



Holland

MICHIGAN



Comprehensive Annual Financial Report

For Fiscal Year Ended
June 30, 2015

INTRODUCTORY SECTION

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CITY OF HOLLAND

HOLLAND, MICHIGAN

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2015

Prepared by:

Finance Office

Tim Vagle

Director of Finance

CITY OF HOLLAND, MICHIGAN

Table of Contents

| | <u>Page</u> |
|--|-------------|
| INTRODUCTORY SECTION | 1 |
| Title Page | 3 |
| Table of Contents | 4 |
| Elected Officers | 8 |
| Letter of Transmittal | 9 |
| GFOA Certificate of Achievement of Excellence in Financial Reporting | 25 |
| Organizational Chart | 26 |
| FINANCIAL SECTION | 27 |
| Independent Auditors' Report | 29 |
| Management's Discussion and Analysis | 33 |
| Basic Financial Statements | |
| Government-wide Financial Statements: | |
| Statement of Net Position | 46 |
| Statement of Activities | 47 |
| Fund Financial Statements: | |
| Balance Sheet - Governmental Funds | 50 |
| Reconciliation of Fund Balances for Governmental Funds to Net Position of Governmental Activities | 51 |
| Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds | 52 |
| Reconciliation of Net Changes in Fund Balances of Governmental Funds to Change in Net Position of Governmental Activities | 53 |
| Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual: General Fund | 54 |
| Statement of Net Position - Proprietary Funds | 56 |
| Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Funds | 60 |
| Statement of Cash Flows - Proprietary Funds | 62 |
| Statement of Fiduciary Assets and Liabilities | 66 |
| Combining Statement of Net Position - Discretely Presented Component Units | 67 |
| Combining Statement of Activities - Discretely Presented Component Units | 68 |
| Notes to Financial Statements | 69 |

CITY OF HOLLAND, MICHIGAN

Table of Contents

| | <u>Page</u> |
|--|-------------|
| Required Supplementary Information | 107 |
| MERS Agent Multiple-Employer Defined Benefit Pension Plan: | |
| Schedule of Changes in City's Net Pension Liability and Related Ratios | 108 |
| Schedule of the Net Pension Liability | 109 |
| Schedule of Contributions | 110 |
| Other Postemployment Benefits Plan: | |
| Schedule of Funding Progress | 111 |
| Schedule of Employer Contributions | 111 |
| | |
| Combining and Individual Fund Financial Statements and Schedules | |
| General Fund - By Activity: | |
| Combining Balance Sheet | 116 |
| Combining Statement of Revenues, Expenditures and Changes in Fund Balances | 117 |
| Detailed Schedule of Revenues - Budget and Actual | 118 |
| Detailed Schedule of Expenditures - Budget and Actual | 119 |
| Detailed Schedule of Transfers - Budget and Actual | 121 |
| Nonmajor Governmental Funds: | |
| Combining Balance Sheet | 136 |
| Combining Statement of Revenues, Expenditures and Changes in Fund Balances | 142 |
| Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual: | |
| Major Street Fund | 148 |
| Local Street Fund | 149 |
| Allegan County Road Tax Fund | 150 |
| Street Improvements Reserve Fund | 151 |
| Public Parking System Fund | 152 |
| Snowmelt Operating System Fund | 153 |
| Principal Shopping District Fund | 154 |
| CATV (Public Access Channels) Fund | 155 |
| Revolving Cash Assistance Fund | 156 |
| Specified Donations Fund | 157 |
| Dangerous Structures Fund | 158 |
| Police Criminal Justice Training Fund | 159 |
| Anti-Drug Abuse Grant Fund | 160 |
| Office of Highway Safety Planning (OHSP) Grant Fund | 161 |
| Law Enforcement Block Grant Fund | 162 |
| Homeland Security Grant Fund | 163 |
| Michigan Rehabilitation Services Grant Fund | 164 |
| District Library Taxation Fund | 165 |
| MSHDA Grant Fund | 166 |
| Community Development Block Grant Fund | 167 |
| Eat Healthy For Life -EBT Program Fund | 168 |
| Cemetery Perpetual Care Fund | 169 |

CITY OF HOLLAND, MICHIGAN

Table of Contents

| | <u>Page</u> |
|--|-------------|
| Combining and Individual Fund Financial Statements and Schedules (concluded) | |
| Nonmajor Enterprise Funds: | |
| Combining Statement of Net Position | 176 |
| Combining Statement of Revenues, Expenses and Changes in Fund Net Position | 178 |
| Combining Statement of Cash Flows | 180 |
| Internal Service Funds: | |
| Combining Statement of Net Position | 190 |
| Combining Statement of Revenues, Expenses and Changes in Fund Net Position | 192 |
| Combining Statement of Cash Flows | 194 |
| Agency Funds: | |
| Combining Statement of Fiduciary Assets and Liabilities | 200 |
| Combining Statement of Changes in Fiduciary Assets and Liabilities | 202 |
| Component Units: | |
| Downtown Development Authority: | |
| Balance Sheet | 208 |
| Reconciliation of Fund Balance for the Governmental Fund to Net Position of Component Units | 209 |
| Statement of Revenues, Expenditures and Changes in Fund Balance | 210 |
| Reconciliation of Net Changes in Fund Balance of the Governmental Fund to Change in Net Position of Component Units | 211 |
| Brownfield Redevelopment Authority: | |
| Balance Sheet | 212 |
| Statement of Revenues, Expenditures and Changes in Fund Balance | 213 |
| Other Information (Unaudited) | |
| Essential Services Resource Trend | 215 |
| STATISTICAL SECTION (UNAUDITED) | 217 |
| Statistical Section Table of Contents | 219 |
| Financial Trends Information | |
| Net Position by Component | 220 |
| Changes in Net Position | 222 |
| Fund Balances, Governmental Funds | 226 |
| Changes in Fund Balances, Governmental Funds | 228 |
| Revenue Capacity Information | |
| Actual Value of Taxable Property | 230 |
| Direct and Overlapping Property Tax Rates | 232 |
| Principal Property Taxpayers | 234 |
| Property Tax Levies and Collections | 235 |

CITY OF HOLLAND, MICHIGAN

Table of Contents

| | <u>Page</u> |
|---|-------------|
| Debt Capacity Information | |
| Ratios of Outstanding Debt by Type | 236 |
| Ratios of General Bonded Debt Outstanding | 238 |
| Direct and Overlapping Governmental Activities Debt | 239 |
| Legal Debt Margin Information | 240 |
| Pledged-Revenue Coverage | 242 |
| Demographic and Economic Information | |
| Demographic and Economic Statistics | 246 |
| Principal Employers | 247 |
| Operating Information | |
| Full-Time Equivalent Government Employees by Function | 248 |
| Operating Indicators by Function | 250 |
| Capital Asset Statistics by Function | 252 |

CITY OF HOLLAND, MICHIGAN

ELECTED OFFICERS

For the Year Ended June 30, 2015

CITY COUNCIL

Nancy DeBoer
Mayor

Myron Trethewey
Ward 1
Brian Burch
Ward 3
Todd Whiteman
Ward 5

Jay Peters
Ward 2
Brian Lynn
Ward 4
David Hoekstra
Ward 6

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
Tim Vagle
City Director of Finance

Anna Perales
Deputy City Clerk
James Bush
City Assessor

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

Matt VanDyken
Assistant City Manager/Technology Services
Director
Joel Dye
*Interim Director of Community &
Neighborhood Services*
Brian White
Director of Transportation Services

Matt Messer
Director of Public Safety
Andy Kenyon
*Director of Parks &
Recreation 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 11, 2015

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, 2015, 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 complete and accurate in all material respects and reported in accordance with Generally Accepted Accounting Principles (GAAP) in the United States of America. 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.

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 City encompasses 17.50 square miles of land area, and has an estimated 2014 population of 33,644.

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.

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.

PROFILE OF THE GOVERNMENT

(Continued from Previous Page)

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 such 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 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 378 full-time positions, and 62 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 | Utility Workers Union of America AFL-CIO, Local 610 | 82 |
| Police Officers | Fraternal Order of Police, Holland Police Officers Division | 54 |
| Firefighters | International Association of Firefighters, Local 759 | 18 |
| Non-Union | None | <u>224</u> |
| Total | | 378 |

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.

Standard & Poor’s October 27, 2015 credit rating report noted that Holland has strong management with “good” financial policies and practices with strong budgetary performance. 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 2015) | AA |

THE FINANCIAL REPORTING ENTITY

The *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 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 enjoys a healthy and stable local economy. The local tax base includes a well-diversified property tax base mix of residential (45.7%), commercial (22.0%), industrial (31.5%), and all other (0.8%). The industrial sector includes a diversification of manufacturing, including office systems and furniture, auto and truck parts, boats, aluminum extrusion, food manufacturing, wind energy components, lithium-ion batteries and several other small industrial firms.

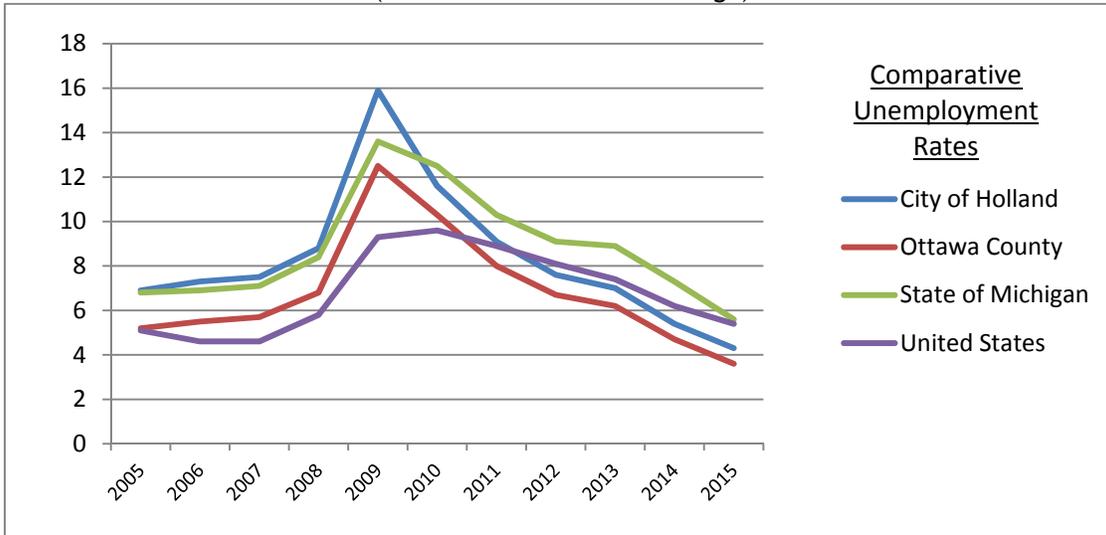
The local West Michigan area has substantially recovered from the Great Recession/national economic downturn which began in 2008-09. The following table of comparative unemployment rates reflects local unemployment rates within the City, the two counties it is located in, as well as with national and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

Comparative Unemployment Rates

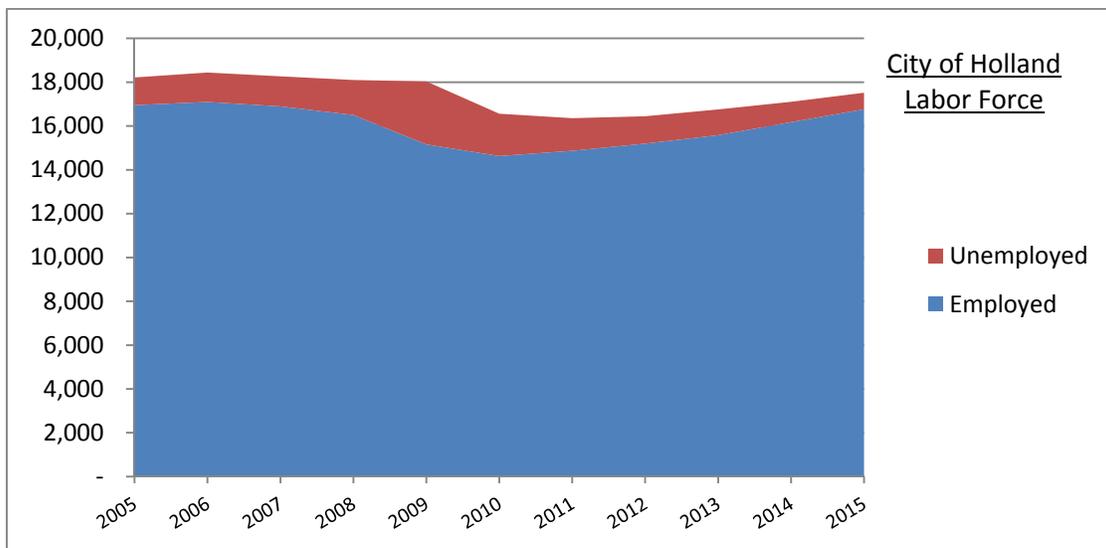
| <u>Annual Average</u> | <u>City of Holland</u> | <u>County of Ottawa</u> | <u>County of Allegan</u> | <u>State of Michigan</u> | <u>United States</u> |
|-----------------------|------------------------|-------------------------|--------------------------|--------------------------|----------------------|
| <u>2015 (Aug. 31)</u> | <u>4.3</u> | <u>3.6</u> | <u>4.3</u> | <u>5.6</u> | <u>5.4</u> |
| 2014 | 5.4 | 4.7 | 5.4 | 7.3 | 6.2 |
| 2013 | 7.0 | 6.2 | 6.8 | 8.9 | 7.4 |
| 2012 | 7.6 | 6.7 | 7.4 | 9.1 | 8.1 |
| 2011 | 9.1 | 8.0 | 8.8 | 10.3 | 8.9 |
| 2010 | 11.6 | 10.3 | 11.3 | 12.5 | 9.6 |
| 2009 | 15.9 | 12.5 | 12.9 | 13.6 | 9.3 |
| 2008 | 8.8 | 6.8 | 7.3 | 8.4 | 5.8 |
| 2007 | 7.5 | 5.7 | 6.4 | 7.1 | 4.6 |
| 2006 | 7.3 | 5.5 | 6.3 | 6.9 | 4.6 |
| 2005 | 6.9 | 5.2 | 6.3 | 6.8 | 5.1 |

ECONOMIC CONDITIONS OF THE COMMUNITY

(Continued from Previous Page)



The unemployment figures should be reviewed in tandem with the following labor force figures:



City of Holland Labor Force

| | <u>Employed</u> | <u>Unemployed</u> | <u>Labor Force / % Change</u> | |
|----------------|-----------------|-------------------|-------------------------------|--------|
| 2015 (Aug. 31) | 16,764 | 752 | 17,515 | +2.40% |
| 2014 | 16,176 | 928 | 17,104 | +2.08% |
| 2013 | 15,579 | 1,177 | 16,756 | +1.91% |
| 2012 | 15,196 | 1,246 | 16,442 | +0.53% |
| 2011 | 14,866 | 1,489 | 16,355 | -1.23% |
| 2010 | 14,631 | 1,927 | 16,558 | -8.18% |
| 2009 | 15,160 | 2,874 | 18,034 | -0.36% |
| 2008 | 16,500 | 1,600 | 18,100 | -0.82% |
| 2007 | 16,896 | 1,371 | 18,267 | -0.92% |
| 2006 | 17,099 | 1,337 | 18,436 | +1.20% |
| 2005 | 16,952 | 1,265 | 18,217 | +2.02% |

ECONOMIC CONDITIONS OF THE COMMUNITY

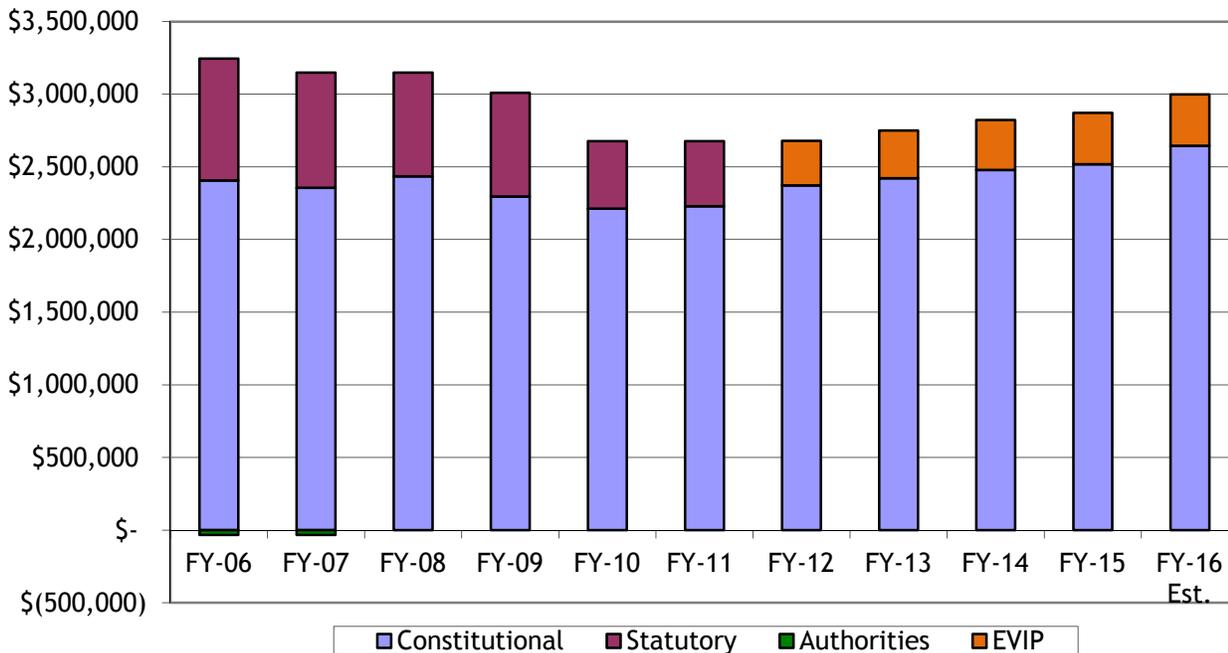
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Lakeshore Advantage, which provides regional economic development services for the Holland, Zeeland and Saugatuck area, indicates that Lakeshore area companies continue to show strong growth. New products and services are being developed following years of investment in research and development. Area businesses have experienced sales growth of 77%. As growth continues, recruiting talent has become a challenge.

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. JCI is in the process of spinning off all automotive operations, yet retaining some ownership. 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, allowing better local government Revenue Sharing estimates. After years of cuts and reductions in Revenue Sharing largely due to the poor performance of the Michigan economy, slight increases were received in FY2014 and 2015 and are expected in 2016. 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 an incentive based program, now known as the City, Village, and Township Revenue Sharing (CVTRS)/County Incentive Program (CIP), for which the City has met the requirements annually. \$354,167 received in FY2015 compares to \$448,000 in the former formula.

CITY OF HOLLAND STATE REVENUE SHARING



A ballot initiative approved in August 2014 eliminated the Personal Property Tax (PPT) 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. The law included a provision for “full recovery” of any lost revenues, capping PPT revenues at 2013 levels. Since much of Holland’s growth in Taxable Value has historically come from growth in Personal Property Taxes, future growth in Taxable Values will be slower. Residential property values are increasing, providing a balance for PPT losses. A road funding package was approved in the fall of 2015, which will have a significant and positive impact on future budgets. About half of the projected \$1.2 billion will come from State General Fund growth estimates, the rest from new sources.

ECONOMIC CONDITIONS OF THE COMMUNITY

(Continued from Previous Page)

Based on 2015 PA198 applications processed by the City of Holland, 77 new jobs are anticipated to be created along with \$5.5 million of new related construction and machinery. For 2015 the City currently has 125 PA198 industrial facilities certificates active and 7 PA328's active. In 2014, the City had 122 PA198 industrial facilities certificates and 8 PA328 certificates active.

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 2015 PA198 industrial tax abatements issued by the City. The value of PA198 abatements is down by \$2.4 million from 2014. Motus Integrated Technologies is the largest job creator, and the largest investment is from Nuvar, Inc.

PA 198 Industrial Facilities Tax Abatements (IFT's) 2015

| Company | Description of Services | Planned Investment | Projected Job Growth |
|--|---|--------------------|----------------------|
| Challenge Manufacturing Co. | Welded assemblies & engineered metal | \$ 618,821 | 25 |
| Everest Expedition LLC dba The Worden Co. | Manufacture furniture | 1,400,000 | 8 |
| Motus Integrated Technologies | Manufacture automotive interior products | 555,064 | 30 |
| Nuvar Inc. | Contract manufacturing for other businesses | 2,964,466 | 14 |
| | | \$ 5,538,351 | 77 |

PA 328 New Personal Property Abatement 2015

| | |
|--|---------------------|
| No new PA 328's for 2015 | - |
| | |
| Total PA 198 & PA328 Investment for 2015 | <u>\$ 5,538,351</u> |

Building permit construction values remained stable, decreasing overall by 4% from FY2014 (\$76.8 million) to FY2015 (\$73.5 million). Institutional and municipal permits totaled \$8.8 million for FY2015. The largest combined permit value for one entity in FY2015 was for the construction of a Marriott Hotel in Downtown Holland at a value of \$11.5 million. Other large permits included Appledorn Assisted Living Center for \$4.6 million and Black River Elementary School for \$2.9 million.

ECONOMIC CONDITIONS OF THE COMMUNITY

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Neighborhood improvement projects continue to be a top priority of the Holland City Council and \$502,005 in local and grant funds were expended in homeowner and neighborhood improvements in FY2015. *Livability.com* ranked Holland 3rd on a list of “10 Best Cities for Families” for 2015. According to real estate reports for the 3rd quarter of 2015, the median sales price of homes in Holland was \$155,000. The median sales price of homes increased 6.9% in the 3rd quarter of 2015 compared to 2014. The City maintains a high 47% demographic of households as married-couple families which compares favorably to most other cities.

The quality of life in the City of Holland is further enhanced by the presence of Hope College. Hope College’s centralized location, adjacent to Holland’s downtown area, contributes a wide range of activities, interaction and economic benefit to the community. Enrollment at Hope College for the 2015 Fall Term included 3,274 degree seeking students. Many Hope College graduates not originally from the area fall in love with West Michigan and locate here permanently, citing a good work-life balance. Based on a study completed in 2013, 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. In addition to Hope College, there are three Holland satellite locations of West Michigan universities/colleges. The Holland area Grand Valley State University Meijer Campus, Grand Rapids Community College Lakeshore Campus, and Davenport University have a combined enrollment of approximately 1,400 for the 2015 Fall Term.

In the Western Gateway area of the downtown, the canopied 8th 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 94% with a 1% vacancy rate on ground floor space 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, and *impulcity.com* listed Holland as 2nd in the “19 Most Beautiful Small Towns in America”.

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 currently covers 405,000 square feet (will be expanded significantly in the next few years), 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 7th 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. The preliminary estimate indicates ridership was down 5.1% when comparing Fiscal Year 2014 to Fiscal Year 2015.

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, 2014 | @ June 30, 2015 | Increase (Decrease) |
| General Fund - General | \$ 3,716,988 | \$ 4,001,230 | \$284,242 |
| Gen. Fund - Budget Stabilization | 983,286 | 981,213 | (2,073) |
| Special Revenue | 5,893,800 | 5,116,365 | (777,435) |
| Debt Service Funds | 199,810 | 224,856 | 25,046 |
| Capital Projects Funds | 2,112,719 | 2,561,303 | 448,584 |
| Permanent Trust Funds | 1,595,330 | 1,621,130 | 25,800 |
| Totals | \$ 14,501,933 | \$14,506,097 | \$4,164 |

Additional Comments Concerning Certain Fund Balances

- > The FY2015 increase in *General Fund - Fund Balance* to \$4,001,230 at June 30, 2015 is due to largely to vacant positions. All staff vacancies continue to be carefully scrutinized prior to hiring, but as property tax values have stabilized and are slowly increasing, staff reductions are not always necessary. Management is presented with the challenge of dealing with a large unfunded accrued liability for the defined benefit pension plan, which is leading to increased required contributions.
- > The increase in the *Fund Balance of the Debt Service Funds* in FY2015 was due to revenue received from property owners in payment of special assessments.
- > 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 a delay in starting planned municipal capital projects .
- > The *General Fund - Budget Stabilization* portion ended the fiscal year with an *Unassigned Fund Balance* of \$981,213. 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 23.1% of the ensuing FY2015-16 General Fund budget.

GOVERNMENTAL-TYPE FUNDS - CAPITAL PROJECTS

Expenditures in the *Capital Projects Funds*, excluding interfund transfers, totaled \$5,081,146 for FY2015 as compared to \$2,168,236 for FY2014. More significant projects with expenditures exceeding \$50,000 during the fiscal year included:

| INFRASTRUCTURE PROJECTS (Excluding Utility Fund Share) | |
|--|-----------|
| Resurfacing Program | 490,536 |
| Central Avenue, 3 rd Street to State | 1,882,733 |
| Multi Use Path | 504,946 |
| 16 th Street, Waverly to Quarterline | 899,177 |
| MUNICIPAL CAPITAL PROJECTS | |
| Neighborhood Projects | 65,652 |
| Sustainability | 129,343 |
| Police Building, Lobby Renovations | 55,448 |

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.

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, 2014</u> | <u>Working Capital June 30, 2015</u> |
|-----------------------------------|--------------------------------------|--------------------------------------|
| Technology Services | \$ 219,824 | \$ 185,421 |
| Equipment Services | 2,213,550 | 1,974,142 |
| Insurance Services | <u>3,486,974</u> | <u>3,755,647</u> |
| Totals | <u>\$ 5,920,348</u> | <u>\$ 5,915,210</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 2014-15 was \$4,060,347.

The most recent actuarial valuation, dated December 31, 2014, indicates that the City's valuation assets (stated at market value) provide 66.0% funding (employer portion only), based upon actuarial determined accrued liabilities of \$125,299,186, valuation assets of \$82,638,301, and unfunded accrued liabilities of \$42,660,885.

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 2014-15 was \$719,061 and by employees was \$179,373.

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 \$18,000. 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 0.673%, as compared to 0.787% for the previous fiscal year. If investments had not been valued at market the annualized average interest rate would have been 0.685%. The fiscal year adjustment for market write-down for the pool was \$(3,596) and the overall ending market write-up balance was \$3,016. 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 new BPW Power Plant in fiscal year 2014, 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 | |
| | 2013-2014 | 2014-2015 | Amount | Percentage |
| General Fund | \$ 93,075 | \$ 85,141 | \$ (7,934) | -8.5% |
| Permanent | 13,582 | 11,085 | (2,497) | -18.4% |
| Special Revenue | 45,668 | 41,367 | (4,301) | -9.4% |
| Debt Service | 5,079 | 2,889 | (2,190) | -43.1% |
| Capital Projects | 16,664 | 17,287 | 623 | 3.7% |
| Enterprise | 747,888 | 1,095,439 | 347,551 | 46.5% |
| Internal Service | 45,152 | 35,876 | (9,276) | -20.5% |
| Component Units | 98,089 | 11,544 | (86,545) | -88.2% |
| Total | \$1,065,197 | \$ 1,300,628 | \$ 235,431 | 22.1% |

A W A R D S

In 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> |
|--|--|--------------------------------|
| Documentary, Editing & Informational Awards (2015) | Telly Awards | Technology Services |
| Neighborhood Environmental Partners Program Award (2015) | Michigan Department of Environmental Quality | Utility Services |
| 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 |
| Population Category (since 2011) | America in Bloom | Leisure & Cultural Services |
| Tree City USA Award (since 1981) | National Arbor Day Foundation | Leisure & Cultural Services |
| Best of Weddings (since 2011) | The Knot | Windmill Island Gardens |
| National Award Winner for Outstanding Participation in National Night Out (2008, 2011, 2012, 2014) | National Association of Town Watch | Community & Neighborhood Svcs. |
| Informational & Editing Awards (2014) | Telly Awards | Technology Services |
| Promotional Award for You Tube Contest (2014) | America in Bloom | Technology Services |
| Outstanding Achievement in Heritage Preservation Award (2014) | America in Bloom | Utility Services |
| Macatawa Watershed Stakeholder Award (2014) | Macatawa Watershed Project | Utility Services |
| Safety Award of Excellence (2014) | American Public Power Association | Utility Services |
| Award of Merit for Personal Property Tax Reform (Mayor Dykstra) (2014) | Michigan Municipal League | Management & Administrative |
| Neighborhood Environmental Partners Program (2011 & 2014) | Michigan Department of Environmental Quality | Utility Services |
| Award of Excellence Digital Annual Report (2010, 2011, 2013 & 2014) | American Public Power Association | Utility Services |
| Reliable Public Power Provider (Diamond Level) (2013 & 2014) | American Public Power Association | Utility Services |
| Neighborhood Environmental Partners Program (2011 & 2014) | Michigan Department of Environmental Quality | Utility Services |
| eCities 2013 Award - 4 Star Rating | University of Michigan | Fiscal Services |
| Leadership in Housing Award (2013) | ENERGY STAR | Utility Services |
| Exemplary Water Protection Program Award (2013) | American Water Works Association | Utility Services |
| America's Most Secure Mid-Sized City Award (2013) | Farmers Insurance | Public Safety |
| Michigan Section Class III Safety Award (2013) | American Water Works Association | Utility Services |
| Water Utility of the Year (2012) | Michigan Rural Water Association | Utility Services |
| Gold ADDY Award - Judge's Choice for best overall interactive work. (2012) | West Michigan ADDY Awards | Utility Services |
| President's Award-Holland in Bloom (2011) | Keep Michigan Beautiful | Leisure & Cultural Services |
| Tidiness Criteria (2011) | America in Bloom | Leisure & Cultural Services |
| Victim Services Unit of the Year (2011) | Michigan Sheriff's Association | Public Safety - Police |
| Social Justice Award (2011) | City of Holland Human Relations Commission | Community & Neighborhood Svcs. |

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 Director of Finance is allocated to this issue, as well as support staff in the Community Neighborhood Services 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 June 30, 2015, with nine of these projects financed 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. Five 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 Dialog Direct (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 \$551,487.
- > Work began during the fiscal year on the \$9.7 million Central Avenue, 3rd Street to State Street, reconstruction project; it will conclude in FY2016. The project consists of road reconstruction, curb and gutter work, sidewalk repairs, snowmelt improvements and replacing certain storm sewers and water mains.
- > Improvements to 16th Street, Waverly Road to Quarterline Road, began in FY2014 and were completed in FY2015, with a total cost of \$925,640. The project included milling and resurfacing the pavement, water main replacement between Country Club and Quarterline Road and ADA upgrades to sidewalks.
- > Construction of a multi-use path, between 40th Street and Industrial Avenue, continued in FY2015. The project includes construction of a 10' wide concrete path along M-40 with ADA upgrades and driveway improvements. At fiscal year-end, \$289,050, of the \$507,000 budget, was expended. It is anticipated the project will be completed in FY2016.

SIGNIFICANT INITIATIVES, EVENTS AND ACCOMPLISHMENTS

(Continued from Previous Page)

- Electric Utility:
 - > The Holland Board of Public Works entered into a contract with a wind farm for renewable energy. Total renewable energy sales are projected to be 14% of sales by 2016.
 - > Property was acquired and prepared for construction, at a cost of approximately \$10,142,000, to build a new power plant on the east side of the city. Of this amount, \$2,742,000 was paid during the current fiscal year. A world class infrastructure is planned that will provide a sustainable long term power source, provide a connection to the community, and serve as a gateway to the city. Bonds in the amount of \$158,840,000 were sold during the prior fiscal year to finance the project.
 - > At the 48th Street Parking Station, a Controls System Upgrade Project was completed at a cost of approximately \$1,380,000.
 - > An Advanced Metering Infrastructure Project is underway, incurring costs to date of \$1,077,000.

- Water Utility:
 - > Water main replacements and improvements were completed at a cost of approximately \$607,000. Additional replacements and improvements are planned for fiscal year 2016 with an expected cost of \$2,779,000.
 - > A Filter Pipe Gallery Rehabilitation Project was completed at an approximate cost of \$753,000.
 - > The Basin Rebuild Project was completed at an approximate cost of \$45,000.
 - > Approximately \$182,000 was spent on improvements to the Water Treatment Plant administration building and hydro vacuum excavator.
 - > During fiscal year 2014, the Holland/Wyoming Interconnect Project experienced a leakage event that caused the valve and metering station to fail. There are plans for the station to be rebuilt in early 2016, with the costs of rebuilding expected to be covered by insurance.

- Wastewater Treatment Plant:
 - > Ottawa County issued \$19,000 in bonds to support the Board of Public Works in improvements to the existing Wastewater Treatment Plant (WWTP). The planned improvements will increase handling capabilities and capacity.
 - > The WWTP replaced and enhanced sewer infrastructure in 2015 at a cost of \$1,800,000. Additional replacements and enhancements will continue in 2016 at an expected cost of \$1,545,000. Replacements and improvements were also made to the feed and sewage pumps and an emergency generator, along with upgrades at the administration building and Azalea lift station, for a combined cost of approximately \$1,752,000.

- Municipal Capital Projects:
 - > Plan design work for a non-motorized pathway connecting Windmill Island Gardens to Holland Township began in FY2014 and continued this fiscal year; it is expected to be a multi-year project. The estimated total cost for all projects is \$2.6 million. The majority of the work will be funded by grants and donations with smaller contributions from Holland Charter Township and the City of Holland.
 - > A total of \$65,652 was spent assisting homeowners with miscellaneous home improvement/repair projects.
 - > Renovations to the lobby of the police station, to enhance customer service and provide more space while maintaining security, were completed at a cost of \$54,255.

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 implemented a comprehensive Home Energy Retrofit Pilot Program whereby a total of 25 homes were audited, analyzed and deeply retrofitted with energy efficiency measures. The Building Energy Performance Labeling task force retained the Green Home Institute to conduct a pilot Energy Performance Labeling project for 50 residential homes. Each received an energy audit, briefing and an energy performance framed certificate if found to be energy efficient. The Holland Board of Public Works broke ground on the new electric generating facility in the vicinity of Fairbanks Avenue and East 8th Street. This new natural gas plant will produce half the carbon emissions of the former James DeYoung plant and will increase the availability of the snowmelt system in the Downtown area fivefold. It further has the capacity of providing thermal resources for a potential district heat energy system for the Downtown and Hope College areas. The Community Education/Outreach Task Force became an advisory Committee to the new Holland/Hope College Sustainability Institute that got underway with the hire of their first-ever Director. This Institute is funded for three-years from grants and the City/Holland Board of Public Works partnership until permanent funding is secured. A web site was created, work on a comprehensive Dashboard begun and multiple school and other energy related activities. Other task forces that include the Industrial Park Full-Service Utility Bundle and the Commercial and Institutional Energy Efficiency Task Forces. Each continues 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 plan for LED street lighting after a successful pilot project along 32nd Street that retrofitted all of the existing high pressure sodium street lights with highly efficient LED fixtures. This project will reduce the electrical use of the combined street lights by 70%, reduce the actual cost rate for the lights by about 10%, and improve 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. Taken together, this change is estimated to reduce the overall residential/municipal/school energy consumption by 1%.
- > The City was successful in securing legislative and the Governor's approval of new legislation to enable on-bill financing of deep energy retrofits. Michigan was one of 24 states that had not approved such legislation. A planning effort to begin enabling the capital and payback on the electric bills for these retrofits was begun with the expectation to begin in March of 2016.
- > The City of Holland and Holland Board of Public Works initiated the Georgetown University Energy Prize to reduce the most energy per capita in the nation. This competition is "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 help grow the Holland Energy Fund, "which will help us scale improvements throughout the entire community to achieve the long-range goals of our 2050 Community Energy Plan." This competition led the City to include 100 volunteers in a door-to-door Energy Blitz that reached 1,400 residential customers with education and incentives to bridge the gap between knowledge and action.
- > The City provided its share of the first-year of funding for 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. An Investment Grade Analysis project was begun with Schneider Electric.

