(13,438)</b>	<b>39,337</b>
Fund balances, beginning of year	204,315	204,315	204,315	-
<b>Fund balances, end of year</b>	<b>\$ 160,025</b>	<b>\$ 151,540</b>	<b>\$ 190,877</b>	<b>\$ 39,337</b>

# CITY OF HOLLAND, MICHIGAN

## Schedule of Revenues, Expenditures and Changes in Fund Balances Budget and Actual - CATV (Public Access Channels) Fund For the Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
<b>Revenues</b>				
Charges for services	\$ 10,000	\$ 5,000	\$ 7,300	\$ 2,300
Fines and fees	411,500	421,000	437,206	16,206
Interest and rents	2,000	1,500	3,337	1,837
Miscellaneous	1,000	500	30	(470)
<b>Total revenues</b>	<b>424,500</b>	<b>428,000</b>	<b>447,873</b>	<b>19,873</b>
<b>Expenditures</b>				
Current:				
General government:				
Personnel services	87,464	89,335	88,156	(1,179)
Other services and charges	33,900	39,850	29,679	(10,171)
Capital outlay	82,000	83,300	83,268	(32)
<b>Total expenditures</b>	<b>203,364</b>	<b>212,485</b>	<b>201,103</b>	<b>(11,382)</b>
Revenues over expenditures	221,136	215,515	246,770	31,255
<b>Other financing uses</b>				
Transfers out	(214,700)	(200,000)	(200,000)	-
<b>Net changes in fund balances</b>	<b>6,436</b>	<b>15,515</b>	<b>46,770</b>	<b>31,255</b>
Fund balances, beginning of year	328,326	328,326	328,326	-
<b>Fund balances, end of year</b>	<b>\$ 334,762</b>	<b>\$ 343,841</b>	<b>\$ 375,096</b>	<b>\$ 31,255</b>

CITY OF HOLLAND, MICHIGAN

**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
 Budget and Actual - Revolving Cash Assistance Fund  
 For the Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Special assessments	\$ 110,225	\$ 122,300	\$ 187,306	\$ 65,006
Interest and rents	25,840	24,701	26,050	1,349
	<u>136,065</u>	<u>147,001</u>	<u>213,356</u>	<u>66,355</u>
Total revenues	136,065	147,001	213,356	66,355
Fund balances (deficit), beginning of year	<u>(365,102)</u>	<u>(365,102)</u>	<u>(365,102)</u>	<u>-</u>
Fund balances (deficit), end of year	<u>\$ (229,037)</u>	<u>\$ (218,101)</u>	<u>\$ (151,746)</u>	<u>\$ 66,355</u>

# CITY OF HOLLAND, MICHIGAN

## Schedule of Revenues, Expenditures and Changes in Fund Balances Budget and Actual - Specified Donations Fund For the Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
<b>Revenues</b>				
Intergovernmental	\$ -	\$ 375,000	\$ 375,000	\$ -
Contributions from private sector	-	602,420	661,921	59,501
<b>Total revenues</b>	<u>-</u>	<u>977,420</u>	<u>1,036,921</u>	<u>59,501</u>
<b>Expenditures</b>				
Current:				
General government:				
Personnel services	-	112,385	19,136	(93,249)
Other services and charges	-	233,184	99,683	(133,501)
Capital outlay	-	57,211	11,110	(46,101)
<b>Total expenditures</b>	<u>-</u>	<u>402,780</u>	<u>129,929</u>	<u>(272,851)</u>
Revenues over expenditures	<u>-</u>	<u>574,640</u>	<u>906,992</u>	<u>332,352</u>
<b>Other financing sources (uses)</b>				
Transfers in	-	5,567	5,000	(567)
Transfers out	-	(749,867)	(616,648)	133,219
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>(744,300)</u>	<u>(611,648)</u>	<u>132,652</u>
Net changes in fund balances	-	(169,660)	295,344	465,004
Fund balances, beginning of year	<u>169,660</u>	<u>169,660</u>	<u>169,660</u>	<u>-</u>
Fund balances, end of year	<u>\$ 169,660</u>	<u>\$ -</u>	<u>\$ 465,004</u>	<u>\$ 465,004</u>

CITY OF HOLLAND, MICHIGAN

**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
 Budget and Actual - Dangerous Structures Fund  
 For the Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Charges for services	\$ 15,000	\$ -	\$ -	\$ -
Expenditures				
Current:				
General government:				
Other services and charges	10,200	1,194	1,707	513
Revenues over (under) expenditures	4,800	(1,194)	(1,707)	(513)
Other financing sources				
Transfers in	-	1,194	1,707	513
Net changes in fund balances	4,800	-	-	-
Fund balances, beginning of year	-	-	-	-
Fund balances, end of year	\$ 4,800	\$ -	\$ -	\$ -

CITY OF HOLLAND, MICHIGAN

**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
 Budget and Actual - Police Criminal Justice Training Fund  
 For the Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Intergovernmental	\$ 11,000	\$ 10,000	\$ 10,531	\$ 531
Expenditures				
Current:				
Public safety:				
Other services and charges	11,000	10,617	10,575	(42)
Net changes in fund balances	-	(617)	(44)	573
Fund balances, beginning of year	617	617	617	-
Fund balances, end of year	<u>\$ 617</u>	<u>\$ -</u>	<u>\$ 573</u>	<u>\$ 573</u>

CITY OF HOLLAND, MICHIGAN

**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
 Budget and Actual - Anti-Drug Abuse Grant Fund  
 For the Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Intergovernmental	\$ -	\$ 53,417	\$ 52,966	\$ (451)
Expenditures				
Current:				
Public safety:				
Personal services	-	278,304	278,035	(269)
Revenues under expenditures	-	(224,887)	(225,069)	(182)
Other financing sources				
Transfers in	-	224,887	225,069	182
Net changes in fund balances	-	-	-	-
Fund balances, beginning of year	-	-	-	-
Fund balances, end of year	\$ -	\$ -	\$ -	\$ -

CITY OF HOLLAND, MICHIGAN

**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
 Budget and Actual - Office of Highway Safety Planning (OHSP) Grant Fund  
 For the Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Intergovernmental	\$ 37,488	\$ 53,488	\$ 38,384	\$ (15,104)
Expenditures				
Current:				
Public safety:				
Personal services	37,488	53,488	38,384	(15,104)
Net changes in fund balances	-	-	-	-
Fund balances, beginning of year	-	-	-	-
Fund balances, end of year	\$ -	\$ -	\$ -	\$ -

CITY OF HOLLAND, MICHIGAN

**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
 Budget and Actual - Law Enforcement Block Grant Fund  
 For the Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Intergovernmental	\$ -	\$ 16,587	\$ 10,737	\$ (5,850)
Expenditures				
Current:				
Public safety:				
Other services and charges	-	6,460	610	(5,850)
Capital outlay	-	10,127	10,127	-
Total expenditures	-	16,587	10,737	(5,850)
Net changes in fund balances	-	-	-	-
Fund balances, beginning of year	-	-	-	-
Fund balances, end of year	\$ -	\$ -	\$ -	\$ -

CITY OF HOLLAND, MICHIGAN

**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
 Budget and Actual - Homeland Security Grant Fund  
 For the Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Intergovernmental	\$ -	\$ 100,000	\$ 63,605	\$ (36,395)
Expenditures				
Capital outlay	-	100,000	63,605	(36,395)
Net changes in fund balances	-	-	-	-
Fund balances, beginning of year	-	-	-	-
Fund balances, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF HOLLAND, MICHIGAN

**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
 Budget and Actual - Michigan Rehabilitation Services Grant Fund  
 For the Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Intergovernmental	\$ -	\$ 33,700	\$ 33,700	\$ -
Expenditures				
Current:				
Welfare and social services:				
Other services and charges	-	33,700	33,700	-
Net changes in fund balances	-	-	-	-
Fund balances, beginning of year	-	-	-	-
Fund balances, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF HOLLAND, MICHIGAN

**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
 Budget and Actual - Organized Crime Enforcement Fund  
 For the Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Intergovernmental	\$ -	\$ 15,000	\$ 17,723	\$ 2,723
Expenditures				
Current:				
Public safety:				
Personnel services	-	15,000	17,723	2,723
Net changes in fund balances	-	-	-	-
Fund balances, beginning of year	-	-	-	-
Fund balances, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF HOLLAND, MICHIGAN

**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
 Budget and Actual - District Library Taxation Fund  
 For the Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Property taxes	\$ 1,262,613	\$ 1,246,444	\$ 1,247,365	\$ 921
Expenditures				
Current:				
Culture and recreation:				
Other services and charges	1,262,613	1,246,648	1,247,632	984
Net changes in fund balances	-	(204)	(267)	(63)
Fund balances, beginning of year	335	335	335	-
Fund balances, end of year	<u>\$ 335</u>	<u>\$ 131</u>	<u>\$ 68</u>	<u>\$ (63)</u>

CITY OF HOLLAND, MICHIGAN

**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
 Budget and Actual - MSHDA Grant Fund  
 For the Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Intergovernmental	\$ 119,921	\$ 119,921	\$ 44,200	\$ (75,721)
Expenditures				
Current:				
Welfare and social services:				
Other services and charges	119,921	119,921	36,565	(83,356)
Revenues over expenditures	-	-	7,635	7,635
Other financing uses				
Transfers out	-	-	(7,635)	(7,635)
Net changes in fund balances	-	-	-	-
Fund balances, beginning of year	-	-	-	-
Fund balances, end of year	\$ -	\$ -	\$ -	\$ -

CITY OF HOLLAND, MICHIGAN

**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
 Budget and Actual - Community Development Block Grant Fund  
 For the Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
<b>Revenues</b>				
Intergovernmental	\$ 511,836	\$ 513,333	\$ 427,270	\$ (86,063)
Contributions from private sector	22,460	165,574	124,410	(41,164)
Miscellaneous	-	(1,497)	3,498	4,995
<b>Total revenues</b>	<u>534,296</u>	<u>677,410</u>	<u>555,178</u>	<u>(122,232)</u>
<b>Expenditures</b>				
Current:				
Welfare and social services:				
Personnel services	38,075	86,258	75,555	(10,703)
Other services and charges	458,146	591,152	479,623	(111,529)
<b>Total expenditures</b>	<u>496,221</u>	<u>677,410</u>	<u>555,178</u>	<u>(122,232)</u>
<b>Net changes in fund balances</b>	38,075	-	-	-
<b>Fund balances, beginning of year</b>	-	-	-	-
<b>Fund balances, end of year</b>	<u>\$ 38,075</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF HOLLAND, MICHIGAN

**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
 Budget and Actual - Eat Healthy For Life Fund  
 For the Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Intergovernmental	\$ 6,133	\$ 6,133	\$ 2,300	\$ (3,833)
Contributions from private sector	-	11,400	8,334	(3,066)
<b>Total revenues</b>	<b>6,133</b>	<b>17,533</b>	<b>10,634</b>	<b>(6,899)</b>
Expenditures				
Current:				
Welfare and social services:				
Personnel services	6,133	9,918	3,730	(6,188)
Other services and charges	25,458	31,562	22,876	(8,686)
<b>Total expenditures</b>	<b>31,591</b>	<b>41,480</b>	<b>26,606</b>	<b>(14,874)</b>
Net changes in fund balances	(25,458)	(23,947)	(15,972)	7,975
Fund balances, beginning of year	23,947	23,947	23,947	-
Fund balances, end of year	\$ (1,511)	\$ -	\$ 7,975	\$ 7,975

CITY OF HOLLAND, MICHIGAN

**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
 Budget and Actual - Cemetery Perpetual Care Fund  
 For the Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Charges for services	\$ 29,600	\$ 27,500	\$ 27,335	\$ (165)
Interest and rents	8,000	6,000	13,582	7,582
<b>Total revenues</b>	<b>37,600</b>	<b>33,500</b>	<b>40,917</b>	<b>7,417</b>
Other financing uses				
Transfers out	(8,000)	(17,932)	(21,072)	(3,140)
<b>Net changes in fund balances</b>	<b>29,600</b>	<b>15,568</b>	<b>19,845</b>	<b>4,277</b>
Fund balances, beginning of year	1,575,485	1,575,485	1,575,485	-
<b>Fund balances, end of year</b>	<b>\$ 1,605,085</b>	<b>\$ 1,591,053</b>	<b>\$ 1,595,330</b>	<b>\$ 4,277</b>

# 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.

In 1979, a joint agreement was established between the City 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 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.

The City 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 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, 2014, the residential customer count for this service is:

- Single-family residences and multi-family housing developments of up to 4-family units = 10,088
- Multi-family housing developments of greater than 4-family units = 1

The entire pickup and hauling operation is contracted to one private sector hauler, with options for contract extension if stipulated by both parties. Administration function is 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 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 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 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 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, 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.