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 trended upward for the past two years and continue that trend. Although taxable values are limited by Michigan law to the rate of inflation, numerous property sales (not limited by inflation factors) have pushed growth in the taxable values well beyond the inflation rate.
- > 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 continue to increase due to smoothed losses from 2008-09 over a ten-year period. Pension Obligation Bonds were issued in the fall of 2015 to cover most of the Unfunded Actuarial Liability (UAL) for employee groups closed in 2003, which is expected to save approximately \$11 million and flatten cash flow requirements over the ten year term of the bonds. Public Safety union employee groups continue to have a large accrued actuarial liability, which is expected to increase after new actuarial assumptions go into effect July 1, 2016. This is a priority in union negotiations for labor contracts ending June 2016.
- > As revenues stabilize, the most critical issue to be faced will be addressing the capital investment in infrastructure. A Capital Reinvestment Task Force was assembled to address that issue, with strategies included in the FY2014-15 budget. Legislation was signed into law in the fall of 2015 to provide a major boost in road funding revenues, coupled with .5 mills for Ottawa County roads, approved by voters in 2014.
- > The Holland Board of Public Works Electric Utility began construction of a new natural gas-fired electric generation plant in 2015. This will have a long-term impact on the local economy as HPBW prepares for the continued demands for energy locally as well as wholesale power sales of excess capacity. The plant will allow for a significant expansion of the Snowmelt system in coming years.

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, 2014. 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
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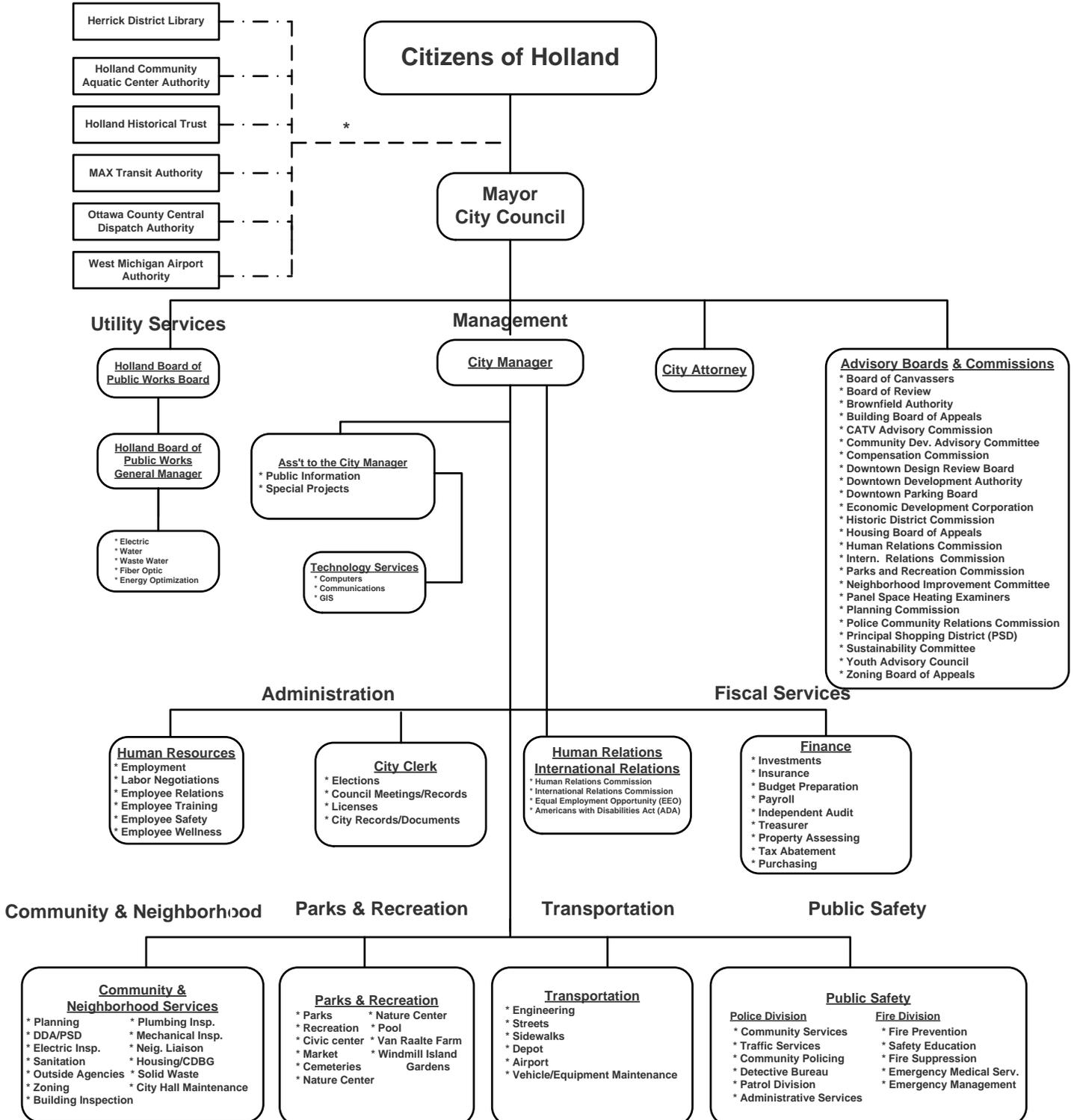
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2014

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 11, 2015

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, 2015, 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, 2015, 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.

Implementation of GASB Statement No. 68

As described in Note 18, the City implemented the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, in the current year. Accordingly, beginning net position of governmental activities, the Electric Utility Fund, the Wastewater Utility Fund, the Water Utility Fund, and business-type activities was restated. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedules for the pension and other postemployment benefits plans, 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, the introductory and statistical sections, and other information 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, and the other information 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 11, 2015, 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 "Lehmann Johnson 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, 2015. 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:

- The electric utility acquired property and work began on a \$240 million gas fired combined cycle power plant, with associated facilities, on 26 acres on the east side of the City. Targeted substantial completion date is February 2017; as of June 30, 2015 \$107.2 million has been spent.
- Work began on improvements to the existing Holland Area Wastewater Treatment Plant to increase bio-solids handling capabilities and optimize the secondary treatment process for additional Biochemical Oxygen Demand (BOD) capacity. The project budget is \$19 million and is targeted for completion in August 2016.
- Work continued on a multi-year \$8.2 million dollar Central Avenue, from 3rd to State Street, road reconstruction project; it includes a new water main, non-motorized improvements and snowmelt improvements. As of June 30, 2015 \$2.0 million has been spent; with current year expenditures totaling \$1.9 million.
- Initial work began on a \$515,000 16th Street, from Waverly to Hoover Boulevard, resurfacing project with non-motorized improvements.

The City implemented GASB Statement No. 68 in the current year. In addition to expanded disclosure requirements, the City is required to report its net pension liability on the statement of net position. At June 30, 2015, the City's total net pension liability totaled \$44,331,760.

The assets and deferred outflows of resources of the City exceeded its liabilities at the close of the most recent fiscal year by \$408,499,199 (net position). Of this amount, \$111,445,370 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 \$21,113,095 prior to the implementation of GASB 68.

As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$14,506,097, an increase of \$4,164 in comparison with the prior year.

At the end of the current fiscal year, unassigned fund balance for the general fund was \$4,948,792 or 24.0% 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 culture 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 numerous 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 nonmajor 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.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. This is limited to this management's discussion and analysis and the schedules for the MERS pension and other postemployment benefits plans immediately following the notes to the financial statements. The combining and individual fund financial statements and schedules are presented immediately following the required supplementary information.

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 \$408,499,199 at the close of the most recent fiscal year.

| | Net Position | | | | | |
|-------------------------------------|-------------------------|-----------------------|--------------------------|-----------------------|-----------------------|-----------------------|
| | Governmental Activities | | Business-type Activities | | Total | |
| | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 |
| Current and other assets | \$ 27,142,812 | \$ 27,819,182 | \$ 272,830,019 | \$ 329,613,394 | \$ 299,972,831 | \$ 357,432,576 |
| Capital assets, net | 119,756,115 | 121,166,982 | 276,488,913 | 173,923,952 | 396,245,028 | 295,090,934 |
| Total assets | 146,898,927 | 148,986,164 | 549,318,932 | 503,537,346 | 696,217,859 | 652,523,510 |
| Deferred outflows of resources | 2,163,606 | 398,811 | 1,663,606 | 467,469 | 3,827,212 | 866,280 |
| Long-term liabilities | 20,877,856 | 23,290,326 | 193,300,118 | 186,452,581 | 214,177,974 | 209,742,907 |
| Other liabilities | 33,965,712 | 3,757,079 | 43,402,186 | 10,732,010 | 77,367,898 | 14,489,089 |
| Total liabilities | 54,843,568 | 27,047,405 | 236,702,304 | 197,184,591 | 291,545,872 | 224,231,996 |
| Net position: | | | | | | |
| Net investment in capital assets | 101,785,238 | 101,283,878 | 164,628,976 | 109,000,184 | 266,414,214 | 210,284,062 |
| Restricted | 6,339,594 | 7,274,432 | 24,300,021 | 23,063,654 | 30,639,615 | 30,338,086 |
| Unrestricted (deficit) | (13,905,867) | 13,779,260 | 125,351,237 | 174,756,386 | 111,445,370 | 188,535,646 |
| Total net position | \$ 94,218,965 | \$ 122,337,570 | \$ 314,280,234 | \$ 306,820,224 | \$ 408,499,199 | \$ 429,157,794 |

CITY OF HOLLAND, MICHIGAN

Management's Discussion and Analysis

A substantial portion of the City's net position, \$266,414,214 (65.2%), 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 \$30,639,615 (7.5%) 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 \$111,445,370 (27.3%) 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 for the government as a whole.

| | Change in Net Position | | | | | |
|---|-------------------------|-------------------|--------------------------|--------------------|--------------------|--------------------|
| | Governmental Activities | | Business-type Activities | | Total | |
| | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 |
| Revenues | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$ 4,115,318 | \$ 3,988,518 | \$ 122,123,045 | \$ 118,623,964 | \$ 126,238,363 | \$ 122,612,482 |
| Operating grants | 5,489,592 | 7,521,923 | 1,107,948 | 779,632 | 6,597,540 | 8,301,555 |
| Capital grants | 793,387 | 49,739 | 2,339,301 | 272,815 | 3,132,688 | 322,554 |
| General revenues: | | | | | | |
| Property taxes | 15,694,176 | 15,531,647 | 99,983 | 98,858 | 15,794,159 | 15,630,505 |
| Intergovernmental | 2,895,971 | 2,843,918 | - | - | 2,895,971 | 2,843,918 |
| Unrestricted investment earnings | 138,303 | 154,894 | - | - | 138,303 | 154,894 |
| Gain on sale of capital assets | - | - | - | 31,135 | - | 31,135 |
| Total revenues | 29,126,747 | 30,090,639 | 125,670,277 | 119,806,404 | 154,797,024 | 149,897,043 |
| Expenses | | | | | | |
| General government | 5,465,655 | 5,242,181 | - | - | 5,465,655 | 5,242,181 |
| Public safety | 12,903,945 | 12,534,364 | - | - | 12,903,945 | 12,534,364 |
| Public works | 9,312,839 | 8,172,879 | - | - | 9,312,839 | 8,172,879 |
| Welfare and social services | 901,870 | 1,133,724 | - | - | 901,870 | 1,133,724 |
| Culture and recreation | 5,339,569 | 5,048,229 | - | - | 5,339,569 | 5,048,229 |
| Interest on long-term debt | 787,260 | 911,559 | - | - | 787,260 | 911,559 |
| Electric utility | - | - | 80,847,034 | 84,346,528 | 80,847,034 | 84,346,528 |
| Wastewater utility | - | - | 8,773,098 | 8,512,074 | 8,773,098 | 8,512,074 |
| Water utility | - | - | 6,248,425 | 6,282,005 | 6,248,425 | 6,282,005 |
| Other enterprise activities | - | - | 3,104,234 | 2,805,066 | 3,104,234 | 2,805,066 |
| Total expenses | 34,711,138 | 33,042,936 | 98,972,791 | 101,945,673 | 133,683,929 | 134,988,609 |
| Change in net position, before transfers | (5,584,391) | (2,952,297) | 26,697,486 | 17,860,731 | 21,113,095 | 14,908,434 |
| Transfers | 5,165,762 | 4,291,016 | (5,165,762) | (4,291,016) | - | - |
| Change in net position, before extraordinary item | (418,629) | 1,338,719 | 21,531,724 | 13,569,715 | 21,113,095 | 14,908,434 |
| Extraordinary item | - | - | - | (520,415) | - | (520,415) |
| Change in net position | (418,629) | 1,338,719 | 21,531,724 | 13,049,300 | 21,113,095 | 14,388,019 |

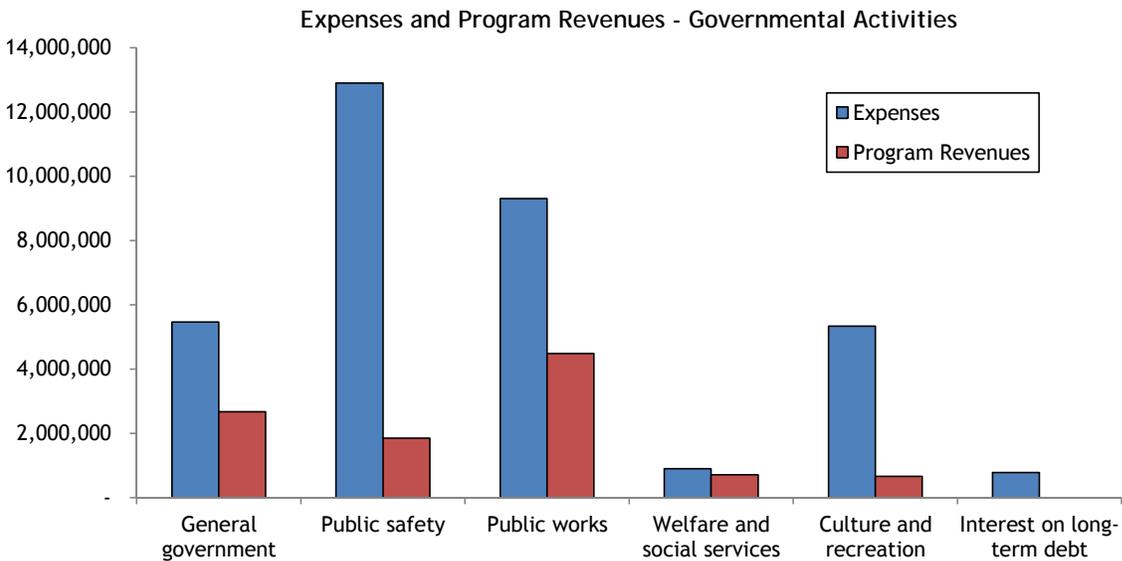
CITY OF HOLLAND, MICHIGAN

Management's Discussion and Analysis

| | Change in Net Position | | | | | |
|---|-------------------------|-----------------------|--------------------------|-----------------------|-----------------------|-----------------------|
| | Governmental Activities | | Business-type Activities | | Total | |
| | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 |
| Expenses (concluded) | | | | | | |
| Net position: | | | | | | |
| Beginning of year | \$ 122,337,570 | \$ 120,998,851 | \$ 306,820,224 | \$ 293,770,924 | \$ 429,157,794 | \$ 414,769,775 |
| Restatement for implementation of GASB 68 | (27,699,976) | - | (14,071,714) | - | (41,771,690) | - |
| Net position, end of year | <u>\$ 94,218,965</u> | <u>\$ 122,337,570</u> | <u>\$ 314,280,234</u> | <u>\$ 306,820,224</u> | <u>\$ 408,499,199</u> | <u>\$ 429,157,794</u> |

The City's net position increased prior to the implementation of GASB 68 by \$21,113,095 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. An additional contributor to this change was a reduction in the operating grants of \$1,704,015, due to decreased funding awarded at the federal, state and local level.

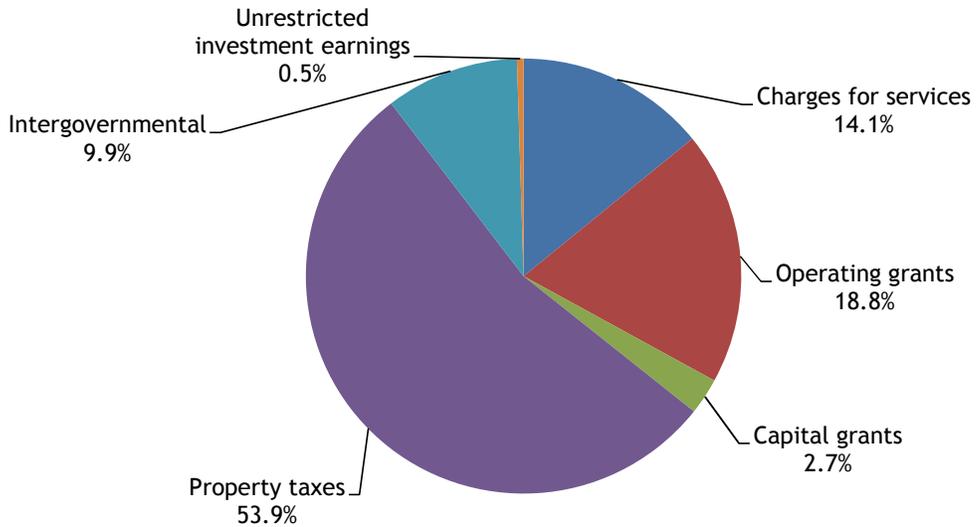
Governmental Activities. Governmental activities decreased the City's net position prior to the implementation of GASB 68 by \$418,629 mainly due to an increase in required pension contributions.



CITY OF HOLLAND, MICHIGAN

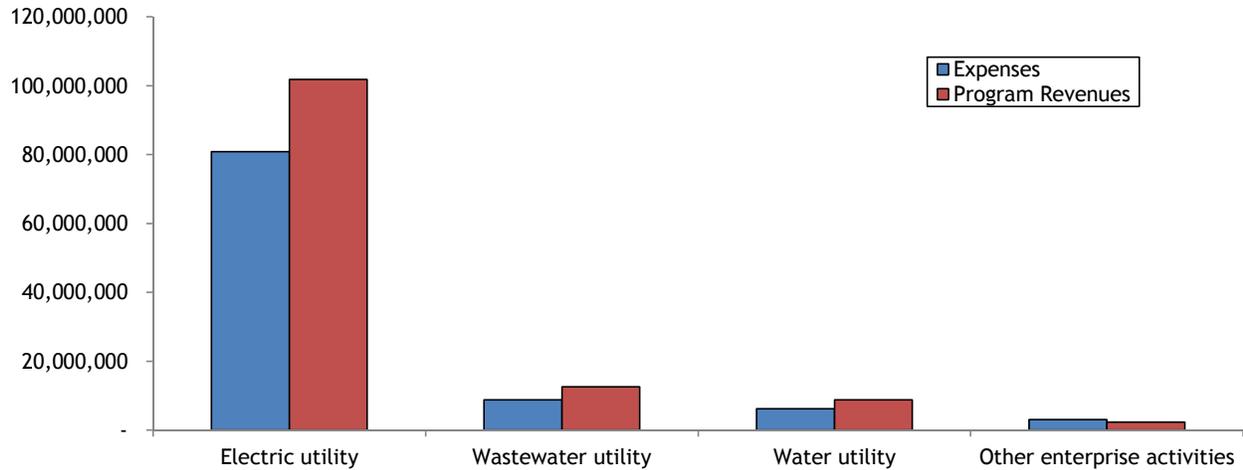
Management's Discussion and Analysis

Revenues by Source - Governmental Activities



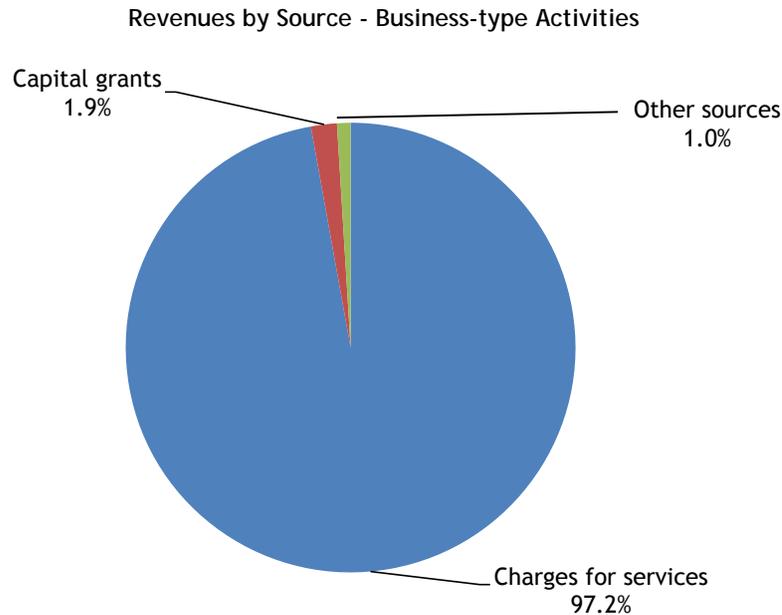
Business-type Activities. Business-type activities increased the City of Holland’s net position by \$21,531,724, mainly due to an increase, effective July 1, 2014, in electric, wastewater and water utility rates; ranging from 3.3% to 6.7%.

Expenses and Program Revenues - Business-type Activities



CITY OF HOLLAND, MICHIGAN

Management's Discussion and Analysis



Financial Analysis of the City's Funds

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

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

During the current fiscal year the fund balance of the City's general fund increased by \$282,169 mainly due to and increase in state revenue sharing and a delay in filling vacant positions.

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 \$143,742 and the actual increase in fund balance was \$282,169. Significant changes in budgetary variances are as follows:

- Expenditures for wages and fringe benefits had an overall positive budgetary variance of \$180,506 due to a delay in filling staffing vacancies. The variance is from several functions of the City including general government, \$49,120; public safety, \$98,426; parks & recreation, \$32,960.
- Contractual fees paid to the attorney had a positive budgetary variance of \$24,716 due to decreased need for legal services.
- Housing & Neighborhoods had a positive budget variance of \$27,094 due to budgeted community programs that were not completed.
- Expenses paid for fuel and public utilities had a positive budget variance of \$88,188.

CITY OF HOLLAND, MICHIGAN

Management's Discussion and Analysis

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 \$15,627,057 increase in net position. An increase in electric utility rates and reduced operating expenses contributed to this positive change. The nonmajor enterprise funds reported a decrease of \$472,230 in net position.

General Fund Budgetary Highlights

The original revenue budget was \$15,818,500 and as amended was \$15,869,374 which represents an increase of \$50,874. The original expenditure budget was \$20,534,163 and as amended was \$20,425,273 which represents a decrease of \$108,890.

The revenue budget was amended due to increases in several revenue sources; the biggest increase was due to higher building permit revenue. The expense budget decreased because the actual increase in health and dental insurance premiums was lower than originally budgeted.

Actual expenditures came in \$423,122 less than the amended budget. The positive variance increases to \$425,911 when transfers out are included. Several positions were vacated during the fiscal year that required management to review the qualifications needed for the position, prior to hiring new employees. The delay in hiring resulted in a decrease in wages, fringe benefits and mandatory employer costs paid. Additionally, the amount paid for utilities and fuel were lower than budgeted.

Capital Asset and Debt Administration

Capital Assets. The City's capital assets for its governmental and business-type activities as of June 30, 2015 amounted to \$396,245,028 (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 1.2% decrease for governmental activities and a 59.0% increase for business-type activities.

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

- Improvements, replacements and upgrades to the utility infrastructure totaling \$97.75 million.
- General government infrastructure improvements totaling \$5.68 million.
- Replacement vehicles, including a firetruck and Parks Department equipment.

| | Capital Assets (Net of Depreciation) | | | | | |
|--|--------------------------------------|-----------------------|--------------------------|-----------------------|-----------------------|-----------------------|
| | Governmental Activities | | Business-type Activities | | Total | |
| | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 |
| Land | \$ 16,507,352 | \$ 16,339,146 | \$ 23,562,207 | \$ 13,382,213 | \$ 40,069,559 | \$ 29,721,359 |
| Construction in progress | 3,111,519 | 5,370,677 | 122,516,733 | 25,941,371 | 125,628,252 | 31,312,048 |
| Buildings, equipment and infrastructure, net | 100,137,244 | 99,457,159 | 130,409,973 | 134,600,368 | 230,547,217 | 234,057,527 |
| Total capital assets, net | <u>\$ 119,756,115</u> | <u>\$ 121,166,982</u> | <u>\$ 276,488,913</u> | <u>\$ 173,923,952</u> | <u>\$ 396,245,028</u> | <u>\$ 295,090,934</u> |

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

CITY OF HOLLAND, MICHIGAN

Management's Discussion and Analysis

Long-term Debt

| | Long-term Debt | | | | | |
|-----------------------------|-------------------------|----------------------|--------------------------|-----------------------|-----------------------|-----------------------|
| | Governmental Activities | | Business-type Activities | | Total | |
| | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 |
| Bonds | \$ 18,930,000 | \$ 21,245,000 | \$ 174,855,548 | \$ 177,055,301 | \$ 193,785,548 | \$ 198,300,301 |
| Capital lease | - | - | 9,500,000 | - | 9,500,000 | - |
| Unamortized premium | | | | | | |
| on bonds payable | 179,168 | 227,915 | 7,845,369 | 8,333,456 | 8,024,537 | 8,561,371 |
| Other debt | 60,000 | 134,000 | - | - | 60,000 | 134,000 |
| Compensated absences | 1,708,688 | 1,683,411 | 1,099,201 | 1,063,824 | 2,807,889 | 2,747,235 |
| Total long-term debt | \$ 20,877,856 | \$ 23,290,326 | \$ 193,300,118 | \$ 186,452,581 | \$ 214,177,974 | \$ 209,742,907 |

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.

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 \$114,436,011.

Additional information on the City's long-term debt can be found in Note 8.

Economic Factors and Next Year's Budget and Rates

The eastern skyline of the downtown Holland business district has changed as construction of the new Energy Park continues. The turbines and generators are in place and the structural steel for the gas fired power plant and associated facilities is 70% complete. A new hotel, under construction on the downtown Holland's vibrant 8th Street, has brought enthusiasm for tourism and small convention opportunities. Construction also began on the \$6.7 million Business Center, Apron and Sitework project for the West Michigan Regional Airport; several street capital projects 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 August 31, 2015, the unemployment rate within the City has dropped to 4.3%, from the 2009 high of 15.4%. The total labor force continues to experience modest growth.

Fiscal year 2016 experienced a 5.3% increase in taxable valuation base, with actual property tax revenue projected to also increase 5.3%, despite economic development incentives. The City's five year budget projection includes a 2.5% increase on property values for the upcoming fiscal year 2017; however, except for new construction and property sales, increases in Taxable Value will be limited to a .3% 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 - 2016. The fiscal year 2016 general fund budget, excluding budget stabilization, projects fund balance to remain at \$4,001,230 on June 30, 2016 or 18.5% of budgeted expenditures. In November 2015 pension bonds were sold in the amount of \$25 million to pay off 95% of unfunded liability for all closed divisions. Effective December 31, 2015, Municipal Employees' Retirement System (MERS) will be changing the actuarial assumptions used to calculate the liability, increasing the unfunded liability for all divisions which will continue to present future budgeting challenges.

CITY OF HOLLAND, MICHIGAN

■ Management's Discussion and Analysis

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, 2015

| | Primary Government | | | Component Units |
|---|----------------------------|-----------------------------|-----------------------|---------------------|
| | Governmental Activities | Business-type Activities | Total | |
| Assets | | | | |
| Cash and pooled investments | \$ 22,830,364 | \$ 99,392,182 | \$ 122,222,546 | \$ 859,612 |
| Investments | - | 30,084,204 | 30,084,204 | 458,484 |
| Receivables, net | 3,384,540 | 30,017,384 | 33,401,924 | 1,143 |
| Internal balances | 849,398 | (849,398) | - | - |
| Inventory | 42,124 | 10,840,090 | 10,882,214 | 7,199 |
| Prepaid items | 36,386 | 3,320,965 | 3,357,351 | 200 |
| Restricted assets: | | | | |
| Cash and pooled investments | - | 52,777,318 | 52,777,318 | - |
| Investments | - | 47,239,451 | 47,239,451 | - |
| Accrued interest | - | 7,823 | 7,823 | - |
| Capital assets: | | | | |
| Land | 16,507,352 | 23,562,207 | 40,069,559 | 20,000 |
| Construction in progress | 3,111,519 | 122,516,733 | 125,628,252 | - |
| Being depreciated, net of depreciation | 100,137,244 | 130,409,973 | 230,547,217 | 1,581,687 |
| Total assets | 146,898,927 | 549,318,932 | 696,217,859 | 2,928,325 |
| Deferred outflows of resources | | | | |
| Loss on advance bond refundings, net | 323,291 | 388,397 | 711,688 | - |
| Deferred pension amounts | 1,840,315 | 1,275,209 | 3,115,524 | - |
| Total deferred outflows of resources | 2,163,606 | 1,663,606 | 3,827,212 | - |
| Liabilities | | | | |
| Payables | 3,438,384 | 18,428,444 | 21,866,828 | 46,941 |
| Unearned revenue | 257,249 | 7,617,932 | 7,875,181 | 65,086 |
| Deposits | 48,358 | 619,167 | 667,525 | - |
| Landfill closure and postclosure cost | - | 327,450 | 327,450 | - |
| Long-term debt: | | | | |
| Due within one year from restricted assets | - | 1,696,067 | 1,696,067 | - |
| Due within one year | 3,663,747 | 1,099,201 | 4,762,948 | - |
| Due in more than one year | 17,214,109 | 190,504,850 | 207,718,959 | - |
| Net pension liability | 28,772,982 | 15,558,778 | 44,331,760 | - |
| Net other postemployment benefit obligation | 1,448,739 | 850,415 | 2,299,154 | - |
| Total liabilities | 54,843,568 | 236,702,304 | 291,545,872 | 112,027 |
| Net position | | | | |
| Net investment in capital assets | 101,785,238 | 164,628,976 | 266,414,214 | 1,601,687 |
| Restricted | 6,339,594 | 24,300,021 | 30,639,615 | 420,242 |
| Unrestricted (deficit) | (13,905,867) | 125,351,237 | 111,445,370 | 794,369 |
| Total net position | \$ 94,218,965 | \$ 314,280,234 | \$ 408,499,199 | \$ 2,816,298 |

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

CITY OF HOLLAND, MICHIGAN

Statement of Activities

For the Year Ended June 30, 2015

| Functions / Programs | Expenses | Program Revenues | | | Net (Expenses) Revenues |
|---|-----------------------|-------------------------|--|--|-------------------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | |
| Primary government | | | | | |
| Governmental activities: | | | | | |
| General government | \$ 5,465,655 | \$ 1,357,140 | \$ 545,093 | \$ 775,473 | \$ (2,787,949) |
| Public safety | 12,903,945 | 1,366,794 | 473,743 | 11,188 | (11,052,220) |
| Public works | 9,312,839 | 645,212 | 3,835,967 | 6,726 | (4,824,934) |
| Welfare and social services | 901,870 | 138,499 | 575,579 | - | (187,792) |
| Culture and recreation | 5,339,569 | 607,673 | 59,210 | - | (4,672,686) |
| Interest on long-term debt | 787,260 | - | - | - | (787,260) |
| Total governmental activities | 34,711,138 | 4,115,318 | 5,489,592 | 793,387 | (24,312,841) |
| Business-type activities: | | | | | |
| Electric utility | 80,847,034 | 100,816,653 | 1,001,438 | - | 20,971,057 |
| Wastewater utility | 8,773,098 | 10,305,015 | 40,492 | 2,208,746 | 3,781,155 |
| Water utility | 6,248,425 | 8,694,022 | 55,031 | 95,114 | 2,595,742 |
| Refuse and recycling pickup | 1,666,921 | 1,574,454 | 1,039 | - | (91,428) |
| Windmill Island | 811,993 | 706,455 | 7,140 | 35,441 | (62,957) |
| Airport facilities and management system | 577,885 | 18,309 | - | - | (559,576) |
| Other enterprise activities | 47,435 | 8,137 | 2,808 | - | (36,490) |
| Total business-type activities | 98,972,791 | 122,123,045 | 1,107,948 | 2,339,301 | 26,597,503 |
| Total primary government | \$ 133,683,929 | \$ 126,238,363 | \$ 6,597,540 | \$ 3,132,688 | \$ 2,284,662 |
| Component units | | | | | |
| Downtown Development Authority | \$ 194,336 | \$ 4,740 | \$ 1,740 | \$ - | \$ (187,856) |
| Holland Historical Trust | 918,084 | 113,200 | 652,861 | - | (152,023) |
| Brownfield Redevelopment Authority | 899,431 | - | 70,817 | - | (828,614) |
| Total component units | \$ 2,011,851 | \$ 117,940 | \$ 725,418 | \$ - | \$ (1,168,493) |

continued...

CITY OF HOLLAND, MICHIGAN

Statement of Activities

For the Year Ended June 30, 2015

| | Primary Government | | | Component Units |
|--------------------------------------|----------------------------|-----------------------------|----------------|--------------------|
| | Governmental Activities | Business-type Activities | Total | |
| Change in net position | | | | |
| Net revenues (expenses) | \$ (24,312,841) | \$ 26,597,503 | \$ 2,284,662 | \$ (1,168,493) |
| General revenues: | | | | |
| Property taxes | 15,694,176 | 99,983 | 15,794,159 | 1,051,475 |
| State shared revenues | 2,895,971 | - | 2,895,971 | - |
| Unrestricted investment earnings | 138,303 | - | 138,303 | - |
| Gain on sale of capital assets | - | - | - | 12,872 |
| Transfers | 5,165,762 | (5,165,762) | - | - |
| Total general revenues and transfers | 23,894,212 | (5,065,779) | 18,828,433 | 1,064,347 |
| Change in net position | (418,629) | 21,531,724 | 21,113,095 | (104,146) |
| Net position, beginning of year | 122,337,570 | 306,820,224 | 429,157,794 | 2,920,444 |
| Implementation of GASB 68 | (27,699,976) | (14,071,714) | (41,771,690) | - |
| Net position, end of year | \$ 94,218,965 | \$ 314,280,234 | \$ 408,499,199 | \$ 2,816,298 |

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, 2015

| | General Fund | Nonmajor Governmental Funds | Total Governmental Funds |
|---|---------------------|-----------------------------|--------------------------|
| Assets | | | |
| Cash and pooled investments | \$ 5,496,813 | \$ 9,636,646 | \$ 15,133,459 |
| Receivables: | | | |
| Accounts | 285,816 | 191,411 | 477,227 |
| Taxes and special assessments | 481 | 676,831 | 677,312 |
| Interest | 14,540 | - | 14,540 |
| Leases | - | 881,198 | 881,198 |
| Due from other governmental units | 492,948 | 718,668 | 1,211,616 |
| Due from other funds | 39,262 | 1,016,418 | 1,055,680 |
| Prepaid items | 20,736 | 300 | 21,036 |
| Total assets | \$ 6,350,596 | \$ 13,121,472 | \$ 19,472,068 |
| Liabilities | | | |
| Accounts payable | \$ 397,934 | \$ 1,557,456 | \$ 1,955,390 |
| Accrued payroll and benefits | 529,516 | 90,891 | 620,407 |
| Due to other governmental units | 172,446 | - | 172,446 |
| Due to other funds | 81,796 | 272,443 | 354,239 |
| Deposits | 48,358 | - | 48,358 |
| Unearned revenue | 138,103 | 119,146 | 257,249 |
| Total liabilities | 1,368,153 | 2,039,936 | 3,408,089 |
| Deferred inflows of resources | | | |
| Unavailable revenue - special assessment receivable | - | 676,684 | 676,684 |
| Unavailable revenue - lease receivable | - | 881,198 | 881,198 |
| Total deferred inflows of resources | - | 1,557,882 | 1,557,882 |
| Fund balances | | | |
| Nonspendable | 20,736 | 1,554,387 | 1,575,123 |
| Restricted | - | 4,959,854 | 4,959,854 |
| Committed | 12,915 | 3,009,413 | 3,022,328 |
| Unassigned | 4,948,792 | - | 4,948,792 |
| Total fund balances | 4,982,443 | 9,523,654 | 14,506,097 |
| Total liabilities, deferred inflows of resources and fund balances | \$ 6,350,596 | \$ 13,121,472 | \$ 19,472,068 |

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, 2015

| | |
|---|----------------------|
| Fund balances - total governmental funds | \$ 14,506,097 |
| Amounts reported for <i>governmental activities</i> 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 | 16,507,352 |
| Construction in progress | 3,111,519 |
| Capital assets being depreciated, net | 100,137,244 |
| Less capital assets accounted for in the internal service funds | (4,730,392) |
| 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 | 10,537,391 |
| 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 receivable | 676,684 |
| Deferred inflows for Library lease receivable | 881,198 |
| 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 | 323,291 |
| Bonds and loans payable | (18,990,000) |
| Unamortized premium on bonds payable | (179,168) |
| Accrued interest on bonds payable | (180,845) |
| Net other postemployment benefit obligation | (1,448,739) |
| Certain pension-related amounts, such as the net pension liability and deferred amounts, are not due and payable in the current period or do not represent current financial resources, and therefore are not reported in the funds. | |
| Net pension liability | (28,772,982) |
| Deferred outflows related to the net pension liability | 1,840,315 |
| Net position of governmental activities | <u>\$ 94,218,965</u> |

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, 2015

| | General Fund | Nonmajor Governmental Funds | Total Governmental Funds |
|---|---------------------|-----------------------------|--------------------------|
| Revenues | | | |
| Property taxes | \$ 10,131,445 | \$ 5,562,731 | \$ 15,694,176 |
| Special assessments | - | 747,753 | 747,753 |
| Licenses and permits | 694,822 | - | 694,822 |
| Intergovernmental | 2,981,647 | 5,038,248 | 8,019,895 |
| Charges for services | 1,559,390 | 215,292 | 1,774,682 |
| Fines and fees | 156,384 | 484,467 | 640,851 |
| Contributions from private sector | - | 658,219 | 658,219 |
| Interest and rents | 341,499 | 604,499 | 945,998 |
| Miscellaneous | 27,878 | 269,672 | 297,550 |
| Total revenues | 15,893,065 | 13,580,881 | 29,473,946 |
| Expenditures | | | |
| Current: | | | |
| General government | 3,289,888 | 524,505 | 3,814,393 |
| Public safety | 11,499,838 | 319,861 | 11,819,699 |
| Public works | 1,310,365 | 3,089,847 | 4,400,212 |
| Welfare and social services | 405,572 | 493,984 | 899,556 |
| Culture and recreation | 3,427,370 | 1,625,669 | 5,053,039 |
| Other | 92,809 | - | 92,809 |
| Debt service: | | | |
| Principal retirement | - | 2,389,000 | 2,389,000 |
| Interest and fiscal charges | - | 779,254 | 779,254 |
| Capital outlay | - | 5,195,929 | 5,195,929 |
| Total expenditures | 20,025,842 | 14,418,049 | 34,443,891 |
| Revenues under expenditures | (4,132,777) | (837,168) | (4,969,945) |
| Other financing sources (uses) | | | |
| Proceeds on sale of capital assets | - | 4,282 | 4,282 |
| Transfers in | 5,041,985 | 6,629,866 | 11,671,851 |
| Transfers out | (627,039) | (6,074,985) | (6,702,024) |
| Total other financing sources (uses) | 4,414,946 | 559,163 | 4,974,109 |
| Net changes in fund balances | 282,169 | (278,005) | 4,164 |
| Fund balances, beginning of year | 4,700,274 | 9,801,659 | 14,501,933 |
| Fund balances, end of year | \$ 4,982,443 | \$ 9,523,654 | \$ 14,506,097 |

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, 2015

| | |
|--|---------------------|
| Net changes in fund balances - total governmental funds | \$ 4,164 |
| 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 | 3,929,880 |
| Depreciation expense | (4,799,965) |
| Proceeds on sale of capital assets | (4,282) |
| Loss on sale of capital assets | (781,136) |
| 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 | 2,389,000 |
| 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 | 243,932 |
| 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 | (187,185) |
| Net change in leases receivable | (452,990) |
| 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 loss on advance bond refundings | (75,520) |
| Amortization of premium on long-term debt | 48,747 |
| Change in the net pension liability and related deferred amounts | (479,921) |
| Change in accrued interest on bonds payable | 18,767 |
| Change in net other postemployment benefit obligation | (272,120) |
| Change in net position of governmental activities | <u>\$ (418,629)</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, 2015

| | Original Budget | Final Budget | Actual | Actual Over (Under) Final Budget |
|---|---------------------|---------------------|---------------------|----------------------------------|
| Revenues | | | | |
| Property taxes | \$ 10,113,595 | \$ 10,130,705 | \$ 10,131,445 | \$ 740 |
| Licenses and permits | 558,300 | 656,600 | 694,822 | 38,222 |
| Intergovernmental | 3,025,950 | 3,024,956 | 2,981,647 | (43,309) |
| Charges for services | 1,567,365 | 1,536,211 | 1,559,390 | 23,179 |
| Fines and fees | 175,200 | 171,900 | 156,384 | (15,516) |
| Interest and rents | 327,401 | 322,501 | 341,499 | 18,998 |
| Miscellaneous | 50,689 | 26,501 | 27,878 | 1,377 |
| Total revenues | 15,818,500 | 15,869,374 | 15,893,065 | 23,691 |
| Expenditures | | | | |
| Current: | | | | |
| General government | 3,461,789 | 3,487,091 | 3,289,888 | (197,203) |
| Public safety | 11,568,846 | 11,596,140 | 11,499,838 | (96,302) |
| Public works | 1,243,152 | 1,353,469 | 1,310,365 | (43,104) |
| Welfare and social services | 531,990 | 435,031 | 405,572 | (29,459) |
| Culture and recreation | 3,170,786 | 3,460,742 | 3,427,370 | (33,372) |
| Other | 557,600 | 92,800 | 92,809 | 9 |
| Total expenditures | 20,534,163 | 20,425,273 | 20,025,842 | (399,431) |
| Revenues over (under) expenditures | (4,715,663) | (4,555,899) | (4,132,777) | 423,122 |
| Other financing sources (uses) | | | | |
| Transfers in | 5,036,936 | 5,038,900 | 5,041,985 | 3,085 |
| Transfers out | (330,675) | (626,743) | (627,039) | (296) |
| Total other financing sources (uses) | 4,706,261 | 4,412,157 | 4,414,946 | 2,789 |
| Net changes in fund balance | (9,402) | (143,742) | 282,169 | 425,911 |
| Fund balance, beginning of year | 4,700,274 | 4,700,274 | 4,700,274 | - |
| Fund balance, end of year | \$ 4,690,872 | \$ 4,556,532 | \$ 4,982,443 | \$ 425,911 |

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

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CITY OF HOLLAND, MICHIGAN

Statement of Net Position

Proprietary Funds

June 30, 2015

| | Business-type Activities - Enterprise Funds | | |
|---|--|-----------------------|-------------------|
| | Electric Utility | Wastewater Utility | Water Utility |
| Assets | | | |
| Current assets: | | | |
| Cash and pooled investments | \$ 82,417,395 | \$ 11,540,920 | \$ 4,716,758 |
| Investments | 25,983,133 | 998,574 | 3,102,497 |
| Receivables: | | | |
| Accounts | 12,714,701 | 1,356,256 | 1,459,975 |
| Taxes and special assessments | - | 68,969 | 115,550 |
| Interest | 135,271 | 1,295 | 16,896 |
| Due from other governmental units | - | 11,555,075 | - |
| Due from other funds | 166,670 | 1,855 | 28,691 |
| Inventories | 10,548,368 | 52,451 | 239,271 |
| Prepaid items | 3,294,076 | 16,754 | 10,135 |
| Total current assets | 135,259,614 | 25,592,149 | 9,689,773 |
| Noncurrent assets: | | | |
| Restricted assets: | | | |
| Cash and pooled investments | 46,824,990 | 4,086,961 | 1,865,367 |
| Investments | 42,433,569 | 4,505,486 | 300,396 |
| Accrued interest | - | 7,823 | - |
| Capital assets: | | | |
| Land | 14,971,375 | 260,673 | 1,977,800 |
| Construction in progress | 113,482,488 | 4,698,522 | 4,250,732 |
| Machinery and equipment | 240,793,367 | 82,365,408 | 59,465,882 |
| Accumulated depreciation | (188,016,638) | (45,210,548) | (25,799,670) |
| Due from City of Wyoming | - | - | 2,343,835 |
| Total noncurrent assets | 270,489,151 | 50,714,325 | 44,404,342 |
| Total assets | 405,748,765 | 76,306,474 | 54,094,115 |
| Deferred outflows of resources | | | |
| Loss on advance bond refundings, net | - | - | 388,397 |
| Deferred pension amounts | 841,638 | 242,289 | 191,282 |
| Total deferred outflows of resources | 841,638 | 242,289 | 579,679 |
| Liabilities | | | |
| Current liabilities: | | | |
| Accounts payable | 15,344,136 | 1,992,589 | 313,291 |
| Claims payable | - | - | - |
| Accrued payroll and benefits | 395,000 | 129,315 | 110,712 |
| Accrued interest payable | - | 52,588 | - |
| Accrued interest payable from restricted assets | - | - | 30,728 |
| Due to other funds | 511,137 | 115,341 | 417,975 |
| Deposits | 571,867 | - | - |
| Unearned revenue | - | - | - |
| Accrued compensated absences - current | 812,347 | 145,933 | 120,311 |
| Bonds payable from restricted assets - current | 304,729 | - | 1,391,338 |
| Total current liabilities | 17,939,216 | 2,435,766 | 2,384,355 |

| Business-type Activities - Enterprise Funds | | Governmental Activities |
|--|--------------------|------------------------------|
| Nonmajor Enterprise Funds | Total | Internal Service Funds |
| \$ 717,109 | \$ 99,392,182 | \$ 7,696,905 |
| - | 30,084,204 | - |
| 249,558 | 15,780,490 | 122,647 |
| 3 | 184,522 | - |
| - | 153,462 | - |
| - | 11,555,075 | - |
| - | 197,216 | 183,306 |
| - | 10,840,090 | 42,124 |
| - | 3,320,965 | 15,350 |
| <u>966,670</u> | <u>171,508,206</u> | <u>8,060,332</u> |
| - | 52,777,318 | - |
| - | 47,239,451 | - |
| - | 7,823 | - |
| 6,352,359 | 23,562,207 | - |
| 84,991 | 122,516,733 | 104,482 |
| 19,787,338 | 402,411,995 | 11,762,933 |
| (12,975,166) | (272,002,022) | (7,137,023) |
| - | 2,343,835 | - |
| <u>13,249,522</u> | <u>378,857,340</u> | <u>4,730,392</u> |
| <u>14,216,192</u> | <u>550,365,546</u> | <u>12,790,724</u> |
| - | 388,397 | - |
| - | 1,275,209 | - |
| - | 1,663,606 | - |
| 28,498 | 17,678,514 | 410,465 |
| - | - | 53,043 |
| 31,587 | 666,614 | 45,788 |
| - | 52,588 | - |
| - | 30,728 | - |
| 2,161 | 1,046,614 | 35,349 |
| 47,300 | 619,167 | - |
| 220,167 | 220,167 | - |
| 20,610 | 1,099,201 | 1,170,000 |
| - | 1,696,067 | - |
| <u>350,323</u> | <u>23,109,660</u> | <u>1,714,645</u> |

continued...

CITY OF HOLLAND, MICHIGAN

Statement of Net Position

Proprietary Funds

June 30, 2015

| | Business-type Activities - Enterprise Funds | | |
|--|--|-----------------------|----------------------|
| | Electric Utility | Wastewater Utility | Water Utility |
| Noncurrent liabilities: | | | |
| Landfill closure and postclosure cost | \$ 327,450 | \$ - | \$ - |
| Accrued compensated absences | - | - | - |
| Bonds payable | 165,797,974 | 9,500,000 | 15,206,876 |
| Unearned revenue | - | 7,397,765 | - |
| Net pension liability | 10,268,794 | 2,956,167 | 2,333,817 |
| Net other postemployment benefit obligation | 521,049 | 182,022 | 147,344 |
| Total noncurrent liabilities | <u>176,915,267</u> | <u>20,035,954</u> | <u>17,688,037</u> |
| Total liabilities | <u>194,854,483</u> | <u>22,471,720</u> | <u>20,072,392</u> |
| Net position | | | |
| Net investment in capital assets | 87,610,244 | 40,084,283 | 23,684,927 |
| Restricted for capital projects and by agreement | 16,776,204 | 5,358,054 | 2,165,763 |
| Unrestricted | <u>107,349,472</u> | <u>8,634,706</u> | <u>8,750,712</u> |
| Total net position | <u>\$ 211,735,920</u> | <u>\$ 54,077,043</u> | <u>\$ 34,601,402</u> |

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



| Business-type Activities - Enterprise Funds | | Governmental Activities |
|---|-----------------------|-------------------------|
| Nonmajor Enterprise Funds | Total | Internal Service Funds |
| \$ - | \$ 327,450 | \$ - |
| - | - | 538,688 |
| - | 190,504,850 | - |
| - | 7,397,765 | - |
| - | 15,558,778 | - |
| - | 850,415 | - |
| - | <u>214,639,258</u> | <u>538,688</u> |
| <u>350,323</u> | <u>237,748,918</u> | <u>2,253,333</u> |
| 13,249,522 | 164,628,976 | 4,730,392 |
| - | 24,300,021 | - |
| <u>616,347</u> | <u>125,351,237</u> | <u>5,806,999</u> |
| <u>\$ 13,865,869</u> | <u>\$ 314,280,234</u> | <u>\$ 10,537,391</u> |

concluded

CITY OF HOLLAND, MICHIGAN

Statement of Revenues, Expenses and Changes in Fund Net Position
 Proprietary Funds
 For the Year Ended June 30, 2015

| | Business-type Activities - Enterprise Funds | | |
|--|--|-----------------------|----------------------|
| | Electric Utility | Wastewater Utility | Water Utility |
| Operating revenues | | | |
| Usage fees and charges for services | \$ 100,816,653 | \$ 10,305,015 | \$ 8,694,022 |
| Premiums | - | - | - |
| Admissions and fares | - | - | - |
| Rentals | - | - | - |
| Miscellaneous | - | - | - |
| Total operating revenues | 100,816,653 | 10,305,015 | 8,694,022 |
| Operating expenses | | | |
| Personal services | 6,650,477 | 2,063,078 | 1,544,537 |
| Other current expenses | 67,734,552 | 4,577,115 | 2,594,748 |
| Depreciation | 6,430,984 | 1,974,058 | 1,547,628 |
| Total operating expenses | 80,816,013 | 8,614,251 | 5,686,913 |
| Operating income (loss) | 20,000,640 | 1,690,764 | 3,007,109 |
| Nonoperating revenues (expenses) | | | |
| Property taxes | - | - | - |
| Other private donations | - | - | - |
| Investment earnings | 1,001,438 | 37,496 | 55,031 |
| Interest expense | (303) | (72,463) | (388,062) |
| Insurance recovery | - | 2,996 | - |
| Gain (loss) on disposal of capital assets | (30,718) | (86,384) | (173,450) |
| Total nonoperating revenues (expenses) | 970,417 | (118,355) | (506,481) |
| Income (loss) before contributions and transfers | 20,971,057 | 1,572,409 | 2,500,628 |
| Contributions and transfers | | | |
| Capital contributions | - | 2,208,746 | 95,114 |
| Transfers in | - | - | - |
| Transfers out | (5,344,000) | - | - |
| Net contributions and transfers | (5,344,000) | 2,208,746 | 95,114 |
| Changes in net position | 15,627,057 | 3,781,155 | 2,595,742 |
| Net position, beginning of year | 205,396,194 | 52,969,514 | 34,116,417 |
| Implementation of GASB 68 | (9,287,331) | (2,673,626) | (2,110,757) |
| Net position, end of year | \$ 211,735,920 | \$ 54,077,043 | \$ 34,601,402 |

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

| Business-type Activities - Enterprise Funds | | Governmental Activities |
|--|-----------------------|------------------------------|
| Nonmajor Enterprise Funds | Total | Internal Service Funds |
| \$ 1,668,412 | \$ 121,484,102 | \$ 2,871,817 |
| - | - | 5,547,811 |
| 570,502 | 570,502 | - |
| 68,441 | 68,441 | 1,895,856 |
| - | - | 79,085 |
| <u>2,307,355</u> | <u>122,123,045</u> | <u>10,394,569</u> |
| 572,788 | 10,830,880 | 2,075,397 |
| 1,911,813 | 76,818,228 | 7,956,632 |
| 617,152 | 10,569,822 | 644,423 |
| <u>3,101,753</u> | <u>98,218,930</u> | <u>10,676,452</u> |
| <u>(794,398)</u> | <u>23,904,115</u> | <u>(281,883)</u> |
| 99,983 | 99,983 | - |
| 9,513 | 9,513 | - |
| 1,474 | 1,095,439 | 35,876 |
| - | (460,828) | - |
| - | 2,996 | 256,402 |
| <u>(2,481)</u> | <u>(293,033)</u> | <u>36,904</u> |
| <u>108,489</u> | <u>454,070</u> | <u>329,182</u> |
| <u>(685,909)</u> | <u>24,358,185</u> | <u>47,299</u> |
| 35,441 | 2,339,301 | 698 |
| 178,238 | 178,238 | 231,135 |
| - | (5,344,000) | (35,200) |
| <u>213,679</u> | <u>(2,826,461)</u> | <u>196,633</u> |
| <u>(472,230)</u> | <u>21,531,724</u> | <u>243,932</u> |
| 14,338,099 | 306,820,224 | 10,293,459 |
| - | (14,071,714) | - |
| <u>\$ 13,865,869</u> | <u>\$ 314,280,234</u> | <u>\$ 10,537,391</u> |

CITY OF HOLLAND, MICHIGAN

Statement of Cash Flows

Proprietary Funds

For the Year Ended June 30, 2015

| | Business-type Activities - Enterprise Funds | | |
|---|--|-----------------------|---------------------|
| | Electric Utility | Wastewater Utility | Water Utility |
| Cash flows from operating activities | | | |
| Receipts from customers and users | \$ 100,039,422 | \$ 8,161,530 | \$ 8,988,934 |
| Receipts from interfund services provided | - | - | - |
| Payments to suppliers | (54,897,917) | (3,676,128) | (2,153,881) |
| Payments to employees | (6,004,812) | (2,137,072) | (1,614,810) |
| Net cash provided by (used in) operating activities | <u>39,136,693</u> | <u>2,348,330</u> | <u>5,220,243</u> |
| Cash flows from noncapital financing activities | | | |
| Property taxes | - | - | - |
| Private donations | - | - | - |
| Insurance refunds | - | 2,996 | - |
| Intragovernmental receipts | - | - | - |
| Intragovernmental payments | (5,344,000) | - | - |
| Net cash provided by (used in) noncapital financing activities | <u>(5,344,000)</u> | <u>2,996</u> | <u>-</u> |
| Cash flows from capital and related financing activities | | | |
| Principal paid on long-term debt | - | - | (2,210,000) |
| Interest paid on long-term debt | (1,624,923) | (92,338) | (538,813) |
| Proceeds from State Drinking Water Revolving Fund | - | - | 10,247 |
| Proceeds on issuance of long-term debt | - | 9,500,000 | - |
| Capital contributions | - | 178,974 | 95,114 |
| Proceeds from sales of capital assets | 88,106 | 6,794 | 4,439 |
| Intragovernmental receipts | - | - | - |
| Purchase of capital assets | (104,303,610) | (6,659,850) | (2,477,459) |
| Net cash provided by (used in) capital and related financing activities | <u>(105,840,427)</u> | <u>2,933,580</u> | <u>(5,116,472)</u> |
| Cash flows from investing activities | | | |
| Proceeds from sales of investments | 79,867,394 | 3,203,997 | 1,696,771 |
| Purchase of investments | (68,337,228) | (5,503,623) | (3,389,704) |
| Investment earnings | 859,733 | 29,460 | 26,135 |
| Net cash provided by (used in) investing activities | <u>12,389,899</u> | <u>(2,270,166)</u> | <u>(1,666,798)</u> |
| Net increase (decrease) in cash and cash equivalents | (59,657,835) | 3,014,740 | (1,563,027) |
| Cash and cash equivalents, beginning of year | <u>188,900,220</u> | <u>12,613,141</u> | <u>8,145,152</u> |
| Cash and cash equivalents, end of year | <u>\$ 129,242,385</u> | <u>\$ 15,627,881</u> | <u>\$ 6,582,125</u> |

| Business-type Activities - Enterprise Funds | | Governmental Activities |
|--|-----------------------|------------------------------|
| Nonmajor Enterprise Funds | Total | Internal Service Funds |
| \$ 2,395,842 | \$ 119,585,728 | \$ - |
| - | - | 10,563,702 |
| (1,922,779) | (62,650,705) | (7,885,915) |
| (564,838) | (10,321,532) | (2,045,743) |
| <u>(91,775)</u> | <u>46,613,491</u> | <u>632,044</u> |
| 99,980 | 99,980 | - |
| 9,513 | 9,513 | - |
| - | 2,996 | 256,402 |
| - | - | 231,135 |
| - | (5,344,000) | (244,099) |
| <u>109,493</u> | <u>(5,231,511)</u> | <u>243,438</u> |
| - | (2,210,000) | - |
| - | (2,256,074) | - |
| - | 10,247 | - |
| - | 9,500,000 | - |
| 35,441 | 309,529 | 698 |
| - | 99,339 | 132,821 |
| 178,524 | 178,524 | - |
| (86,236) | (113,527,155) | (984,976) |
| <u>127,729</u> | <u>(107,895,590)</u> | <u>(851,457)</u> |
| - | 84,768,162 | - |
| - | (77,230,555) | - |
| 1,474 | 916,802 | 35,876 |
| <u>1,474</u> | <u>8,454,409</u> | <u>35,876</u> |
| 146,921 | (58,059,201) | 59,901 |
| <u>570,188</u> | <u>210,228,701</u> | <u>7,637,004</u> |
| <u>\$ 717,109</u> | <u>\$ 152,169,500</u> | <u>\$ 7,696,905</u> |

continued...

CITY OF HOLLAND, MICHIGAN

Statement of Cash Flows

Proprietary Funds

For the Year Ended June 30, 2015

| | Business-type Activities - Enterprise Funds | | |
|---|--|-----------------------|---------------------|
| | Electric Utility | Wastewater Utility | Water Utility |
| Classified on the statement of net position as | | | |
| Current assets | \$ 82,417,395 | \$ 11,540,920 | \$ 4,716,758 |
| Restricted assets | 46,824,990 | 4,086,961 | 1,865,367 |
| | <u>\$ 129,242,385</u> | <u>\$ 15,627,881</u> | <u>\$ 6,582,125</u> |
| Cash flows from operating activities | | | |
| Operating income (loss) | \$ 20,000,640 | \$ 1,690,764 | \$ 3,007,109 |
| Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities: | | | |
| Depreciation | 6,430,984 | 1,974,058 | 1,547,628 |
| Change in: | | | |
| Accounts receivables | (958,045) | (88,283) | (127,132) |
| Due from other funds | 22,486 | (127) | 33 |
| Inventories | 4,608,345 | 2,299 | (33,030) |
| Due from other governmental units | - | (2,055,075) | - |
| Prepaid items | (2,089,660) | 13,145 | 12,356 |
| Due from the City of Wyoming | - | - | 422,011 |
| Accounts payable | 9,829,869 | 778,814 | 63,586 |
| Claims payable | - | - | - |
| Accrued payroll and benefits | 385,099 | (149,438) | (132,143) |
| Due to other funds | 488,081 | 106,729 | 397,955 |
| Unearned revenue | - | - | - |
| Accrued compensated absences | - | - | - |
| Deposits | 158,328 | - | - |
| Net pension liability | 509,344 | 146,628 | 115,760 |
| Net other postemployment benefits obligation | 120,741 | 35,192 | 30,092 |
| Deferred pension amounts | (369,519) | (106,376) | (83,982) |
| Net cash provided by (used in) operating activities | <u>\$ 39,136,693</u> | <u>\$ 2,348,330</u> | <u>\$ 5,220,243</u> |

Non-cash transactions

In 2015, the Board's Wastewater Utility fund entered into an agreement to receive \$9,500,000 in non-cash capital contributions from Holland Township. As of year-end, the Board has recognized non-cash capital contributions of \$2,029,772, unearned revenue of \$7,397,765 and bond issuance expense of \$72,463 related to this agreement.

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

| Business-type Activities - Enterprise Funds | | Governmental Activities |
|--|-----------------------|------------------------------|
| Nonmajor Enterprise Funds | Total | Internal Service Funds |
| \$ 717,109 | \$ 99,392,182 | \$ 7,696,905 |
| - | 52,777,318 | - |
| <u>\$ 717,109</u> | <u>\$ 152,169,500</u> | <u>\$ 7,696,905</u> |
| \$ (794,398) | \$ 23,904,115 | \$ (281,883) |
| 617,152 | 10,569,822 | 644,423 |
| 41,609 | (1,131,851) | 1,015,778 |
| - | 22,392 | (160,148) |
| - | 4,577,614 | 42,069 |
| - | (2,055,075) | - |
| - | (2,064,159) | 10,068 |
| - | 422,011 | - |
| (10,385) | 10,661,884 | 11,628 |
| - | - | 6,919 |
| 1,202 | 104,720 | 4,410 |
| - | 992,765 | (686,497) |
| 46,878 | 46,878 | - |
| 6,167 | 6,167 | 25,277 |
| - | 158,328 | - |
| - | 771,732 | - |
| - | 186,025 | - |
| - | (559,877) | - |
| <u>\$ (91,775)</u> | <u>\$ 46,613,491</u> | <u>\$ 632,044</u> |

concluded

CITY OF HOLLAND, MICHIGAN

Statement of Fiduciary Assets and Liabilities

Agency Funds

June 30, 2015

Assets

| | |
|-----------------------------|--------------|
| Cash and pooled investments | \$ 1,210,894 |
| Accounts receivable | 29,828 |

Total assets \$ 1,240,722

Liabilities

| | |
|---------------------------------|-----------|
| Accounts payable | \$ 62,204 |
| Due to other governmental units | 1,156,106 |
| Other liabilities and deposits | 22,412 |

Total liabilities \$ 1,240,722

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, 2015

| | Downtown Development Authority | Holland Historical Trust | Brownfield Redevelopment Authority | Total |
|--|--------------------------------------|--------------------------------|--|---------------------|
| Assets | | | | |
| Cash and pooled investments | \$ 192,873 | \$ 529,824 | \$ 136,915 | \$ 859,612 |
| Investments | - | 458,484 | - | 458,484 |
| Receivables, net | 43 | 1,100 | - | 1,143 |
| Inventory | - | 7,199 | - | 7,199 |
| Prepaid items | 200 | - | - | 200 |
| Capital assets: | | | | |
| Land | - | 20,000 | - | 20,000 |
| Being depreciated, net of depreciation | 199,584 | 1,382,103 | - | 1,581,687 |
| Total assets | 392,700 | 2,398,710 | 136,915 | 2,928,325 |
| Liabilities | | | | |
| Accounts payable | 3,713 | 19,690 | - | 23,403 |
| Accrued payroll and benefits | 3,262 | 20,276 | - | 23,538 |
| Unearned revenue | - | 65,086 | - | 65,086 |
| Total liabilities | 6,975 | 105,052 | - | 112,027 |
| Net position | | | | |
| Net investment in capital assets | 199,584 | 1,402,103 | - | 1,601,687 |
| Restricted by agreement | - | 420,242 | - | 420,242 |
| Unrestricted | 186,141 | 471,313 | 136,915 | 794,369 |
| Total net position | \$ 385,725 | \$ 2,293,658 | \$ 136,915 | \$ 2,816,298 |

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, 2015

| | Downtown Development Authority | Holland Historical Trust | Brownfield Redevelopment Authority | Total |
|--|--------------------------------------|--------------------------------|--|---------------------|
| Expenses | | | | |
| Downtown Development Authority | \$ 194,336 | \$ - | \$ - | \$ 194,336 |
| Holland Historical Trust | - | 918,084 | - | 918,084 |
| Brownfield Redevelopment Authority | - | - | 899,431 | 899,431 |
| Total expenses | 194,336 | 918,084 | 899,431 | 2,011,851 |
| Program revenues | | | | |
| Charges for services | 4,740 | 113,200 | - | 117,940 |
| Operating grants and contributions | 1,740 | 652,861 | 70,817 | 725,418 |
| Total program revenues | 6,480 | 766,061 | 70,817 | 843,358 |
| Net expenses | (187,856) | (152,023) | (828,614) | (1,168,493) |
| General revenues | | | | |
| Property taxes | 182,381 | - | 869,094 | 1,051,475 |
| Gain on sale of capital assets | - | 12,872 | - | 12,872 |
| Total general revenues | 182,381 | 12,872 | 869,094 | 1,064,347 |
| Change in net position | (5,475) | (139,151) | 40,480 | (104,146) |
| Net position, beginning of year | 391,200 | 2,432,809 | 96,435 | 2,920,444 |
| Net position, end of year | \$ 385,725 | \$ 2,293,658 | \$ 136,915 | \$ 2,816,298 |

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

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 (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, to encourage historical preservation, and to promote economic growth within the downtown district. The members of the governing board of the Downtown Development Authority are appointed by the City Council. The budgets and expenditures of the Downtown Development Authority must be approved by the City Council. The City also has the ability to significantly influence operations of the Downtown Development Authority. 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 HHT'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 HHT, management believes it would be misleading to exclude HHT 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 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.

Local Development Finance Authority (the "LDFA") - The City established the LDFA in the current year to prevent conditions of unemployment and to promote economic growth within the boundaries of the City. The LDFA's board is comprised of four members appointed by the City, three members appointed by the Charter Township of Holland, one member appointed by the County of Ottawa, two members appointed by Holland Public Schools, two members appointed by West Ottawa Schools. The LDFA 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.

CITY OF HOLLAND, MICHIGAN

Notes to Financial Statements

Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized 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.

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 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 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 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.

CITY OF HOLLAND, MICHIGAN

Notes to Financial Statements

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

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

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

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

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

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

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

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

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

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.

CITY OF HOLLAND, MICHIGAN

Notes to Financial Statements

Cash and Pooled Investments

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

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

State statutes authorize the City to invest in:

Bonds, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.

Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution.

Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.

Bankers' acceptances of United States banks.

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

Mutual funds registered under the Investment Company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.

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

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

Receivables

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

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.

CITY OF HOLLAND, MICHIGAN

Notes to Financial Statements

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.

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 exist. 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.

CITY OF HOLLAND, MICHIGAN

Notes to Financial Statements

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

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

Restricted Assets

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

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 reports a deferred outflow of resources for the loss on advance bond refunding reported in the government-wide statement of net position, which results from the difference in the carrying value of refunded debt and its reacquisition price. In addition, the City reports deferred outflows of resources for changes in expected and actual investment returns, assumptions, and benefits provided in its pension plan. More detailed information can be found in Note 13.

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.

CITY OF HOLLAND, MICHIGAN

Notes to Financial Statements

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 | \$ 34,979 | \$ - | \$ - |
| Infrastructure projects | 84,167 | - | - |
| Fees collected in excess of amounts earned | 138,103 | 220,167 | 65,086 |
| Capital contributions | - | 7,397,765 | - |
| Total unearned revenue | \$ 257,249 | \$ 7,617,932 | \$ 65,086 |

The Holland Board of Public Works (the "Board") entered into an agreement with various municipalities to design, construct, and install certain capital improvements for a plant expansion. In accordance with a separate agreement, the County of Ottawa issued bonds in the amount of \$19 million for the benefit of the Board and Holland Township. The Board is responsible for 50% of the outstanding bonds. The Board will be completing the construction of the project and will retain full ownership of the asset at completion. The Board has recognized a receivable from Ottawa County for the amount of bond proceeds not yet received. Unearned revenue was recorded for the capital contributions from Holland Township not yet recognized. The Board plans to recognize the capital contribution as the construction is completed.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Plan and additions to/deductions from the plan fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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% 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, 2013 was \$1,144,360,106, which provides a City-wide valuation equivalency that allows for a uniform millage rate across all taxable properties, including tax-abated properties. The tax levy was based on the following rates:

| | Millage Rate Used | Authorized Millage Rate | Authorized By |
|--------------------------------------|-------------------|-------------------------|---------------|
| General operating | 9.5000 | | |
| Street development and improvement | 1.3669 | | |
| Sidewalk development and improvement | 0.0500 | | |
| Municipal capital projects | 0.5044 | | |
| Debt service general obligation | 2.3400 | | |
| | <u>13.7613</u> | 16.1346 | 1 |
| | | 17.5000 | City Charter |
| Library support / debt service | 1.2472 | 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% of Electric Utility Fund budgeted revenues of the same fiscal year. For fiscal year 2015, a total transfer of \$5,344,000 was made. A \$4,904,000 transfer was made to the General Fund and a \$440,000 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, 2015. 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. The City currently has no assigned fund balance, as the City Council has not yet given the authority for the making of such assignments. 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.

Use of Estimates

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

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.

3. COMPLIANCE

Budgetary Compliance

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

CITY OF HOLLAND, MICHIGAN

Notes to Financial Statements

For the year ended June 30, 2015, 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 | \$ 161,396 | \$ 163,188 | \$ 1,792 |
| City treasurer | 239,455 | 240,946 | 1,491 |
| Public safety - construction inspections | 486,627 | 502,786 | 16,159 |
| Culture and recreation - recreation | 885,085 | 887,623 | 2,538 |
| Other appropriations - insurance | 92,800 | 92,809 | 9 |
| Transfers out | 626,743 | 627,039 | 296 |
| Allegan County Road Tax Fund | 400,247 | 504,609 | 104,362 |
| Snowmelt Operating System Fund | 239,667 | 260,904 | 21,237 |
| District Library Taxation Fund | 1,250,900 | 1,251,468 | 568 |

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.

4. DEPOSITS AND INVESTMENTS

The City's reporting entity deposits and investments as of June 30, 2015 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 | \$ 22,830,364 | \$ 99,392,182 | \$ 859,612 | \$ 1,210,894 | \$ 124,293,052 |
| Investments | - | 30,084,204 | 458,484 | - | 30,542,688 |
| Restricted assets: | | | | | |
| Cash and pooled investments | - | 52,777,318 | - | - | 52,777,318 |
| Investments | - | 47,239,451 | - | - | 47,239,451 |
| Total | \$ 22,830,364 | \$ 229,493,155 | \$ 1,318,096 | \$ 1,210,894 | \$ 254,852,509 |

CITY OF HOLLAND, MICHIGAN

Notes to Financial Statements

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

| | |
|---|-----------------------|
| Petty cash | \$ 13,498 |
| Deposits (checking/savings accounts) | 121,348,459 |
| Certificate of deposit (due within one year) | 10,425,538 |
| Certificate of deposit (due within one to five years) | 41,151,340 |
| Certificate of deposit (due within six to ten years) | 1,000,320 |
| Investments: | |
| Primary government | 80,454,870 |
| Component units | <u>458,484</u> |
| | <u>\$ 254,852,509</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.

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 | \$ - | \$ 2,002,520 | \$ 31,412,717 | \$ 33,415,237 |
| Municipal bonds | - | - | 6,248,891 | 6,248,891 |
| Money market funds | 153,383 | - | - | 153,383 |
| Repurchase agreements | 35,120,740 | - | - | 35,120,740 |
| MPPA Investments | 5,516,619 | - | - | 5,516,619 |
| | <u>\$ 40,790,742</u> | <u>\$ 2,002,520</u> | <u>\$ 37,661,608</u> | <u>\$ 80,454,870</u> |
| Total Primary Government | | | | |

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, \$166,375,944 of the bank balance of \$173,888,056 was exposed to custodial credit risk because it was uninsured and uncollateralized.

CITY OF HOLLAND, MICHIGAN

Notes to Financial Statements

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 \$80,454,870 of investments held at year-end, the City has a custodial credit risk exposure of \$45,334,130 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 AAAm | \$ 153,383 |
| S&P AA+ | 34,085,802 |
| S&P AA | 487,195 |
| S&P AA- | 4,838,211 |
| Moody's Aa2 | 252,920 |
| Unrated | 5,516,619 |
| Not subject to credit risk | <u>35,120,740</u> |
| | <u>\$ 80,454,870</u> |

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 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, \$283,779 of the bank balance of \$533,779 was exposed to custodial credit risk because it was uninsured and uncollateralized.