#### Public Transit Facilities and Management System Fund

In previous years the City, 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 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 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 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.

#### 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 Position**

Nonmajor Enterprise Funds

June 30, 2014

	Refuse and Recycling Pickup	Windmill Island	Depot Operations	Airport Facilities and Management System
<b>Assets</b>				
Current assets:				
Cash and pooled investments	\$ 481,899	\$ 74,152	\$ 6	\$ -
Receivables:				
Accounts	277,541	13,493	-	-
Taxes and special assessments	-	-	-	26
<b>Total current assets</b>	<b>759,440</b>	<b>87,645</b>	<b>6</b>	<b>26</b>
Noncurrent assets:				
Capital assets:				
Land	-	99,809	291,300	5,961,250
Construction in progress	-	13,247	-	-
Machinery and equipment	-	3,559,184	1,667,199	14,043,709
Accumulated depreciation	-	(1,654,062)	(1,136,448)	(9,317,043)
<b>Total noncurrent assets</b>	<b>-</b>	<b>2,018,178</b>	<b>822,051</b>	<b>10,687,916</b>
<b>Total assets</b>	<b>759,440</b>	<b>2,105,823</b>	<b>822,057</b>	<b>10,687,942</b>
<b>Liabilities</b>				
Current liabilities:				
Accounts payable	24,147	14,850	-	-
Accrued payroll and benefits	2,836	26,968	-	-
Due to other funds	-	1,875	-	26
Deposits	-	34,000	-	-
Unearned revenue	186,589	-	-	-
Accrued compensated absences - current	4,491	9,952	-	-
<b>Total liabilities (all current)</b>	<b>218,063</b>	<b>87,645</b>	<b>-</b>	<b>26</b>
<b>Net position</b>				
Net investment in capital assets	-	2,018,178	822,051	10,687,916
Unrestricted	541,377	-	6	-
<b>Total net position</b>	<b>\$ 541,377</b>	<b>\$ 2,018,178</b>	<b>\$ 822,057</b>	<b>\$ 10,687,916</b>

Public Transit Facilities and Management System	Employee Benefit Fund	Total
\$ 1,571	\$ 12,560	\$ 570,188
66	67	291,167
-	-	26
<u>1,637</u>	<u>12,627</u>	<u>861,381</u>
-	-	6,352,359
-	-	13,247
508,254	-	19,778,346
(253,480)	-	(12,361,033)
<u>254,774</u>	<u>-</u>	<u>13,782,919</u>
<u>256,411</u>	<u>12,627</u>	<u>14,644,300</u>
-	467	39,464
-	-	29,804
-	-	1,901
-	-	34,000
-	-	186,589
-	-	14,443
<u>-</u>	<u>467</u>	<u>306,201</u>
254,774	-	13,782,919
<u>1,637</u>	<u>12,160</u>	<u>555,180</u>
<u>\$ 256,411</u>	<u>\$ 12,160</u>	<u>\$ 14,338,099</u>

CITY OF HOLLAND, MICHIGAN

**Combining Statement of Revenues, Expenses and Changes in Fund Net Position**

Nonmajor Enterprise Funds  
For the Year Ended June 30, 2014

	Refuse and Recycling Pickup	Windmill Island	Depot Operations	Airport Facilities and Management System
<b>Operating revenues</b>				
Usage fees and charges for services	\$ 1,568,519	\$ 44,351	\$ -	\$ -
Admissions and fares	-	439,113	-	-
Rentals	-	80,175	1	-
Miscellaneous	200	-	-	-
<b>Total operating revenues</b>	<b>1,568,719</b>	<b>563,639</b>	<b>1</b>	<b>-</b>
<b>Operating expenses</b>				
Personal services	110,620	414,448	-	-
Other current expenses	1,324,826	239,534	-	99,003
Depreciation	-	109,767	24,540	461,005
<b>Total operating expenses</b>	<b>1,435,446</b>	<b>763,749</b>	<b>24,540</b>	<b>560,008</b>
<b>Operating income (loss)</b>	<b>133,273</b>	<b>(200,110)</b>	<b>(24,539)</b>	<b>(560,008)</b>
<b>Nonoperating revenues</b>				
Property taxes	-	-	-	98,858
Other private donations	-	11,400	-	-
Investment earnings	2,238	155	-	-
<b>Total nonoperating revenues</b>	<b>2,238</b>	<b>11,555</b>	<b>-</b>	<b>98,858</b>
<b>Income (loss) before transfers</b>	<b>135,511</b>	<b>(188,555)</b>	<b>(24,539)</b>	<b>(461,150)</b>
<b>Transfers</b>				
Transfers in	-	708,459	-	-
Transfers out	-	(8,675)	-	-
<b>Total transfers</b>	<b>-</b>	<b>699,784</b>	<b>-</b>	<b>-</b>
<b>Changes in net position</b>	<b>135,511</b>	<b>511,229</b>	<b>(24,539)</b>	<b>(461,150)</b>
<b>Net position, beginning of year</b>	<b>405,866</b>	<b>1,506,949</b>	<b>846,596</b>	<b>11,149,066</b>
<b>Net position, end of year</b>	<b>\$ 541,377</b>	<b>\$ 2,018,178</b>	<b>\$ 822,057</b>	<b>\$ 10,687,916</b>

Public Transit Facilities and Management System	Employee Benefit Fund	Total
\$ 541	\$ 7,967	\$ 1,621,378
-	-	439,113
-	-	80,176
-	-	200
<u>541</u>	<u>7,967</u>	<u>2,140,867</u>
-	-	525,068
541	9,015	1,672,919
<u>11,767</u>	<u>-</u>	<u>607,079</u>
<u>12,308</u>	<u>9,015</u>	<u>2,805,066</u>
<u>(11,767)</u>	<u>(1,048)</u>	<u>(664,199)</u>
-	-	98,858
-	2,370	13,770
<u>13</u>	<u>102</u>	<u>2,508</u>
<u>13</u>	<u>2,472</u>	<u>115,136</u>
<u>(11,754)</u>	<u>1,424</u>	<u>(549,063)</u>
-	-	708,459
-	-	(8,675)
-	-	699,784
<u>(11,754)</u>	<u>1,424</u>	<u>150,721</u>
<u>268,165</u>	<u>10,736</u>	<u>14,187,378</u>
<u>\$ 256,411</u>	<u>\$ 12,160</u>	<u>\$ 14,338,099</u>

CITY OF HOLLAND, MICHIGAN

**Combining Statement of Cash Flows**

Nonmajor Enterprise Funds

For the Year Ended June 30, 2014

	Refuse and Recycling Pickup	Windmill Island	Depot Operations	Airport Facilities and Management System
Cash flows from operating activities				
Receipts from customers and users	\$ 1,483,590	\$ 559,717	\$ 1	\$ -
Payments to suppliers	(1,427,114)	(227,680)	-	(99,003)
Payments to employees	(109,888)	(410,417)	-	-
Net cash provided by (used in) operating activities	(53,412)	(78,380)	1	(99,003)
Cash flows from noncapital financing activities				
Property taxes	-	-	-	98,870
Other private donations	-	11,400	-	-
Net cash provided by noncapital financing activities	-	11,400	-	98,870
Cash flows from capital and related financing activities				
Intragovernmental receipts	-	700,033	-	-
Purchase of capital assets	-	(620,996)	-	-
Net cash provided by capital and related financing activities	-	79,037	-	-
Cash flows from investing activities				
Investment earnings	2,238	155	-	-
Net increase (decrease) in cash and cash equivalents	(51,174)	12,212	1	(133)
Cash and pooled investments, beginning of year	533,073	61,940	5	133
Cash and pooled investments, end of year	\$ 481,899	\$ 74,152	\$ 6	\$ -
Cash flows from operating activities				
Operating income (loss)	\$ 133,273	\$ (200,110)	\$ (24,539)	\$ (560,008)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	-	109,767	24,540	461,005
Change in:				
Receivable	(131,018)	915	-	-
Prepaid items	-	1,295	-	-
Accounts payable	(102,288)	10,559	-	-
Accrued payroll and benefits	866	4,554	-	-
Accrued compensated absences	(134)	(523)	-	-
Unearned revenue	45,889	(4,837)	-	-
Net cash provided by (used in) operating activities	\$ (53,412)	\$ (78,380)	\$ 1	\$ (99,003)

Public Transit Facilities and Management System	Employee Benefit Fund	Total
\$ 612	\$ 7,975	\$ 2,051,895
(541)	(9,185)	(1,763,523)
-	-	(520,305)
<u>71</u>	<u>(1,210)</u>	<u>(231,933)</u>
-	-	98,870
-	2,370	13,770
-	2,370	112,640
-	-	700,033
-	-	(620,996)
-	-	79,037
<u>13</u>	<u>102</u>	<u>2,508</u>
84	1,262	(37,748)
1,487	11,298	607,936
<u>\$ 1,571</u>	<u>\$ 12,560</u>	<u>\$ 570,188</u>
\$ (11,767)	\$ (1,048)	\$ (664,199)
11,767	-	607,079
71	8	(130,024)
-	-	1,295
-	(170)	(91,899)
-	-	5,420
-	-	(657)
-	-	41,052
<u>\$ 71</u>	<u>\$ (1,210)</u>	<u>\$ (231,933)</u>

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# 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
- 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.

## CITY OF HOLLAND, MICHIGAN

### Internal Service Funds

#### 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.

Established user fee charges to departments include the following elements:

- recovery of costs billed to the City 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 and Holland Public School District (the "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.

# CITY OF HOLLAND, MICHIGAN

## Internal Service Funds

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, in accordance with generally accepted accounting standards. 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.
  - 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.

# CITY OF HOLLAND, MICHIGAN

## Internal Service Funds

### *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.

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 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.

# CITY OF HOLLAND, MICHIGAN

## Internal Service Funds

### Employee Disability Income Protection Fund

The City 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 group plan.

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 nine years the '*Illustrative Rates*' as provided by BCBSM or Priority Health have been implemented without adjustments.

# CITY OF HOLLAND, MICHIGAN

## Internal Service Funds

### Vehicle Damage & Liability Fund

The City 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.

### Property Damage Fund

The City 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 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.