CITY OF HOLLAND, MICHIGAN

Notes to Financial Statements

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 |
|---------------------------------|-------------------|---------------|---------------|---------|
| Component Units | | | | |
| Holland Historical Trust | | | | |
| Bond mutual funds | \$ 92,878 | n/a | n/a | Various |
| Equity mutual funds | 296,330 | n/a | n/a | n/a |
| Other mutual funds | 50,656 | n/a | n/a | n/a |
| Corporate equities, domestic | 18,620 | n/a | n/a | n/a |
| | <u>\$ 458,484</u> | | | |

5. RECEIVABLES

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

| | Governmental Activities | Business-type Activities | Component Units |
|---|-------------------------|--------------------------|-----------------|
| Accounts | \$ 616,953 | \$ 15,883,535 | \$ - |
| Allowance for uncollectible receivables | (17,079) | (103,045) | - |
| Taxes and special assessments | 707,337 | 184,692 | 735 |
| Allowance for uncollectible taxes and special assessments | (30,025) | (170) | (692) |
| Interest | 14,540 | 153,462 | - |
| Leases | 881,198 | - | - |
| Pledges receivable | - | - | 1,100 |
| Due from other governmental units | 1,211,616 | 11,555,075 | - |
| Due from City of Wyoming | - | 2,343,835 | - |
| | <u>\$ 3,384,540</u> | <u>\$ 30,017,384</u> | <u>\$ 1,143</u> |

Of the governmental activities amounts reported for receivables above, leases receivable in the amount of \$430,000 and special assessments receivable in the amount of \$560,237 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 \$2,343,835 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, 2015, was as follows:

| | Beginning Balance | Additions | Disposals | Transfers | Ending Balance |
|--|-----------------------|---------------------|---------------------|--------------------|-----------------------|
| Governmental Activities | | | | | |
| Capital assets, not being depreciated: | | | | | |
| Land | \$ 16,339,146 | \$ 168,206 | \$ - | \$ - | \$ 16,507,352 |
| Construction in progress | 5,370,677 | 2,736,293 | (8,116) | (4,987,335) | 3,111,519 |
| | <u>21,709,823</u> | <u>2,904,499</u> | <u>(8,116)</u> | <u>(4,987,335)</u> | <u>19,618,871</u> |
| Capital assets, being depreciated: | | | | | |
| Land improvements | 19,637,887 | - | - | - | 19,637,887 |
| Buildings | 36,888,500 | 52,255 | - | 2,000 | 36,942,755 |
| Machinery and equipment | 8,890,900 | 488,401 | (646,520) | - | 8,732,781 |
| Vehicles | 7,601,100 | 470,421 | (597,198) | 300,331 | 7,774,654 |
| Infrastructure | 100,103,645 | 999,280 | (1,429,360) | 4,685,004 | 104,358,569 |
| | <u>173,122,032</u> | <u>2,010,357</u> | <u>(2,673,078)</u> | <u>4,987,335</u> | <u>177,446,646</u> |
| Less accumulated depreciation for: | | | | | |
| Land improvements | (10,917,914) | (847,070) | - | - | (11,764,984) |
| Buildings | (13,871,524) | (987,114) | - | - | (14,858,638) |
| Machinery and equipment | (6,071,098) | (423,981) | 609,888 | - | (5,885,191) |
| Vehicles | (4,695,826) | (437,637) | 521,509 | - | (4,611,954) |
| Infrastructure | (38,108,511) | (2,748,586) | 668,462 | - | (40,188,635) |
| | <u>(73,664,873)</u> | <u>(5,444,388)</u> | <u>1,799,859</u> | <u>-</u> | <u>(77,309,402)</u> |
| Total capital assets being depreciated, net | <u>99,457,159</u> | <u>(3,434,031)</u> | <u>(873,219)</u> | <u>4,987,335</u> | <u>100,137,244</u> |
| Governmental activities capital assets, net | <u>\$ 121,166,982</u> | <u>\$ (529,532)</u> | <u>\$ (881,335)</u> | <u>\$ -</u> | <u>\$ 119,756,115</u> |

CITY OF HOLLAND, MICHIGAN

Notes to Financial Statements

| | Beginning Balance | Additions | Disposals | Transfers | Ending Balance |
|---|-----------------------|-----------------------|---------------------|--------------------|-----------------------|
| Business-type Activities | | | | | |
| Capital assets, not being depreciated: | | | | | |
| Land | \$ 13,382,213 | \$ 2,871,945 | \$ - | \$ 7,308,049 | \$ 23,562,207 |
| Construction in progress | 25,941,371 | 105,710,846 | (39,030) | (9,096,454) | 122,516,733 |
| | <u>39,323,584</u> | <u>108,582,791</u> | <u>(39,030)</u> | <u>(1,788,405)</u> | <u>146,078,940</u> |
| Capital assets, being depreciated: | | | | | |
| Land improvements | 14,359,593 | 14,492 | - | - | 14,374,085 |
| Buildings | 4,441,881 | - | - | - | 4,441,881 |
| Machinery and equipment | 375,660,595 | 4,770,375 | (1,831,816) | 1,788,405 | 380,387,559 |
| Office equipment / furniture | 35,758 | - | - | - | 35,758 |
| Vehicles | 3,097,491 | 159,497 | (84,276) | - | 3,172,712 |
| | <u>397,595,318</u> | <u>4,944,364</u> | <u>(1,916,092)</u> | <u>1,788,405</u> | <u>402,411,995</u> |
| Less accumulated depreciation for: | | | | | |
| Land improvements | (9,309,074) | (447,898) | - | - | (9,756,972) |
| Buildings | (2,487,045) | (87,318) | - | - | (2,574,363) |
| Machinery and equipment | (249,220,998) | (9,773,222) | 1,480,959 | - | (257,513,261) |
| Office equipment / furniture | (35,758) | - | - | - | (35,758) |
| Vehicles | (1,942,075) | (261,384) | 81,791 | - | (2,121,668) |
| | <u>(262,994,950)</u> | <u>(10,569,822)</u> | <u>1,562,750</u> | <u>-</u> | <u>(272,002,022)</u> |
| Total capital assets being depreciated, net | <u>134,600,368</u> | <u>(5,625,458)</u> | <u>(353,342)</u> | <u>1,788,405</u> | <u>130,409,973</u> |
| Business-type activities capital assets, net | <u>\$ 173,923,952</u> | <u>\$ 102,957,333</u> | <u>\$ (392,372)</u> | <u>\$ -</u> | <u>\$ 276,488,913</u> |

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

Depreciation of governmental activities by function

| | |
|-------------------------|---------------------|
| General government | \$ 266,538 |
| Public safety | 514,218 |
| Public works | 3,216,980 |
| Cultural and recreation | 666,144 |
| Economic development | 136,085 |
| Internal service funds | 644,423 |
| | <u>\$ 5,444,388</u> |

CITY OF HOLLAND, MICHIGAN

Notes to Financial Statements

Depreciation of business-type activities by function

| | |
|---|----------------------|
| Electric utility | \$ 6,430,984 |
| Wastewater utility | 1,974,058 |
| Water utility | 1,547,628 |
| Windmill island | 119,862 |
| Depot operations | 24,539 |
| Airport facilities and management system | 461,006 |
| Public transit facilities and management system | 11,745 |
| | <u>\$ 10,569,822</u> |

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 | (176,198) | (19,269) | - | - | (195,467) |
| Downtown Development Authority capital assets, net | <u>\$ 218,853</u> | <u>\$ (19,269)</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 199,584</u> |
| Component Unit - | | | | | |
| Holland Historical Trust | | | | | |
| Capital assets, not being depreciated: | | | | | |
| Land | \$ 40,000 | \$ - | \$ (20,000) | \$ - | \$ 20,000 |
| Capital assets, being depreciated: | | | | | |
| Buildings and improvements | 3,006,704 | - | (212,307) | - | 2,794,397 |
| Furniture and equipment | 35,943 | - | - | - | 35,943 |
| | <u>3,042,647</u> | <u>-</u> | <u>(212,307)</u> | <u>-</u> | <u>2,830,340</u> |
| Less accumulated depreciation for: | | | | | |
| Buildings and improvements | (1,417,220) | (130,592) | 134,702 | - | (1,413,110) |
| Furniture and equipment | (33,403) | (1,724) | - | - | (35,127) |
| | <u>(1,450,623)</u> | <u>(132,316)</u> | <u>134,702</u> | <u>-</u> | <u>(1,448,237)</u> |
| Total capital assets being depreciated, net | <u>1,592,024</u> | <u>(132,316)</u> | <u>(77,605)</u> | <u>-</u> | <u>1,382,103</u> |
| Holland Historical Trust capital assets, net | <u>\$ 1,632,024</u> | <u>\$ (132,316)</u> | <u>\$ (97,605)</u> | <u>\$ -</u> | <u>\$ 1,402,103</u> |

CITY OF HOLLAND, MICHIGAN

Notes to Financial Statements

7. PAYABLES

Payables are comprised of the following at year-end:

| | Governmental Activities | Business-type Activities | Component Units |
|---|----------------------------|-----------------------------|--------------------|
| Accounts | \$ 2,365,855 | \$ 17,678,514 | \$ 23,403 |
| Accrued payroll and benefits | 666,195 | 666,614 | 23,538 |
| Claims payable | 53,043 | - | - |
| Accrued interest payable | 180,845 | 52,588 | - |
| Accrued interest payable from restricted assets | - | 30,728 | - |
| Due to other governmental units | 172,446 | - | - |
| | <u>\$ 3,438,384</u> | <u>\$ 18,428,444</u> | <u>\$ 46,941</u> |

8. LONG-TERM DEBT

Long-term debt at June 30, 2015, is comprised of the following individual bond issues, notes payable and lease obligations:

| | Beginning Balance | Additions | Deductions | Ending Balance | Due Within One Year |
|--------------------------------|----------------------|---------------------|-----------------------|----------------------|------------------------|
| Governmental Activities | | | | | |
| Installment debt: | | | | | |
| General obligation bonds | \$ 21,245,000 | \$ - | \$ (2,315,000) | \$ 18,930,000 | \$ 2,435,000 |
| Special assessment bonds | 134,000 | - | (74,000) | 60,000 | 10,000 |
| Total installment debt | 21,379,000 | - | (2,389,000) | 18,990,000 | 2,445,000 |
| Premium on bonds payable | 227,915 | - | (48,747) | 179,168 | 48,747 |
| Compensated absences | 1,683,411 | 1,195,084 | (1,169,807) | 1,708,688 | 1,170,000 |
| Totals governmental activities | <u>\$ 23,290,326</u> | <u>\$ 1,195,084</u> | <u>\$ (3,607,554)</u> | <u>\$ 20,877,856</u> | <u>\$ 3,663,747</u> |

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.

\$ 875,000

\$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.

6,985,000

\$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.

3,575,000

CITY OF HOLLAND, MICHIGAN

Notes to Financial Statements

General obligation bonds (concluded)

\$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. \$ 3,295,000

\$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. 4,200,000

Total general obligation bonds \$ 18,930,000

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. \$ 60,000

| | Beginning Balance | Additions | Deductions | Ending Balance | Due Within One Year |
|---------------------------------------|------------------------------|-----------------------------|------------------------------|------------------------------|----------------------------|
| Business-type activities | | | | | |
| Revenue bonds | \$ 177,055,301 | \$ 10,247 | \$ (2,210,000) | \$ 174,855,548 | \$ 1,275,000 |
| Capital lease | - | 9,500,000 | - | 9,500,000 | - |
| Total installment debt | 177,055,301 | 9,510,247 | (2,210,000) | 184,355,548 | 1,275,000 |
| Premium on bonds payable | 8,333,456 | - | (488,087) | 7,845,369 | 421,067 |
| Compensated absences | 1,063,824 | 1,096,750 | (1,061,373) | 1,099,201 | 1,099,201 |
| Total business-type activities | <u><u>\$ 186,452,581</u></u> | <u><u>\$ 10,606,997</u></u> | <u><u>\$ (3,759,460)</u></u> | <u><u>\$ 193,300,118</u></u> | <u><u>\$ 2,795,268</u></u> |

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. \$ 4,975,548

\$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. 9,355,000

\$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. 1,685,000

\$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. 158,840,000

Total revenue bonds \$ 174,855,548

CITY OF HOLLAND, MICHIGAN

Notes to Financial Statements

Capital lease

\$9,500,000 2015 Capital lease payable to the County of Ottawa, due in annual installments of \$387,500 to \$657,500 plus interest ranging from 0.75 to 3.4%, payable semi-annually, through June 1, 2035.

\$ 9,500,000

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 \$10,309 held in trust at June 30, 2015. The City has recognized a liability for landfill closure and post-closure cost of \$327,450 in the Electric Utility 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.

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, 2015, the City has cash and investments of \$37,387 available in the special assessment debt service fund for repayment of these bonds. In addition, there is \$66,803 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, 2015, excluding unamortized premium/discount, are as follows:

| Year Ended June 30, | Governmental Activities | | Business-type Activities | |
|------------------------|-------------------------|---------------------|--------------------------|-----------------------|
| | Principal | Interest | Principal | Interest |
| 2016 | \$ 2,445,000 | \$ 692,757 | \$ 1,275,000 | \$ 7,345,477 |
| 2017 | 2,580,000 | 596,347 | 6,292,500 | 7,289,765 |
| 2018 | 2,300,000 | 503,227 | 6,495,000 | 7,158,908 |
| 2019 | 2,435,000 | 426,005 | 6,635,000 | 7,044,586 |
| 2020 | 2,585,000 | 331,839 | 6,822,500 | 6,877,848 |
| 2021-2025 | 4,515,000 | 747,950 | 35,980,000 | 31,152,828 |
| 2026-2030 | 1,265,000 | 385,610 | 36,690,000 | 24,554,793 |
| 2031-2035 | 865,000 | 85,325 | 44,215,548 | 15,675,495 |
| 2036-2040 | - | - | 39,950,000 | 4,927,982 |
| | <u>\$ 18,990,000</u> | <u>\$ 3,769,060</u> | <u>\$ 184,355,548</u> | <u>\$ 112,027,682</u> |

CITY OF HOLLAND, MICHIGAN

Notes to Financial Statements

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.

Pledged Revenues

Special Assessments. The City has pledged a portion of future special assessment revenues to repay \$155,000 in special assessment bonds issued in June 2006. Proceeds from the bonds provided financing for two public street improvement projects; 40th Street, Washington to Graafschap, and 23rd & 24th Street, Diekema to Homestead. The bonds are payable solely from revenue generated from assessments to property owners in the construction zone; they can choose to pay 100 percent of the assessment immediately or make installment payments, via their winter tax bill. Annual principal and interest payments on the bonds are expected to be 100 percent of debt service requirements. The total principal and interest remaining to be paid on the bonds is \$69,867, payable through 2020. Principal and interest paid for the current year and special assessment revenues were \$13,538 and \$11,049, respectively.

Electric. The Board has pledged future water customer revenues, net of specified operating expenses, to repay \$158.84 million in electric utility system revenue bonds issued in April 2014. Proceeds from the bonds provided financing for the construction of the Holland Energy Park. The bonds are payable solely from electric customer net revenues and are payable through 2039. Annual principal and interest payments on the bonds are expected to require less than 29% of net revenues. The total principal and interest paid for the current year and total customer net revenues were \$6,621,406 and \$26,431,624 respectively.

Wastewater. The Board has pledged future wastewater customer revenues, net of specified operating expenses, to repay \$9.5 million (50% of \$19 million) in Ottawa County sewage disposal bonds issued in April 2015. Proceeds from the bonds provided financing for the construction to the Holland area sewage disposal system. The bonds are payable solely from wastewater customer net revenues and are payable through 2035. Annual principal and interest payments on the bonds are expected to require less than 20% of net revenues. There were no current year principal and interest payments and total customer revenues were \$3,664,822.

Water. The Board has pledged future water customer revenues, net of specified operating expenses, to repay \$9.7 million in water supply revenue refunding bonds issued in June 2012. Proceeds from the bonds provided financing for the construction for various water infrastructure projects. The bonds are payable solely from water customer net revenues and are payable through 2024. Annual principal and interest payments on the bonds are expected to require less than 27% of net revenues. The total principal and interest paid for the current year and total customer net revenues were \$837,118 and \$4,554,737 respectively.

The Board has pledged future water customer revenues, net of specified operating expenses, to repay \$3.26 million in water supply system revenue refunding bonds issued in June 2013. Proceeds from the bonds provided financing for refunding the 1997 water supply system revenue bonds used to expand the Water Treatment Plant. The bonds are payable solely from water customer net revenues and are payable through 2017. Annual principal and interest payments on the bonds are expected to require less than 19% of net revenues. The total principal and interest paid for the current year and total customer net revenues were \$1,694,400 and \$4,554,737 respectively.

CITY OF HOLLAND, MICHIGAN

Notes to Financial Statements

The Board has pledged future water customer revenues, net of specified operating expenses, to repay \$6.026 million in drinking water program bonds issued in September 2011. Proceeds from the bonds provided financing for the construction of the Holland/Wyoming Interconnect. The bonds are payable solely from water customer net revenues and are payable through 2032. Annual principal and interest payments on the bonds are expected to require less than 7% of net revenues. The total principal and interest paid for the current year and total customer net revenues were \$379,026 and \$4,554,737 respectively.

Defeased Debt

As of June 30, 2015, a total of \$6,805,000 of bonded debt is considered defeased.

Compensated Absences - Business-type Activities

As the balance of earned compensated absences at June 30, 2015 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.

9. JOINT VENTURES

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

Under 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, 2015, the Board recognized expenses totaling \$18,977,518 under the terms of the contracts which represented \$1,251,993 for fixed operating costs, \$5,493,723 for debt service and \$12,231,802 for the purchase of power. Accounts payable to MPPA totaled \$1,784,472 at June 30, 2015. 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 | |
| 2016 | \$ 4,305,533 | \$ 840,684 | \$ 1,011,353 | \$ 431,313 | \$ 278,177 | \$ 17,556 | \$ 6,884,616 |
| 2017 | 4,305,335 | 865,904 | 971,828 | 444,252 | 278,317 | 18,083 | 6,883,719 |
| 2018 | 4,305,656 | 891,881 | 1,111,483 | 457,580 | 278,691 | 18,626 | 7,063,917 |
| 2019 | 4,305,962 | 918,638 | 1,111,242 | 471,307 | 278,264 | 19,184 | 7,104,597 |
| 2020 | - | 946,197 | 1,111,967 | 485,446 | 278,665 | 19,760 | 2,842,035 |
| 2021-2025 | - | - | 3,333,683 | 2,091,853 | 1,391,701 | 108,055 | 6,925,292 |
| 2026-2030 | - | - | - | - | 1,391,771 | 125,265 | 1,517,036 |
| 2031-2035 | - | - | - | - | 1,391,738 | 145,218 | 1,536,956 |
| 2036-2040 | - | - | - | - | 1,391,404 | 168,347 | 1,559,751 |
| 2041-2044 | - | - | - | - | 1,112,889 | 195,160 | 1,308,049 |
| | <u>\$17,222,486</u> | <u>\$ 4,463,304</u> | <u>\$ 8,651,556</u> | <u>\$ 4,381,751</u> | <u>\$ 8,071,617</u> | <u>\$ 835,254</u> | <u>\$43,625,968</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

10. INTERFUND RECEIVABLES AND PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2015, 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 | \$ - | \$ - | \$ 69,127 | \$ 769 | \$ 11,900 | \$ - | \$ 81,796 |
| Nonmajor Governmental Funds | - | 159,959 | 95,062 | 1,058 | 16,364 | - | 272,443 |
| Electric Utility | 19,214 | 402,216 | - | - | - | 89,707 | 511,137 |
| Wastewater Utility | 4,336 | 90,762 | - | - | - | 20,243 | 115,341 |
| Water Utility | 15,712 | 328,907 | - | - | - | 73,356 | 417,975 |
| Nonmajor Enterprise Funds | - | - | 1,826 | 21 | 314 | - | 2,161 |
| Internal Service Funds | - | 34,574 | 655 | 7 | 113 | - | 35,349 |
| | <u>\$ 39,262</u> | <u>\$ 1,016,418</u> | <u>\$ 166,670</u> | <u>\$ 1,855</u> | <u>\$ 28,691</u> | <u>\$ 183,306</u> | <u>\$ 1,436,202</u> |

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

For the year ended June 30, 2015, interfund transfers consisted of the following:

| | Transfers in | | | | Total |
|-----------------------------|---------------------|-----------------------------|---------------------------|------------------------|----------------------|
| | General Fund | Nonmajor Governmental Funds | Nonmajor Enterprise Funds | Internal Service Funds | |
| Transfers out | | | | | |
| General Fund | \$ - | \$ 437,039 | \$ 100,000 | \$ 90,000 | \$ 627,039 |
| Nonmajor Governmental Funds | 137,985 | 5,736,627 | 78,238 | 122,135 | 6,074,985 |
| Electric Utility | 4,904,000 | 440,000 | - | - | 5,344,000 |
| Internal Service Funds | - | 16,200 | - | 19,000 | 35,200 |
| | <u>\$ 5,041,985</u> | <u>\$ 6,629,866</u> | <u>\$ 178,238</u> | <u>\$ 231,135</u> | <u>\$ 12,081,224</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

11. NET POSITION

Restricted Net Position

The composition of the City's restricted net position as of June 30, 2015, was as follows:

| | Governmental Activities | Business-type Activities | Component Units |
|---|----------------------------|-----------------------------|--------------------|
| Restricted for: | | | |
| Cemetery maintenance | \$ 67,043 | \$ - | \$ - |
| Debt service | 50,209 | - | - |
| Street construction and maintenance | 3,781,940 | - | - |
| Grant programs | 14,851 | - | - |
| Library | 54 | - | - |
| Capital projects and by agreement | 871,410 | 24,300,021 | 420,242 |
| Cemetery endowment corpus (nonexpendable) | 1,554,087 | - | - |
| | <u>\$ 6,339,594</u> | <u>\$ 24,300,021</u> | <u>\$ 420,242</u> |

The composition of net investment in capital assets as of June 30, 2015, was as follows:

| | Governmental Activities | Business-type Activities | Component Units |
|---|----------------------------|-----------------------------|---------------------|
| Capital assets: | | | |
| Land | \$ 16,507,352 | \$ 23,562,207 | \$ 20,000 |
| Construction in progress | 3,111,519 | 122,516,733 | - |
| Capital assets being depreciated, net | 100,137,244 | 130,409,973 | 1,581,687 |
| | <u>119,756,115</u> | <u>276,488,913</u> | <u>1,601,687</u> |
| Related debt: | | | |
| Total installment debt | 18,990,000 | 184,355,548 | - |
| Net bond premium | 179,168 | 7,845,369 | - |
| Loss on advance bond refundings | (323,291) | (388,397) | - |
| Less: bonds payable related to capital leases | (875,000) | - | - |
| Unspent bond proceeds | - | (79,952,583) | - |
| | <u>17,970,877</u> | <u>111,859,937</u> | <u>-</u> |
| Net investment in capital assets | <u>\$ 101,785,238</u> | <u>\$ 164,628,976</u> | <u>\$ 1,601,687</u> |

CITY OF HOLLAND, MICHIGAN

Notes to Financial Statements

12. 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 |
|---|---------------------|-----------------------------|----------------------|
| Nonspendable: | | | |
| Prepaid items | \$ 20,736 | \$ 300 | \$ 21,036 |
| Cemetery endowment corpus | - | 1,554,087 | 1,554,087 |
| Total nonspendable | <u>20,736</u> | <u>1,554,387</u> | <u>1,575,123</u> |
| Restricted: | | | |
| Street construction and maintenance | - | 2,984,025 | 2,984,025 |
| Cemetery maintenance and improvements | - | 67,043 | 67,043 |
| Infrastructure construction and maintenance | - | 797,915 | 797,915 |
| Parking system and maintenance | - | 250,152 | 250,152 |
| Snowmelt system and maintenance | - | 38 | 38 |
| Downtown promotion | - | 116,637 | 116,637 |
| Grant and support programs | - | 14,905 | 14,905 |
| Specified donations | - | 504,283 | 504,283 |
| Debt service | - | 224,856 | 224,856 |
| Total restricted | <u>-</u> | <u>4,959,854</u> | <u>4,959,854</u> |
| Committed: | | | |
| Public access television | - | 443,679 | 443,679 |
| Grant and support programs | 12,915 | - | 12,915 |
| Capital improvements | - | 2,561,303 | 2,561,303 |
| Assistance programs | - | 4,431 | 4,431 |
| Total committed | <u>12,915</u> | <u>3,009,413</u> | <u>3,022,328</u> |
| Unassigned | <u>4,948,792</u> | <u>-</u> | <u>4,948,792</u> |
| Total fund balances - governmental funds | <u>\$ 4,982,443</u> | <u>\$ 9,523,654</u> | <u>\$ 14,506,097</u> |

CITY OF HOLLAND, MICHIGAN

Notes to Financial Statements

13. PENSION PLAN

General Information About the Plan

Plan Description. The City participates in the Municipal Employees' Retirement System (MERS) of Michigan, a defined benefit pension plan providing certain retirement, disability and death benefits to plan members and beneficiaries. MERS is an agent multiple-employer, statewide public employee pension plan established by the Michigan Legislature under Public Act 135 of 1945 and administered by a nine member Retirement Board. Public Act 427 of 1984, as amended, establishes and amends the benefit provisions of the participants in MERS. MERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained accessing the MERS website at www.mersofmich.com.

Benefits Provided. Pension benefits vary by division/bargaining unit and are calculated as final average compensation (based on a 5 year period) and multipliers ranging from 2.0% to 2.5%. Participants are considered to be fully vested in the plan after 10 years. Normal retirement age is 60 with early retirement at age 50 with 25 years of service, age 55 with 15 years of service, or age 55 with 25 years of service, depending on division/bargaining unit.

Employees Covered by Benefit Terms. At December 31, 2014, plan membership consisted of the following:

| | |
|--|-----------------------|
| Inactive employees or beneficiaries currently receiving benefits | 333 |
| Inactive employees entitled to but not yet receiving benefits | 53 |
| Active employees | <u>200</u> |
| Total membership | <u><u>586</u></u> |

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

Employer and employee contribution amounts or rates, by division/bargaining unit, were as follows for the year ended June 30, 2015:

| Division/Bargaining Unit | Employer Contribution | Employee Contribution |
|----------------------------|-----------------------|-----------------------|
| 01 - Gen. NonUnion | \$79,429/month | 3.00% |
| 02 - Public Safety Command | \$23,040/month | 3.00% |
| 11 - PubWks Local 586 | \$70,283/month | 3.00% |
| 13 - PubWks-NonUnion | \$54,870/month | 3.00% |
| 14 - Clerical | \$5,729/month | 3.00% |
| 20 - Police FOP | 21.78% | 5.58% |
| 50 - Fire Local 759 | 33.63% | 6.23% |

CITY OF HOLLAND, MICHIGAN

Notes to Financial Statements

Net Pension Liability. The City's net pension liability was measured as of December 31, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions. The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|---------------------------|--|
| Inflation | 3% to 4% |
| Salary increases | 4.5% in the long-term (2% and 3% for calendar years 2015 and 2016, respectively) |
| Investment rate of return | 8.25%, including inflation |

Although no specific price inflation assumptions are needed for the valuation, the 4.5% long-term wage inflation assumption would be consistent with a price inflation of 3%-4%.

Mortality rates used were based on the 1994 Group Annuity Mortality Table of a 50% Male and 50% Female blend. For disabled retirees, the regular mortality table is used with a 10-year set forward in ages to reflect the higher expected mortality rates of disabled members.

The actuarial assumptions used in the December 31, 2014 valuation were based on the results of an actuarial experience study conducted in 2008. (MERS Retirement Board is currently conducting an actuarial experience study covering the period from January 1, 2009, through December 31, 2013.)

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

| Asset Class | Target Allocation | Long-term Expected Real Rate of Return | Expected Money-Weighted Rate of Return |
|--------------------------------------|-------------------|--|--|
| Global equity | 57.5% | 5.02% | 2.89% |
| Global fixed income | 20.0% | 2.18% | 0.44% |
| Real assets | 12.5% | 4.23% | 0.53% |
| Diversifying strategies | 10.0% | 6.56% | 0.65% |
| | <u>100.0%</u> | | |
| Inflation | | | 3.50% |
| Administrative expenses netted above | | | <u>0.25%</u> |
| Investment rate of return | | | <u>8.25%</u> |

CITY OF HOLLAND, MICHIGAN

Notes to Financial Statements

Discount Rate. The discount rate used to measure the total pension liability is 8.25% for 2014. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability

The components of the change in the net pension liability are summarized as follows:

| | Total Pension Liability (a) | Plan Fiduciary Net Position (b) | Net Pension Liability (a) - (b) |
|--|-----------------------------------|---------------------------------------|---------------------------------------|
| Balances at December 31, 2013 | \$ 119,280,046 | \$ 76,827,222 | \$ 42,452,824 |
| Changes for the year: | | | |
| Service cost | 1,451,999 | - | 1,451,999 |
| Interest | 9,570,281 | - | 9,570,281 |
| Employer contributions | - | 3,989,428 | (3,989,428) |
| Employee contributions | - | 543,411 | (543,411) |
| Net investment income | - | 4,785,679 | (4,785,679) |
| Benefit payments, including refunds of employee contributions | (8,005,271) | (8,005,271) | - |
| Administrative expense | - | (175,174) | 175,174 |
| Net changes | 3,017,009 | 1,138,073 | 1,878,936 |
| Balances at December 31, 2014 | \$ 122,297,055 | \$ 77,965,295 | \$ 44,331,760 |

Sensitivity of the Net Pension Liability to Changes in the Discount Rate. The following presents the net pension liability of the City, calculated using the discount rate of 8.25%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1% lower (7.25%) or 1% higher (9.25%) than the current rate:

| 1% Decrease (7.25%) | Current Discount Rate (8.25%) | 1% Increase (9.25%) |
|------------------------|-------------------------------------|------------------------|
| \$ 57,082,714 | \$ 44,331,760 | \$ 33,423,573 |

Pension Plan Fiduciary Net Position. Detailed information about the pension plan's fiduciary net position is available in the separately issued Plan financial statements.

CITY OF HOLLAND, MICHIGAN

Notes to Financial Statements

Pension Expense and Deferred Outflows of Resources Related to Pensions

For the year ended June 30, 2015, the City recognized pension expense of \$4,746,681. The City reported deferred outflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources |
|---|--------------------------------------|
| Difference between expected and actual experience | \$ - |
| Changes in assumptions | - |
| Net difference between projected and actual earnings on pension plan investments | 1,121,683 |
| | <u>1,121,683</u> |
| Contributions subsequent to the measurement date | <u>1,993,841</u> |
| Total | <u>\$ 3,115,524</u> |

The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability for the year ending June 30, 2016. Other amounts reported as deferred outflows of resources related to the pension will be recognized in pension expense as follows:

| Year Ended June 30, | Amount |
|------------------------|---------------------|
| 2016 | \$ 280,421 |
| 2017 | 280,421 |
| 2018 | 280,421 |
| 2019 | <u>280,420</u> |
| Total | <u>\$ 1,121,683</u> |

Payable to the Pension Plan. At June 30, 2015, the City reported a payable of \$368,254 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2015.

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 \$719,061 and employees contributed \$179,373 to the defined contribution plan.

CITY OF HOLLAND, MICHIGAN

Notes to Financial Statements

14. 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, 2015, the City contributed \$417,621 including cash contributions of \$281,377 and an implicit rate subsidy (which did not require cash) of \$136,244.

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 | \$ 918,228 |
| Interest on net OPEB obligation | 73,640 |
| Adjustment to annual required contribution | <u>(116,102)</u> |
| Net OPEB cost (expense) | 875,766 |
| Contributions made | <u>(417,621)</u> |
| Increase in net OPEB obligation | 458,145 |
| Net OPEB obligation, beginning of year | <u>1,841,009</u> |
| Net OPEB obligation, end of year | <u><u>\$ 2,299,154</u></u> |

The statements of net position present net OPEB obligation liability of \$1,448,739 and \$850,415 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 |
| 2013 | \$ 914,993 | 54.0% | \$ 1,467,703 |
| 2014 | 820,756 | 54.5% | 1,841,009 |
| 2015 | 875,766 | 47.7% | 2,299,154 |

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.

15. 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.

16. 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, 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 | 164,574 | - | - | - | - | 164,574 |
| Estimated claims incurred | 4,473,627 | 121,803 | 195,286 | 312,710 | 55,113 | 5,158,539 |
| Claim payments | (4,401,289) | (121,803) | (195,286) | (312,710) | (55,113) | (5,086,201) |
| Estimated liability, June 30, 2015 | \$ 236,912 | \$ - | \$ - | \$ - | \$ - | \$ 236,912 |

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.

17. COMMITMENTS

At June 30, 2015, the City had the following outstanding commitments:

- \$62,000 for various drain projects
- \$5,638,000 for road construction and related infrastructure projects
- \$74,000 for sidewalk construction
- \$119,227,000 for various electric utility projects
- \$407,000 for various water utility projects
- \$14,934,000 for various wastewater utility projects
- \$143,000 for various administration projects

18. RESTATEMENT

The City adopted the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, in the current year. In connection with this, the prior reported net pension asset was eliminated. As a result of this change, beginning net position of governmental activities, the Electric Utility Fund, the Wastewater Utility Fund, the Water Utility Fund, and business-type activities was decreased by \$27,699,976, \$9,287,331, \$2,673,626, \$2,110,757, and \$14,071,714, respectively.

CITY OF HOLLAND, MICHIGAN

Notes to Financial Statements

19. SUBSEQUENT EVENT

In November 2015, the City issued limited tax general obligation bonds in the amount of \$25,000,000 for the purpose of defraying a portion of the costs of the unfunded pension liability of the City's defined benefit pension plan. These bonds bear interest ranging from 0.76% to 3.42% and are payable through December 1, 2025.

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF HOLLAND, MICHIGAN

Required Supplementary Information MERS Agent Multiple-Employer Defined Benefit Pension Plan

Schedule of Changes in City's Net Pension Liability and Related Ratios

| | Year Ended June 30, 2015 |
|---|-----------------------------|
| Total pension liability | |
| Service cost | \$ 1,451,999 |
| Interest | 9,570,281 |
| Benefit payments, including refunds of employee contributions | (8,005,271) |
| Net change in total pension liability | <u>3,017,009</u> |
| Total pension liability, beginning of year | <u>119,280,046</u> |
| Total pension liability, end of year | <u>122,297,055</u> |
| Plan fiduciary net position | |
| Employer contributions | 3,989,428 |
| Employee contributions | 543,411 |
| Net investment income | 4,785,679 |
| Benefit payments, including refunds of employee contributions | (8,005,271) |
| Administrative expense | (175,174) |
| Net change in plan fiduciary net position | <u>1,138,073</u> |
| Plan fiduciary net position, beginning of year | <u>76,827,222</u> |
| Plan fiduciary net position, end of year | <u>77,965,295</u> |
| City's net pension liability | <u>\$ 44,331,760</u> |
| Plan fiduciary net position as a percentage of total pension liability | 63.8% |
| Covered-employee payroll | 13,451,949 |
| City's net pension liability as a percentage of covered-employee payroll | 329.6% |

The amounts presented for each fiscal year were determined as of December 31 of the preceding year.

Note: GASB 68 was implemented in fiscal year 2015. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

CITY OF HOLLAND, MICHIGAN

Required Supplementary Information MERS Agent Multiple-Employer Defined Benefit Pension Plan

Schedule of the Net Pension Liability

| Fiscal Year Ended June 30, | Total Pension Liability | Plan Net Position | Net Pension Liability | Plan Net Position as Percentage of Total Pension Liability | Covered-Employee Payroll |
|----------------------------|-------------------------|-------------------|-----------------------|--|--------------------------|
| 2015 | \$ 122,297,055 | \$ 77,965,295 | \$ 44,331,760 | 63.8% | \$ 13,451,949 |

The amounts presented for each fiscal year were determined as of December 31 of the preceding year.