## CITY OF HOLLAND, MICHIGAN

### Internal Service Funds

#### 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 Position  
Internal Service Funds  
June 30, 2014

	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	\$ 223,091	\$ 2,793	\$ 15,252	\$ 214,323	\$ 1,850,000	\$ 468,695
Accounts receivable	2,646	-	-	97,478	36,083	-
Due from other funds	-	-	-	10,536	73	-
Inventories	-	3,594	-	38,624	41,975	-
Prepaid items	-	350	-	-	-	-
Total current assets	<u>225,737</u>	<u>6,737</u>	<u>15,252</u>	<u>360,961</u>	<u>1,928,131</u>	<u>468,695</u>
Noncurrent assets:						
Capital assets:						
Construction in progress	-	-	-	-	-	300,331
Machinery and equipment	1,081,125	-	122,261	51,678	8,228,879	2,175,300
Accumulated depreciation	(797,178)	-	(113,802)	(37,046)	(5,225,392)	(1,300,400)
Total noncurrent assets	<u>283,947</u>	<u>-</u>	<u>8,459</u>	<u>14,632</u>	<u>3,003,487</u>	<u>1,175,231</u>
Total assets	<u>509,684</u>	<u>6,737</u>	<u>23,711</u>	<u>375,593</u>	<u>4,931,618</u>	<u>1,643,926</u>
<b>Liabilities</b>						
Current liabilities:						
Accounts payable	15,111	50	-	49,631	85,610	-
Claims payable	-	-	-	-	-	-
Accrued payroll and benefits	12,321	-	-	-	19,534	-
Due to other funds	420	-	-	113,161	67,402	208,899
Accrued compensated absences - current	-	-	-	-	-	-
Total current liabilities	<u>27,852</u>	<u>50</u>	<u>-</u>	<u>162,792</u>	<u>172,546</u>	<u>208,899</u>
Noncurrent liabilities:						
Accrued compensated absences	24,118	-	-	-	88,527	-
Total liabilities	<u>51,970</u>	<u>50</u>	<u>-</u>	<u>162,792</u>	<u>261,073</u>	<u>208,899</u>
<b>Net position</b>						
Net investment in capital assets	283,947	-	8,459	14,632	3,003,487	1,175,231
Unrestricted	173,767	6,687	15,252	198,169	1,667,058	259,796
Total net position	<u>\$ 457,714</u>	<u>\$ 6,687</u>	<u>\$ 23,711</u>	<u>\$ 212,801</u>	<u>\$ 4,670,545</u>	<u>\$ 1,435,027</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
\$ 514,939	\$ 101,637	\$ 2,037,239	\$ 252,209	\$ 386,060	\$ -	\$ 1,570,766	\$ 7,637,004
9,452	-	29,544	3,583	-	959,639	-	1,138,425
3,106	-	-	-	-	9,443	-	23,158
-	-	-	-	-	-	-	84,193
14,876	-	-	-	-	10,192	-	25,418
<u>542,373</u>	<u>101,637</u>	<u>2,066,783</u>	<u>255,792</u>	<u>386,060</u>	<u>979,274</u>	<u>1,570,766</u>	<u>8,908,198</u>
-	-	-	-	-	-	-	300,331
-	-	-	-	-	-	-	11,659,243
-	-	-	-	-	-	-	(7,473,818)
-	-	-	-	-	-	-	<u>4,485,756</u>
<u>542,373</u>	<u>101,637</u>	<u>2,066,783</u>	<u>255,792</u>	<u>386,060</u>	<u>979,274</u>	<u>1,570,766</u>	<u>13,393,954</u>
-	-	80,351	1,807	-	174,824	-	407,384
-	-	44,267	-	-	-	-	44,267
2,833	-	-	-	-	-	-	34,688
-	-	-	-	-	540,863	-	930,745
-	-	-	-	-	-	1,200,000	1,200,000
<u>2,833</u>	<u>-</u>	<u>124,618</u>	<u>1,807</u>	<u>-</u>	<u>715,687</u>	<u>1,200,000</u>	<u>2,617,084</u>
-	-	-	-	-	-	370,766	483,411
<u>2,833</u>	<u>-</u>	<u>124,618</u>	<u>1,807</u>	<u>-</u>	<u>715,687</u>	<u>1,570,766</u>	<u>3,100,495</u>
-	-	-	-	-	-	-	4,485,756
<u>539,540</u>	<u>101,637</u>	<u>1,942,165</u>	<u>253,985</u>	<u>386,060</u>	<u>263,587</u>	<u>-</u>	<u>5,807,703</u>
<u>\$ 539,540</u>	<u>\$ 101,637</u>	<u>\$ 1,942,165</u>	<u>\$ 253,985</u>	<u>\$ 386,060</u>	<u>\$ 263,587</u>	<u>\$ -</u>	<u>\$ 10,293,459</u>

CITY OF HOLLAND, MICHIGAN

Combining Statement of Revenues, Expenses and Changes in Fund Net Position  
Internal Service Funds  
For the Year Ended June 30, 2014

	Technology Services			Equipment Services		
	Computer Services	Postage Services	Communication Services	Fuel Dispensing	Centralized Vehicle / Equipment	Fire Vehicle / Equipment
<b>Operating revenues</b>						
Charges for services	\$ 516,317	\$ 16,520	\$ 116,022	\$ 1,089,848	\$ 318,131	\$ -
Premiums	-	-	-	-	-	-
Rentals	-	-	-	-	2,061,456	-
Miscellaneous	-	-	-	-	-	-
<b>Total operating revenues</b>	<b>516,317</b>	<b>16,520</b>	<b>116,022</b>	<b>1,089,848</b>	<b>2,379,587</b>	<b>-</b>
<b>Operating expenses</b>						
Personnel services	291,397	-	-	5,568	658,513	-
Other current expenses	284,062	16,623	113,165	1,046,071	1,270,437	-
Depreciation	78,102	-	1,696	1,108	487,778	88,127
<b>Total operating expenses</b>	<b>653,561</b>	<b>16,623</b>	<b>114,861</b>	<b>1,052,747</b>	<b>2,416,728</b>	<b>88,127</b>
<b>Operating income (loss)</b>	<b>(137,244)</b>	<b>(103)</b>	<b>1,161</b>	<b>37,101</b>	<b>(37,141)</b>	<b>(88,127)</b>
<b>Nonoperating revenues</b>						
Investment earnings	759	15	80	834	15,667	3,892
Insurance recovery	-	-	-	-	-	-
Gain on disposal of capital assets	-	-	-	-	46,417	650
<b>Total nonoperating revenues</b>	<b>759</b>	<b>15</b>	<b>80</b>	<b>834</b>	<b>62,084</b>	<b>4,542</b>
<b>Income (loss) before transfers and contributions</b>	<b>(136,485)</b>	<b>(88)</b>	<b>1,241</b>	<b>37,935</b>	<b>24,943</b>	<b>(83,585)</b>
<b>Transfers and contributions</b>						
Capital contributions	-	-	-	-	1,159	-
Transfers in	100,000	-	-	-	20,291	86,890
Transfers out	-	-	-	-	(66,405)	-
<b>Net transfers and contributions</b>	<b>100,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(44,955)</b>	<b>86,890</b>
<b>Changes in net position</b>	<b>(36,485)</b>	<b>(88)</b>	<b>1,241</b>	<b>37,935</b>	<b>(20,012)</b>	<b>3,305</b>
<b>Net position, beginning of year</b>	<b>494,199</b>	<b>6,775</b>	<b>22,470</b>	<b>174,866</b>	<b>4,690,557</b>	<b>1,431,722</b>
<b>Net position, end of year</b>	<b>\$ 457,714</b>	<b>\$ 6,687</b>	<b>\$ 23,711</b>	<b>\$ 212,801</b>	<b>\$ 4,670,545</b>	<b>\$ 1,435,027</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
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,087,965	\$ 3,144,803
253,317	106,060	5,096,790	116,926	28,011	119,331	-	5,720,435
-	-	-	-	-	-	-	2,061,456
55,930	-	-	-	365	-	-	56,295
309,247	106,060	5,096,790	116,926	28,376	119,331	1,087,965	10,982,989
-	3,519	53	-	-	16,070	1,087,965	2,063,085
314,456	85,549	4,615,132	110,202	31,012	1,287,889	-	9,174,598
-	-	-	-	-	-	-	656,811
314,456	89,068	4,615,185	110,202	31,012	1,303,959	1,087,965	11,894,494
(5,209)	16,992	481,605	6,724	(2,636)	(1,184,628)	-	(911,505)
4,251	716	13,670	1,834	3,217	217	-	45,152
-	-	264,691	1,776	-	947,258	-	1,213,725
-	-	-	-	-	-	-	47,067
4,251	716	278,361	3,610	3,217	947,475	-	1,305,944
(958)	17,708	759,966	10,334	581	(237,153)	-	394,439
-	-	-	-	-	-	-	1,159
-	-	-	-	-	223,997	-	431,178
-	-	-	-	-	-	-	(66,405)
-	-	-	-	-	223,997	-	365,932
(958)	17,708	759,966	10,334	581	(13,156)	-	760,371
540,498	83,929	1,182,199	243,651	385,479	276,743	-	9,533,088
\$ 539,540	\$ 101,637	\$ 1,942,165	\$ 253,985	\$ 386,060	\$ 263,587	\$ -	\$ 10,293,459

CITY OF HOLLAND, MICHIGAN

**Combining Statement of Cash Flows**  
Internal Service Funds  
For the Year Ended June 30, 2014

	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	\$ 516,322	\$ 16,520	\$ 116,022	\$ 1,108,954	\$ 2,425,348	\$ -
Payments to suppliers	(274,008)	(18,146)	(113,524)	(1,049,023)	(1,229,818)	-
Payments to employees	(287,127)	-	-	(5,568)	(641,657)	-
<b>Net cash provided by (used in) operating activities</b>	<b>(44,813)</b>	<b>(1,626)</b>	<b>2,498</b>	<b>54,363</b>	<b>553,873</b>	<b>-</b>
<b>Cash flows from noncapital financing activities</b>						
Insurance refunds	-	-	-	-	-	-
Intragovernmental receipts	100,000	-	-	-	20,291	295,789
Intragovernmental payments	-	-	-	-	(66,405)	-
<b>Net cash provided by (used in) noncapital financing activities</b>	<b>100,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(46,114)</b>	<b>295,789</b>
<b>Cash flows from capital and related financing activities</b>						
Capital contributions	-	-	-	-	1,159	-
Proceeds from sale of capital assets	-	-	-	-	58,113	650
Purchase of capital assets	(66,618)	-	-	-	(663,957)	(300,331)
<b>Net cash used in capital and related financing activities</b>	<b>(66,618)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(604,685)</b>	<b>(299,681)</b>
<b>Cash flows from investing activities</b>						
Investment earnings	759	15	80	834	15,667	3,892
<b>Net increase (decrease) in cash and pooled investments</b>	<b>(10,672)</b>	<b>(1,611)</b>	<b>2,578</b>	<b>55,197</b>	<b>(81,259)</b>	<b>-</b>
<b>Cash and pooled investments, beginning of year</b>	<b>233,763</b>	<b>4,404</b>	<b>12,674</b>	<b>159,126</b>	<b>1,931,259</b>	<b>468,695</b>
<b>Cash and pooled investments, end of year</b>	<b>\$ 223,091</b>	<b>\$ 2,793</b>	<b>\$ 15,252</b>	<b>\$ 214,323</b>	<b>\$ 1,850,000</b>	<b>\$ 468,695</b>
<b>Cash flows from operating activities</b>						
Operating income (loss)	\$ (137,244)	\$ (103)	\$ 1,161	\$ 37,101	\$ (37,141)	\$ (88,127)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:						
Depreciation	78,102	-	1,696	1,108	487,778	88,127
Change in:						
Accounts receivable	5	-	-	(54,437)	(21,578)	-
Deposits held with others	-	-	-	-	-	-
Due from other funds	-	-	-	494	12	-
Inventories	-	(1,573)	-	9,620	6,750	-
Prepaid items	-	-	-	-	-	-
Accounts payable	10,054	50	(359)	(12,572)	33,869	-
Claims payable	-	-	-	-	-	-
Accrued payroll and benefits	3,060	-	-	-	1,358	-
Due to other funds	-	-	-	73,049	67,327	-
Accrued compensated absences	1,210	-	-	-	15,498	-
<b>Net cash provided by (used in) operating activities</b>	<b>\$ (44,813)</b>	<b>\$ (1,626)</b>	<b>\$ 2,498</b>	<b>\$ 54,363</b>	<b>\$ 553,873</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
\$ 438,117 (319,848) -	\$ 106,060 (85,549) (6,377)	\$ 5,097,201 (4,736,911) (53)	\$ 113,343 (108,395) -	\$ 28,376 (32,312) -	\$ 924,393 (1,132,537) (16,070)	\$ 1,087,965 - (956,100)	\$ 11,978,621 (9,100,071) (1,912,952)
118,269	14,134	360,237	4,948	(3,936)	(224,214)	131,865	965,598
-	-	264,691	1,776	-	-	-	266,467
-	-	-	-	-	223,997	-	640,077
-	-	-	-	-	-	-	(66,405)
-	-	264,691	1,776	-	223,997	-	840,139
-	-	-	-	-	-	-	1,159
-	-	-	-	-	-	-	58,763
-	-	-	-	-	-	-	(1,030,906)
-	-	-	-	-	-	-	(970,984)
4,251	716	13,670	1,834	3,217	217	-	45,152
122,520	14,850	638,598	8,558	(719)	-	131,865	879,905
392,419	86,787	1,398,641	243,651	386,779	-	1,438,901	6,757,099
\$ 514,939	\$ 101,637	\$ 2,037,239	\$ 252,209	\$ 386,060	\$ -	\$ 1,570,766	\$ 7,637,004
\$ (5,209)	\$ 16,992	\$ 481,605	\$ 6,724	\$ (2,636)	\$ (1,184,628)	\$ -	\$ (911,505)
-	-	-	-	-	-	-	656,811
131,976	-	761	(3,583)	-	324,238	-	377,382
-	-	5,289	-	-	-	-	5,289
(3,106)	-	-	-	-	(1,675)	-	(4,275)
-	-	-	-	-	-	-	14,797
(2,936)	-	-	-	-	434	-	(2,502)
(2,456)	-	(7,023)	-	(1,300)	154,918	-	175,181
-	-	(120,045)	1,807	-	-	-	(118,238)
-	(2,858)	-	-	-	-	-	1,560
-	-	(350)	-	-	482,499	-	622,525
-	-	-	-	-	-	131,865	148,573
\$ 118,269	\$ 14,134	\$ 360,237	\$ 4,948	\$ (3,936)	\$ (224,214)	\$ 131,865	\$ 965,598

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# 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 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. 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 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.

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CITY OF HOLLAND, MICHIGAN

**Combining Statement of Fiduciary Assets and Liabilities**

Agency Funds  
June 30, 2014

	Current Tax Collections	Outside Agency Collections	Employees' Flexible Spending Plan	Imprest Payroll
<b>Assets</b>				
Cash and pooled investments	\$ -	\$ 6,754	\$ 21,181	\$ 96,702
Accounts receivable	-	-	915	-
<b>Total assets</b>	<b>\$ -</b>	<b>\$ 6,754</b>	<b>\$ 22,096</b>	<b>\$ 96,702</b>
<b>Liabilities</b>				
Accounts payable	\$ -	\$ 3,394	\$ 322	\$ 26,519
Due to other governmental units	-	3,360	-	70,177
Other liabilities and deposits	-	-	21,774	6
<b>Total liabilities</b>	<b>\$ -</b>	<b>\$ 6,754</b>	<b>\$ 22,096</b>	<b>\$ 96,702</b>



WMAA Pooled Cash fund	Total
-----------------------------	-------

\$ 927,499	\$ 1,052,136
-	915

<u>\$ 927,499</u>	<u>\$ 1,053,051</u>
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\$ -	\$ 30,235
927,499	1,001,036
-	21,780

<u>\$ 927,499</u>	<u>\$ 1,053,051</u>
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CITY OF HOLLAND, MICHIGAN

Combining Statement of Changes in Fiduciary Assets and Liabilities

Agency Funds

For the Year Ended June 30, 2014

	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014
<i>Current Tax Collection Fund</i>				
<b>Assets</b>				
Cash and pooled investments	\$ -	\$ 48,591,470	\$ 48,591,470	\$ -
Accounts receivable	-	69,165	69,165	-
<b>Total assets</b>	<b>\$ -</b>	<b>\$ 48,660,635</b>	<b>\$ 48,660,635</b>	<b>\$ -</b>
<b>Liabilities</b>				
Accounts payable	\$ -	\$ 31,384,438	\$ 31,384,438	\$ -
Due to other governmental units	-	17,276,197	17,276,197	-
<b>Total liabilities</b>	<b>\$ -</b>	<b>\$ 48,660,635</b>	<b>\$ 48,660,635</b>	<b>\$ -</b>
<i>Outside Agency Collection Fund</i>				
<b>Assets</b>				
Cash and pooled investments	\$ 12,999	\$ 249,287	\$ 255,532	\$ 6,754
Accounts receivable	-	249,959	249,959	-
Other assets	-	23,280	23,280	-
<b>Total assets</b>	<b>\$ 12,999</b>	<b>\$ 522,526</b>	<b>\$ 528,771</b>	<b>\$ 6,754</b>
<b>Liabilities</b>				
Accounts payable	\$ 12,968	\$ 397,648	\$ 407,222	\$ 3,394
Due to other governmental units	31	124,878	121,549	3,360
<b>Total liabilities</b>	<b>\$ 12,999</b>	<b>\$ 522,526</b>	<b>\$ 528,771</b>	<b>\$ 6,754</b>
<i>Employees' Flexible Spending Plan</i>				
<b>Assets</b>				
Cash and pooled investments	\$ 14,846	\$ 180,182	\$ 173,847	\$ 21,181
Accounts receivable	305	80,676	80,066	915
<b>Total assets</b>	<b>\$ 15,151</b>	<b>\$ 260,858</b>	<b>\$ 253,913</b>	<b>\$ 22,096</b>
<b>Liabilities</b>				
Accounts payable	\$ 317	\$ 5,027	\$ 5,022	\$ 322
Other liabilities and deposits	14,834	255,831	248,891	21,774
<b>Total liabilities</b>	<b>\$ 15,151</b>	<b>\$ 260,858</b>	<b>\$ 253,913</b>	<b>\$ 22,096</b>

continued...

CITY OF HOLLAND, MICHIGAN

Combining Statement of Changes in Fiduciary Assets and Liabilities

Agency Funds

For the Year Ended June 30, 2014

	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014
<i>Imprest Payroll Fund</i>				
<b>Assets</b>				
Cash and pooled investments	\$ 86,776	\$ 6,389,193	\$ 6,379,267	\$ 96,702
Accounts receivable	-	109,524	109,524	-
<b>Total assets</b>	<b>\$ 86,776</b>	<b>\$ 6,498,717</b>	<b>\$ 6,488,791</b>	<b>\$ 96,702</b>
<b>Liabilities</b>				
Accounts payable	\$ 46,561	\$ 1,164,837	\$ 1,184,879	\$ 26,519
Due to other governmental units	39,877	3,035,850	3,005,550	70,177
Other liabilities and deposits	338	2,298,030	2,298,362	6
<b>Total liabilities</b>	<b>\$ 86,776</b>	<b>\$ 6,498,717</b>	<b>\$ 6,488,791</b>	<b>\$ 96,702</b>
<i>WMAA Pooled Cash Fund</i>				
<b>Assets</b>				
Cash and pooled investments	\$ 1,004,105	\$ 515,599	\$ 592,205	\$ 927,499
<b>Liabilities</b>				
Due to other governmental units	\$ 1,004,105	\$ 515,599	\$ 592,205	\$ 927,499
<i>Total All Agency Funds</i>				
<b>Assets</b>				
Cash and pooled investments	\$ 1,118,726	\$ 55,925,731	\$ 55,992,321	\$ 1,052,136
Accounts receivable	305	509,324	508,714	915
Other assets	-	23,280	23,280	-
<b>Total assets</b>	<b>\$ 1,119,031</b>	<b>\$ 56,458,335</b>	<b>\$ 56,524,315</b>	<b>\$ 1,053,051</b>
<b>Liabilities</b>				
Accounts payable	\$ 59,846	\$ 32,951,950	\$ 32,981,561	\$ 30,235
Due to other governmental units	1,044,013	20,952,524	20,995,501	1,001,036
Other liabilities and deposits	15,172	2,553,861	2,547,253	21,780
<b>Total liabilities</b>	<b>\$ 1,119,031</b>	<b>\$ 56,458,335</b>	<b>\$ 56,524,315</b>	<b>\$ 1,053,051</b>

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# 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, Michigan) 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 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, 2014 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
95 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	In Progress
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 for a substantial portion of its overall financing.

Primary revenue sources include an annual contribution from the City - 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.

# CITY OF HOLLAND, MICHIGAN

## Balance Sheet

Downtown Development Authority Component Unit  
June 30, 2014

### Assets

#### Current assets:

Cash and pooled investments	\$ 179,536
Taxes receivable	20
Prepaid items	200

Total assets \$ 179,756

### Liabilities

#### Current liabilities:

Accounts payable	\$ 4,045
Accrued payroll and fringe benefits	3,364

Total liabilities 7,409

### Fund balances

Nonspendable	200
Unassigned	172,147

Total fund balances 172,347

Total liabilities and fund balances \$ 179,756

# CITY OF HOLLAND, MICHIGAN

## Reconciliation

Fund Balance for the Governmental Fund  
to Net Position of Component Unit  
Downtown Development Authority Component Unit  
June 30, 2014

Fund balance - total governmental fund	\$	172,347
--	----	---------

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

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

Capital assets, net

218,853

Net position of component unit

\$ 391,200

# CITY OF HOLLAND, MICHIGAN

## Statement of Revenues, Expenditures and Changes in Fund Balance

Downtown Development Authority Component Unit

For the Year Ended June 30, 2014

Revenues	
Property taxes	\$ 181,019
Charges for services	3,685
Investment earnings	1,831
	<hr/>
Total revenue	186,535
	<hr/>
Expenditures	
Current:	
Economic development:	
Personal services	76,678
Current operating expenditures	69,490
Capital outlay	49
	<hr/>
Total expenditures	146,217
	<hr/>
Net changes in fund balance	40,318
Fund balance, beginning of year	132,029
	<hr/>
Fund balance, end of year	\$ 172,347
	<hr/> <hr/>

# CITY OF HOLLAND, MICHIGAN

## Reconciliation

Net Changes in Fund Balance of the Governmental Fund  
to Change in Net Position of Component Units  
Downtown Development Authority Component Unit  
For the Year Ended June 30, 2014

Net changes in fund balance - total governmental fund	\$	40,318
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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.

Depreciation expense		<u>(19,581)</u>
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Changes in net position of component unit	\$	<u><u>20,737</u></u>
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# CITY OF HOLLAND, MICHIGAN

## Detailed Schedule of Revenues, Expenditures and Changes in Fund Balance Budget and Actual - Downtown Development Authority Component Unit For the Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
<b>Revenues</b>				
Property taxes	\$ 181,008	\$ 181,020	\$ 181,019	\$ (1)
Charges for services	2,400	4,000	3,685	(315)
Investment earnings	1,000	900	1,831	931
<b>Total revenues</b>	<u>184,408</u>	<u>185,920</u>	<u>186,535</u>	<u>615</u>
<b>Expenditures</b>				
Current:				
Economic development:				
Personal services	123,276	79,824	76,678	(3,146)
Other services and charges	86,392	106,252	69,490	(36,762)
Capital outlay	-	-	49	49
<b>Total expenditures</b>	<u>209,668</u>	<u>186,076</u>	<u>146,217</u>	<u>(39,859)</u>
<b>Net changes in fund balance</b>	(25,260)	(156)	40,318	40,474
<b>Fund balance, beginning of year</b>	<u>132,029</u>	<u>132,029</u>	<u>132,029</u>	-
<b>Fund balance, end of year</b>	<u>\$ 106,769</u>	<u>\$ 131,873</u>	<u>\$ 172,347</u>	<u>\$ 40,474</u>

# CITY OF HOLLAND, MICHIGAN

## Balance Sheet

Brownfield Redevelopment Authority Component Unit

June 30, 2014

### Assets

#### Current assets:

Cash and pooled investments	<u>\$ 96,435</u>
-----------------------------	------------------

### Fund balance

Unassigned	<u>\$ 96,435</u>
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# CITY OF HOLLAND, MICHIGAN

## Statement of Revenues, Expenditures and Changes in Fund Balance

Brownfield Redevelopment Authority Component Unit

For the Year Ended June 30, 2014

Revenues	
Property taxes	\$ 784,821
Contributions	66,734
Investment earnings	<u>2,161</u>
Total revenues	853,716
Expenditures	
Current:	
Economic development	<u>805,783</u>
Net changes in fund balance	47,933
Fund balance, beginning of year	<u>48,502</u>
Fund balance, end of year	<u><u>\$ 96,435</u></u>

CITY OF HOLLAND, MICHIGAN

**Detailed Schedule of Revenues, Expenditures and Changes in Fund Balance**  
 Budget and Actual - Brownfield Redevelopment Authority Component Unit  
 For the Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Property taxes	\$ 801,682	\$ 784,821	\$ 784,821	\$ -
Contributions	66,656	66,676	66,734	58
Investment earnings	-	1,588	2,161	573
<b>Total revenues</b>	<b>868,338</b>	<b>853,085</b>	<b>853,716</b>	<b>631</b>
Expenditures				
Current:				
Economic development	826,073	805,794	805,783	(11)
<b>Net changes in fund balance</b>	<b>42,265</b>	<b>47,291</b>	<b>47,933</b>	<b>642</b>
Fund balance, beginning of year	48,502	48,502	48,502	-
<b>Fund balance, end of year</b>	<b>\$ 90,767</b>	<b>\$ 95,793</b>	<b>\$ 96,435</b>	<b>\$ 642</b>

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## STATISTICAL SECTION

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# 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.

		<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.	210
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.	220
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.	226
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.	235
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.	238

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 Position by Component Last Ten Fiscal Years

Primary Government Activities	Fiscal Year			
	2014	2013	2012	2011
<b>Governmental activities</b>				
Net investment in capital assets	\$ 101,283,878	\$ 100,986,324	\$ 98,805,338	\$ 97,982,454
Restricted	7,274,432	5,290,226	5,038,121	5,007,295
Unrestricted	13,779,260	14,722,301	13,480,119	13,469,116
<b>Total governmental activities net position</b>	<b>\$ 122,337,570</b>	<b>\$ 120,998,851</b>	<b>\$ 117,323,578</b>	<b>\$ 116,458,865</b>
<b>Business-type activities</b>				
Net investment in capital assets	\$ 109,000,184	\$ 130,923,312	\$ 132,936,434	\$ 130,752,723
Restricted	23,063,654	10,299,047	15,130,725	12,841,230
Unrestricted	174,756,386	152,548,565	133,025,971	126,288,993
<b>Total business-type activities net position</b>	<b>\$ 306,820,224</b>	<b>\$ 293,770,924</b>	<b>\$ 281,093,130</b>	<b>\$ 269,882,946</b>
<b>Primary government</b>				
Net investment in capital assets	\$ 210,284,062	\$ 231,909,636	\$ 231,741,772	\$ 228,735,177
Restricted	30,338,086	15,589,273	20,168,846	17,848,525
Unrestricted	188,535,646	167,270,866	146,506,090	139,758,109
<b>Total primary government net position</b>	<b>\$ 429,157,794</b>	<b>\$ 414,769,775</b>	<b>\$ 398,416,708</b>	<b>\$ 386,341,811</b>

GASBs 63 and 65 were implemented for fiscal year ended June 30, 2013. This resulted in a change renaming net assets to net position and invested in capital assets, net of related debt to net investment in capital assets. As a result of implementation, bond issuance costs have been eliminated. Prior years were not restated retroactively.