Note: GASB 68 was implemented in fiscal year 2015. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

CITY OF HOLLAND, MICHIGAN

Required Supplementary Information MERS Agent Multiple-Employer Defined Benefit Pension Plan

Schedule of Contributions

| Fiscal Year Ended June 30, | Actuarially Determined Contribution | Contributions in Relation to the Actuarially Determined Contribution | Contribution Deficiency (Excess) | Covered-Employee Payroll | Contributions as Percentage of Covered-Employee Payroll |
|----------------------------|-------------------------------------|--|----------------------------------|--------------------------|---|
| 2015 | \$ 4,060,347 | \$ 4,060,347 | \$ - | \$ 13,157,543 | 30.9% |

Note: GASB 68 was implemented in fiscal year 2015. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

Notes to Schedule of Contributions

Valuation Date: December 31, 2014
 Notes: Actuarially determined contribution rates are calculated as of the June 30 that is 12 months prior to the beginning of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

| | |
|-------------------------------|---|
| Actuarial cost method | Entry-age normal |
| Amortization method | Level percent of payroll, open |
| Remaining amortization period | 6-24 years, depending on division/bargaining unit |
| Asset valuation method | Open; 10-year smooth market |
| Inflation | 3.0% to 4.0% |
| Salary increases | 4.5% in the long-term (2% and 3% for calendar years 2015 and 2016, respectively) |
| Investment rate of return | 8.25% |
| Retirement age | Age-based table of rates that are specific to the type of eligibility condition. The Normal Retirement rates were first used for the December 31, 2009 actuarial valuations. The Early Retirement rates were first used for the December 31, 2011 actuarial valuations. |
| Mortality | 1994 Group Annuity Mortality Table of a 50% Male and 50% Female blend. For disabled retirees, the regular mortality table is used with a 10-year set forward in ages to reflect the higher expected mortality rates of disabled members. |

CITY OF HOLLAND, MICHIGAN

Required Supplementary Information
Other Postemployment Benefits Plan

Schedule of Funding Progress

| 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

| Year Ended June 30, | Annual Required Contributions | Percentage Contributed |
|---------------------|-------------------------------|------------------------|
| 2013 | \$ 936,036 | 52% |
| 2014 | 852,385 | 52% |
| 2015 | 918,228 | 45% |

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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 five 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 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, 2015

| | General | Budget Stabilization | Total General Fund |
|--|---------------------|-------------------------|--------------------------|
| Assets | | | |
| Cash and pooled investments | \$ 4,515,600 | \$ 981,213 | \$ 5,496,813 |
| Receivables: | | | |
| Accounts | 285,816 | - | 285,816 |
| Taxes | 481 | - | 481 |
| Interest | 14,540 | - | 14,540 |
| Due from other governmental units | 492,948 | - | 492,948 |
| Due from other funds | 39,262 | - | 39,262 |
| Prepaid items | 20,736 | - | 20,736 |
| Total assets | \$ 5,369,383 | \$ 981,213 | \$ 6,350,596 |
| Liabilities | | | |
| Accounts payable | \$ 397,934 | \$ - | \$ 397,934 |
| Accrued payroll and benefits | 529,516 | - | 529,516 |
| Due to other governmental units | 172,446 | - | 172,446 |
| Due to other funds | 81,796 | - | 81,796 |
| Deposits | 48,358 | - | 48,358 |
| Unearned revenue | 138,103 | - | 138,103 |
| Total liabilities | 1,368,153 | - | 1,368,153 |
| Fund balances | | | |
| Nonspendable | 20,736 | - | 20,736 |
| Committed | 12,915 | - | 12,915 |
| Unassigned | 3,967,579 | 981,213 | 4,948,792 |
| Total fund balances | 4,001,230 | 981,213 | 4,982,443 |
| Total liabilities and fund balances | \$ 5,369,383 | \$ 981,213 | \$ 6,350,596 |

CITY OF HOLLAND, MICHIGAN

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

General Fund - By Activity

For the Year Ended June 30, 2015

| | General | Budget Stabilization | Total General Fund |
|---|---------------------|----------------------|---------------------|
| Revenues | | | |
| Property taxes | \$ 10,131,445 | \$ - | \$ 10,131,445 |
| Licenses and permits | 694,822 | - | 694,822 |
| Intergovernmental | 2,981,647 | - | 2,981,647 |
| Charges for services | 1,559,390 | - | 1,559,390 |
| Fines and fees | 156,384 | - | 156,384 |
| Interest and rents | 341,499 | - | 341,499 |
| Miscellaneous | 27,878 | - | 27,878 |
| Total revenues | 15,893,065 | - | 15,893,065 |
| Expenditures | | | |
| Current: | | | |
| General government | 3,287,815 | 2,073 | 3,289,888 |
| Public safety | 11,499,838 | - | 11,499,838 |
| Public works | 1,310,365 | - | 1,310,365 |
| Welfare and social services | 405,572 | - | 405,572 |
| Culture and recreation | 3,427,370 | - | 3,427,370 |
| Other | 92,809 | - | 92,809 |
| Total expenditures | 20,023,769 | 2,073 | 20,025,842 |
| Revenue under expenditures | (4,130,704) | (2,073) | (4,132,777) |
| Other financing sources (uses) | | | |
| Transfers in | 5,041,985 | - | 5,041,985 |
| Transfers out | (627,039) | - | (627,039) |
| Total other financing sources (uses) | 4,414,946 | - | 4,414,946 |
| Net changes in fund balances | 284,242 | (2,073) | 282,169 |
| Fund balances, beginning of year | 3,716,988 | 983,286 | 4,700,274 |
| Fund balances, end of year | \$ 4,001,230 | \$ 981,213 | \$ 4,982,443 |

CITY OF HOLLAND, MICHIGAN

Detailed Schedule of Revenues Budget and Actual - General Fund For the Year Ended June 30, 2015

| | Original Budget | Final Budget | Actual | Actual Over (Under) Final Budget |
|---|----------------------|----------------------|----------------------|--|
| Revenues | | | | |
| Taxes: | | | | |
| Property | \$ 9,497,195 | \$ 9,499,010 | \$ 9,495,278 | \$ (3,732) |
| Penalties and interest on delinquent taxes | 85,000 | 85,000 | 91,110 | 6,110 |
| Administration fee | 485,000 | 500,295 | 500,048 | (247) |
| Public service charge in lieu of property tax | 45,000 | 45,000 | 43,563 | (1,437) |
| Other miscellaneous tax revenue | 1,400 | 1,400 | 1,446 | 46 |
| Total taxes | <u>10,113,595</u> | <u>10,130,705</u> | <u>10,131,445</u> | <u>740</u> |
| Licenses and permits: | | | | |
| Business | 22,100 | 29,700 | 32,899 | 3,199 |
| Nonbusiness | 536,200 | 626,900 | 661,923 | 35,023 |
| Total licenses and permits | <u>558,300</u> | <u>656,600</u> | <u>694,822</u> | <u>38,222</u> |
| Intergovernmental: | | | | |
| State | 2,941,150 | 2,942,300 | 2,895,971 | (46,329) |
| Federal | 39,800 | 35,656 | 32,311 | (3,345) |
| Other | 45,000 | 47,000 | 53,365 | 6,365 |
| Total intergovernmental | <u>3,025,950</u> | <u>3,024,956</u> | <u>2,981,647</u> | <u>(43,309)</u> |
| Charges for services: | | | | |
| Fees | 784,200 | 701,772 | 702,159 | 387 |
| Services rendered | 681,665 | 711,971 | 732,479 | 20,508 |
| Sales | 101,500 | 122,468 | 124,752 | 2,284 |
| Total charges for services | <u>1,567,365</u> | <u>1,536,211</u> | <u>1,559,390</u> | <u>23,179</u> |
| Fines and fees | <u>175,200</u> | <u>171,900</u> | <u>156,384</u> | <u>(15,516)</u> |
| Interest and rents: | | | | |
| Investment earnings | 64,001 | 75,001 | 85,141 | 10,140 |
| Rents | 263,400 | 247,500 | 256,358 | 8,858 |
| Total interest and rents | <u>327,401</u> | <u>322,501</u> | <u>341,499</u> | <u>18,998</u> |
| Miscellaneous | <u>50,689</u> | <u>26,501</u> | <u>27,878</u> | <u>1,377</u> |
| Total revenues | <u>\$ 15,818,500</u> | <u>\$ 15,869,374</u> | <u>\$ 15,893,065</u> | <u>\$ 23,691</u> |

CITY OF HOLLAND, MICHIGAN

Detailed Schedule of Expenditures

Budget and Actual - General Fund

For the Year Ended June 30, 2015

| | Original Budget | Final Budget | Actual | Actual Over (Under) Final Budget |
|---------------------------------------|--------------------|-------------------|-------------------|--|
| Expenditures | | | | |
| <i>General fund expenditures</i> | | | | |
| General government: | | | | |
| City council | \$ 219,034 | \$ 161,396 | \$ 163,188 | \$ 1,792 |
| City manager | 368,517 | 342,755 | 332,988 | (9,767) |
| Elections | 52,177 | 76,955 | 72,613 | (4,342) |
| City finance | 504,376 | 449,564 | 449,000 | (564) |
| Independent audit | 51,000 | 51,890 | 51,529 | (361) |
| City assessor | 485,091 | 441,418 | 405,009 | (36,409) |
| Legal services | 189,800 | 224,500 | 199,784 | (24,716) |
| City clerk | 186,642 | 221,675 | 216,273 | (5,402) |
| Human resources | 235,768 | 243,354 | 240,869 | (2,485) |
| City treasurer | 208,810 | 239,455 | 240,946 | 1,491 |
| City hall and grounds | 199,305 | 301,819 | 233,214 | (68,605) |
| Cemetery | 476,276 | 468,061 | 448,750 | (19,311) |
| Volunteer services | 8,305 | 8,407 | 7,303 | (1,104) |
| Planning commission | 266,688 | 245,842 | 226,349 | (19,493) |
| Total general government | <u>3,451,789</u> | <u>3,477,091</u> | <u>3,287,815</u> | <u>(189,276)</u> |
| Public safety: | | | | |
| Police | 7,966,611 | 7,908,742 | 7,835,153 | (73,589) |
| Fire | 2,630,914 | 2,728,664 | 2,698,560 | (30,104) |
| Environmental health/inspections | 471,555 | 472,107 | 463,339 | (8,768) |
| Construction inspections | 499,766 | 486,627 | 502,786 | 16,159 |
| Total public safety | <u>11,568,846</u> | <u>11,596,140</u> | <u>11,499,838</u> | <u>(96,302)</u> |
| Public works: | | | | |
| Streets | 1,063,386 | 1,150,596 | 1,126,700 | (23,896) |
| Transportation management/engineering | 179,766 | 202,873 | 183,665 | (19,208) |
| Total public works | <u>1,243,152</u> | <u>1,353,469</u> | <u>1,310,365</u> | <u>(43,104)</u> |
| Welfare and social services: | | | | |
| Housing and neighborhood | 226,302 | 224,800 | 197,706 | (27,094) |
| Economic development assistance | 191,103 | 102,266 | 101,960 | (306) |
| Human relations commission | 114,585 | 107,965 | 105,906 | (2,059) |
| Total welfare and social services | <u>531,990</u> | <u>435,031</u> | <u>405,572</u> | <u>(29,459)</u> |

continued...

CITY OF HOLLAND, MICHIGAN

Detailed Schedule of Expenditures
 Budget and Actual - General Fund
 For the Year Ended June 30, 2015

| | Original Budget | Final Budget | Actual | Actual Over (Under) Final Budget |
|---|----------------------|----------------------|----------------------|----------------------------------|
| Expenditures (continued) | | | | |
| <i>General fund expenditures (continued)</i> | | | | |
| Culture and recreation: | | | | |
| Parks | \$ 1,387,323 | \$ 1,589,771 | \$ 1,574,316 | \$ (15,455) |
| Nature center | 247,568 | 273,944 | 268,965 | (4,979) |
| Cultural-recreational | 258,850 | 258,950 | 258,685 | (265) |
| Civic center | 243,172 | 258,200 | 254,782 | (3,418) |
| Recreation | 837,306 | 885,085 | 887,623 | 2,538 |
| Market | 139,213 | 139,938 | 130,633 | (9,305) |
| Leisure services administration | 57,354 | 54,854 | 52,366 | (2,488) |
| Total culture and recreation | <u>3,170,786</u> | <u>3,460,742</u> | <u>3,427,370</u> | <u>(33,372)</u> |
| Other appropriations: | | | | |
| Insurance | 94,000 | 92,800 | 92,809 | 9 |
| Contingencies | 463,600 | - | - | - |
| Total other appropriations | <u>557,600</u> | <u>92,800</u> | <u>92,809</u> | <u>9</u> |
| Total general fund expenditures | <u>20,524,163</u> | <u>20,415,273</u> | <u>20,023,769</u> | <u>(391,504)</u> |
| <i>Budget stabilization fund expenditures</i> | | | | |
| General government: | | | | |
| Other services and charges | <u>10,000</u> | <u>10,000</u> | <u>2,073</u> | <u>(7,927)</u> |
| Total expenditures | <u>\$ 20,534,163</u> | <u>\$ 20,425,273</u> | <u>\$ 20,025,842</u> | <u>\$ (399,431)</u> |

concluded

CITY OF HOLLAND, MICHIGAN

Detailed Schedule of Transfers Budget and Actual - General Fund For the Year Ended June 30, 2015

| | Original Budget | Final Budget | Actual | Actual Over (Under) Final Budget |
|--|---------------------|---------------------|---------------------|----------------------------------|
| Transfers in | | | | |
| Permanent Fund: | | | | |
| Cemetery Trust | \$ 6,000 | \$ 8,000 | \$ 11,085 | \$ 3,085 |
| Special Revenue Fund: | | | | |
| Miscellaneous Government Functions: | | | | |
| CATV - (Public Access Channels) | 126,936 | 126,900 | 126,900 | - |
| Enterprise Funds: | | | | |
| Electric Utility | 4,904,000 | 4,904,000 | 4,904,000 | - |
| Total transfers in | \$ 5,036,936 | \$ 5,038,900 | \$ 5,041,985 | \$ 3,085 |
| Transfers out | | | | |
| Special Revenue Funds: | | | | |
| Miscellaneous Government Functions: | | | | |
| Specified Donations | \$ 30,000 | \$ 30,000 | \$ 30,000 | \$ - |
| Dangerous Structures | - | 600 | 4,260 | 3,660 |
| Public Safety Grants: | | | | |
| Anti-Drug Abuse Grants | - | 227,143 | 223,779 | (3,364) |
| Culture and Community Improvement Grants: | | | | |
| M.S.H.D.A. Grant | - | 10,000 | 10,000 | - |
| Capital Projects Funds: | | | | |
| Municipal Facilities/Land Improvement Projects | - | 169,000 | 169,000 | - |
| Enterprise Funds: | | | | |
| Windmill Island | 210,675 | 100,000 | 100,000 | - |
| Internal Service Funds: | | | | |
| Fire Vehicle/Equipment | 90,000 | 90,000 | 90,000 | - |
| Total transfers out | \$ 330,675 | \$ 626,743 | \$ 627,039 | \$ 296 |

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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, 2015, 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, 2015, 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, 2015, 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, 2015, 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.

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, 2015, 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'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, 2015, 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.

Private contributions supports the operations in this fund. Open budget balances at June 30, 2015 of estimated revenues and appropriations are carried forward to the ensuing fiscal year.

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).

Infrastructure Projects and Municipal Facilities/Land Improvements Projects Funds

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, 2015, 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 and Recreation

- Civic Center - Study of New or Renovated Facility
- Holland Museum - Roofing
- Holland Heights Park Tennis Courts and Parking Lot Resurfacing
- City Wide - Tree Planting
- Warehouse #2 - Miscellaneous Building Repairs
- Paw Paw Park - Upgrades
- DeGraaf Nature Center - Land
- Lake Macatawa Street Ends - Community Access to Lake
- Matt Urban - Concession Stand - Roofing; Basketball Court - Resurfacing
- Moran Park - Playground Equipment

Public Safety

- Police Station:
 - Lobby Renovations

CITY OF HOLLAND, MICHIGAN

Nonmajor Governmental Funds

All Other Municipal Projects & Programs

City Hall:

- Chiller Improvements

Sustainability:

- Georgetown University Energy Prize Competition

- Home Energy Retrofits

- Building Labeling

Community and Neighborhood:

- South Shore Village - Land

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

- Downtown Area - Light Post Painting

Planning:

- Master Plans

- Waterfront Redevelopment

Street Development and/or Redevelopment Projects

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

- 9th Street, Washington to 8th Street, reconstruction and enhancements

- Traffic Study

- Central Avenue, 3rd Street to State Street

- 16th Street, Waverly to Hoover Boulevard, street reconstruction and enhancements

- 8th Street - Utility Improvements

Drain Projects

Major Drain System Project:

- Watershed / Storm Water Regulation (MACC Project)

Studies:

- City Wide Drainage Master Plan

- Various Small Drain Projects

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

■ Nonmajor Governmental Funds

Permanent Fund

Cemetery Perpetual Care Fund

The City maintains a permanent Cemetery Trust, which provides funds for perpetual care of cemetery lots and cremation inurnment in niches. This fund is used to record the activity of this Trust.



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CITY OF HOLLAND, MICHIGAN

Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2015

| | Special Revenue Funds | | | |
|---|-------------------------------------|-------------------|-------------------------|-----------------------------|
| | Street Maintenance and Improvements | | | |
| | Major Street | Local Street | Allegan County Road Tax | Street Improvements Reserve |
| Assets | | | | |
| Cash and pooled investments | \$ 2,085,640 | \$ - | \$ 483,036 | \$ 798,469 |
| Receivables: | | | | |
| Accounts | 1,249 | 5,915 | - | - |
| Taxes and special assessments | - | - | - | - |
| Leases | - | - | - | - |
| Due from other governmental units | 475,100 | 106,192 | - | - |
| Due from other funds | 1,035 | 4,113 | - | - |
| Prepaid items | - | - | - | - |
| Total assets | <u>\$ 2,563,024</u> | <u>\$ 116,220</u> | <u>\$ 483,036</u> | <u>\$ 798,469</u> |
| Liabilities | | | | |
| Accounts payable | \$ 32,319 | \$ 21,624 | \$ - | \$ 554 |
| Accrued payroll and benefits | 16,206 | 20,756 | - | - |
| Due to other funds | 15,512 | 71,838 | - | - |
| Unearned revenue | - | - | - | - |
| Total liabilities | <u>64,037</u> | <u>114,218</u> | <u>-</u> | <u>554</u> |
| Deferred inflows of resources | | | | |
| Unavailable revenue - special assessment receivable | - | - | - | - |
| Unavailable revenue - lease receivable | - | - | - | - |
| Total deferred inflows of resources | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Fund balances | | | | |
| Nonspendable | - | - | - | - |
| Restricted | 2,498,987 | 2,002 | 483,036 | 797,915 |
| Committed | - | - | - | - |
| Total fund balances | <u>2,498,987</u> | <u>2,002</u> | <u>483,036</u> | <u>797,915</u> |
| Total liabilities, deferred inflows of resources and fund balances | <u>\$ 2,563,024</u> | <u>\$ 116,220</u> | <u>\$ 483,036</u> | <u>\$ 798,469</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 |
|-----------------------|---------------------------|-----------------------------|---------------------------------|---------------------------|---------------------|----------------------|
|-----------------------|---------------------------|-----------------------------|---------------------------------|---------------------------|---------------------|----------------------|

| | | | | | | |
|------------|-----------|------------|------------|----------|------------|----------|
| \$ 253,451 | \$ 94,990 | \$ 126,748 | \$ 324,558 | \$ 4,431 | \$ 510,820 | \$ 1,534 |
| 335 | - | 1,100 | 126,703 | - | 52,857 | - |
| - | - | - | - | 609,553 | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | 2,000 | - |
| - | - | 300 | - | - | - | - |

| | | | | | | |
|-------------------|------------------|-------------------|-------------------|-------------------|-------------------|-----------------|
| <u>\$ 253,786</u> | <u>\$ 94,990</u> | <u>\$ 128,148</u> | <u>\$ 451,261</u> | <u>\$ 613,984</u> | <u>\$ 565,677</u> | <u>\$ 1,534</u> |
|-------------------|------------------|-------------------|-------------------|-------------------|-------------------|-----------------|

| | | | | | | |
|----------|--------|----------|--------|------|-----------|----------|
| \$ 1,039 | \$ 13 | \$ 2,285 | \$ 992 | \$ - | \$ 47,789 | \$ 1,534 |
| 1,761 | - | 8,777 | 6,590 | - | 13,605 | - |
| 834 | 94,939 | 149 | - | - | - | - |
| - | - | - | - | - | - | - |

| | | | | | | |
|--------------|---------------|---------------|--------------|----------|---------------|--------------|
| <u>3,634</u> | <u>94,952</u> | <u>11,211</u> | <u>7,582</u> | <u>-</u> | <u>61,394</u> | <u>1,534</u> |
|--------------|---------------|---------------|--------------|----------|---------------|--------------|

| | | | | | | |
|---|---|---|---|---------|---|---|
| - | - | - | - | 609,553 | - | - |
| - | - | - | - | - | - | - |

| | | | | | | |
|---|---|---|---|---------|---|---|
| - | - | - | - | 609,553 | - | - |
|---|---|---|---|---------|---|---|

| | | | | | | |
|---------|----|---------|---------|-------|---------|---|
| - | - | 300 | - | - | - | - |
| 250,152 | 38 | 116,637 | - | - | 504,283 | - |
| - | - | - | 443,679 | 4,431 | - | - |

| | | | | | | |
|----------------|-----------|----------------|----------------|--------------|----------------|----------|
| <u>250,152</u> | <u>38</u> | <u>116,937</u> | <u>443,679</u> | <u>4,431</u> | <u>504,283</u> | <u>-</u> |
|----------------|-----------|----------------|----------------|--------------|----------------|----------|

| | | | | | | |
|-------------------|------------------|-------------------|-------------------|-------------------|-------------------|-----------------|
| <u>\$ 253,786</u> | <u>\$ 94,990</u> | <u>\$ 128,148</u> | <u>\$ 451,261</u> | <u>\$ 613,984</u> | <u>\$ 565,677</u> | <u>\$ 1,534</u> |
|-------------------|------------------|-------------------|-------------------|-------------------|-------------------|-----------------|

continued...

CITY OF HOLLAND, MICHIGAN

Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2015

| | Special Revenue Funds | | | |
|---|---|------------------------------|---|--------------------------------------|
| | Public Safety | | | |
| | Police Criminal Justice Training | Anti-Drug Abuse Grants | Office of Highway Safety Planning (OHSP) Grant | Law Enforcement Block Grant |
| Assets | | | | |
| Cash and pooled investments | \$ 1,932 | \$ 11,876 | \$ - | \$ - |
| Receivables: | | | | |
| Accounts | - | - | - | - |
| Taxes and special assessments | - | - | - | - |
| Leases | - | - | - | - |
| Due from other governmental units | - | 9,183 | 7,762 | - |
| Due from other funds | - | - | - | - |
| Prepaid items | - | - | - | - |
| Total assets | <u>\$ 1,932</u> | <u>\$ 21,059</u> | <u>\$ 7,762</u> | <u>\$ -</u> |
| Liabilities | | | | |
| Accounts payable | \$ - | \$ 3,110 | \$ - | \$ - |
| Accrued payroll and benefits | - | 13,096 | 1,092 | - |
| Due to other funds | - | 4,853 | 6,670 | - |
| Unearned revenue | - | - | - | - |
| Total liabilities | <u>-</u> | <u>21,059</u> | <u>7,762</u> | <u>-</u> |
| Deferred inflows of resources | | | | |
| Unavailable revenue - special assessment receivable | - | - | - | - |
| Unavailable revenue - lease receivable | - | - | - | - |
| Total deferred inflows of resources | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Fund balances | | | | |
| Nonspendable | - | - | - | - |
| Restricted | 1,932 | - | - | - |
| Committed | - | - | - | - |
| Total fund balances | <u>1,932</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total liabilities, deferred inflows of resources and fund balances | <u>\$ 1,932</u> | <u>\$ 21,059</u> | <u>\$ 7,762</u> | <u>\$ -</u> |



| Special Revenue Funds | | | | | | |
|-------------------------|--|-----------------------------------|------------------|--|------------------------------------|--|
| Public Safety | | Culture and Community Improvement | | | | |
| Homeland Security Grant | Michigan Rehabilitation Services Grant | District Library Taxation | M.S.H.D.A. Grant | Community Development Block Grant (CDBG) | Eat Healthy For Life - EBT Program | |
| \$ - | \$ - | \$ 13 | \$ - | \$ 32,372 | \$ 21,642 | |
| - | - | 522 | - | 2,230 | - | |
| - | - | 51 | - | - | - | |
| - | - | - | - | - | - | |
| - | - | - | 14,000 | 95,705 | - | |
| - | - | - | - | - | - | |
| - | - | - | - | - | - | |
| <u>\$ -</u> | <u>\$ -</u> | <u>\$ 586</u> | <u>\$ 14,000</u> | <u>\$ 130,307</u> | <u>\$ 21,642</u> | |
| \$ - | \$ - | \$ 532 | \$ - | \$ 35,367 | \$ 920 | |
| - | - | - | - | 4,116 | - | |
| - | - | - | 14,000 | 63,648 | - | |
| - | - | - | - | 27,176 | 7,803 | |
| - | - | 532 | 14,000 | 130,307 | 8,723 | |
| - | - | - | - | - | - | |
| - | - | - | - | - | - | |
| - | - | - | - | - | - | |
| - | - | - | - | - | - | |
| - | - | 54 | - | - | 12,919 | |
| - | - | - | - | - | - | |
| - | - | 54 | - | - | 12,919 | |
| <u>\$ -</u> | <u>\$ -</u> | <u>\$ 586</u> | <u>\$ 14,000</u> | <u>\$ 130,307</u> | <u>\$ 21,642</u> | |

continued...

CITY OF HOLLAND, MICHIGAN

Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2015

| | Debt Service Funds | | | Capital Projects |
|---|---------------------------------|---------------------------------|---------------------------------|-------------------------|
| | General Obligation Debt Service | Building Authority Debt Service | Special Assessment Debt Service | Infrastructure Projects |
| Assets | | | | |
| Cash and pooled investments | \$ 175,415 | \$ 12,907 | \$ 37,387 | \$ 694,045 |
| Receivables: | | | | |
| Accounts | - | - | - | - |
| Taxes and special assessments | 96 | - | 66,803 | 328 |
| Leases | - | 881,198 | - | - |
| Due from other governmental units | - | - | - | 6,726 |
| Due from other funds | - | - | - | 799,737 |
| Prepaid items | - | - | - | - |
| Total assets | <u>\$ 175,511</u> | <u>\$ 894,105</u> | <u>\$ 104,190</u> | <u>\$ 1,500,836</u> |
| Liabilities | | | | |
| Accounts payable | \$ 949 | \$ - | \$ - | \$ 1,327,193 |
| Accrued payroll and benefits | - | - | - | 4,892 |
| Due to other funds | - | - | - | - |
| Unearned revenue | - | - | - | 84,167 |
| Total liabilities | <u>949</u> | <u>-</u> | <u>-</u> | <u>1,416,252</u> |
| Deferred inflows of resources | | | | |
| Unavailable revenue - special assessment receivable | - | - | 66,803 | 328 |
| Unavailable revenue - lease receivable | - | 881,198 | - | - |
| Total deferred inflows of resources | <u>-</u> | <u>881,198</u> | <u>66,803</u> | <u>328</u> |
| Fund balances | | | | |
| Nonspendable | - | - | - | - |
| Restricted | 174,562 | 12,907 | 37,387 | - |
| Committed | - | - | - | 84,256 |
| Total fund balances | <u>174,562</u> | <u>12,907</u> | <u>37,387</u> | <u>84,256</u> |
| Total liabilities, deferred inflows of resources and fund balances | <u>\$ 175,511</u> | <u>\$ 894,105</u> | <u>\$ 104,190</u> | <u>\$ 1,500,836</u> |



| Capital Projects | Permanent Fund | |
|---|-------------------------|----------------------|
| Municipal Facilities/Land Improvements Projects | Cemetery Perpetual Care | Total |
| \$ 2,344,750 | \$ 1,620,630 | \$ 9,636,646 |
| - | 500 | 191,411 |
| - | - | 676,831 |
| - | - | 881,198 |
| 4,000 | - | 718,668 |
| 209,533 | - | 1,016,418 |
| - | - | 300 |
| <u>\$ 2,558,283</u> | <u>\$ 1,621,130</u> | <u>\$ 13,121,472</u> |
| \$ 81,236 | \$ - | \$ 1,557,456 |
| - | - | 90,891 |
| - | - | 272,443 |
| - | - | 119,146 |
| <u>81,236</u> | <u>-</u> | <u>2,039,936</u> |
| - | - | 676,684 |
| - | - | 881,198 |
| <u>-</u> | <u>-</u> | <u>1,557,882</u> |
| - | 1,554,087 | 1,554,387 |
| - | 67,043 | 4,959,854 |
| <u>2,477,047</u> | <u>-</u> | <u>3,009,413</u> |
| <u>2,477,047</u> | <u>1,621,130</u> | <u>9,523,654</u> |
| <u>\$ 2,558,283</u> | <u>\$ 1,621,130</u> | <u>\$ 13,121,472</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, 2015

| | Special Revenue Funds | | | |
|---|-------------------------------------|------------------|-------------------------|-----------------------------|
| | Street Maintenance and Improvements | | | |
| | Major Street | Local Street | Allegan County Road Tax | Street Improvements Reserve |
| Revenues | | | | |
| Property taxes | \$ - | \$ - | \$ - | \$ 1,366,547 |
| Special assessments | - | - | - | - |
| Intergovernmental | 2,460,808 | 629,883 | 449,224 | - |
| Charges for services | 20,456 | 44,057 | - | - |
| Fines and fees | - | - | - | - |
| Contributions from private sector | - | - | - | - |
| Interest and rents | 17,717 | 1,143 | 3,577 | 13,970 |
| Miscellaneous | - | - | - | - |
| Total revenues | 2,498,981 | 675,083 | 452,801 | 1,380,517 |
| Expenditures | | | | |
| Current: | | | | |
| General government | - | - | - | - |
| Public safety | - | - | - | - |
| Public works | 1,407,554 | 1,263,981 | - | - |
| Welfare and social services | - | - | - | - |
| Culture and recreation | - | - | - | - |
| Debt service: | | | | |
| Principal retirement | - | - | - | - |
| Interest and fiscal charges | - | - | - | - |
| Capital outlay | - | - | - | - |
| Total expenditures | 1,407,554 | 1,263,981 | - | - |
| Revenue over (under) expenditures | 1,091,427 | (588,898) | 452,801 | 1,380,517 |
| Other financing sources (uses) | | | | |
| Proceeds on sale of capital assets | - | - | - | - |
| Transfers in | - | 588,900 | - | 176,000 |
| Transfers out | (1,320,400) | - | (504,609) | (2,270,544) |
| Total other financing sources (uses) | (1,320,400) | 588,900 | (504,609) | (2,094,544) |
| Net changes in fund balances | (228,973) | 2 | (51,808) | (714,027) |
| Fund balances (deficit), beginning of year | 2,727,960 | 2,000 | 534,844 | 1,511,942 |
| Fund balances, end of year | \$ 2,498,987 | \$ 2,002 | \$ 483,036 | \$ 797,915 |

| 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 |
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 193,846 | 187,727 | 178,993 | - | 137,359 | - | - |
| - | - | - | - | - | - | - |
| 18,165 | - | 103,039 | 3,775 | - | - | - |
| - | - | - | 484,467 | - | - | - |
| - | - | 17,339 | - | - | 478,524 | - |
| 1,500 | 357 | 890 | 2,855 | 18,818 | - | - |
| - | - | - | - | - | - | - |
| <u>213,511</u> | <u>188,084</u> | <u>300,261</u> | <u>491,097</u> | <u>156,177</u> | <u>478,524</u> | <u>-</u> |
| - | - | - | 159,099 | - | 360,386 | 4,260 |
| - | - | - | - | - | - | - |
| 157,408 | 260,904 | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | 374,201 | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | 36,515 | - | 30,078 | - |
| <u>157,408</u> | <u>260,904</u> | <u>374,201</u> | <u>195,614</u> | <u>-</u> | <u>390,464</u> | <u>4,260</u> |
| <u>56,103</u> | <u>(72,820)</u> | <u>(73,940)</u> | <u>295,483</u> | <u>156,177</u> | <u>88,060</u> | <u>(4,260)</u> |
| - | - | - | - | - | - | - |
| - | 46,600 | - | - | - | 30,000 | 4,260 |
| <u>(8,900)</u> | <u>-</u> | <u>-</u> | <u>(226,900)</u> | <u>-</u> | <u>(78,781)</u> | <u>-</u> |
| <u>(8,900)</u> | <u>46,600</u> | <u>-</u> | <u>(226,900)</u> | <u>-</u> | <u>(48,781)</u> | <u>4,260</u> |
| 47,203 | (26,220) | (73,940) | 68,583 | 156,177 | 39,279 | - |
| <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> |
| <u>\$ 250,152</u> | <u>\$ 38</u> | <u>\$ 116,937</u> | <u>\$ 443,679</u> | <u>\$ 4,431</u> | <u>\$ 504,283</u> | <u>\$ -</u> |

continued...

CITY OF HOLLAND, MICHIGAN

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
 Nonmajor Governmental Funds
 For the Year Ended June 30, 2015

| | Special Revenue Funds | | | |
|---|---|------------------------------|---|--------------------------------------|
| | Public Safety | | | |
| | Police Criminal Justice Training | Anti-Drug Abuse Grants | Office of Highway Safety Planning (OHSP) Grant | Law Enforcement Block Grant |
| Revenues | | | | |
| Property taxes | \$ - | \$ - | \$ - | \$ - |
| Special assessments | - | - | - | - |
| Intergovernmental | 10,834 | 64,315 | 19,501 | 9,436 |
| Charges for services | - | - | - | - |
| Fines and fees | - | - | - | - |
| Contributions from private sector | - | - | - | - |
| Interest and rents | - | - | - | - |
| Miscellaneous | - | - | - | - |
| Total revenues | 10,834 | 64,315 | 19,501 | 9,436 |
| Expenditures | | | | |
| Current: | | | | |
| General government | - | - | - | - |
| Public safety | 9,475 | 288,094 | 19,501 | 2,791 |
| Public works | - | - | - | - |
| Welfare and social services | - | - | - | - |
| Culture and recreation | - | - | - | - |
| Debt service: | | | | |
| Principal retirement | - | - | - | - |
| Interest and fiscal charges | - | - | - | - |
| Capital outlay | - | - | - | 7,188 |
| Total expenditures | 9,475 | 288,094 | 19,501 | 9,979 |
| Revenue over (under) expenditures | 1,359 | (223,779) | - | (543) |
| Other financing sources (uses) | | | | |
| Proceeds on sale of capital assets | - | - | - | - |
| Transfers in | - | 223,779 | - | 543 |
| Transfers out | - | - | - | - |
| Total other financing sources (uses) | - | 223,779 | - | 543 |
| Net change in fund balances | 1,359 | - | - | - |
| Fund balances (deficit), beginning of year | 573 | - | - | - |
| Fund balances, end of year | \$ 1,932 | \$ - | \$ - | \$ - |



| Special Revenue Funds | | | | | |
|-------------------------|--|-----------------------------------|------------------|--|------------------------------------|
| Public Safety | | Culture and Community Improvement | | | |
| Homeland Security Grant | Michigan Rehabilitation Services Grant | District Library Taxation | M.S.H.D.A. Grant | Community Development Block Grant (CDBG) | Eat Healthy For Life - EBT Program |
| \$ - | \$ - | \$ 1,251,454 | \$ - | \$ - | \$ - |
| - | - | - | - | - | - |
| 41,002 | 44,292 | - | 19,000 | 269,227 | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | 122,593 | 25,710 |
| - | - | - | - | - | - |
| - | - | - | - | 8,106 | - |
| <u>41,002</u> | <u>44,292</u> | <u>1,251,454</u> | <u>19,000</u> | <u>399,926</u> | <u>25,710</u> |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | 44,292 | - | 29,000 | 399,926 | 20,766 |
| - | - | 1,251,468 | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| <u>41,002</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| <u>41,002</u> | <u>44,292</u> | <u>1,251,468</u> | <u>29,000</u> | <u>399,926</u> | <u>20,766</u> |
| - | - | (14) | (10,000) | - | 4,944 |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | 10,000 | - | - |
| - | - | - | - | - | - |
| - | - | - | 10,000 | - | - |
| - | - | (14) | - | - | 4,944 |
| - | - | 68 | - | - | 7,975 |
| <u>\$ -</u> | <u>\$ -</u> | <u>\$ 54</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 12,919</u> |

continued...