Fiscal Year					
2010	2009	2008	2007	2006	2005
\$ 91,848,117	\$ 96,236,210	\$ 94,586,185	\$ 85,215,206	\$ 77,018,752	\$ 41,668,796
8,273,750	4,739,586	5,726,977	6,836,980	8,068,218	11,469,701
<u>12,635,427</u>	<u>11,443,984</u>	<u>13,044,127</u>	<u>18,854,026</u>	<u>22,673,963</u>	<u>21,156,010</u>
<u>\$ 112,757,294</u>	<u>\$ 112,419,780</u>	<u>\$ 113,357,289</u>	<u>\$ 110,906,212</u>	<u>\$ 107,760,933</u>	<u>\$ 74,294,507</u>
\$ 125,755,686	\$ 129,330,134	\$ 133,094,822	\$ 134,418,954	\$ 137,313,844	\$ 146,437,083
11,605,553	11,591,211	13,532,257	14,296,104	6,770,323	6,402,803
<u>122,779,775</u>	<u>111,446,733</u>	<u>101,113,510</u>	<u>92,581,178</u>	<u>86,838,111</u>	<u>74,394,903</u>
<u>\$ 260,141,014</u>	<u>\$ 252,368,078</u>	<u>\$ 247,740,589</u>	<u>\$ 241,296,236</u>	<u>\$ 230,922,278</u>	<u>\$ 227,234,789</u>
\$ 217,603,803	\$ 225,566,344	\$ 227,681,007	\$ 219,634,160	\$ 214,332,596	\$ 188,105,879
19,879,303	16,330,797	19,259,234	21,133,084	14,838,541	17,872,504
<u>135,415,202</u>	<u>122,890,717</u>	<u>114,157,637</u>	<u>111,435,204</u>	<u>109,512,074</u>	<u>95,550,913</u>
<u>\$ 372,898,308</u>	<u>\$ 364,787,858</u>	<u>\$ 361,097,878</u>	<u>\$ 352,202,448</u>	<u>\$ 338,683,211</u>	<u>\$ 301,529,296</u>

# CITY OF HOLLAND, MICHIGAN

## Changes in Net Position

Last Ten Fiscal Years

	Fiscal Year			
	2014	2013	2012	2011
<b>Expenses</b>				
Governmental activities:				
General government	\$ 5,242,181	\$ 4,820,804	\$ 4,822,179	\$ 4,746,330
Public safety	12,534,364	12,316,027	12,099,607	12,078,156
Public works	8,172,879	8,716,017	11,382,965	7,821,063
Culture and recreation	5,048,229	5,290,515	4,837,537	5,244,382
Welfare and social services	1,133,724	908,229	1,019,891	1,332,557
Interest on debt	911,559	1,015,138	1,115,515	968,108
Total governmental activities expenses	<u>33,042,936</u>	<u>33,066,730</u>	<u>35,277,694</u>	<u>32,190,596</u>
Business-type activities:				
Electric utility	84,346,528	79,504,798	76,116,440	73,286,291
Wastewater utility	8,512,074	8,419,218	8,401,050	8,230,946
Water utility	6,282,005	6,215,516	6,305,874	6,293,924
Other enterprise activities	2,805,066	4,428,481	3,037,469	3,176,910
Total business-type activities expenses	<u>101,945,673</u>	<u>98,568,013</u>	<u>93,860,833</u>	<u>90,988,071</u>
Total primary government expenses	<u>\$ 134,988,609</u>	<u>\$ 131,634,743</u>	<u>\$ 129,138,527</u>	<u>\$ 123,178,667</u>
<b>Program revenues</b>				
Governmental activities:				
Charges for services:				
General government	\$ 1,293,631	\$ 1,340,368	\$ 1,461,558	\$ 1,380,752
Public safety	1,331,259	1,148,691	1,091,868	1,002,070
Culture and recreation	611,146	545,865	521,717	510,063
Other activities	752,482	880,201	1,350,055	928,157
Operating grants and contributions	7,521,923	7,590,327	4,279,364	4,905,759
Capital grants and contributions	49,739	2,427,984	5,396,650	4,372,059
Total governmental activities program revenues	<u>11,560,180</u>	<u>13,933,436</u>	<u>14,101,212</u>	<u>13,098,860</u>
Business-type activities:				
Charges for services:				
Electric utility	97,539,619	93,576,510	88,066,208	84,411,319
Wastewater utility	10,107,589	9,446,065	8,619,974	8,854,094
Water utility	8,835,889	8,506,464	7,346,263	7,133,417
Other enterprise activities	2,140,867	2,103,272	1,864,234	1,905,362
Operating grants and contributions	779,632	1,534,672	1,970,111	157,859
Capital grants and contributions	272,815	617,604	233,950	639,163
Total business-type activities program revenues	<u>119,676,411</u>	<u>115,784,587</u>	<u>108,100,740</u>	<u>103,101,214</u>
Total primary government program revenues	<u>\$ 131,236,591</u>	<u>\$ 129,718,023</u>	<u>\$ 122,201,952</u>	<u>\$ 116,200,074</u>
<b>Net (Expenses) Revenues</b>				
Governmental activities	\$ (21,482,756)	\$ (19,133,294)	\$ (21,176,482)	\$ (19,091,736)
Business-type activities	<u>17,730,738</u>	<u>17,216,574</u>	<u>14,239,907</u>	<u>12,113,143</u>
Total primary government net (expenses) revenues	<u>\$ (3,752,018)</u>	<u>\$ (1,916,720)</u>	<u>\$ (6,936,575)</u>	<u>\$ (6,978,593)</u>

Fiscal Year					
2010	2009	2008	2007	2006	2005
\$ 4,486,867	\$ 7,087,290	\$ 6,606,201	\$ 6,249,186	\$ 8,643,952	\$ 6,376,009
12,220,723	12,845,443	11,782,618	11,584,857	10,738,962	10,544,833
7,966,875	9,420,191	7,270,495	6,996,667	4,382,884	5,324,083
5,293,696	6,048,286	5,457,951	5,818,508	6,060,666	6,013,457
1,473,119	1,495,708	1,093,507	1,310,221	1,372,729	1,310,458
1,143,337	1,253,379	1,193,155	1,277,812	1,394,338	1,498,919
<u>32,584,617</u>	<u>38,150,297</u>	<u>33,403,927</u>	<u>33,237,251</u>	<u>32,593,531</u>	<u>31,067,759</u>
68,510,184	67,823,832	71,198,426	70,982,822	76,883,149	65,698,626
7,926,053	8,185,044	8,006,723	7,692,405	7,708,629	7,235,531
6,020,005	6,181,007	5,558,454	5,662,012	5,542,208	4,858,304
3,296,369	3,409,153	4,471,485	5,940,049	5,533,235	5,086,577
<u>85,752,611</u>	<u>85,599,036</u>	<u>89,235,088</u>	<u>90,277,288</u>	<u>95,667,221</u>	<u>82,879,038</u>
<u>\$ 118,337,228</u>	<u>\$ 123,749,333</u>	<u>\$ 122,639,015</u>	<u>\$ 123,514,539</u>	<u>\$ 128,260,752</u>	<u>\$ 113,946,797</u>
\$ 1,271,066	\$ 3,040,152	\$ 2,514,224	\$ 2,475,575	\$ 2,450,074	\$ 2,418,923
811,487	798,688	867,229	988,690	928,337	952,885
495,074	495,556	1,162,829	1,122,695	987,705	968,203
607,705	982,413	618,367	691,541	917,065	651,398
4,833,063	4,807,025	4,156,784	1,471,960	1,727,564	1,961,673
906,356	2,534,159	1,858,530	5,969,801	7,028,471	14,868,097
<u>8,924,751</u>	<u>12,657,993</u>	<u>11,177,963</u>	<u>12,720,262</u>	<u>14,039,216</u>	<u>21,821,179</u>
78,536,430	75,466,722	79,166,950	81,276,323	78,272,801	67,001,967
7,874,856	6,879,454	6,997,724	7,315,443	7,219,855	6,634,140
6,331,397	5,881,210	5,715,370	5,668,249	5,859,601	5,213,380
2,042,509	2,032,514	1,997,363	2,273,950	2,103,966	2,158,971
59,954	89,035	1,605,962	2,075,992	2,172,593	1,701,262
544,493	1,670,442	1,465,771	834,580	3,513,337	3,484,614
<u>95,389,639</u>	<u>92,019,377</u>	<u>96,949,140</u>	<u>99,444,537</u>	<u>99,142,153</u>	<u>86,194,334</u>
<u>\$ 104,314,390</u>	<u>\$ 104,677,370</u>	<u>\$ 108,127,103</u>	<u>\$ 112,164,799</u>	<u>\$ 113,181,369</u>	<u>\$ 108,015,513</u>
\$ (23,659,866)	\$ (25,492,304)	\$ (22,225,964)	\$ (20,516,989)	\$ (18,554,315)	\$ (9,246,580)
9,637,028	6,420,341	7,714,052	9,167,249	3,474,932	3,315,296
<u>\$ (14,022,838)</u>	<u>\$ (19,071,963)</u>	<u>\$ (14,511,912)</u>	<u>\$ (11,349,740)</u>	<u>\$ (15,079,383)</u>	<u>\$ (5,931,284)</u>

# CITY OF HOLLAND, MICHIGAN

## Changes in Net Position Last Ten Fiscal Years

	Fiscal Year			
	2014	2013	2012	2011
General revenues and other changes in net position				
Governmental Activities:				
Property taxes	\$ 15,531,647	\$ 15,305,039	\$ 15,345,237	\$ 16,121,528
State shared revenue	2,843,918	2,771,987	2,700,327	2,697,917
Investment earnings - unrestricted	154,894	48,935	126,645	197,270
Miscellaneous	-	-	-	482,588
Gain on sale of capital assets	-	603,794	-	-
Transfers - internal activities	4,291,016	4,422,221	3,868,986	3,294,004
Total governmental activities	<u>22,821,475</u>	<u>23,151,976</u>	<u>22,041,195</u>	<u>22,793,307</u>
Business-type activities:				
Property taxes	98,858	97,572	103,438	108,734
Investment earnings - unrestricted	-	26,918	735,825	814,059
Miscellaneous	31,135	-	-	-
Transfers - internal activities	(4,291,016)	(4,422,221)	(3,868,986)	(3,294,004)
Special item:				
Transfer of assets to transportation authority	-	-	-	-
Transfer of assets to airport authority	-	-	-	-
Extraordinary item	(520,415)	-	-	-
Total business-type activities	<u>(4,681,438)</u>	<u>(4,297,731)</u>	<u>(3,029,723)</u>	<u>(2,371,211)</u>
Total primary government general revenues	<u>\$ 18,140,037</u>	<u>\$ 18,854,245</u>	<u>\$ 19,011,472</u>	<u>\$ 20,422,096</u>
Change in net position				
Governmental activities	\$ 1,338,719	\$ 4,018,682	\$ 864,713	\$ 3,701,571
Business-type activities	13,049,300	12,918,843	11,210,184	9,741,932
Total primary government change in net position	<u>\$ 14,388,019</u>	<u>\$ 16,937,525</u>	<u>\$ 12,074,897</u>	<u>\$ 13,443,503</u>

GASBs 63 and 65 were implemented for fiscal year ended June 30, 2013. This resulted in a change renaming net assets to net position and invested in capital assets, net of related debt to net investment in capital assets. As a result of implementation, bond issuance costs have been eliminated. Prior years were not restated retroactively.

Fiscal Year						
2010	2009	2008	2007	2006	2005	
\$ 17,251,755	\$ 17,089,338	\$ 17,313,526	\$ 16,771,182	\$ 16,368,318	\$ 16,033,637	
2,698,103	3,041,193	3,168,205	3,133,796	3,229,886	3,265,596	
455,666	635,831	1,254,996	1,222,007	909,619	611,338	
-	-	-	-	-	-	
-	-	-	-	-	-	
3,600,531	3,788,433	2,940,314	2,535,283	2,041,365	2,019,089	
<u>24,006,055</u>	<u>24,554,795</u>	<u>24,677,041</u>	<u>23,662,268</u>	<u>22,549,188</u>	<u>21,929,660</u>	
118,962	117,952	19	171,058	113,079	111,020	
1,608,802	2,296,887	4,213,060	3,953,403	2,138,700	1,786,976	
-	-	-	(382,469)	2,143	-	
(3,600,531)	(3,788,433)	(2,940,314)	(2,535,283)	(2,041,365)	(2,019,089)	
-	-	(2,542,464)	-	-	-	
-	(419,258)	-	-	-	-	
-	-	-	-	-	-	
<u>(1,872,767)</u>	<u>(1,792,852)</u>	<u>(1,269,699)</u>	<u>1,206,709</u>	<u>212,557</u>	<u>(121,093)</u>	
<u>\$ 22,133,288</u>	<u>\$ 22,761,943</u>	<u>\$ 23,407,342</u>	<u>\$ 24,868,977</u>	<u>\$ 22,761,745</u>	<u>\$ 21,808,567</u>	
\$ 346,189	\$ (937,509)	\$ 2,451,077	\$ 3,145,279	\$ 3,994,873	\$ 12,683,080	
7,764,261	4,627,489	6,444,353	10,373,958	3,687,489	3,194,203	
<u>\$ 8,110,450</u>	<u>\$ 3,689,980</u>	<u>\$ 8,895,430</u>	<u>\$ 13,519,237</u>	<u>\$ 7,682,362</u>	<u>\$ 15,877,283</u>	

CITY OF HOLLAND, MICHIGAN

Fund Balances, Governmental Funds				
Last Ten Fiscal Years				
	Fiscal Year			
	2014	2013	2012	2011
General fund				
Reserved	\$ -	\$ -	\$ -	\$ -
Unreserved	-	-	-	-
Nonspendable	14,808	10,909	7,028	300
Committed	12,915	17,415	27,090	66,490
Unassigned	4,672,551	4,931,652	4,183,015	4,065,072
<b>Total general fund</b>	<b>\$ 4,700,274</b>	<b>\$ 4,959,976</b>	<b>\$ 4,217,133</b>	<b>\$ 4,131,862</b>
All other governmental funds				
Reserved:				
Prepaid Items	\$ -	\$ -	\$ -	\$ -
Assets held for resale	-	-	-	-
Capital projects funds	-	-	-	-
Debt service funds	-	-	-	-
Permanent fund corpus	-	-	-	-
Permanent fund expendable	-	-	-	-
Unreserved, reported in:				
Special revenue funds	-	-	-	-
Debt service funds	-	-	-	-
Capital projects funds	-	-	-	-
Other funds	-	-	-	-
Nonspendable	1,530,737	1,507,707	1,488,822	1,465,142
Restricted	5,743,695	3,997,308	3,783,400	4,932,209
Committed	2,678,973	3,270,785	2,118,169	1,593,998
Unassigned (deficit)	(151,746)	(365,102)	(239,384)	-
<b>Total all other governmental funds</b>	<b>\$ 9,801,659</b>	<b>\$ 8,410,698</b>	<b>\$ 7,151,007</b>	<b>\$ 7,991,349</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 has chosen not to make the necessary calculations to retroactively report the information for the Fiscal Years Ended June 30, 2005 to 2010.

Fiscal Year					
2010	2009	2008	2007	2006	2005
\$ 5,010	\$ 2,144	\$ 6,863	\$ 10,874	\$ 14,360	\$ -
3,229,998	2,563,468	2,329,183	2,575,413	2,528,264	2,543,921
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 3,235,008</u>	<u>\$ 2,565,612</u>	<u>\$ 2,336,046</u>	<u>\$ 2,586,287</u>	<u>\$ 2,542,624</u>	<u>\$ 2,543,921</u>
\$ 300	\$ 300	\$ 50,169	\$ 1,241	\$ 41,525	\$ -
-	20,000	-	-	-	-
-	-	-	-	-	5,142,821
-	-	-	-	-	907,645
1,441,142	1,411,567	1,385,867	1,365,692	1,339,292	1,236,292
52,068	127,130	220,112	267,434	287,653	584,311
6,587,493	3,396,437	3,883,960	4,803,171	4,749,558	6,815,229
804,641	753,755	826,450	905,740	941,569	-
1,291,149	834,822	1,348,069	1,742,621	1,517,035	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 10,176,793</u>	<u>\$ 6,544,011</u>	<u>\$ 7,714,627</u>	<u>\$ 9,085,899</u>	<u>\$ 8,876,632</u>	<u>\$ 14,686,298</u>

# CITY OF HOLLAND, MICHIGAN

## Changes in Fund Balances, Governmental Funds For the Last Ten Fiscal Years

	Fiscal Year			
	2014	2013	2012	2011
<b>Revenues</b>				
Property taxes	\$ 15,531,647	\$ 15,305,039	\$ 15,345,237	\$ 16,121,528
Special assessments	773,740	738,263	814,214	721,343
Licenses, fees and permits	627,716	484,785	497,102	551,740
Intergovernmental	8,090,257	9,190,867	11,513,296	11,048,271
Charges for services	1,765,726	1,767,839	1,727,647	1,544,669
Fines and penalties	629,639	600,565	558,518	549,498
Contributions from private sector	852,417	1,458,342	570,496	586,279
Interest and rents	1,005,386	916,552	1,026,240	1,103,409
Other revenues	287,829	272,010	346,334	256,580
<b>Total revenues</b>	<b>29,564,357</b>	<b>30,734,262</b>	<b>32,399,084</b>	<b>32,483,317</b>
<b>Expenditures</b>				
Current:				
General government	3,537,050	3,946,025	4,045,535	3,893,107
Public safety	11,376,342	10,904,914	10,947,361	11,212,040
Public works	4,627,841	3,993,238	3,890,213	3,951,785
Welfare and social services	1,142,307	895,361	1,003,258	1,326,664
Culture and recreation	4,510,490	4,365,859	4,771,718	4,986,686
Other	77,581	68,572	64,781	69,432
Debt service:				
Principal	3,839,000	3,218,223	2,631,963	1,981,964
Interest	912,384	1,010,844	1,108,456	1,047,485
Bond issuance costs	-	-	-	114,289
Capital outlay	2,336,346	5,982,162	8,396,066	8,214,505
<b>Total expenditures</b>	<b>32,359,341</b>	<b>34,385,198</b>	<b>36,859,351</b>	<b>36,797,957</b>
Revenues under expenditures	(2,794,984)	(3,650,936)	(4,460,267)	(4,314,640)
<b>Other financing sources (uses)</b>				
Bond issue and land contract	-	-	-	7,425,000
Bond premium	-	-	-	385,976
Payment to escrow agent	-	-	-	(7,852,210)
Proceeds on sale of capital assets	-	1,331,249	-	-
Transfers in	11,473,850	9,489,765	9,647,680	10,616,583
Transfers out	(7,547,607)	(5,167,544)	(5,942,484)	(7,540,624)
<b>Total other financing sources (uses)</b>	<b>3,926,243</b>	<b>5,653,470</b>	<b>3,705,196</b>	<b>3,034,725</b>
<b>Net changes in fund balances</b>	<b>\$ 1,131,259</b>	<b>\$ 2,002,534</b>	<b>\$ (755,071)</b>	<b>\$ (1,279,915)</b>
Debt service as a percentage of noncapital expenditures	15.8%	14.4%	11.9%	10.6%

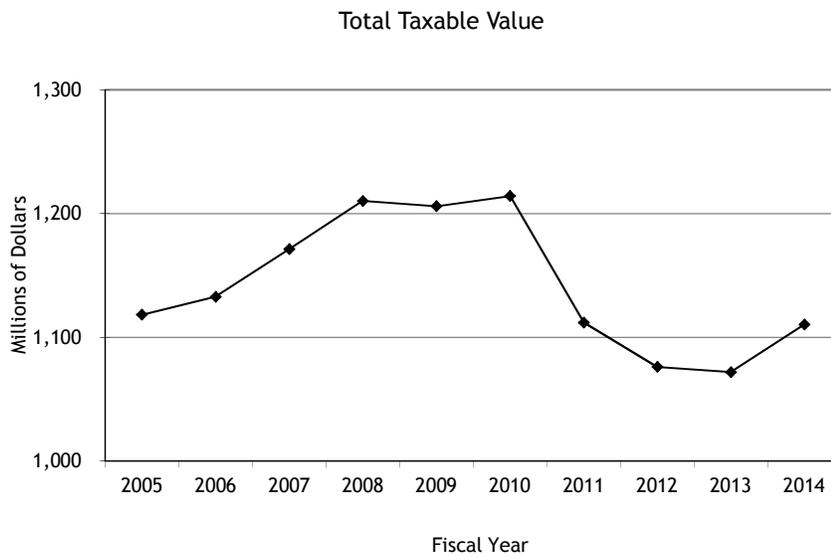
Fiscal Year					
2010	2009	2008	2007	2006	2005
\$ 17,251,755	\$ 17,089,338	\$ 17,313,526	\$ 16,771,182	\$ 16,368,318	\$ 16,033,637
695,621	659,329	624,352	682,982	728,498	583,084
378,613	331,941	428,256	556,324	517,223	510,922
7,682,981	8,148,604	8,977,468	10,402,819	11,650,263	19,848,219
1,408,254	1,360,268	1,201,777	1,174,439	1,176,727	1,118,339
495,531	474,462	460,144	445,206	423,176	450,799
386,717	408,948	375,206	408,474	542,430	456,891
1,294,685	3,702,781	4,078,215	4,009,704	3,660,418	3,317,548
260,585	419,427	15,666	10,384	41,169	125,155
<u>29,854,742</u>	<u>32,595,098</u>	<u>33,474,610</u>	<u>34,461,514</u>	<u>35,108,222</u>	<u>42,444,594</u>
3,708,153	6,014,901	6,115,337	5,793,527	5,713,523	5,748,867
11,095,227	11,336,176	11,353,454	11,274,392	10,301,845	10,438,435
3,850,331	4,273,397	4,005,177	3,760,112	3,290,658	3,043,671
1,451,323	1,289,774	1,112,074	1,304,323	1,399,094	1,369,692
5,122,991	5,134,093	5,408,323	5,156,184	5,439,768	5,196,498
75,282	85,705	81,242	151,255	115,681	147,246
1,807,961	2,567,963	2,427,963	2,322,963	2,292,963	2,079,475
1,181,812	1,230,937	1,195,690	1,273,710	1,534,371	1,489,744
62,973	151,980	-	-	-	-
5,970,223	9,538,667	6,455,022	6,056,550	13,185,288	16,301,232
<u>34,326,276</u>	<u>41,623,593</u>	<u>38,154,282</u>	<u>37,093,016</u>	<u>43,273,191</u>	<u>45,814,860</u>
<u>(4,471,534)</u>	<u>(9,028,495)</u>	<u>(4,679,672)</u>	<u>(2,631,502)</u>	<u>(8,164,969)</u>	<u>(3,370,266)</u>
5,820,000	4,000,000	-	-	7,410,000	-
-	34,490	-	-	1,676	-
-	-	-	-	(7,137,158)	-
-	-	-	-	-	-
11,403,402	12,243,923	10,118,589	8,866,486	10,033,423	8,919,203
<u>(8,449,690)</u>	<u>(8,190,968)</u>	<u>(7,060,430)</u>	<u>(5,982,054)</u>	<u>(7,953,935)</u>	<u>(6,858,314)</u>
<u>8,773,712</u>	<u>8,087,445</u>	<u>3,058,159</u>	<u>2,884,432</u>	<u>2,354,006</u>	<u>2,060,889</u>
<u>\$ 4,302,178</u>	<u>\$ (941,050)</u>	<u>\$ (1,621,513)</u>	<u>\$ 252,930</u>	<u>\$ (5,810,963)</u>	<u>\$ (1,309,377)</u>
10.3%	11.8%	11.5%	11.3%	11.8%	11.3%

**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
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
2013	497,622,663	252,984,857	340,280,477	8,604,548	27,566,063	1,071,926,482	15.1085
2014	508,185,259	253,839,647	365,890,767	8,621,685	26,054,993	1,110,482,365	15.1085

\*Other property includes agricultural, developmental and utilities.