CITY OF HOLLAND, MICHIGAN

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
 Nonmajor Governmental Funds
 For the Year Ended June 30, 2015

| | Debt Service Funds | | | Capital Projects |
|---|---------------------------------|---------------------------------|---------------------------------|-------------------------|
| | General Obligation Debt Service | Building Authority Debt Service | Special Assessment Debt Service | Infrastructure Projects |
| Revenues | | | | |
| Property taxes | \$ 2,390,585 | \$ - | \$ - | \$ 49,941 |
| Special assessments | - | - | 49,664 | 164 |
| Intergovernmental | - | - | - | 1,016,726 |
| Charges for services | - | - | - | - |
| Fines and fees | - | - | - | - |
| Contributions from private sector | - | - | - | 900 |
| Interest and rents | 2,530 | 505,649 | 6,201 | 504 |
| Miscellaneous | 261,566 | - | - | - |
| Total revenues | <u>2,654,681</u> | <u>505,649</u> | <u>55,865</u> | <u>1,068,235</u> |
| Expenditures | | | | |
| Current: | | | | |
| General government | 760 | - | - | - |
| Public safety | - | - | - | - |
| Public works | - | - | - | - |
| Welfare and social services | - | - | - | - |
| Culture and recreation | - | - | - | - |
| Debt service: | | | | |
| Principal retirement | 749,000 | 1,630,000 | 10,000 | - |
| Interest and fiscal charges | 268,037 | 507,119 | 4,098 | - |
| Capital outlay | - | - | - | 4,420,919 |
| Total expenditures | <u>1,017,797</u> | <u>2,137,119</u> | <u>14,098</u> | <u>4,420,919</u> |
| Revenue over (under) expenditures | <u>1,636,884</u> | <u>(1,631,470)</u> | <u>41,767</u> | <u>(3,352,684)</u> |
| Other financing sources (uses) | | | | |
| Proceeds on sale of capital assets | - | - | - | - |
| Transfers in | - | 1,631,631 | - | 3,309,152 |
| Transfers out | (1,631,631) | - | (22,135) | - |
| Total other financing sources (uses) | <u>(1,631,631)</u> | <u>1,631,631</u> | <u>(22,135)</u> | <u>3,309,152</u> |
| Net change in fund balances | 5,253 | 161 | 19,632 | (43,532) |
| Fund balances (deficit), beginning of year | <u>169,309</u> | <u>12,746</u> | <u>17,755</u> | <u>127,788</u> |
| Fund balances, end of year | <u>\$ 174,562</u> | <u>\$ 12,907</u> | <u>\$ 37,387</u> | <u>\$ 84,256</u> |



| Capital Projects | Permanent Fund | |
|---|-------------------------|---------------------|
| Municipal Facilities/Land Improvements Projects | Cemetery Perpetual Care | Total |
| \$ 504,204 | \$ - | \$ 5,562,731 |
| - | - | 747,753 |
| 4,000 | - | 5,038,248 |
| - | 25,800 | 215,292 |
| - | - | 484,467 |
| 13,153 | - | 658,219 |
| 17,703 | 11,085 | 604,499 |
| - | - | 269,672 |
| <u>539,060</u> | <u>36,885</u> | <u>13,580,881</u> |
| - | - | 524,505 |
| - | - | 319,861 |
| - | - | 3,089,847 |
| - | - | 493,984 |
| - | - | 1,625,669 |
| - | - | 2,389,000 |
| - | - | 779,254 |
| <u>660,227</u> | <u>-</u> | <u>5,195,929</u> |
| <u>660,227</u> | <u>-</u> | <u>14,418,049</u> |
| <u>(121,167)</u> | <u>36,885</u> | <u>(837,168)</u> |
| 4,282 | - | 4,282 |
| 609,001 | - | 6,629,866 |
| - | (11,085) | (6,074,985) |
| <u>613,283</u> | <u>(11,085)</u> | <u>559,163</u> |
| 492,116 | 25,800 | (278,005) |
| <u>1,984,931</u> | <u>1,595,330</u> | <u>9,801,659</u> |
| <u>\$ 2,477,047</u> | <u>\$ 1,621,130</u> | <u>\$ 9,523,654</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, 2015

| | Original Budget | Final Budget | Actual | Actual Over (Under) Final Budget |
|-----------------------------------|---------------------|---------------------|---------------------|--|
| Revenues | | | | |
| Intergovernmental | \$ 2,158,595 | \$ 2,208,195 | \$ 2,460,808 | \$ 252,613 |
| Charges for services | 17,000 | 20,000 | 20,456 | 456 |
| Interest and rents | 12,000 | 15,000 | 17,717 | 2,717 |
| Total revenues | 2,187,595 | 2,243,195 | 2,498,981 | 255,786 |
| Expenditures | | | | |
| Current: | | | | |
| Public works: | | | | |
| Personnel services | 637,825 | 566,830 | 559,288 | (7,542) |
| Other services and charges | 838,560 | 883,157 | 848,266 | (34,891) |
| Total expenditures | 1,476,385 | 1,449,987 | 1,407,554 | (42,433) |
| Revenues over expenditures | 711,210 | 793,208 | 1,091,427 | 298,219 |
| Other financing uses | | | | |
| Transfers out | (840,813) | (2,068,755) | (1,320,400) | 748,355 |
| Net changes in fund balances | (129,603) | (1,275,547) | (228,973) | 1,046,574 |
| Fund balances, beginning of year | 2,727,960 | 2,727,960 | 2,727,960 | - |
| Fund balances, end of year | \$ 2,598,357 | \$ 1,452,413 | \$ 2,498,987 | \$ 1,046,574 |

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, 2015

| | Original Budget | Final Budget | Actual | Actual Over (Under) Final Budget |
|-------------------------------------|------------------|------------------|------------------|----------------------------------|
| Revenues | | | | |
| Intergovernmental | \$ 538,997 | \$ 540,000 | \$ 629,883 | \$ 89,883 |
| Charges for services | 16,000 | 40,000 | 44,057 | 4,057 |
| Interest and rents | 1,000 | 1,000 | 1,143 | 143 |
| Total revenues | <u>555,997</u> | <u>581,000</u> | <u>675,083</u> | <u>94,083</u> |
| Expenditures | | | | |
| Current: | | | | |
| Public works: | | | | |
| Personnel services | 633,990 | 565,330 | 563,482 | (1,848) |
| Other services and charges | 741,320 | 718,950 | 700,499 | (18,451) |
| Total expenditures | <u>1,375,310</u> | <u>1,284,280</u> | <u>1,263,981</u> | <u>(20,299)</u> |
| Revenues over (under) expenditures | (819,313) | (703,280) | (588,898) | 114,382 |
| Other financing sources | | | | |
| Transfers in | 819,313 | 703,280 | 588,900 | (114,380) |
| Net changes in fund balances | - | - | 2 | 2 |
| Fund balances, beginning of year | 2,000 | 2,000 | 2,000 | - |
| Fund balances, end of year | <u>\$ 2,000</u> | <u>\$ 2,000</u> | <u>\$ 2,002</u> | <u>\$ 2</u> |

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, 2015

| | Original Budget | Final Budget | Actual | Actual Over (Under) Final Budget |
|----------------------------------|-------------------|-------------------|-------------------|----------------------------------|
| Revenues | | | | |
| Intergovernmental | \$ 375,000 | \$ 400,000 | \$ 449,224 | \$ 49,224 |
| Interest and rents | 1,000 | 3,500 | 3,577 | 77 |
| | <u>376,000</u> | <u>403,500</u> | <u>452,801</u> | <u>49,301</u> |
| Total revenues | | | | |
| Other financing uses | | | | |
| Transfers out | (431,000) | (400,247) | (504,609) | (104,362) |
| | <u>(431,000)</u> | <u>(400,247)</u> | <u>(504,609)</u> | <u>(104,362)</u> |
| Net changes in fund balances | (55,000) | 3,253 | (51,808) | (55,061) |
| Fund balances, beginning of year | 534,844 | 534,844 | 534,844 | - |
| | <u>534,844</u> | <u>534,844</u> | <u>534,844</u> | <u>-</u> |
| Fund balances, end of year | \$ 479,844 | \$ 538,097 | \$ 483,036 | \$ (55,061) |
| | <u>\$ 479,844</u> | <u>\$ 538,097</u> | <u>\$ 483,036</u> | <u>\$ (55,061)</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, 2015

| | Original Budget | Final Budget | Actual | Actual Over (Under) Final Budget |
|---|---------------------|--------------------|--------------------|----------------------------------|
| Revenues | | | | |
| Property taxes | \$ 1,366,800 | \$ 1,367,169 | \$ 1,366,547 | \$ (622) |
| Interest and rents | 7,000 | 12,000 | 13,970 | 1,970 |
| Total revenues | 1,373,800 | 1,379,169 | 1,380,517 | 1,348 |
| Other financing sources (uses) | | | | |
| Transfers in | 176,000 | 176,000 | 176,000 | - |
| Transfers out | (685,000) | (2,518,851) | (2,270,544) | 248,307 |
| Total other financing sources (uses) | (509,000) | (2,342,851) | (2,094,544) | 248,307 |
| Net changes in fund balances | 864,800 | (963,682) | (714,027) | 249,655 |
| Fund balances, beginning of year | 1,511,942 | 1,511,942 | 1,511,942 | - |
| Fund balances, end of year | \$ 2,376,742 | \$ 548,260 | \$ 797,915 | \$ 249,655 |

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, 2015

| | Original Budget | Final Budget | Actual | Actual Over (Under) Final Budget |
|-------------------------------------|-------------------|-------------------|-------------------|----------------------------------|
| Revenues | | | | |
| Special assessments | \$ 188,183 | \$ 193,845 | \$ 193,846 | \$ 1 |
| Charges for services | 19,150 | 19,150 | 18,165 | (985) |
| Interest and rents | 800 | 900 | 1,500 | 600 |
| Total revenues | 208,133 | 213,895 | 213,511 | (384) |
| Expenditures | | | | |
| Current: | | | | |
| Public works: | | | | |
| Personnel services | 73,300 | 71,204 | 61,776 | (9,428) |
| Other services and charges | 130,150 | 115,590 | 95,632 | (19,958) |
| Total expenditures | 203,450 | 186,794 | 157,408 | (29,386) |
| Revenues over expenditures | 4,683 | 27,101 | 56,103 | 29,002 |
| Other financing sources uses | | | | |
| Transfers out | (8,900) | (8,900) | (8,900) | - |
| Net changes in fund balances | (4,217) | 18,201 | 47,203 | 29,002 |
| Fund balances, beginning of year | 202,949 | 202,949 | 202,949 | - |
| Fund balances, end of year | \$ 198,732 | \$ 221,150 | \$ 250,152 | \$ 29,002 |

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, 2015

| | Original Budget | Final Budget | Actual | Actual Over (Under) Final Budget |
|--------------------------------------|------------------------|---------------------|------------------|--|
| Revenues | | | | |
| Special assessments | \$ 135,100 | \$ 187,727 | \$ 187,727 | \$ - |
| Interest and rents | 400 | 100 | 357 | 257 |
| | <u>135,500</u> | <u>187,827</u> | <u>188,084</u> | <u>257</u> |
| Total revenues | | | | |
| Expenditures | | | | |
| Current: | | | | |
| Public works: | | | | |
| Other services and charges | 206,167 | 239,667 | 260,904 | 21,237 |
| | <u>206,167</u> | <u>239,667</u> | <u>260,904</u> | <u>21,237</u> |
| Revenues under expenditures | (70,667) | (51,840) | (72,820) | (20,980) |
| Other financing sources | | | | |
| Transfers in | 30,400 | 30,400 | 46,600 | 16,200 |
| | <u>30,400</u> | <u>30,400</u> | <u>46,600</u> | <u>16,200</u> |
| Net changes in fund balances | (40,267) | (21,440) | (26,220) | (4,780) |
| Fund balances, beginning of year | 26,258 | 26,258 | 26,258 | - |
| | <u>26,258</u> | <u>26,258</u> | <u>26,258</u> | <u>-</u> |
| Fund balances (deficit), end of year | \$ (14,009) | \$ 4,818 | \$ 38 | \$ (4,780) |
| | <u><u>(14,009)</u></u> | <u><u>4,818</u></u> | <u><u>38</u></u> | <u><u>(4,780)</u></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, 2015

| | Original Budget | Final Budget | Actual | Actual Over (Under) Final Budget |
|-------------------------------------|-------------------|-------------------|-------------------|----------------------------------|
| Revenues | | | | |
| Special assessments | \$ 180,340 | \$ 178,993 | \$ 178,993 | \$ - |
| Charges for services | 148,200 | 119,252 | 103,039 | (16,213) |
| Contributions from private sector | 43,000 | 31,820 | 17,339 | (14,481) |
| Interest and rents | - | 500 | 890 | 390 |
| Total revenues | 371,540 | 330,565 | 300,261 | (30,304) |
| Expenditures | | | | |
| Current: | | | | |
| Culture and recreation: | | | | |
| Personnel services | 204,910 | 208,149 | 202,219 | (5,930) |
| Other services and charges | 199,900 | 187,517 | 171,982 | (15,535) |
| Total expenditures | 404,810 | 395,666 | 374,201 | (21,465) |
| Net changes in fund balances | (33,270) | (65,101) | (73,940) | (8,839) |
| Fund balances, beginning of year | 190,877 | 190,877 | 190,877 | - |
| Fund balances, end of year | \$ 157,607 | \$ 125,776 | \$ 116,937 | \$ (8,839) |

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, 2015

| | Original Budget | Final Budget | Actual | Actual Over (Under) Final Budget |
|-----------------------------------|-------------------|-------------------|-------------------|----------------------------------|
| Revenues | | | | |
| Charges for services | \$ 6,000 | \$ 6,000 | \$ 3,775 | \$ (2,225) |
| Fines and fees | 424,000 | 471,000 | 484,467 | 13,467 |
| Interest and rents | 1,500 | 1,500 | 2,855 | 1,355 |
| Miscellaneous | 1,000 | 500 | - | (500) |
| Total revenues | 432,500 | 479,000 | 491,097 | 12,097 |
| Expenditures | | | | |
| Current: | | | | |
| General government: | | | | |
| Personnel services | 89,378 | 116,900 | 119,319 | 2,419 |
| Other services and charges | 49,150 | 50,800 | 39,780 | (11,020) |
| Capital outlay | 49,400 | 46,700 | 36,515 | (10,185) |
| Total expenditures | 187,928 | 214,400 | 195,614 | (18,786) |
| Revenues over expenditures | 244,572 | 264,600 | 295,483 | 30,883 |
| Other financing uses | | | | |
| Transfers out | (226,936) | (318,400) | (226,900) | 91,500 |
| Net changes in fund balances | 17,636 | (53,800) | 68,583 | 122,383 |
| Fund balances, beginning of year | 375,096 | 375,096 | 375,096 | - |
| Fund balances, end of year | \$ 392,732 | \$ 321,296 | \$ 443,679 | \$ 122,383 |

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, 2015

| | Original Budget | Final Budget | Actual | Actual Over (Under) Final Budget |
|--|--------------------------|--------------------------|-----------------------|----------------------------------|
| Revenues | | | | |
| Special assessments | \$ 107,622 | \$ 116,356 | \$ 137,359 | \$ 21,003 |
| Interest and rents | 21,182 | 18,010 | 18,818 | 808 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Total revenues | 128,804 | 134,366 | 156,177 | 21,811 |
| Fund balances (deficit), beginning of year | <hr/> (151,746) | <hr/> (151,746) | <hr/> (151,746) | <hr/> - |
| Fund balances (deficit), end of year | <hr/> <u>\$ (22,942)</u> | <hr/> <u>\$ (17,380)</u> | <hr/> <u>\$ 4,431</u> | <hr/> <u>\$ 21,811</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, 2015

| | Original Budget | Final Budget | Actual | Actual Over (Under) Final Budget |
|--------------------------------------|-----------------|--------------|------------|----------------------------------|
| Revenues | | | | |
| Contributions from private sector | \$ - | \$ 722,257 | \$ 478,524 | \$ (243,733) |
| Expenditures | | | | |
| Current: | | | | |
| General government: | | | | |
| Personnel services | - | 304,942 | 41,384 | (263,558) |
| Other services and charges | 18,062 | 364,567 | 319,002 | (45,565) |
| Capital outlay | - | 90,081 | 30,078 | (60,003) |
| Total expenditures | 18,062 | 759,590 | 390,464 | (369,126) |
| Revenues over (under) expenditures | (18,062) | (37,333) | 88,060 | 125,393 |
| Other financing sources (uses) | | | | |
| Transfers in | 30,000 | 30,000 | 30,000 | - |
| Transfers out | (25,000) | (308,630) | (78,781) | 229,849 |
| Total other financing sources (uses) | 5,000 | (278,630) | (48,781) | 229,849 |
| Net changes in fund balances | (13,062) | (315,963) | 39,279 | 355,242 |
| Fund balances, beginning of year | 465,004 | 465,004 | 465,004 | - |
| Fund balances, end of year | \$ 451,942 | \$ 149,041 | \$ 504,283 | \$ 355,242 |

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, 2015

| | Original Budget | Final Budget | Actual | Actual Over (Under) Final Budget |
|------------------------------------|-----------------|--------------|---------|----------------------------------|
| Revenues | | | | |
| Charges for services | \$ 9,900 | \$ 9,900 | \$ - | \$ (9,900) |
| Expenditures | | | | |
| Current: | | | | |
| General government: | | | | |
| Other services and charges | 9,800 | 10,500 | 4,260 | (6,240) |
| Revenues over (under) expenditures | 100 | (600) | (4,260) | (3,660) |
| Other financing sources | | | | |
| Transfers in | - | 600 | 4,260 | 3,660 |
| Net changes in fund balances | 100 | - | - | - |
| Fund balances, beginning of year | - | - | - | - |
| Fund balances, end of year | \$ 100 | \$ - | \$ - | \$ - |

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, 2015

| | Original Budget | Final Budget | Actual | Actual Over (Under) Final Budget |
|----------------------------------|-----------------|-----------------|-----------------|----------------------------------|
| Revenues | | | | |
| Intergovernmental | \$ 9,800 | \$ 10,000 | \$ 10,834 | \$ 834 |
| Expenditures | | | | |
| Current: | | | | |
| Public safety: | | | | |
| Other services and charges | 9,525 | 9,525 | 9,475 | (50) |
| Net changes in fund balances | 275 | 475 | 1,359 | 884 |
| Fund balances, beginning of year | 573 | 573 | 573 | - |
| Fund balances, end of year | <u>\$ 848</u> | <u>\$ 1,048</u> | <u>\$ 1,932</u> | <u>\$ 884</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, 2015

| | Original Budget | Final Budget | Actual | Actual Over (Under) Final Budget |
|------------------------------------|-----------------|--------------|-----------|----------------------------------|
| Revenues | | | | |
| Intergovernmental | \$ - | \$ 64,316 | \$ 64,315 | \$ (1) |
| Expenditures | | | | |
| Current: | | | | |
| Public safety: | | | | |
| Personal services | - | 291,459 | 288,094 | (3,365) |
| Revenues over (under) expenditures | - | (227,143) | (223,779) | 3,364 |
| Other financing sources | | | | |
| Transfers in | - | 227,143 | 223,779 | (3,364) |
| 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, 2015

| | Original Budget | Final Budget | Actual | Actual Over (Under) Final Budget |
|----------------------------------|-----------------|--------------|-----------|----------------------------------|
| Revenues | | | | |
| Intergovernmental | \$ 9,754 | \$ 29,049 | \$ 19,501 | \$ (9,548) |
| Expenditures | | | | |
| Current: | | | | |
| Public safety: | | | | |
| Personal services | 9,754 | 29,049 | 19,501 | (9,548) |
| 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, 2015

| | Original Budget | Final Budget | Actual | Actual Over (Under) Final Budget |
|----------------------------------|-----------------|--------------|----------|----------------------------------|
| Revenues | | | | |
| Intergovernmental | \$ 5,850 | \$ 22,717 | \$ 9,436 | \$ (13,281) |
| Expenditures | | | | |
| Current: | | | | |
| Public safety: | | | | |
| Other services and charges | 5,850 | 5,096 | 2,791 | (2,305) |
| Capital outlay | - | 17,621 | 7,188 | (10,433) |
| Total expenditures | 5,850 | 22,717 | 9,979 | (12,738) |
| Revenues under expenditures | - | - | (543) | (543) |
| Other financing sources | | | | |
| Transfers in | - | - | 543 | (543) |
| 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, 2015

| | Original Budget | Final Budget | Actual | Actual Over (Under) Final Budget |
|----------------------------------|-----------------|--------------|-------------|----------------------------------|
| Revenues | | | | |
| Intergovernmental | \$ - | \$ 50,000 | \$ 41,002 | \$ (8,998) |
| Expenditures | | | | |
| Capital outlay | - | 50,000 | 41,002 | (8,998) |
| 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, 2015

| | Original Budget | Final Budget | Actual | Actual Over (Under) Final Budget |
|----------------------------------|-----------------|--------------|-------------|----------------------------------|
| Revenues | | | | |
| Intergovernmental | \$ - | \$ 44,392 | \$ 44,292 | \$ (100) |
| Expenditures | | | | |
| Current: | | | | |
| Welfare and social services: | | | | |
| Other services and charges | - | 44,392 | 44,292 | (100) |
| 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, 2015

| | Original Budget | Final Budget | Actual | Actual Over (Under) Final Budget |
|----------------------------------|-----------------|--------------|--------------|----------------------------------|
| Revenues | | | | |
| Property taxes | \$ 1,260,156 | \$ 1,250,869 | \$ 1,251,454 | \$ 585 |
| Expenditures | | | | |
| Current: | | | | |
| Culture and recreation: | | | | |
| Other services and charges | 1,260,156 | 1,250,900 | 1,251,468 | 568 |
| Net changes in fund balances | - | (31) | (14) | 17 |
| Fund balances, beginning of year | 68 | 68 | 68 | - |
| Fund balances, end of year | <u>\$ 68</u> | <u>\$ 37</u> | <u>\$ 54</u> | <u>\$ 17</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, 2015

| | Original Budget | Final Budget | Actual | Actual Over (Under) Final Budget |
|----------------------------------|-----------------|--------------|-----------|----------------------------------|
| Revenues | | | | |
| Intergovernmental | \$ 29,000 | \$ 19,000 | \$ 19,000 | \$ - |
| Expenditures | | | | |
| Current: | | | | |
| Welfare and social services: | | | | |
| Other services and charges | 29,000 | 29,000 | 29,000 | - |
| Revenues under expenditures | - | (10,000) | (10,000) | - |
| Other financing sources | | | | |
| Transfers in | - | 10,000 | 10,000 | - |
| 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, 2015

| | Original Budget | Final Budget | Actual | Actual Over (Under) Final Budget |
|-----------------------------------|-----------------|----------------|----------------|----------------------------------|
| Revenues | | | | |
| Intergovernmental | \$ 391,608 | \$ 383,098 | \$ 269,227 | \$ (113,871) |
| Contributions from private sector | 41,158 | 151,916 | 122,593 | (29,323) |
| Miscellaneous | - | 1,076 | 8,106 | 7,030 |
| Total revenues | <u>432,766</u> | <u>536,090</u> | <u>399,926</u> | <u>(136,164)</u> |
| Expenditures | | | | |
| Current: | | | | |
| Welfare and social services: | | | | |
| Personnel services | - | 91,425 | 76,589 | (14,836) |
| Other services and charges | 432,766 | 444,665 | 323,337 | (121,328) |
| Total expenditures | <u>432,766</u> | <u>536,090</u> | <u>399,926</u> | <u>(136,164)</u> |
| 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 - Eat Healthy For Life - EBT Program Fund
 For the Year Ended June 30, 2015

| | Original Budget | Final Budget | Actual | Actual Over (Under) Final Budget |
|-----------------------------------|-----------------|---------------|---------------|----------------------------------|
| Revenues | | | | |
| Intergovernmental | \$ 3,833 | \$ 3,833 | \$ - | \$ (3,833) |
| Contributions from private sector | 3,065 | 29,565 | 25,710 | (3,855) |
| Total revenues | 6,898 | 33,398 | 25,710 | (7,688) |
| Expenditures | | | | |
| Current: | | | | |
| Welfare and social services: | | | | |
| Personnel services | 3,833 | 6,189 | 1,637 | (4,552) |
| Other services and charges | 11,040 | 35,184 | 19,129 | (16,055) |
| Total expenditures | 14,873 | 41,373 | 20,766 | (20,607) |
| Net changes in fund balances | (7,975) | (7,975) | 4,944 | 12,919 |
| Fund balances, beginning of year | 7,975 | 7,975 | 7,975 | - |
| Fund balances, end of year | \$ - | \$ - | \$ 12,919 | \$ 12,919 |

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, 2015

| | Original Budget | Final Budget | Actual | Actual Over (Under) Final Budget |
|----------------------------------|-----------------|--------------|--------------|----------------------------------|
| Revenues | | | | |
| Charges for services | \$ 26,600 | \$ 36,100 | \$ 25,800 | \$ (10,300) |
| Interest and rents | 6,000 | 13,000 | 11,085 | (1,915) |
| Total revenues | 32,600 | 49,100 | 36,885 | (12,215) |
| Other financing uses | | | | |
| Transfers out | (6,000) | (13,000) | (11,085) | 1,915 |
| Net changes in fund balances | 26,600 | 36,100 | 25,800 | (10,300) |
| Fund balances, beginning of year | 1,595,330 | 1,595,330 | 1,595,330 | - |
| Fund balances, end of year | \$ 1,621,930 | \$ 1,631,430 | \$ 1,621,130 | \$ (10,300) |

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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. 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 a fund 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 50% 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 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, 2015, the residential customer count for this service is:

- Single-family residences and multi-family housing developments of up to 4-family units = 8,713
- Multi-family housing developments of greater than 4-family units = 4

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

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.

CITY OF HOLLAND, MICHIGAN

Enterprise Funds

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.

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

Airport Facilities and Management System Fund

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.

CITY OF HOLLAND, MICHIGAN

Enterprise Funds

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.

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.

CITY OF HOLLAND, MICHIGAN

Enterprise Funds

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, 2015

| | Refuse and Recycling Pickup | Windmill Island | Depot Operations | Airport Facilities and Management System |
|--|-----------------------------------|---------------------|---------------------|---|
| Assets | | | | |
| Current assets: | | | | |
| Cash and pooled investments | \$ 501,071 | \$ 200,336 | \$ 7 | \$ 1,991 |
| Receivables: | | | | |
| Accounts | 199,470 | 49,774 | - | - |
| Taxes and special assessments | - | - | - | 3 |
| Total current assets | <u>700,541</u> | <u>250,110</u> | <u>7</u> | <u>1,994</u> |
| Noncurrent assets: | | | | |
| Capital assets: | | | | |
| Land | - | 99,809 | 291,300 | 5,961,250 |
| Construction in progress | - | 84,991 | - | - |
| Machinery and equipment | - | 3,568,176 | 1,667,199 | 14,043,709 |
| Accumulated depreciation | - | (1,770,905) | (1,160,987) | (9,778,049) |
| Total noncurrent assets | <u>-</u> | <u>1,982,071</u> | <u>797,512</u> | <u>10,226,910</u> |
| Total assets | <u>700,541</u> | <u>2,232,181</u> | <u>797,519</u> | <u>10,228,904</u> |
| Liabilities | | | | |
| Current liabilities: | | | | |
| Accounts payable | 22,136 | 5,934 | - | - |
| Accrued payroll and benefits | 2,881 | 28,125 | - | 581 |
| Due to other funds | - | 2,161 | - | - |
| Deposits | - | 47,300 | - | - |
| Unearned revenue | 220,167 | - | - | - |
| Accrued compensated absences - current | 5,408 | 15,202 | - | - |
| Total liabilities (all current) | <u>250,592</u> | <u>98,722</u> | <u>-</u> | <u>581</u> |
| Net position | | | | |
| Net investment in capital assets | - | 1,982,071 | 797,512 | 10,226,910 |
| Unrestricted | <u>449,949</u> | <u>151,388</u> | <u>7</u> | <u>1,413</u> |
| Total net position | <u>\$ 449,949</u> | <u>\$ 2,133,459</u> | <u>\$ 797,519</u> | <u>\$ 10,228,323</u> |

| Public Transit Facilities and Management System | Employee Benefit Fund | Total |
|--|-----------------------------|----------------------|
| \$ 1,334 | \$ 12,370 | \$ 717,109 |
| 314 | - | 249,558 |
| - | - | 3 |
| <u>1,648</u> | <u>12,370</u> | <u>966,670</u> |
| - | - | 6,352,359 |
| - | - | 84,991 |
| 508,254 | - | 19,787,338 |
| (265,225) | - | (12,975,166) |
| <u>243,029</u> | <u>-</u> | <u>13,249,522</u> |
| <u>244,677</u> | <u>12,370</u> | <u>14,216,192</u> |
| - | 428 | 28,498 |
| - | - | 31,587 |
| - | - | 2,161 |
| - | - | 47,300 |
| - | - | 220,167 |
| - | - | 20,610 |
| <u>-</u> | <u>428</u> | <u>350,323</u> |
| 243,029 | - | 13,249,522 |
| <u>1,648</u> | <u>11,942</u> | <u>616,347</u> |
| <u>\$ 244,677</u> | <u>\$ 11,942</u> | <u>\$ 13,865,869</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, 2015

| | Refuse and Recycling Pickup | Windmill Island | Depot Operations | Airport Facilities and Management System |
|---|-----------------------------------|---------------------|---------------------|---|
| Operating revenues | | | | |
| Usage fees and charges for services | \$ 1,574,454 | \$ 67,513 | \$ - | \$ 18,309 |
| Admissions and fares | - | 570,502 | - | - |
| Rentals | - | 68,440 | 1 | - |
| Total operating revenues | 1,574,454 | 706,455 | 1 | 18,309 |
| Operating expenses | | | | |
| Personal services | 102,581 | 451,904 | - | 18,303 |
| Other current expenses | 1,564,340 | 237,746 | - | 98,576 |
| Depreciation | - | 119,862 | 24,539 | 461,006 |
| Total operating expenses | 1,666,921 | 809,512 | 24,539 | 577,885 |
| Operating loss | (92,467) | (103,057) | (24,538) | (559,576) |
| Nonoperating revenues (expenses) | | | | |
| Property taxes | - | - | - | 99,983 |
| Other private donations | - | 6,800 | - | - |
| Investment earnings | 1,039 | 340 | - | - |
| Loss on disposal of capital assets | - | (2,481) | - | - |
| Total nonoperating revenues (expenses) | 1,039 | 4,659 | - | 99,983 |
| Loss before transfers | (91,428) | (98,398) | (24,538) | (459,593) |
| Contributions and transfers | | | | |
| Capital contributions | - | 35,441 | - | - |
| Transfers in | - | 178,238 | - | - |
| Total contributions and transfers | - | 213,679 | - | - |
| Changes in net position | (91,428) | 115,281 | (24,538) | (459,593) |
| Net position, beginning of year | 541,377 | 2,018,178 | 822,057 | 10,687,916 |
| Net position, end of year | \$ 449,949 | \$ 2,133,459 | \$ 797,519 | \$ 10,228,323 |

| Public Transit Facilities and Management System | Employee Benefit Fund | Total |
|--|-----------------------------|----------------------|
| \$ 328 | \$ 7,808 | \$ 1,668,412 |
| - | - | 570,502 |
| - | - | 68,441 |
| <u>328</u> | <u>7,808</u> | <u>2,307,355</u> |
| - | - | 572,788 |
| 328 | 10,823 | 1,911,813 |
| 11,745 | - | 617,152 |
| <u>12,073</u> | <u>10,823</u> | <u>3,101,753</u> |
| <u>(11,745)</u> | <u>(3,015)</u> | <u>(794,398)</u> |
| - | - | 99,983 |
| - | 2,713 | 9,513 |
| 11 | 84 | 1,474 |
| - | - | (2,481) |
| <u>11</u> | <u>2,797</u> | <u>108,489</u> |
| <u>(11,734)</u> | <u>(218)</u> | <u>(685,909)</u> |
| - | - | 35,441 |
| - | - | 178,238 |
| - | - | 213,679 |
| <u>(11,734)</u> | <u>(218)</u> | <u>(472,230)</u> |
| <u>256,411</u> | <u>12,160</u> | <u>14,338,099</u> |
| <u>\$ 244,677</u> | <u>\$ 11,942</u> | <u>\$ 13,865,869</u> |

CITY OF HOLLAND, MICHIGAN

Combining Statement of Cash Flows
 Nonmajor Enterprise Funds
 For the Year Ended June 30, 2015

| | Refuse and Recycling Pickup | Windmill Island | Depot Operations | Airport Facilities and Management System |
|--|-----------------------------------|--------------------|---------------------|---|
| Cash flows from operating activities | | | | |
| Receipts from customers and users | \$ 1,686,103 | \$ 683,474 | \$ 1 | \$ 18,309 |
| Payments to suppliers | (1,566,351) | (246,662) | - | (98,576) |
| Payments to employees | (101,619) | (445,497) | - | (17,722) |
| Net cash provided by (used in) operating activities | 18,133 | (8,685) | 1 | (97,989) |
| Cash flows from noncapital financing activities | | | | |
| Property taxes | - | - | - | 99,980 |
| Private donations | - | 6,800 | - | - |
| Net cash provided by noncapital financing activities | - | 6,800 | - | 99,980 |
| Cash flows from capital and related financing activities | | | | |
| Capital contributions | - | 35,441 | - | - |
| Intragovernmental receipts | - | 178,524 | - | - |
| Purchase of capital assets | - | (86,236) | - | - |
| Net cash provided by capital and related financing activities | - | 127,729 | - | - |
| Cash flows from investing activities | | | | |
| Investment earnings | 1,039 | 340 | - | - |
| Net increase (decrease) in cash and cash equivalents | 19,172 | 126,184 | 1 | 1,991 |
| Cash and pooled investments, beginning of year | 481,899 | 74,152 | 6 | - |
| Cash and pooled investments, end of year | \$ 501,071 | \$ 200,336 | \$ 7 | \$ 1,991 |
| Cash flows from operating activities | | | | |
| Operating loss | \$ (92,467) | \$ (103,057) | \$ (24,538) | \$ (559,576) |
| Adjustments to reconcile operating loss to net cash provided by (used in) operating activities: | | | | |
| Depreciation | - | 119,862 | 24,539 | 461,006 |
| Change in: | | | | |
| Accounts receivable | 78,071 | (36,281) | - | - |
| Accounts payable | (2,011) | (8,916) | - | 581 |
| Accrued payroll and benefits | 45 | 1,157 | - | - |
| Unearned revenue | 33,578 | 13,300 | - | - |
| Accrued compensated absences | 917 | 5,250 | - | - |
| Net cash provided by (used in) operating activities | \$ 18,133 | \$ (8,685) | \$ 1 | \$ (97,989) |

| Public Transit Facilities and Management System | Employee Benefit Fund | Total |
|--|-----------------------------|--------------------|
| \$ 80 | \$ 7,875 | \$ 2,395,842 |
| (328) | (10,862) | (1,922,779) |
| - | - | (564,838) |
| <u>(248)</u> | <u>(2,987)</u> | <u>(91,775)</u> |
| - | - | 99,980 |
| - | 2,713 | 9,513 |
| - | 2,713 | 109,493 |
| - | - | 35,441 |
| - | - | 178,524 |
| - | - | (86,236) |
| - | - | 127,729 |
| 11 | 84 | 1,474 |
| (237) | (190) | 146,921 |
| 1,571 | 12,560 | 570,188 |
| <u>\$ 1,334</u> | <u>\$ 12,370</u> | <u>\$ 717,109</u> |
| \$ (11,745) | \$ (3,015) | \$ (794,398) |
| 11,745 | - | 617,152 |
| (248) | 67 | 41,609 |
| - | (39) | (10,385) |
| - | - | 1,202 |
| - | - | 46,878 |
| - | - | 6,167 |
| <u>\$ (248)</u> | <u>\$ (2,987)</u> | <u>\$ (91,775)</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

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

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.

Fuel Dispensing 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.

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.