Source: City of Holland Assessor's Office



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## 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							Overlapping Rates*	
	Basic Rate	General Obligation Debt Service	Capital Projects	Herrick District Library	MAX Public Transit	Airport Authority	Total Direct	State of Michigan	MAX Authority
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
2013	9.6585	2.8936	1.1843	1.2721	-	0.1000	15.1085	6.0000	0.4000
2014	9.6585	2.8069	1.2860	1.2571	-	0.1000	15.1085	6.0000	0.4000

1.8333 must be added to the City direct rate, for the fiscal year 2014, 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:**

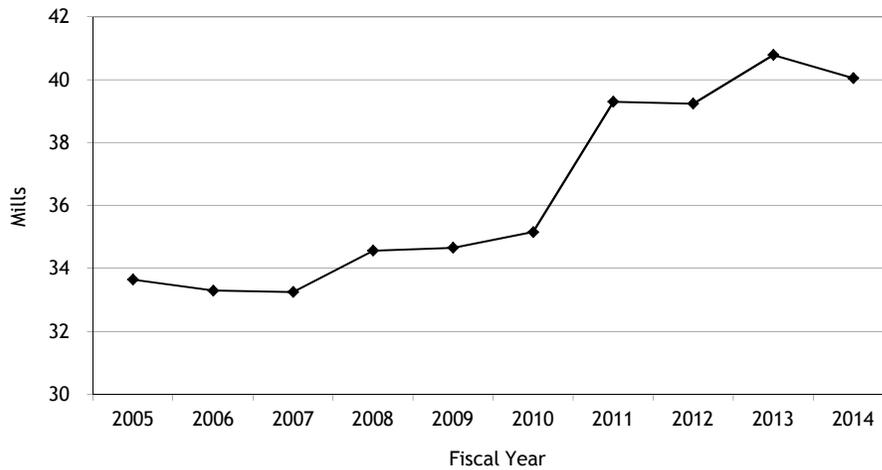
The City of Holland is located in both Ottawa and Allegan County and Holland, Hamilton and Zeeland School District. The county and school tax paid by property owners depends on the location of their property. Approximately 80% of the City of Holland is located in Ottawa County and 20% in Allegan County.

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								
4.2192	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
5.5234	1.5700	4.3565	5.8977	7.8300	25.8300	5.3100	23.3100	8.2300	26.2300
5.5234	1.5700	4.3565	5.8977	7.0900	25.0900	4.5600	22.5600	8.2300	26.2300

Total Tax Levies



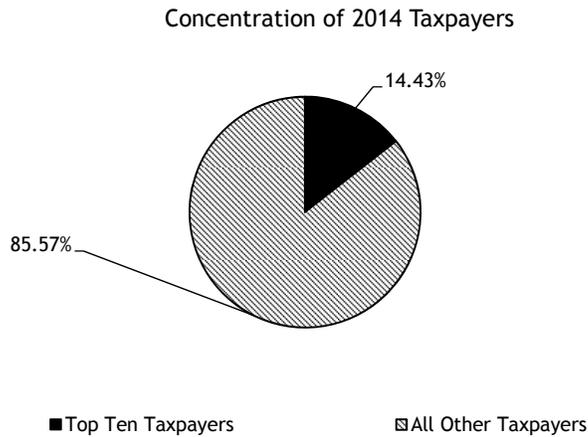
The total tax levy reflects principal residence tax rates for citizens living in Ottawa County and the Holland School District.

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

Taxpayer	2014			2005		
	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	\$ 29,541,781	1	2.66 %	\$ 72,069,096	1	6.44 %
Haworth, Inc	28,700,371	2	2.58	48,815,588	2	4.37
JCIM US LLC	21,283,900	3	1.92	-----		----
ARC Holland Real Estate	15,603,565	4	1.41	18,775,724	3	1.68
Lumir LLC	13,592,102	5	1.22	9,233,005	6	0.83
H.J. Heinz Co	12,304,746	6	1.11	11,184,383	5	1.00
Benteler & Hydro Automotive	12,078,070	7	1.09	-----		----
Challenge MFG Company	9,903,341	8	0.89	-----		----
American Bottling Co	9,132,137	9	0.82	-----		----
Jones & Jones Leasing/L&W Eng	8,097,600	10	0.73	-----		----
Hydro Automotive Structures	-----		----	15,953,167	4	1.43
New West MI Ind Inv LLC	-----		----	8,656,100	7	0.77
Brooks Beverage	-----		----	8,322,922	8	0.74
Herman Miller Inc	-----		----	7,535,386	9	0.67
Meijer Realty Co	-----		----	6,829,489	10	0.61
	<u>\$160,237,613</u>		<u>14.43</u>	<u>\$207,374,860</u>		<u>18.54</u>

Source: City of Holland Assessor's Office

2014 Total Taxable Value is \$1,110,482,365, which includes IFT's at equivalency valuation.



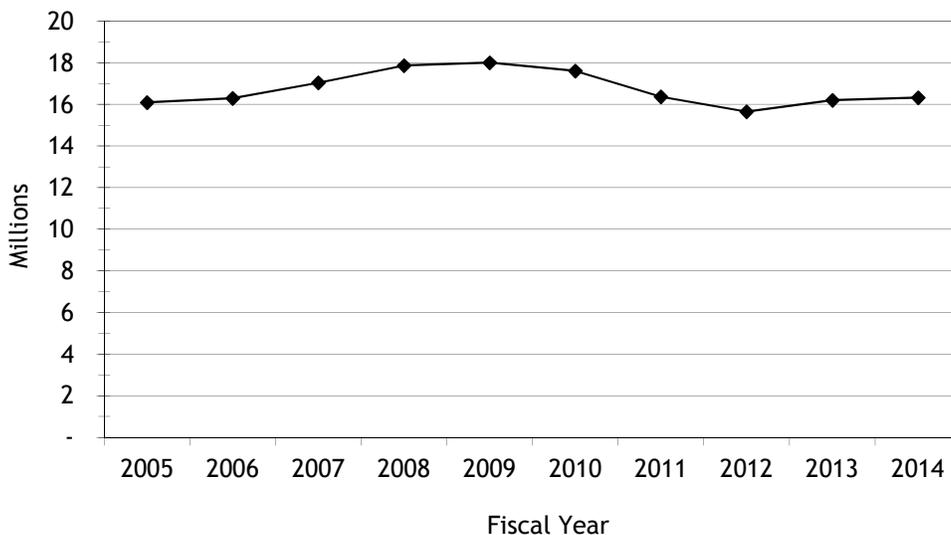
**Property Tax Levies and Collections**  
For the Last Ten Fiscal Years

Fiscal Year Ended June 30	Taxes Levied for the Fiscal Year*	Collected within the Fiscal Year of the Levy			Total Collections to Date	
		Amount	Percentage of Levy	Collections in Subsequent Years	Amount	Percentage of Levy
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	4,768	15,657,348	99.93
2013	16,211,578	16,186,627	99.85	14,479	16,201,106	99.94
2014	16,332,330	16,325,095	99.96	-	16,325,095	99.96

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

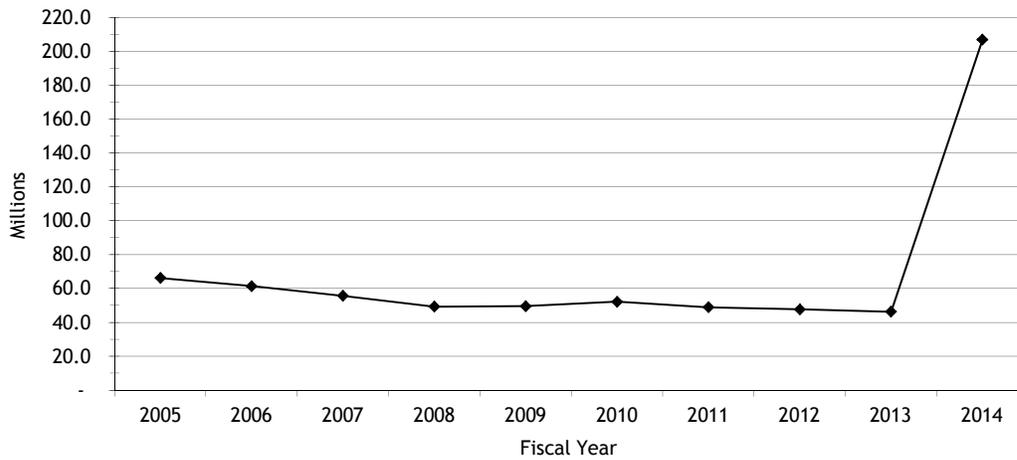
Fiscal Year	Governmental Activities							Total Governmental Activities
	General Obligation Bonds	Building Authority Bonds	Michigan Transportation Bonds	Special Assessment Bonds	Environmental Clean-up Costs	Capital Improvement Bonds		
2005	\$ 452,000	\$ 29,550,000	\$ 2,105,000	\$ 2,269,963	\$ 60,000	\$ -	\$ 34,436,963	
2006	439,500	28,239,518	1,500,000	2,179,500	45,000	-	32,403,518	
2007	427,000	26,660,173	1,025,000	1,944,037	30,000	-	30,086,210	
2008	414,500	24,975,828	525,000	1,733,574	15,000	-	27,663,902	
2009	402,000	23,224,594	-	1,508,111	-	4,000,000	29,134,705	
2010	389,500	21,708,870	-	1,612,650	-	9,455,000	33,166,020	
2011	377,000	20,058,785	-	1,333,186	-	9,400,000	31,168,971	
2012	364,500	18,305,558	-	1,078,723	-	8,815,000	28,563,781	
2013	-	16,891,662	-	403,000	-	8,200,000	25,494,662	
2014	-	13,917,915	-	134,000	-	7,555,000	21,606,915	

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.

Business-type Activities							
Airport Bonds	County Bonds	Water Bonds	Electric Bonds	Total Business-type Activities	Total Primary Government	Percentage of Personal Income**	Per Capita**
\$ 70,000	\$ 4,919,923	\$ 19,232,309	\$ 7,581,005	\$ 31,803,237	\$ 66,240,200	10.16	\$ 1,912
58,000	4,471,654	19,302,597	5,205,691	29,037,942	61,441,460	9.48	1,785
45,000	4,070,962	18,982,335	2,551,005	25,649,302	55,735,512	8.65	1,628
31,000	3,562,196	18,152,231	-	21,745,427	49,409,329	7.72	1,453
16,000	3,028,640	17,437,719	-	20,482,359	49,617,064	6.84	1,456
-	2,466,784	16,689,642	-	19,156,426	52,322,446	7.22	1,537
-	1,901,108	15,877,888	-	17,778,996	48,947,967	6.94	1,481
-	1,332,902	17,856,220	-	19,189,122	47,752,903	7.06	1,440
-	679,014	20,222,537	-	20,901,551	46,396,213	7.20	1,394
-	-	18,930,537	166,458,220	185,388,757	206,995,672	30.31	6,182

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		
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	18,305,558	18,670,058	1.73	561
2013	-	16,891,662	16,891,662	1.58	508
2014	-	13,917,915	13,917,915	1.25	416

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, 2014

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable*	Estimated Share of Overlapping Debt
<b>Debt repaid with property taxes</b>			
Ottawa Area Intermediate School District	\$ 4,149,381	9.86%	\$ 409,129
Hamilton School District	27,155,675	25.27%	6,862,239
Holland School District	80,460,601	74.19%	59,693,720
Zeeland School District	87,932,185	0.00%	-
Allegan County	31,317,895	8.82%	2,762,238
Ottawa County	136,760,958	6.71%	9,176,660
Holland Area Community Swimming Pool Authority	3,520,000	74.19%	<u>2,611,488</u>
<b>Subtotal, overlapping debt</b>			<b>81,515,474</b>
<b>City direct debt</b>			<u><b>21,606,915</b></u>
<b>Total direct and overlapping debt</b>			<u><u><b>\$ 103,122,389</b></u></u>

Sources: Assessed value data used to estimate applicable percentages provided by the 2013 Allegan and 2013 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 2014**

Assessed value	\$1,110,482,365
Debt limit (10% of assessed value)	111,048,237
Debt applicable to limit:	
Building authority bonds	12,592,915
Capital improvement bonds	7,555,000
Less: Amount set aside for repayment of debt	<u>(182,055)</u>
Total net debt applicable to limit	<u>19,965,860</u>
Legal debt margin	<u>\$ 91,082,377</u>