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. Coverages 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, 2015

| | Technology Services | | | Equipment Services | | |
|--|---------------------|------------------|------------------------|--------------------|---------------------------------|--------------------------|
| | Computer Services | Postage Services | Communication Services | Fuel Dispensing | Centralized Vehicle / Equipment | Fire Vehicle / Equipment |
| Assets | | | | | | |
| Current assets: | | | | | | |
| Cash and pooled investments | \$ 170,244 | \$ 3,621 | \$ 23,958 | \$ 257,774 | \$ 1,787,213 | \$ 76,056 |
| Accounts receivable | 2,650 | - | - | 14,699 | 62,969 | - |
| Due from other funds | - | - | - | 957 | 80 | - |
| Inventories | - | 3,251 | - | - | 38,873 | - |
| Prepaid items | - | 350 | - | - | - | - |
| Total current assets | <u>172,894</u> | <u>7,222</u> | <u>23,958</u> | <u>273,430</u> | <u>1,889,135</u> | <u>76,056</u> |
| Noncurrent assets: | | | | | | |
| Capital assets: | | | | | | |
| Construction in progress | - | - | - | 104,482 | - | - |
| Machinery and equipment | 808,613 | - | 122,261 | 51,678 | 8,058,528 | 2,721,853 |
| Accumulated depreciation | (504,769) | - | (114,764) | (38,153) | (5,115,009) | (1,364,328) |
| Total noncurrent assets | <u>303,844</u> | <u>-</u> | <u>7,497</u> | <u>118,007</u> | <u>2,943,519</u> | <u>1,357,525</u> |
| Total assets | <u>476,738</u> | <u>7,222</u> | <u>31,455</u> | <u>391,437</u> | <u>4,832,654</u> | <u>1,433,581</u> |
| Liabilities | | | | | | |
| Current liabilities: | | | | | | |
| Accounts payable | 4,324 | 469 | - | 110,276 | 96,852 | - |
| Claims payable | - | - | - | - | - | - |
| Accrued payroll and benefits | 13,466 | - | - | - | 22,696 | - |
| Due to other funds | 394 | - | - | 34,574 | 81 | - |
| Accrued compensated absences - current | - | - | - | - | - | - |
| Total current liabilities | <u>18,184</u> | <u>469</u> | <u>-</u> | <u>144,850</u> | <u>119,629</u> | <u>-</u> |
| Noncurrent liabilities: | | | | | | |
| Accrued compensated absences | 21,331 | - | - | - | 86,880 | - |
| Total liabilities | <u>39,515</u> | <u>469</u> | <u>-</u> | <u>144,850</u> | <u>206,509</u> | <u>-</u> |
| Net position | | | | | | |
| Net investment in capital assets | 303,844 | - | 7,497 | 118,007 | 2,943,519 | 1,357,525 |
| Unrestricted | 133,379 | 6,753 | 23,958 | 128,580 | 1,682,626 | 76,056 |
| Total net position | <u>\$ 437,223</u> | <u>\$ 6,753</u> | <u>\$ 31,455</u> | <u>\$ 246,587</u> | <u>\$ 4,626,145</u> | <u>\$ 1,433,581</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 |
| \$ 563,417 | \$ 146,568 | \$ 2,189,868 | \$ 256,304 | \$ 382,200 | \$ 239,205 | \$ 1,600,477 | \$ 7,696,905 |
| 6,410 | - | 34,236 | - | 1,683 | - | - | 122,647 |
| 3,266 | 4,302 | 174,376 | - | - | 325 | - | 183,306 |
| - | - | - | - | - | - | - | 42,124 |
| - | - | - | - | - | 15,000 | - | 15,350 |
| <u>573,093</u> | <u>150,870</u> | <u>2,398,480</u> | <u>256,304</u> | <u>383,883</u> | <u>254,530</u> | <u>1,600,477</u> | <u>8,060,332</u> |
| - | - | - | - | - | - | - | 104,482 |
| - | - | - | - | - | - | - | 11,762,933 |
| - | - | - | - | - | - | - | (7,137,023) |
| - | - | - | - | - | - | - | <u>4,730,392</u> |
| <u>573,093</u> | <u>150,870</u> | <u>2,398,480</u> | <u>256,304</u> | <u>383,883</u> | <u>254,530</u> | <u>1,600,477</u> | <u>12,790,724</u> |
| 308 | - | 196,461 | - | - | 1,775 | - | 410,465 |
| - | - | 53,043 | - | - | - | - | 53,043 |
| 9,523 | - | 103 | - | - | - | - | 45,788 |
| - | - | 300 | - | - | - | - | 35,349 |
| - | - | - | - | - | - | 1,170,000 | 1,170,000 |
| <u>9,831</u> | <u>-</u> | <u>249,907</u> | <u>-</u> | <u>-</u> | <u>1,775</u> | <u>1,170,000</u> | <u>1,714,645</u> |
| - | - | - | - | - | - | 430,477 | 538,688 |
| <u>9,831</u> | <u>-</u> | <u>249,907</u> | <u>-</u> | <u>-</u> | <u>1,775</u> | <u>1,600,477</u> | <u>2,253,333</u> |
| - | - | - | - | - | - | - | 4,730,392 |
| <u>563,262</u> | <u>150,870</u> | <u>2,148,573</u> | <u>256,304</u> | <u>383,883</u> | <u>252,755</u> | <u>-</u> | <u>5,806,999</u> |
| <u>\$ 563,262</u> | <u>\$ 150,870</u> | <u>\$ 2,148,573</u> | <u>\$ 256,304</u> | <u>\$ 383,883</u> | <u>\$ 252,755</u> | <u>\$ -</u> | <u>\$ 10,537,391</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, 2015

| | Technology Services | | | Equipment Services | | |
|--|---------------------|------------------|------------------------|--------------------|---------------------------------|--------------------------|
| | Computer Services | Postage Services | Communication Services | Fuel Dispensing | Centralized Vehicle / Equipment | Fire Vehicle / Equipment |
| Operating revenues | | | | | | |
| Charges for services | \$ 520,890 | \$ 18,675 | \$ 127,930 | \$ 772,765 | \$ 343,592 | \$ - |
| Premiums | - | - | - | - | - | - |
| Rentals | - | - | - | - | 1,895,856 | - |
| Miscellaneous | - | - | - | - | - | - |
| Total operating revenues | 520,890 | 18,675 | 127,930 | 772,765 | 2,239,448 | - |
| Operating expenses | | | | | | |
| Personnel services | 316,362 | - | - | 6,418 | 663,277 | - |
| Other current expenses | 234,760 | 18,622 | 119,323 | 732,484 | 1,236,158 | - |
| Depreciation | 79,665 | - | 962 | 1,108 | 472,766 | 89,922 |
| Total operating expenses | 630,787 | 18,622 | 120,285 | 740,010 | 2,372,201 | 89,922 |
| Operating income (loss) | (109,897) | 53 | 7,645 | 32,755 | (132,753) | (89,922) |
| Nonoperating revenues (expenses) | | | | | | |
| Investment earnings | 465 | 13 | 99 | 1,031 | 11,869 | 1,364 |
| Insurance recovery | - | - | - | - | - | - |
| Gain (loss) on disposal of capital assets | (11,059) | - | - | - | 50,851 | (2,888) |
| Total nonoperating revenues (expenses) | (10,594) | 13 | 99 | 1,031 | 62,720 | (1,524) |
| Income (loss) before contributions and transfers | (120,491) | 66 | 7,744 | 33,786 | (70,033) | (91,446) |
| Contributions and transfers | | | | | | |
| Capital contributions | - | - | - | - | 698 | - |
| Transfers in | 100,000 | - | - | - | 41,135 | 90,000 |
| Transfers out | - | - | - | - | (16,200) | - |
| Net contributions and transfers | 100,000 | - | - | - | 25,633 | 90,000 |
| Changes in net position | (20,491) | 66 | 7,744 | 33,786 | (44,400) | (1,446) |
| Net position, beginning of year | 457,714 | 6,687 | 23,711 | 212,801 | 4,670,545 | 1,435,027 |
| Net position, end of year | \$ 437,223 | \$ 6,753 | \$ 31,455 | \$ 246,587 | \$ 4,626,145 | \$ 1,433,581 |

| 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 | \$ 2,871,817 |
| 270,274 | 103,487 | 4,888,645 | 121,654 | 29,192 | 134,559 | - | 5,547,811 |
| - | - | - | - | - | - | - | 1,895,856 |
| 62,721 | - | - | 1,000 | 15,364 | - | - | 79,085 |
| 332,995 | 103,487 | 4,888,645 | 122,654 | 44,556 | 134,559 | 1,087,965 | 10,394,569 |
| - | 1,305 | 70 | - | - | - | 1,087,965 | 2,075,397 |
| 312,711 | 53,809 | 4,950,678 | 102,803 | 49,234 | 146,050 | - | 7,956,632 |
| - | - | - | - | - | - | - | 644,423 |
| 312,711 | 55,114 | 4,950,748 | 102,803 | 49,234 | 146,050 | 1,087,965 | 10,676,452 |
| 20,284 | 48,373 | (62,103) | 19,851 | (4,678) | (11,491) | - | (281,883) |
| 3,438 | 860 | 12,109 | 1,468 | 2,501 | 659 | - | 35,876 |
| - | - | 256,402 | - | - | - | - | 256,402 |
| - | - | - | - | - | - | - | 36,904 |
| 3,438 | 860 | 268,511 | 1,468 | 2,501 | 659 | - | 329,182 |
| 23,722 | 49,233 | 206,408 | 21,319 | (2,177) | (10,832) | - | 47,299 |
| - | - | - | - | - | - | - | 698 |
| - | - | - | - | - | - | - | 231,135 |
| - | - | - | (19,000) | - | - | - | (35,200) |
| - | - | - | (19,000) | - | - | - | 196,633 |
| 23,722 | 49,233 | 206,408 | 2,319 | (2,177) | (10,832) | - | 243,932 |
| 539,540 | 101,637 | 1,942,165 | 253,985 | 386,060 | 263,587 | - | 10,293,459 |
| \$ 563,262 | \$ 150,870 | \$ 2,148,573 | \$ 256,304 | \$ 383,883 | \$ 252,755 | \$ - | \$ 10,537,391 |

CITY OF HOLLAND, MICHIGAN

Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2015

| | Technology Services | | | Equipment Services | | |
|--|---------------------|------------------|------------------------|--------------------|---------------------------------|--------------------------|
| | Computer Services | Postage Services | Communication Services | Fuel Dispensing | Centralized Vehicle / Equipment | Fire Vehicle / Equipment |
| Cash flows from operating activities | | | | | | |
| Receipts from interfund services provided | \$ 520,860 | \$ 18,675 | \$ 127,930 | \$ 786,536 | \$ 2,145,234 | \$ - |
| Payments to suppliers | (245,547) | (17,860) | (119,323) | (633,215) | (1,221,814) | - |
| Payments to employees | (318,004) | - | - | (6,418) | (661,762) | - |
| Net cash provided by (used in) operating activities | (42,691) | 815 | 8,607 | 146,903 | 261,658 | - |
| Cash flows from noncapital financing activities | | | | | | |
| Insurance refunds | - | - | - | - | - | - |
| Intragovernmental receipts | 100,000 | - | - | - | 41,135 | 90,000 |
| Intragovernmental payments | - | - | - | - | (16,200) | (208,899) |
| Net cash provided by (used in) noncapital financing activities | 100,000 | - | - | - | 24,935 | (118,899) |
| Cash flows from capital and related financing activities | | | | | | |
| Capital contributions | - | - | - | - | 698 | - |
| Proceeds from sale of capital assets | - | - | - | - | 132,821 | - |
| Purchase of capital assets | (110,621) | - | - | (104,483) | (494,768) | (275,104) |
| Net cash used in capital and related financing activities | (110,621) | - | - | (104,483) | (361,249) | (275,104) |
| Cash flows from investing activities | | | | | | |
| Investment earnings | 465 | 13 | 99 | 1,031 | 11,869 | 1,364 |
| Net increase (decrease) in cash and pooled investments | (52,847) | 828 | 8,706 | 43,451 | (62,787) | (392,639) |
| Cash and pooled investments, beginning of year | 223,091 | 2,793 | 15,252 | 214,323 | 1,850,000 | 468,695 |
| Cash and pooled investments, end of year | \$ 170,244 | \$ 3,621 | \$ 23,958 | \$ 257,774 | \$ 1,787,213 | \$ 76,056 |
| Cash flows from operating activities | | | | | | |
| Operating income (loss) | \$ (109,897) | \$ 53 | \$ 7,645 | \$ 32,755 | \$ (132,753) | \$ (89,922) |
| Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities: | | | | | | |
| Depreciation | 79,665 | - | 962 | 1,108 | 472,766 | 89,922 |
| Change in: | | | | | | |
| Accounts receivable | (4) | - | - | 82,779 | (26,886) | - |
| Due from other funds | - | - | - | 9,579 | (7) | - |
| Inventories | - | 343 | - | 38,624 | 3,102 | - |
| Prepaid items | - | - | - | - | - | - |
| Accounts payable | (10,787) | 469 | - | 60,645 | 11,242 | - |
| Claims payable | - | (50) | - | - | - | - |
| Accrued payroll and benefits | 1,145 | - | - | - | 3,162 | - |
| Due to other funds | (26) | - | - | (78,587) | (67,321) | - |
| Accrued compensated absences | (2,787) | - | - | - | (1,647) | - |
| Net cash provided by (used in) operating activities | \$ (42,691) | \$ 815 | \$ 8,607 | \$ 146,903 | \$ 261,658 | \$ - |

| 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 |
| \$ 335,877 (290,837) - | \$ 99,185 (53,809) (1,305) | \$ 4,709,877 (4,825,759) - | \$ 126,237 (104,610) - | \$ 42,873 (49,234) - | \$ 562,453 (323,907) - | \$ 1,087,965 - (1,058,254) | \$ 10,563,702 (7,885,915) (2,045,743) |
| 45,040 | 44,071 | (115,882) | 21,627 | (6,361) | 238,546 | 29,711 | 632,044 |
| - | - | 256,402 | - | - | - | - | 256,402 |
| - | - | - | - | - | - | - | 231,135 |
| - | - | - | (19,000) | - | - | - | (244,099) |
| - | - | 256,402 | (19,000) | - | - | - | 243,438 |
| - | - | - | - | - | - | - | 698 |
| - | - | - | - | - | - | - | 132,821 |
| - | - | - | - | - | - | - | (984,976) |
| - | - | - | - | - | - | - | (851,457) |
| 3,438 | 860 | 12,109 | 1,468 | 2,501 | 659 | - | 35,876 |
| 48,478 | 44,931 | 152,629 | 4,095 | (3,860) | 239,205 | 29,711 | 59,901 |
| 514,939 | 101,637 | 2,037,239 | 252,209 | 386,060 | - | 1,570,766 | 7,637,004 |
| \$ 563,417 | \$ 146,568 | \$ 2,189,868 | \$ 256,304 | \$ 382,200 | \$ 239,205 | \$ 1,600,477 | \$ 7,696,905 |
| \$ 20,284 | \$ 48,373 | \$ (62,103) | \$ 19,851 | \$ (4,678) | \$ (11,491) | \$ - | \$ (281,883) |
| - | - | - | - | - | - | - | 644,423 |
| 3,042 (160) | - (4,302) | (4,692) (174,376) | 3,583 - | (1,683) - | 959,639 9,118 | - - | 1,015,778 (160,148) |
| - | - | - | - | - | - | - | 42,069 |
| 14,876 | - | - | - | - | (4,808) | - | 10,068 |
| 6,998 | - | 116,110 | - | - | (173,049) | - | 11,628 |
| - | - | 8,776 | (1,807) | - | - | - | 6,919 |
| - | - | 103 | - | - | - | - | 4,410 |
| - | - | 300 | - | - | (540,863) | - | (686,497) |
| - | - | - | - | - | - | 29,711 | 25,277 |
| \$ 45,040 | \$ 44,071 | \$ (115,882) | \$ 21,627 | \$ (6,361) | \$ 238,546 | \$ 29,711 | \$ 632,044 |

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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, 2015

| | Current Tax Collections | Outside Agency Collections | Employees' Flexible Spending Plan | Imprest Payroll |
|---------------------------------|----------------------------|----------------------------------|---|--------------------|
| Assets | | | | |
| Cash and pooled investments | \$ - | \$ 1,089 | \$ 22,439 | \$ 67,484 |
| Accounts receivable | - | 525 | 600 | 28,703 |
| Total assets | \$ - | \$ 1,614 | \$ 23,039 | \$ 96,187 |
| Liabilities | | | | |
| Accounts payable | \$ - | \$ 264 | \$ 627 | \$ 61,313 |
| Due to other governmental units | - | 1,350 | - | 34,874 |
| Other liabilities and deposits | - | - | 22,412 | - |
| Total liabilities | \$ - | \$ 1,614 | \$ 23,039 | \$ 96,187 |



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

| | |
|--------------|--------------|
| \$ 1,119,882 | \$ 1,210,894 |
| - | 29,828 |

| | |
|---------------------|---------------------|
| <u>\$ 1,119,882</u> | <u>\$ 1,240,722</u> |
|---------------------|---------------------|

| | |
|-----------|-----------|
| \$ - | \$ 62,204 |
| 1,119,882 | 1,156,106 |
| - | 22,412 |

| | |
|---------------------|---------------------|
| <u>\$ 1,119,882</u> | <u>\$ 1,240,722</u> |
|---------------------|---------------------|

CITY OF HOLLAND, MICHIGAN

Combining Statement of Changes in Fiduciary Assets and Liabilities

Agency Funds

For the Year Ended June 30, 2015

| | Balance July 1, 2014 | Additions | Deletions | Balance June 30, 2015 |
|--|----------------------------|----------------------|----------------------|-----------------------------|
| <i>Current Tax Collection Fund</i> | | | | |
| Assets | | | | |
| Cash and pooled investments | \$ - | \$ 50,152,500 | \$ 50,152,500 | \$ - |
| Accounts receivable | - | 70,726 | 70,726 | - |
| Total assets | \$ - | \$ 50,223,226 | \$ 50,223,226 | \$ - |
| Liabilities | | | | |
| Accounts payable | \$ - | \$ 32,657,500 | \$ 32,657,500 | \$ - |
| Due to other governmental units | - | 17,565,726 | 17,565,726 | - |
| Total liabilities | \$ - | \$ 50,223,226 | \$ 50,223,226 | \$ - |
| <i>Outside Agency Collection Fund</i> | | | | |
| Assets | | | | |
| Cash and pooled investments | \$ 6,754 | \$ 144,631 | \$ 150,296 | \$ 1,089 |
| Accounts receivable | - | 1,130 | 605 | 525 |
| Other assets | - | 328,622 | 328,622 | - |
| Total assets | \$ 6,754 | \$ 474,383 | \$ 479,523 | \$ 1,614 |
| Liabilities | | | | |
| Accounts payable | \$ 3,394 | \$ 147,166 | \$ 150,296 | \$ 264 |
| Due to other governmental units | 3,360 | 327,217 | 329,227 | 1,350 |
| Total liabilities | \$ 6,754 | \$ 474,383 | \$ 479,523 | \$ 1,614 |
| <i>Employees' Flexible Spending Plan</i> | | | | |
| Assets | | | | |
| Cash and pooled investments | \$ 21,181 | \$ 219,562 | \$ 218,304 | \$ 22,439 |
| Accounts receivable | 915 | 9,858 | 10,173 | 600 |
| Total assets | \$ 22,096 | \$ 229,420 | \$ 228,477 | \$ 23,039 |
| Liabilities | | | | |
| Accounts payable | \$ 322 | \$ 5,103 | \$ 4,798 | \$ 627 |
| Other liabilities and deposits | 21,774 | 224,317 | 223,679 | 22,412 |
| Total liabilities | \$ 22,096 | \$ 229,420 | \$ 228,477 | \$ 23,039 |

continued...

CITY OF HOLLAND, MICHIGAN

Combining Statement of Changes in Fiduciary Assets and Liabilities

Agency Funds

For the Year Ended June 30, 2015

| | Balance July 1, 2014 | Additions | Deletions | Balance June 30, 2015 |
|---------------------------------|----------------------------|----------------------|----------------------|-----------------------------|
| <i>Imprest Payroll Fund</i> | | | | |
| Assets | | | | |
| Cash and pooled investments | \$ 96,702 | \$ 6,427,220 | \$ 6,456,438 | \$ 67,484 |
| Accounts receivable | - | 28,703 | - | 28,703 |
| Total assets | \$ 96,702 | \$ 6,455,923 | \$ 6,456,438 | \$ 96,187 |
| Liabilities | | | | |
| Accounts payable | \$ 26,519 | \$ 3,645,405 | \$ 3,610,611 | \$ 61,313 |
| Due to other governmental units | 70,177 | 2,810,518 | 2,845,821 | 34,874 |
| Other liabilities and deposits | 6 | - | 6 | - |
| Total liabilities | \$ 96,702 | \$ 6,455,923 | \$ 6,456,438 | \$ 96,187 |
| <i>WMAA Pooled Cash Fund</i> | | | | |
| Assets | | | | |
| Cash and pooled investments | \$ 927,499 | \$ 355,104 | \$ 162,721 | \$ 1,119,882 |
| Liabilities | | | | |
| Due to other governmental units | \$ 927,499 | \$ 355,104 | \$ 162,721 | \$ 1,119,882 |
| <i>Total All Agency Funds</i> | | | | |
| Assets | | | | |
| Cash and pooled investments | \$ 1,052,136 | \$ 57,299,017 | \$ 57,140,259 | \$ 1,210,894 |
| Accounts receivable | 915 | 110,417 | 81,504 | 29,828 |
| Other assets | - | 328,622 | 328,622 | - |
| Total assets | \$ 1,053,051 | \$ 57,738,056 | \$ 57,550,385 | \$ 1,240,722 |
| Liabilities | | | | |
| Accounts payable | \$ 30,235 | \$ 36,455,174 | \$ 36,423,205 | \$ 62,204 |
| Due to other governmental units | 1,001,036 | 21,058,565 | 20,903,495 | 1,156,106 |
| Other liabilities and deposits | 21,780 | 224,317 | 223,685 | 22,412 |
| Total liabilities | \$ 1,053,051 | \$ 57,738,056 | \$ 57,550,385 | \$ 1,240,722 |

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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, 2015 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 th St. (former City landfill location, new residential condos) | 2002 | Completed |
| 635 East 48 th Street (former Lifesavers location, new industrial condos) | 2002 | Completed |
| 345 East 48 th Street (former Textron Micromatics location, new industrial condos including Hudsonville Ice Cream) | 2004 | Completed |
| 13 West 4 th 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 th St. (former muffler shop location, new Macatawa Bank) | 2005 | Completed/TIF Done |
| 95 West 15 th Street (former Holland Public Schools location, new multiple commercial condos and banquet facility) | 2006 | Completed/TIF Done |
| 99 East 8 th 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 | Completed |
| 146 River Avenue (former manufacturing bldg., new residential condos, NEZ) | 2007 | Completed |
| 95-135 East 7 th 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, 2015

Assets

Current assets:

| | | |
|-----------------------------|----|---------|
| Cash and pooled investments | \$ | 192,873 |
| Taxes receivable | | 43 |
| Prepaid items | | 200 |
| | | <hr/> |

Total assets \$ 193,116

Liabilities

Current liabilities:

| | | |
|-------------------------------------|----|-------|
| Accounts payable | \$ | 3,713 |
| Accrued payroll and fringe benefits | | 3,262 |
| | | <hr/> |

Total liabilities 6,975

Fund balances

| | | |
|--------------|--|---------|
| Nonspendable | | 200 |
| Unassigned | | 185,941 |
| | | <hr/> |

Total fund balances 186,141

Total liabilities and fund balances \$ 193,116

CITY OF HOLLAND, MICHIGAN

Reconciliation

Fund Balance for the Governmental Fund
to Net Position of Component Unit
Downtown Development Authority Component Unit
June 30, 2015

| | | |
|--|----|---------|
| Fund balance - total governmental fund | \$ | 186,141 |
|--|----|---------|

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 | | <u>199,584</u> |
|---------------------|--|----------------|

| | | |
|--------------------------------|----|-----------------------|
| Net position of component unit | \$ | <u><u>385,725</u></u> |
|--------------------------------|----|-----------------------|

CITY OF HOLLAND, MICHIGAN

Statement of Revenues, Expenditures and Changes in Fund Balance

Downtown Development Authority Component Unit

For the Year Ended June 30, 2015

| | |
|---------------------------------|-------------|
| Revenues | |
| Property taxes | \$ 182,381 |
| Charges for services | 4,740 |
| Investment earnings | 1,740 |
| | <hr/> |
| Total revenue | 188,861 |
| | <hr/> |
| Expenditures | |
| Current: | |
| Economic development: | |
| Personal services | 73,253 |
| Current operating expenditures | 101,814 |
| | <hr/> |
| Total expenditures | 175,067 |
| | <hr/> |
| Net changes in fund balance | 13,794 |
| | |
| Fund balance, beginning of year | 172,347 |
| | <hr/> |
| Fund balance, end of year | \$ 186,141 |
| | <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, 2015

| | | |
|---|----|--------|
| Net changes in fund balance - total governmental fund | \$ | 13,794 |
|---|----|--------|

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>(19,269)</u> |
|----------------------|--|-----------------|

| | | |
|---|----|-----------------------|
| Changes in net position of component unit | \$ | <u><u>(5,475)</u></u> |
|---|----|-----------------------|

CITY OF HOLLAND, MICHIGAN

Balance Sheet

Brownfield Redevelopment Authority Component Unit
June 30, 2015

Assets

Current assets:

| | |
|-----------------------------|-------------------|
| Cash and pooled investments | <u>\$ 136,915</u> |
|-----------------------------|-------------------|

Fund balance

| | |
|------------|-------------------|
| Unassigned | <u>\$ 136,915</u> |
|------------|-------------------|

CITY OF HOLLAND, MICHIGAN

Statement of Revenues, Expenditures and Changes in Fund Balance

Brownfield Redevelopment Authority Component Unit

For the Year Ended June 30, 2015

| | |
|---------------------------------|--------------------------|
| Revenues | |
| Property taxes | \$ 869,094 |
| Contributions | 68,123 |
| Investment earnings | <u>2,694</u> |
| Total revenues | 939,911 |
| Expenditures | |
| Current: | |
| Economic development | <u>899,431</u> |
| Net changes in fund balance | 40,480 |
| Fund balance, beginning of year | <u>96,435</u> |
| Fund balance, end of year | <u><u>\$ 136,915</u></u> |

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OTHER INFORMATION (UNAUDITED)

CITY OF HOLLAND, MICHIGAN

Essential Service Resources (Unaudited)

Last Four Fiscal Years

| | Year Ending June 30, | | | |
|--|----------------------|----------------------|----------------------|----------------------|
| | 2012 | 2013 | 2014 | 2015 |
| Essential services expense | | | | |
| Police | \$ 7,271,864 | \$ 7,244,857 | \$ 7,658,619 | \$ 7,835,153 |
| Fire | 2,490,713 | 2,460,729 | 2,537,967 | 2,698,560 |
| Change in government-wide liabilities attributed to the police and fire functions: | | | | |
| Net other postemployment benefits obligation | (42,948) | 123,640 | 113,380 | 136,431 |
| Total essential services expense | <u>\$ 9,719,629</u> | <u>\$ 9,829,226</u> | <u>\$ 10,309,966</u> | <u>\$ 10,670,144</u> |
| General fund operating property tax revenue | <u>\$ 10,468,955</u> | <u>\$ 10,033,821</u> | <u>\$ 10,179,160</u> | <u>\$ 10,131,445</u> |
| Percentage utilized for essential services | 92.8% | 98.0% | 101.3% | 105.3% |

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. | 220 |
| 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. | 230 |
| 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. | 236 |
| 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. | 246 |
| 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. | 248 |

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 | | | |
|--|-----------------------|-----------------------|-----------------------|-----------------------|
| | 2015 | 2014 | 2013 | 2012 |
| Governmental activities | | | | |
| Net investment in capital assets | \$ 101,785,238 | \$ 101,283,878 | \$ 100,986,324 | \$ 98,805,338 |
| Restricted | 6,339,594 | 7,274,432 | 5,290,226 | 5,038,121 |
| Unrestricted (deficit) | (13,905,867) | 13,779,260 | 14,722,301 | 13,480,119 |
| Total governmental activities net position | \$ 94,218,965 | \$ 122,337,570 | \$ 120,998,851 | \$ 117,323,578 |
| Business-type activities | | | | |
| Net investment in capital assets | \$ 164,628,976 | \$ 109,000,184 | \$ 130,923,312 | \$ 132,936,434 |
| Restricted | 24,300,021 | 23,063,654 | 10,299,047 | 15,130,725 |
| Unrestricted | 125,351,237 | 174,756,386 | 152,548,565 | 133,025,971 |
| Total business-type activities net position | \$ 314,280,234 | \$ 306,820,224 | \$ 293,770,924 | \$ 281,093,130 |
| Primary government | | | | |
| Net investment in capital assets | \$ 266,414,214 | \$ 210,284,062 | \$ 231,909,636 | \$ 231,741,772 |
| Restricted | 30,639,615 | 30,338,086 | 15,589,273 | 20,168,846 |
| Unrestricted | 111,445,370 | 188,535,646 | 167,270,866 | 146,506,090 |
| Total primary government net position | \$ 408,499,199 | \$ 429,157,794 | \$ 414,769,775 | \$ 398,416,708 |

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.

GASB Statement No. 68 was implemented for the fiscal year ended June 30, 2015. This resulted in presentation of the City's net pension liability on the statement of net position. Prior years were not restated.

| Fiscal Year | | | | | |
|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| 2011 | 2010 | 2009 | 2008 | 2007 | 2006 |
| \$ 97,982,454 | \$ 91,848,117 | \$ 96,236,210 | \$ 94,586,185 | \$ 85,215,206 | \$ 77,018,752 |
| 5,007,295 | 8,273,750 | 4,739,586 | 5,726,977 | 6,836,980 | 8,068,218 |
| 13,469,116 | 12,635,427 | 11,443,984 | 13,044,127 | 18,854,026 | 22,673,963 |
| <u>\$ 116,458,865</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> |
| \$ 130,752,723 | \$ 125,755,686 | \$ 129,330,134 | \$ 133,094,822 | \$ 134,418,954 | \$ 137,313,844 |
| 12,841,230 | 11,605,553 | 11,591,211 | 13,532,257 | 14,296,104 | 6,770,323 |
| 126,288,993 | 122,779,775 | 111,446,733 | 101,113,510 | 92,581,178 | 86,838,111 |
| <u>\$ 269,882,946</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> |
| \$ 228,735,177 | \$ 217,603,803 | \$ 225,566,344 | \$ 227,681,007 | \$ 219,634,160 | \$ 214,332,596 |
| 17,848,525 | 19,879,303 | 16,330,797 | 19,259,234 | 21,133,084 | 14,838,541 |
| 139,758,109 | 135,415,202 | 122,890,717 | 114,157,637 | 111,435,204 | 109,512,074 |
| <u>\$ 386,341,811</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> |

CITY OF HOLLAND, MICHIGAN

Changes in Net Position Last Ten Fiscal Years

| | Fiscal Year | | | |
|--|--------------------|--------------------|--------------------|--------------------|
| | 2015 | 2014 | 2013 | 2012 |
| Expenses | | | | |
| Governmental activities: | | | | |
| General government | \$ 5,465,655 | \$ 5,242,181 | \$ 4,820,804 | \$ 4,822,179 |
| Public safety | 12,903,945 | 12,534,364 | 12,316,027 | 12,099,607 |
| Public works | 9,312,839 | 8,172,879 | 8,716,017 | 11,382,965 |
| Culture and recreation | 5,339,569 | 5,048,229 | 5,290,515 | 4,837,537 |
| Welfare and social services | 901,870 | 1,133,724 | 908,229 | 1,019,891 |
| Interest on debt | 787,260 | 911,559 | 1,015,138 | 1,115,515 |
| Total governmental activities expenses | <u>34,711,138</u> | <u>33,042,936</u> | <u>33,066,730</u> | <u>35,277,694</u> |
| Business-type activities: | | | | |
| Electric utility | 80,847,034 | 84,346,528 | 79,504,798 | 76,116,440 |
| Wastewater utility | 8,773,098 | 8,512,074 | 8,419,218 | 8,401,050 |
| Water utility | 6,248,425 | 6,282,005 | 6,215,516 | 6,305,874 |
| Other enterprise activities | 3,104,234 | 2,805,066 | 4,428,481 | 3,037,469 |
| Total business-type activities expenses | <u>98,972,791</u> | <u>101,945,673</u> | <u>98,568,013</u> | <u>93,860,833</u> |
| Total primary government expenses | <u>133,683,929</u> | <u>134,988,609</u> | <u>131,634,743</u> | <u>129,138,527</u> |
| Program revenues | | | | |
| Governmental activities: | | | | |
| Charges for services: | | | | |
| General government | 1,357,140 | 1,293,631 | 1,340,368 | 1,461,558 |
| Public safety | 1,366,794 | 1,331,259 | 1,148,691 | 1,091,868 |
| Culture and recreation | 607,673 | 611,146 | 545,865 | 521,717 |
| Other activities | 783,711 | 752,482 | 880,201 | 1,350,055 |
| Operating grants and contributions | 5,489,592 | 7,521,923 | 7,590,327 | 4,279,364 |
| Capital grants and contributions | 793,387 | 49,739 | 2,427,984 | 5,396,650 |
| Total governmental activities program revenues | <u>10,398,297</u> | <u>11,560,180</u> | <u>13,933,436</u> | <u>14,101,212</u> |
| Business-type activities: | | | | |
| Charges for services: | | | | |
| Electric utility | 100,816,653 | 97,539,619 | 93,576,510 | 88,066,208 |
| Wastewater utility | 10,305,015 | 10,107,589 | 9,446,065 | 8,619,974 |
| Water utility | 8,694,022 | 8,835,889 | 8,506,464 | 7,346,263 |
| Other enterprise activities | 2,307,355 | 2,140,867 | 2,103,272 | 1,864,234 |
| Operating grants and contributions | 1,107,948 | 779,632 | 1,534,672 | 1,970,111 |
| Capital grants and contributions | 2,339,301 | 272,815 | 617,604 | 233,950 |
| Total business-type activities program revenues | <u>125,570,294</u> | <u>119,676,411</u> | <u>115,784,587</u> | <u>108,100,740</u> |
| Total primary government program revenues | <u>135,968,591</u> | <u>131,236,591</u> | <u>129,718,023</u> | <u>122,201,952</u> |
| Net (Expenses) Revenues | | | | |
| Governmental activities | (24,312,841) | (21,482,756) | (19,133,294) | (21,176,482) |
| Business-type activities | <u>26,597,503</u> | <u>17,730,738</u> | <u>17,216,574</u> | <u>14,239,907</u> |
| Total primary government net (expenses) revenues | <u>2,284,662</u> | <u>(3,752,018)</u> | <u>(1,916,720)</u> | <u>(6,936,575)</u> |

| Fiscal Year | | | | | |
|--------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| 2011 | 2010 | 2009 | 2008 | 2007 | 2006 |
| \$ 4,746,330 | \$ 4,486,867 | \$ 7,087,290 | \$ 6,606,201 | \$ 6,249,186 | \$ 8,643,952 |
| 12,078,156 | 12,220,723 | 12,845,443 | 11,782,618 | 11,584,857 | 10,738,962 |
| 7,821,063 | 7,966,875 | 9,420,191 | 7,270,495 | 6,996,667 | 4,382,884 |
| 5,244,382 | 5,293,696 | 6,048,286 | 5,457,951 | 5,818,508 | 6,060,666 |
| 1,332,557 | 1,473,119 | 1,495,708 | 1,093,507 | 1,310,221 | 1,372,729 |
| 968,108 | 1,143,337 | 1,253,379 | 1,193,155 | 1,277,812 | 1,394,338 |
| <u>32,190,596</u> | <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> |
| 73,286,291 | 68,510,184 | 67,823,832 | 71,198,426 | 70,982,822 | 76,883,149 |
| 8,230,946 | 7,926,053 | 8,185,044 | 8,006,723 | 7,692,405 | 7,708,629 |
| 6,293,924 | 6,020,005 | 6,181,007 | 5,558,454 | 5,662,012 | 5,542,208 |
| 3,176,910 | 3,296,369 | 3,409,153 | 4,471,485 | 5,940,049 | 5,533,235 |
| <u>90,988,071</u> | <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>123,178,667</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> |
| 1,380,752 | 1,271,066 | 3,040,152 | 2,514,224 | 2,475,575 | 2,450,074 |
| 1,002,070 | 811,487 | 798,688 | 867,229 | 988,690 | 928,337 |
| 510,063 | 495,074 | 495,556 | 1,162,829 | 1,122,695 | 987,705 |
| 928,157 | 607,705 | 982,413 | 618,367 | 691,541 | 917,065 |
| 4,905,759 | 4,833,063 | 4,807,025 | 4,156,784 | 1,471,960 | 1,727,564 |
| 4,372,059 | 906,356 | 2,534,159 | 1,858,530 | 5,969,801 | 7,028,471 |
| <u>13,098,860</u> | <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> |
| 84,411,319 | 78,536,430 | 75,466,722 | 79,166,950 | 81,276,323 | 78,272,801 |
| 8,854,094 | 7,874,856 | 6,879,454 | 6,997,724 | 7,315,443 | 7,219,855 |
| 7,133,417 | 6,331,397 | 5,881,210 | 5,715,370 | 5,668,249 | 5,859,601 |
| 1,905,362 | 2,042,509 | 2,032,514 | 1,997,363 | 2,273,950 | 2,103,966 |
| 157,859 | 59,954 | 89,035 | 1,605,962 | 2,075,992 | 2,172,593 |
| 639,163 | 544,493 | 1,670,442 | 1,465,771 | 834,580 | 3,513,337 |
| <u>103,101,214</u> | <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>116,200,074</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> |
| (19,091,736) | (23,659,866) | (25,492,304) | (22,225,964) | (20,516,989) | (18,554,315) |
| <u>12,113,143</u> | <u>9,637,028</u> | <u>6,420,341</u> | <u>7,714,052</u> | <u>9,167,249</u> | <u>3,474,932</u> |
| <u>(6,978,593)</u> | <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> |

continued...