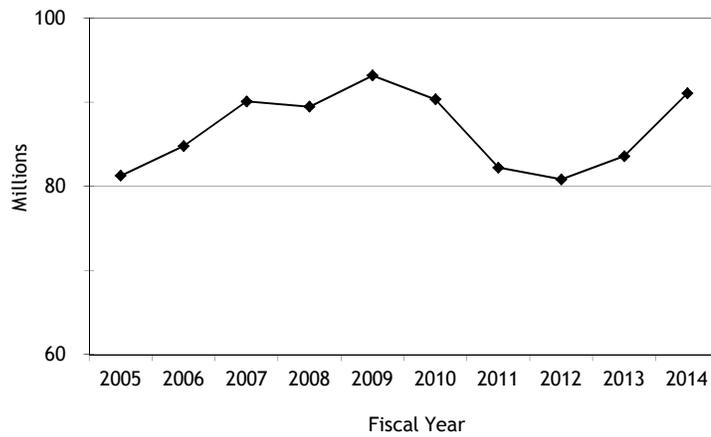
	Fiscal Year				
	2014	2013	2012	2011	2010
Debt Limit	\$ 111,048,237	\$ 107,192,648	\$ 107,612,788	\$ 111,202,723	\$ 121,415,479
Total net debt applicable to limit	<u>19,965,860</u>	<u>23,582,232</u>	<u>26,760,035</u>	<u>28,956,240</u>	<u>31,046,415</u>
Legal debt margin	<u>\$ 91,082,377</u>	<u>\$ 83,610,416</u>	<u>\$ 80,852,753</u>	<u>\$ 82,246,483</u>	<u>\$ 90,369,064</u>
Total net debt applicable to the limit as a percentage of debt limit	21.92%	28.20%	33.10%	35.21%	34.36%

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 \$1,325,000, or \$822,825, 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				
2009	2008	2007	2006	2005
\$ 120,588,930	\$ 115,235,643	\$ 117,120,687	\$ 113,279,753	\$ 111,833,099
<u>27,390,212</u>	<u>25,741,478</u>	<u>26,998,987</u>	<u>28,457,723</u>	<u>30,561,460</u>
<u>\$ 93,198,718</u>	<u>\$ 89,494,165</u>	<u>\$ 90,121,700</u>	<u>\$ 84,822,030</u>	<u>\$ 81,271,639</u>
29.39%	28.76%	29.96%	33.55%	37.60%

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	
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
2013	8,506,464	5,544,007	2,962,457	1,141,500	422,040	1.90
2014	8,835,889	5,779,448	3,056,441	1,175,000	641,712	1.68

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	
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	-	-	-
2013	93,576,510	79,500,777	14,075,733	-	-	-
2014	97,539,619	82,918,644	14,620,975	-	158,781	92.08

continued...

**Pledged-Revenue Coverage**  
For the Last Ten Fiscal Years

Special Assessment Bonds				
Fiscal Year	Special Assessment Collections	Debt Service		Coverage
		Principal	Interest	
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
2013	311,974	611,723	30,360	0.49
2014	313,731	205,000	10,182	1.46

concluded

**Demographic and Economic Statistics**

For the Last Ten Calendar Years

Year	Estimated Population (1)	Personal Income (thousands of dollars)	Per Capita Personal Income (2)	Unemployment Rate (3)
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%
2012	33,279	644,714	19,373	9.2%
2013	33,481	682,912	20,397	8.8%

Sources:

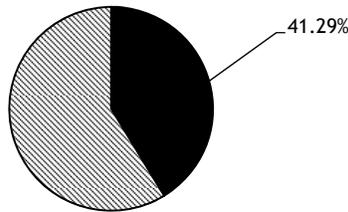
- (1) United States Census Bureau
- (2) United States Census Bureau
- (3) Michigan Bureau of Labor Statistics

**Principal Employers**  
Current Year and Eight Years Ago

Employer	2014			2006		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Johnson Controls Interiors	2,827	1	16.30 %	2,705	1	15.87 %
Holland Community Hospital	1,790	2	10.32	1,600	3	9.39
Haworth Inc	1,608	3	9.27	1,608	2	9.43
Challenge Mfg Company	1,100	4	6.34	-	-	-
NOVO 1	556	5	3.21	353	9	2.07
Holland Public Schools	551	6	3.18	-	-	-
Hope College	550	7	3.17	750	4	4.40
Benteler & Hydro Automotive	461	8	2.66	-	-	-
City of Holland / BPW	385	9	2.22	481	6	2.52
Herman Miller	353	10	2.04	-	-	-
Tiara Yachts	-	-	-	750	5	4.40
Louis Padnos Iron & Metal Co	-	-	-	450	7	2.64
ARC Holland Real Estate	-	-	-	-	-	-
- Freedom Village Retirement	-	-	-	400	8	2.35
American Bottling Co	-	-	-	345	10	2.02
	<u>10,181</u>		<u>58.71</u>	<u>9,442</u>		<u>55.09</u>

Sources:  
Michigan Department of Labor & Economic Growth  
City of Holland Assessor's Office  
Principal Employers

2014 Principal Employers



■ All Other Employers    ▨ Principal Employers

Note: Employment Information from 9 years ago is unavailable. The oldest available information is shown.

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# 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				
	2014	2013	2012	2011	2010
<b>General government</b>					
Management services	2.70	2.85	2.85	2.85	3.33
Fiscal services	13.00	12.15	13.15	13.15	13.35
City clerk	2.00	2.00	2.25	2.25	2.25
Human resources	1.25	1.25	2.25	2.25	2.25
Building	1.00	1.00	1.00	1.00	1.00
Cemetery	2.85	2.90	2.90	2.40	3.15
Planning	1.90	2.40	2.60	2.67	3.20
Technology	4.00	4.00	4.00	4.00	4.00
<b>Public safety</b>					
Police	65.00	65.00	65.00	69.00	71.00
Fire	51.00	51.00	55.00	55.00	56.00
Environmental health & inspections	7.90	8.35	8.85	8.85	10.15
<b>Public works</b>					
Streets	15.65	16.15	18.15	17.90	19.90
Engineering	2.35	2.60	2.60	2.90	3.00
Transit	0.00	0.00	0.00	0.00	2.75
Centralized vehicle maintenance	7.15	7.80	7.80	7.75	8.44
<b>Welfare and social services</b>					
Ourstreet / Human relations	1.95	2.10	2.80	2.80	3.80
Economic development assistance	1.10	1.90	2.20	2.13	1.84
Downtown development	3.30	3.15	3.20	3.20	2.20
<b>Culture and recreation</b>					
Recreation	4.15	3.75	4.75	4.60	4.60
Parks	11.60	11.95	12.95	13.40	13.75
Civic Center	1.30	1.40	1.40	1.60	1.50
Board of Public Works Utilities	<u>178.00</u>	<u>177.00</u>	<u>179.00</u>	<u>182.00</u>	<u>183.00</u>
<b>Total</b>	<u><u>379.15</u></u>	<u><u>380.70</u></u>	<u><u>394.70</u></u>	<u><u>401.70</u></u>	<u><u>414.46</u></u>

Source: City of Holland Finance Office Fiscal Year 2014 Budget (Approved Positions)

Exhibit L-1 - Unaudited



Full-time Equivalent Employees as of June 30				
2009	2008	2007	2006	2005
3.20	3.20	3.20	3.65	3.65
14.30	14.35	14.35	13.90	14.90
2.25	3.25	3.25	3.00	3.00
2.25	2.25	2.25	2.25	2.25
1.00	1.00	1.00	1.00	1.00
4.15	4.15	4.15	4.15	4.15
3.20	3.10	3.30	3.50	3.50
4.00	4.00	4.00	5.00	5.00
73.50	74.50	74.50	74.50	74.50
57.00	58.00	58.00	58.00	58.00
10.20	10.20	11.20	11.50	11.50
19.91	19.82	19.74	19.74	19.74
3.00	2.90	2.90	2.90	2.90
2.75	2.75	1.58	0.83	0.98
9.95	8.93	8.93	8.93	8.78
3.80	3.80	3.80	5.05	5.05
1.95	2.00	2.80	2.30	2.10
2.20	2.15	2.05	2.05	2.05
4.60	4.60	4.60	4.60	4.60
14.65	14.65	13.65	13.65	14.65
1.60	1.65	1.75	1.75	1.75
<u>186.00</u>	<u>185.00</u>	<u>180.00</u>	<u>182.00</u>	<u>182.00</u>
<u><u>425.46</u></u>	<u><u>426.25</u></u>	<u><u>421.00</u></u>	<u><u>424.25</u></u>	<u><u>426.05</u></u>

# CITY OF HOLLAND, MICHIGAN

## Operating Indicators by Function For the Last Ten Fiscal Years

Function	Fiscal Year				
	2014	2013	2012	2011	2010
<b>Cemetery</b>					
Burials	225	244	229	266	245
<b>Police</b>					
Physical arrests	2,055	2,031	2,241	2,281	3,339
Parking violations	3,984	7,591	5,040	4,589	4,832
Traffic violations	3,661	3,494	4,006	3,769	2,924
<b>Fire</b>					
Emergency responses	3,101	2,944	2,768	2,709	2,799
Fires	93	96	86	86	94
Medical Emergencies	2,079	1,957	1,944	1,858	1,909
Inspections	249	194	132	116	145
<b>Public works</b>					
Street resurfacing (miles)	3.8	4.0	8.7	4.9	5.5
Working in the ROW permits	343	330	282	302	337
<b>Community &amp; neighborhood services</b>					
Number of construction permits:					
Industrial & commercial	102	95	78	86	70
Residential	497	438	508	440	43
Institutional & municipal	24	21	26	23	29
Value of construction permits (thousands of dollars)					
Industrial & commercial	22,568	18,915	24,800	52,447	6,151
Residential	14,447	7,638	8,600	10,209	6,671
Institutional & municipal	38,951	31,402	47,000	16,062	13,810
<b>Culture and recreation</b>					
Program participants	19,480	19,329	18,594	16,965	30,782
Pool attendance	11,068	15,051	18,790	17,224	16,969
<b>Water</b>					
Service connections	13,375	12,957	13,028	13,284	13,261
Average daily consumption (thousands of gallons)	11,690	11,790	11,666	10,211	10,088
<b>Wastewater</b>					
Service connections	12,320	12,308	12,272	12,202	12,184
Average daily consumption (thousands of gallons)	9,144	9,490	7,501	7,370	7,274

Source: Various city departments

Exhibit L-2 - Unaudited

Fiscal Year				
2009	2008	2007	2006	2005
262	213	292	257	260
3,237	3,496	3,186	2,933	2,972
4,551	5,533	6,120	5,187	5,678
6,383	6,762	7,235	7,436	7,946
2,994	2,913	2,786	2,670	2,562
89	146	98	129	118
2,112	1,959	1,916	1,752	1,644
96	109	71	129	112
11.2	11.4	2.2	6.8	6.5
346	336	307	327	371
68	96	96	116	110
459	552	550	603	631
16	27	35	33	30
6,546	15,116	67,243	25,759	12,687
7,005	8,754	10,598	15,435	17,574
7,250	27,180	7,681	19,096	44,336
35,450	28,115	26,386	20,784	17,795
9,047	10,998	11,214	13,317	11,500
13,414	13,155	13,190	13,139	13,162
10,689	12,459	12,428	13,387	13,260
12,397	12,169	12,196	12,143	12,107
7,538	7,448	7,578	8,839	8,941

# CITY OF HOLLAND, MICHIGAN

## Capital Asset Statistics by Function For the Last Ten Fiscal Years

Function	Fiscal Year				
	2014	2013	2012	2011	2010
<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)	149.1	149.1	148.7	148.5	148.5
Streetlights	2,595	2,593	2,504	2,534	2,581
<b>Culture and recreation</b>					
Park acreage	403	403	508	508	509
Parks	22	22	23	23	24
Baseball/softball diamonds	10	10	10	10	9
Soccer fields	10	10	10	10	9
Swimming pools	1	1	1	1	1
Tennis courts	14	14	14	14	21
Stadiums	0	0	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)	247.50	245.78	240.73	240.15	236.96
Fire hydrants	2,363	2,353	2,345	2,342	2,320
Maximum daily capacity of plant (thousands of gallons)	38,500	38,500	38,500	38,500	38,500
<b>Wastewater</b>					
Sanitary sewers (miles)	182.77	182.76	182.94	183.73	183.21
Storm sewers (miles)	151.5	159.0	159.0	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				
2009	2008	2007	2006	2005
2	2	2	2	2
1	1	1	1	1
19	19	18	18	18
3	3	3	3	3
148.5	148.8	154.5	148.6	159.3
2,520	4,742	4,643	4,632	4,495
509	460	448	448	448
24	24	24	24	24
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
236.72	233.08	232.44	229.54	226.45
2,321	2,250	2,256	2,195	2,166
38,500	38,500	38,500	38,500	38,500
185.84	182.81	183.16	182.52	177.46
155.0	155.0	155.0	155.0	131.9
12,000	12,000	12,000	12,000	12,000