CITY OF HOLLAND, MICHIGAN

Changes in Net Position

Last Ten Fiscal Years

| | Fiscal Year | | | |
|--|----------------------|----------------------|----------------------|----------------------|
| | 2015 | 2014 | 2013 | 2012 |
| General revenues and other changes in net position | | | | |
| Governmental Activities: | | | | |
| Property taxes | \$ 15,694,176 | \$ 15,531,647 | \$ 15,305,039 | \$ 15,345,237 |
| State shared revenue | 2,895,971 | 2,843,918 | 2,771,987 | 2,700,327 |
| Investment earnings - unrestricted | 138,303 | 154,894 | 48,935 | 126,645 |
| Miscellaneous | - | - | - | - |
| Gain on sale of capital assets | - | - | 603,794 | - |
| Transfers - internal activities | 5,165,762 | 4,291,016 | 4,422,221 | 3,868,986 |
| Total governmental activities | <u>23,894,212</u> | <u>22,821,475</u> | <u>23,151,976</u> | <u>22,041,195</u> |
| Business-type activities: | | | | |
| Property taxes | 99,983 | 98,858 | 97,572 | 103,438 |
| Investment earnings - unrestricted | - | - | 26,918 | 735,825 |
| Miscellaneous | - | 31,135 | - | - |
| Transfers - internal activities | (5,165,762) | (4,291,016) | (4,422,221) | (3,868,986) |
| Special item: | | | | |
| Transfer of assets to transportation authority | - | - | - | - |
| Transfer of assets to airport authority | - | - | - | - |
| Extraordinary item | - | (520,415) | - | - |
| Total business-type activities | <u>(5,065,779)</u> | <u>(4,681,438)</u> | <u>(4,297,731)</u> | <u>(3,029,723)</u> |
| Total primary government general revenues | <u>18,828,433</u> | <u>18,140,037</u> | <u>18,854,245</u> | <u>19,011,472</u> |
| Change in net position | | | | |
| Governmental activities | (418,629) | 1,338,719 | 4,018,682 | 864,713 |
| Business-type activities | 21,531,724 | 13,049,300 | 12,918,843 | 11,210,184 |
| Total primary government change in net position | <u>\$ 21,113,095</u> | <u>\$ 14,388,019</u> | <u>\$ 16,937,525</u> | <u>\$ 12,074,897</u> |

| Fiscal Year | | | | | | |
|----------------------|---------------------|---------------------|---------------------|----------------------|---------------------|--|
| 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | |
| \$ 16,121,528 | \$ 17,251,755 | \$ 17,089,338 | \$ 17,313,526 | \$ 16,771,182 | \$ 16,368,318 | |
| 2,697,917 | 2,698,103 | 3,041,193 | 3,168,205 | 3,133,796 | 3,229,886 | |
| 197,270 | 455,666 | 635,831 | 1,254,996 | 1,222,007 | 909,619 | |
| 482,588 | - | - | - | - | - | |
| - | - | - | - | - | - | |
| 3,294,004 | 3,600,531 | 3,788,433 | 2,940,314 | 2,535,283 | 2,041,365 | |
| <u>22,793,307</u> | <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> | |
| 108,734 | 118,962 | 117,952 | 19 | 171,058 | 113,079 | |
| 814,059 | 1,608,802 | 2,296,887 | 4,213,060 | 3,953,403 | 2,138,700 | |
| - | - | - | - | (382,469) | 2,143 | |
| (3,294,004) | (3,600,531) | (3,788,433) | (2,940,314) | (2,535,283) | (2,041,365) | |
| - | - | - | (2,542,464) | - | - | |
| - | - | (419,258) | - | - | - | |
| - | - | - | - | - | - | |
| <u>(2,371,211)</u> | <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>20,422,096</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> | |
| 3,701,571 | 346,189 | (937,509) | 2,451,077 | 3,145,279 | 3,994,873 | |
| 9,741,932 | 7,764,261 | 4,627,489 | 6,444,353 | 10,373,958 | 3,687,489 | |
| <u>\$ 13,443,503</u> | <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> | |

concluded

CITY OF HOLLAND, MICHIGAN

Fund Balances, Governmental Funds
Last Ten Fiscal Years

| | Fiscal Year | | | |
|---|---------------------|---------------------|---------------------|---------------------|
| | 2015 | 2014 | 2013 | 2012 |
| General fund | | | | |
| Reserved | \$ - | \$ - | \$ - | \$ - |
| Unreserved | - | - | - | - |
| Nonspendable | 20,736 | 14,808 | 10,909 | 7,028 |
| Committed | 12,915 | 12,915 | 17,415 | 27,090 |
| Unassigned | 4,948,792 | 4,672,551 | 4,931,652 | 4,183,015 |
| Total general fund | \$ 4,982,443 | \$ 4,700,274 | \$ 4,959,976 | \$ 4,217,133 |
| 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 | 1,554,387 | 1,530,737 | 1,507,707 | 1,488,822 |
| Restricted | 4,959,854 | 5,743,695 | 3,997,308 | 3,783,400 |
| Committed | 3,009,413 | 2,678,973 | 3,270,785 | 2,118,169 |
| Unassigned (deficit) | - | (151,746) | (365,102) | (239,384) |
| Total all other governmental funds | \$ 9,523,654 | \$ 9,801,659 | \$ 8,410,698 | \$ 7,151,007 |

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, 2006 to 2010.

| Fiscal Year | | | | | |
|---------------------|----------------------|---------------------|---------------------|---------------------|---------------------|
| 2011 | 2010 | 2009 | 2008 | 2007 | 2006 |
| \$ - | \$ 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 |
| 300 | - | - | - | - | - |
| 66,490 | - | - | - | - | - |
| 4,065,072 | - | - | - | - | - |
| <u>\$ 4,131,862</u> | <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> |
| | | | | | |
| \$ - | \$ 300 | \$ 300 | \$ 50,169 | \$ 1,241 | \$ 41,525 |
| - | - | 20,000 | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | 1,441,142 | 1,411,567 | 1,385,867 | 1,365,692 | 1,339,292 |
| - | 52,068 | 127,130 | 220,112 | 267,434 | 287,653 |
| - | 6,587,493 | 3,396,437 | 3,883,960 | 4,803,171 | 4,749,558 |
| - | 804,641 | 753,755 | 826,450 | 905,740 | 941,569 |
| - | 1,291,149 | 834,822 | 1,348,069 | 1,742,621 | 1,517,035 |
| - | - | - | - | - | - |
| 1,465,142 | - | - | - | - | - |
| 4,932,209 | - | - | - | - | - |
| 1,593,998 | - | - | - | - | - |
| - | - | - | - | - | - |
| <u>\$ 7,991,349</u> | <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> |

CITY OF HOLLAND, MICHIGAN

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

| | Fiscal Year | | | |
|--|--------------------|---------------------|---------------------|---------------------|
| | 2015 | 2014 | 2013 | 2012 |
| Revenues | | | | |
| Property taxes | \$ 15,694,176 | \$ 15,531,647 | \$ 15,305,039 | \$ 15,345,237 |
| Special assessments | 747,753 | 773,740 | 738,263 | 814,214 |
| Licenses and permits | 694,822 | 627,716 | 484,785 | 497,102 |
| Intergovernmental | 8,019,895 | 8,090,257 | 9,190,867 | 11,513,296 |
| Charges for services | 1,774,682 | 1,765,726 | 1,767,839 | 1,727,647 |
| Fines and fees | 640,851 | 629,639 | 600,565 | 558,518 |
| Contributions from private sector | 658,219 | 852,417 | 1,458,342 | 570,496 |
| Interest and rents | 945,998 | 1,005,386 | 916,552 | 1,026,240 |
| Miscellaneous | 297,550 | 287,829 | 272,010 | 346,334 |
| Total revenues | 29,473,946 | 29,564,357 | 30,734,262 | 32,399,084 |
| Expenditures | | | | |
| Current: | | | | |
| General government | 3,814,393 | 3,537,050 | 3,946,025 | 4,045,535 |
| Public safety | 11,819,699 | 11,376,342 | 10,904,914 | 10,947,361 |
| Public works | 4,400,212 | 4,627,841 | 3,993,238 | 3,890,213 |
| Welfare and social services | 899,556 | 1,142,307 | 895,361 | 1,003,258 |
| Culture and recreation | 5,053,039 | 4,510,490 | 4,365,859 | 4,771,718 |
| Other | 92,809 | 77,581 | 68,572 | 64,781 |
| Debt service: | | | | |
| Principal retirement | 2,389,000 | 3,839,000 | 3,218,223 | 2,631,963 |
| Interest and fiscal charges | 779,254 | 912,384 | 1,010,844 | 1,108,456 |
| Bond issuance costs | - | - | - | - |
| Capital outlay | 5,195,929 | 2,336,346 | 5,982,162 | 8,396,066 |
| Total expenditures | 34,443,891 | 32,359,341 | 34,385,198 | 36,859,351 |
| Revenues under expenditures | (4,969,945) | (2,794,984) | (3,650,936) | (4,460,267) |
| Other financing sources (uses) | | | | |
| Bond issue and land contract | - | - | - | - |
| Bond premium | - | - | - | - |
| Payment to escrow agent | - | - | - | - |
| Proceeds on sale of capital assets | 4,282 | - | 1,331,249 | - |
| Transfers in | 11,671,851 | 11,473,850 | 9,489,765 | 9,647,680 |
| Transfers out | (6,702,024) | (7,547,607) | (5,167,544) | (5,942,484) |
| Total other financing sources (uses) | 4,974,109 | 3,926,243 | 5,653,470 | 3,705,196 |
| Net changes in fund balances | \$ 4,164 | \$ 1,131,259 | \$ 2,002,534 | \$ (755,071) |
| Debt service as a percentage of noncapital expenditures | 10.4% | 15.8% | 14.4% | 11.9% |

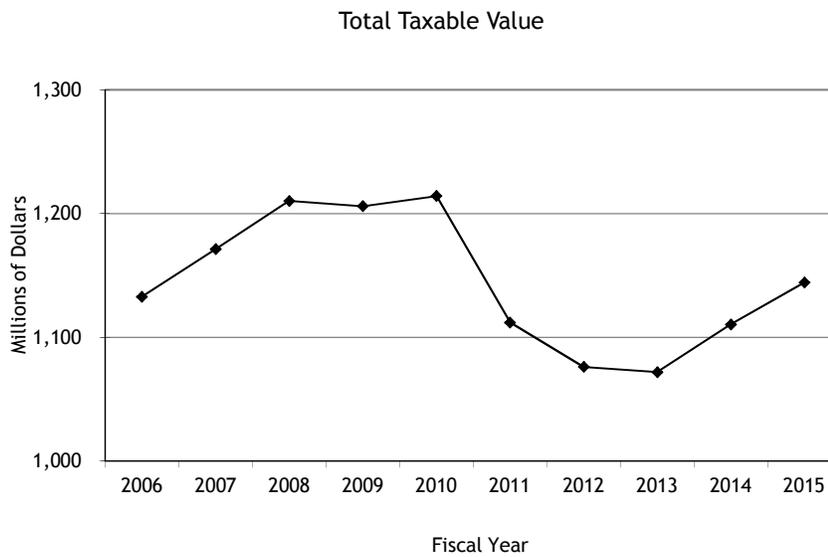
| Fiscal Year | | | | | |
|-----------------------|---------------------|---------------------|-----------------------|--------------------|-----------------------|
| 2011 | 2010 | 2009 | 2008 | 2007 | 2006 |
| \$ 16,121,528 | \$ 17,251,755 | \$ 17,089,338 | \$ 17,313,526 | \$ 16,771,182 | \$ 16,368,318 |
| 721,343 | 695,621 | 659,329 | 624,352 | 682,982 | 728,498 |
| 551,740 | 378,613 | 331,941 | 428,256 | 556,324 | 517,223 |
| 11,048,271 | 7,682,981 | 8,148,604 | 8,977,468 | 10,402,819 | 11,650,263 |
| 1,544,669 | 1,408,254 | 1,360,268 | 1,201,777 | 1,174,439 | 1,176,727 |
| 549,498 | 495,531 | 474,462 | 460,144 | 445,206 | 423,176 |
| 586,279 | 386,717 | 408,948 | 375,206 | 408,474 | 542,430 |
| 1,103,409 | 1,294,685 | 3,702,781 | 4,078,215 | 4,009,704 | 3,660,418 |
| 256,580 | 260,585 | 419,427 | 15,666 | 10,384 | 41,169 |
| <u>32,483,317</u> | <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> |
| 3,893,107 | 3,708,153 | 6,014,901 | 6,115,337 | 5,793,527 | 5,713,523 |
| 11,212,040 | 11,095,227 | 11,336,176 | 11,353,454 | 11,274,392 | 10,301,845 |
| 3,951,785 | 3,850,331 | 4,273,397 | 4,005,177 | 3,760,112 | 3,290,658 |
| 1,326,664 | 1,451,323 | 1,289,774 | 1,112,074 | 1,304,323 | 1,399,094 |
| 4,986,686 | 5,122,991 | 5,134,093 | 5,408,323 | 5,156,184 | 5,439,768 |
| 69,432 | 75,282 | 85,705 | 81,242 | 151,255 | 115,681 |
| 1,981,964 | 1,807,961 | 2,567,963 | 2,427,963 | 2,322,963 | 2,292,963 |
| 1,047,485 | 1,181,812 | 1,230,937 | 1,195,690 | 1,273,710 | 1,534,371 |
| 114,289 | 62,973 | 151,980 | - | - | - |
| 8,214,505 | 5,970,223 | 9,538,667 | 6,455,022 | 6,056,550 | 13,185,288 |
| <u>36,797,957</u> | <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>(4,314,640)</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> |
| 7,425,000 | 5,820,000 | 4,000,000 | - | - | 7,410,000 |
| 385,976 | - | 34,490 | - | - | 1,676 |
| (7,852,210) | - | - | - | - | (7,137,158) |
| - | - | - | - | - | - |
| 10,616,583 | 11,403,402 | 12,243,923 | 10,118,589 | 8,866,486 | 10,033,423 |
| <u>(7,540,624)</u> | <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>3,034,725</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>\$ (1,279,915)</u> | <u>\$ 4,302,178</u> | <u>\$ (941,050)</u> | <u>\$ (1,621,513)</u> | <u>\$ 252,930</u> | <u>\$ (5,810,963)</u> |
| 10.6% | 10.3% | 11.8% | 11.5% | 11.3% | 11.8% |

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 |
|-------------|----------------------|---------------------|---------------------|-----------------|---------------------------|---------------------|-----------------------|
| 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 |
| 2015 | 523,937,525 | 250,847,059 | 388,568,313 | 8,353,950 | 27,346,741 | 1,144,360,106 | 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 |
| 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 |
| 2015 | 9.5000 | 2.3400 | 1.9213 | 1.2472 | - | 0.1000 | 15.1085 | 6.0000 | 0.4000 |

1.8333 must be added to the City direct rate, for the fiscal year 2015, 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:

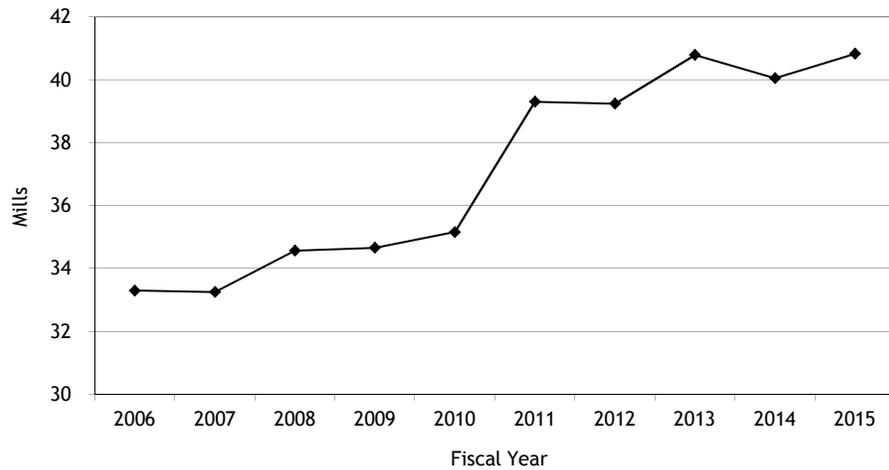
The City of Holland is located in both Ottawa and Allegan County and Holland, Hamilton and Zeeland School District. The county and school tax paid by property owners depends on the location of their property. Approximately 80% of the City of Holland is located in Ottawa County and 20% in Allegan County.

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 | Principal Residence | Non-Principal Residence | Principal Residence | Non-Principal Residence | Principal Residence | Non-Principal Residence | | |
| 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 |
| 5.5234 | 1.7100 | 4.3565 | 6.0937 | 7.7300 | 25.7300 | 4.5000 | 22.5000 | 8.0300 | 26.0300 |

Total Tax Levies



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

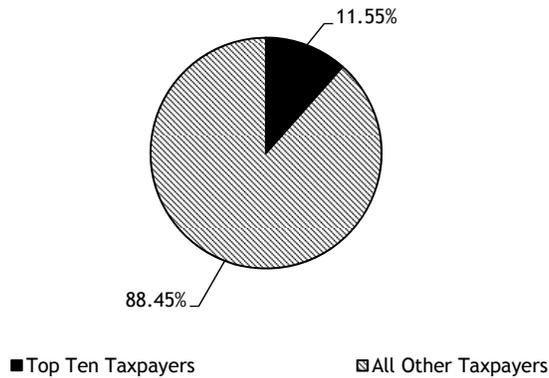
Principal Property Tax Payers
For the Current Fiscal Year and Nine Years Ago

| Taxpayer | 2015 | | | 2006 | | |
|-----------------------------|------------------------|------|---|------------------------|------|---|
| | Taxable Assessed Value | Rank | Percentage of Total City Taxable Assessed Value | Taxable Assessed Value | Rank | Percentage of Total City Taxable Assessed Value |
| Haworth, Inc | \$ 24,372,835 | 1 | 2.13 % | \$ 44,544,480 | 2 | 3.93 % |
| JCIM US LLC | 20,398,551 | 2 | 1.78 | ----- | | ---- |
| Johnson Controls Interiors | 17,205,764 | 3 | 1.50 | 66,124,563 | 1 | 5.84 |
| Johnson Controls Inc | 15,377,500 | 4 | 1.34 | ----- | | ---- |
| ARC Holland Real Estate | 15,087,544 | 5 | 1.32 | 19,471,812 | 3 | 1.72 |
| Lumir LLC | 14,016,014 | 6 | 1.22 | 9,737,926 | 6 | 0.86 |
| H.J. Heinz Co | 7,560,395 | 7 | 0.66 | 11,411,048 | 5 | 1.01 |
| American Bottling Co | 6,561,700 | 8 | 0.57 | 8,648,588 | 7 | 0.76 |
| Challenge MFG Company | 6,064,510 | 9 | 0.53 | ----- | | ---- |
| Semco Energy | 5,734,700 | 10 | 0.50 | ----- | | ---- |
| Hydro Automotive Structures | ----- | | ---- | 11,648,051 | 4 | 1.03 |
| New West MI Ind Inv LLC | ----- | | ---- | 7,909,900 | 8 | 0.70 |
| L & W Engineering Co | ----- | | ---- | 7,242,357 | 9 | 0.64 |
| Herman Miller Inc | ----- | | ---- | 7,042,118 | 10 | 0.62 |
| | <u>\$132,379,513</u> | | <u>11.55</u> | <u>\$193,780,843</u> | | <u>17.11</u> |

Source: City of Holland Assessor's Office

2015 Total Taxable Value is \$1,144,360,106, which includes IFT's at equivalency valuation.

Concentration of 2015 Taxpayers



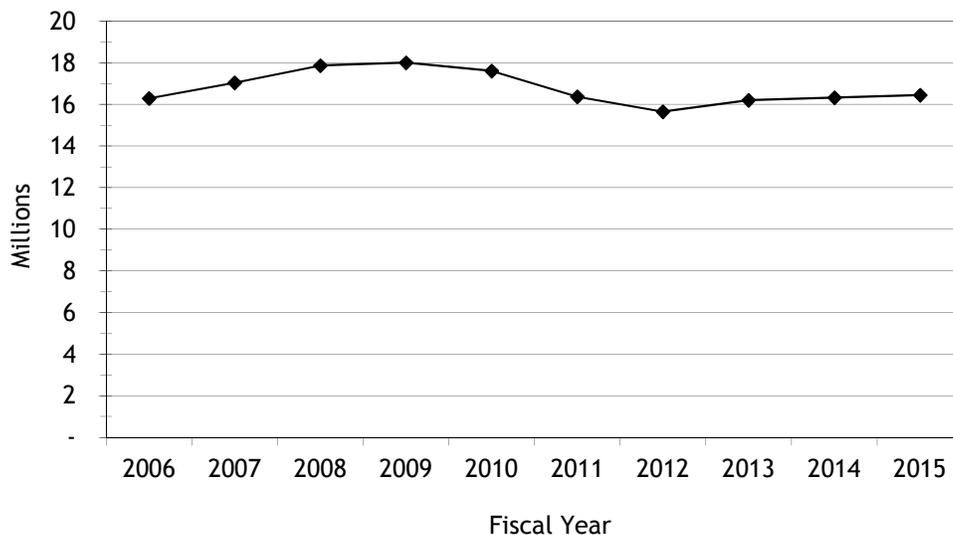
Property Tax Levies and Collections
For the Last Ten Fiscal Years

| Fiscal Year Ended June 30 | Taxes Levied for the Fiscal Year* | Collected within the Fiscal Year of the Levy | | Total Collections to Date | | |
|---------------------------|-----------------------------------|--|--------------------|---------------------------------|---------------|--------------------|
| | | Amount | Percentage of Levy | Collections in Subsequent Years | Amount | Percentage of Levy |
| 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 | 1,180 | 16,326,275 | 99.96 |
| 2015 | 16,493,211 | 16,446,521 | 99.72 | - | 16,446,521 | 99.72 |

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

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

Total Tax Collections



CITY OF HOLLAND, MICHIGAN

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

| Fiscal Year | Governmental Activities | | | | | | |
|-------------|--------------------------|--------------------------|-------------------------------|--------------------------|------------------------------|---------------------------|-------------------------------|
| | General Obligation Bonds | Building Authority Bonds | Michigan Transportation Bonds | Special Assessment Bonds | Environmental Clean-up Costs | Capital Improvement Bonds | Total Governmental Activities |
| 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 |
| 2015 | - | 12,239,168 | - | 60,000 | - | 6,870,000 | 19,169,168 |

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

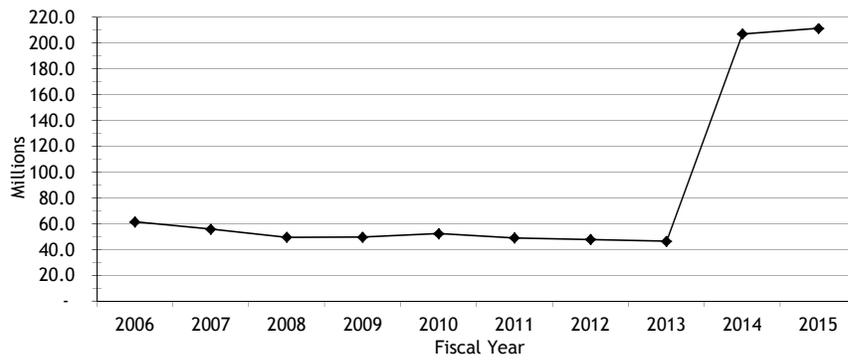
** See Exhibit K-1 for personal income and population data.

| Business-type Activities | | | | | | Total Primary Government | Percentage of Personal Income** | Per Capita** |
|--------------------------|-----------------|----------------|-------------------|------------------|--------------------------------------|--------------------------------|---------------------------------------|-----------------|
| Airport Bonds | County Bonds | Water Bonds | Electric Bonds | Capital Lease | Total Business-type Activities | | | |
| \$ 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 |
| - | - | 16,598,214 | 166,102,703 | 9,500,000 | 192,200,917 | 211,370,085 | 30.26 | 6,283 |

continued...

concluded

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 | | |
| 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 |
| 2015 | - | 12,239,168 | 12,239,168 | 1.07 | 364 |

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, 2015

| Governmental Unit | Debt Outstanding | Estimated Percentage Applicable* | Estimated Share of Overlapping Debt |
|--|------------------|----------------------------------|-------------------------------------|
| Debt repaid with property taxes | | | |
| Ottawa Area Intermediate School District | \$ 3,605,709 | 10.06% | \$ 362,734 |
| Hamilton School District | 24,301,642 | 30.05% | 7,302,643 |
| Holland School District | 79,134,076 | 76.28% | 60,363,473 |
| Zeeland School District | 82,987,195 | 0.00% | - |
| Allegan County | 44,822,697 | 10.83% | 4,854,298 |
| Ottawa County | 156,800,634 | 6.63% | 10,395,882 |
| Holland Area Community Swimming Pool Authority | 2,760,000 | 76.28% | 2,105,328 |
| Subtotal, overlapping debt | | | 85,384,358 |
| City direct debt | | | 19,169,168 |
| Total direct and overlapping debt | | | \$ 104,553,526 |

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

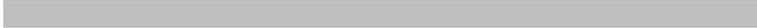
Legal Debt Margin Calculation for Fiscal Year 2015

| | |
|--|----------------------|
| Assessed value | \$1,144,360,106 |
| Debt limit (10% of assessed value) | 114,436,011 |
| Debt applicable to limit: | |
| Building authority bonds | 11,364,168 |
| Capital improvement bonds | 6,870,000 |
| Less: Amount set aside for repayment of debt | <u>(187,469)</u> |
| Total net debt applicable to limit | <u>18,046,699</u> |
| Legal debt margin | <u>\$ 96,389,312</u> |

| | Fiscal Year | | | | |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|
| | 2015 | 2014 | 2013 | 2012 | 2011 |
| Debt Limit | \$ 114,436,011 | \$ 111,048,237 | \$ 107,192,648 | \$ 107,612,788 | \$ 111,202,723 |
| Total net debt applicable to limit | <u>18,046,699</u> | <u>19,965,860</u> | <u>23,582,232</u> | <u>26,760,035</u> | <u>28,956,240</u> |
| Legal debt margin | <u>\$ 96,389,312</u> | <u>\$ 91,082,377</u> | <u>\$ 83,610,416</u> | <u>\$ 80,852,753</u> | <u>\$ 82,246,483</u> |
| Total net debt applicable to the limit as a percentage of debt limit | 18.72% | 21.92% | 28.20% | 33.10% | 35.21% |

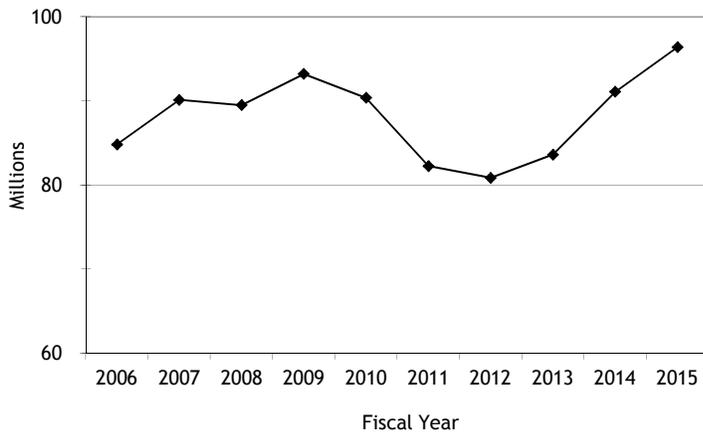
Note: The City of Holland is legally indebted for the Building Authority Bonds issued in 2004 for the Herrick District Library Expansion Project. Payment of approximately 62.1% of the debt is committed to be paid by three area local governmental jurisdictions based upon an executed Library Support Agreement. 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 \$875,000, or \$543,375, 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 | | | | |
|----------------------|----------------------|----------------------|----------------------|----------------------|
| 2010 | 2009 | 2008 | 2007 | 2006 |
| \$ 121,415,479 | \$ 120,588,930 | \$ 115,235,643 | \$ 117,120,687 | \$ 113,279,753 |
| <u>31,046,415</u> | <u>27,390,212</u> | <u>25,741,478</u> | <u>26,998,987</u> | <u>28,457,723</u> |
| <u>\$ 90,369,064</u> | <u>\$ 93,198,718</u> | <u>\$ 89,494,165</u> | <u>\$ 90,121,700</u> | <u>\$ 84,822,030</u> |
| 34.36% | 29.39% | 28.76% | 29.96% | 33.55% |

Legal Debt Margin



Pledged-Revenue Coverage
For the Last Ten Fiscal Years

| Fiscal Year | Water Revenue Bonds | | | Debt Service | | Coverage |
|-------------|-------------------------|--------------------------|-----------------------|--------------|------------|----------|
| | Utility Service Charges | Less: Operating Expenses | Net Available Revenue | Principal | Interest | |
| 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 |
| 2015 | 8,694,022 | 4,139,285 | 4,554,737 | 2,210,000 | 538,813 | 1.66 |

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.

Note: During fiscal year 2015, the City revised its methodology of determining the operating expenses. In this year, the City determined it was most appropriate to exclude the depreciation expense from this total as this amount represents noncash expenses and therefore would not impact the amount of net revenue available for making debt service payments. Prior years were not restated for this change.

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 | |
| 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 |
| 2015 | 100,816,653 | 74,385,029 | 26,431,624 | - | 1,624,923 | 16.27 |

continued...

Pledged-Revenue Coverage
For the Last Ten Fiscal Years

| Wastewater Revenue Bonds | | | | | | |
|--------------------------|-------------------------|--------------------------|-----------------------|--------------|----------|----------|
| Fiscal Year | Utility Service Charges | Less: Operating Expenses | Net Available Revenue | Debt Service | | Coverage |
| | | | | Principal | Interest | |
| 2006 | \$ - | \$ - | \$ - | \$ - | \$ - | - |
| 2007 | - | - | - | - | - | - |
| 2008 | - | - | - | - | - | - |
| 2009 | - | - | - | - | - | - |
| 2010 | - | - | - | - | - | - |
| 2011 | - | - | - | - | - | - |
| 2012 | - | - | - | - | - | - |
| 2013 | - | - | - | - | - | - |
| 2014 | - | - | - | - | - | - |
| 2015 | 10,305,015 | 6,640,193 | 3,664,822 | - | 92,338 | 39.69 |

Pledged-Revenue Coverage
For the Last Ten Fiscal Years

| Fiscal Year | Special Assessment Bonds | | | | Coverage |
|-------------|--------------------------------|--------------|------------|------|----------|
| | Special Assessment Collections | Debt Service | | | |
| | | Principal | Interest | | |
| 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 | |
| 2015 | 214,415 | 74,000 | 6,345 | 2.67 | |

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) |
|------|--------------------------|--|--------------------------------|-----------------------|
| 2005 | 34,429 | \$ 648,057 | N/A | 6.9% |
| 2006 | 34,245 | 644,594 | N/A | 7.3% |
| 2007 | 34,002 | 640,020 | N/A | 7.5% |
| 2008 | 34,076 | 725,001 | \$ 21,276 | 8.8% |
| 2009 | 34,053 | 724,512 | 21,276 | 15.9% |
| 2010 | 33,051 | 705,804 | 21,355 | 11.6% |
| 2011 | 33,270 | 687,624 | 20,668 | 9.1% |
| 2012 | 33,279 | 644,714 | 19,373 | 7.6% |
| 2013 | 33,481 | 682,912 | 20,397 | 7.0% |
| 2014 | 33,644 | 698,416 | 20,759 | 5.4% |

Sources:

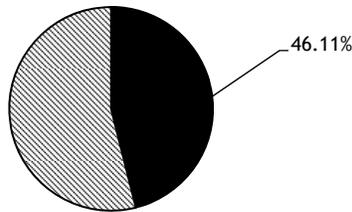
- (1) United States Census Bureau
- (2) United States Census Bureau
- (3) Michigan Bureau of Labor Statistics

Principal Employers
Current Year and Nine Years Ago

| Employer | 2015 | | | 2006 | | |
|------------------------------|--------------|------|-------------------------------------|--------------|------|-------------------------------------|
| | Employees | Rank | Percentage of Total City Employment | Employees | Rank | Percentage of Total City Employment |
| Johnson Controls Interiors | 1,943 | 1 | 11.41 % | 2,705 | 1 | 15.87 % |
| Holland Community Hospital | 1,788 | 2 | 10.50 | 1,600 | 3 | 9.39 |
| Haworth Inc | 1,731 | 3 | 10.17 | 1,608 | 2 | 9.43 |
| Challenge Mfg Company | 845 | 4 | 4.96 | - | - | - |
| Dialog Direct | 626 | 5 | 3.68 | - | - | - |
| Hope College | 542 | 6 | 3.18 | 750 | 4 | 4.40 |
| Holland Public Schools | 523 | 7 | 3.07 | - | - | - |
| Benteler & Hydro Automotive | 416 | 8 | 2.44 | - | - | - |
| City of Holland / BPW | 385 | 9 | 2.26 | 481 | 6 | 2.52 |
| Herman Miller | 378 | 10 | 2.22 | - | - | - |
| 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 |
| L&W Engineering | - | - | - | 353 | 9 | 2.07 |
| American Bottling Co | - | - | - | 345 | 10 | 2.02 |
| | <u>9,177</u> | | <u>53.89</u> | <u>9,442</u> | | <u>55.09</u> |

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

2015 Principal Employers



■ All Other Employers ▨ Principal Employers

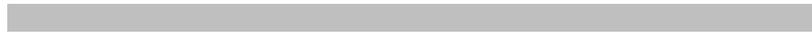
CITY OF HOLLAND, MICHIGAN

Full-Time Equivalent City Government Employees By Function For the Last Ten Fiscal Years

| Function | Full-time Equivalent Employees as of June 30 | | | | |
|------------------------------------|--|----------------------|----------------------|----------------------|----------------------|
| | 2015 | 2014 | 2013 | 2012 | 2011 |
| General government | | | | | |
| Management services | 2.60 | 2.70 | 2.85 | 2.85 | 2.85 |
| Fiscal services | 12.95 | 13.00 | 12.15 | 13.15 | 13.15 |
| City clerk | 2.00 | 2.00 | 2.00 | 2.25 | 2.25 |
| Human resources | 1.60 | 1.25 | 1.25 | 2.25 | 2.25 |
| Building | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Cemetery | 2.85 | 2.85 | 2.90 | 2.90 | 2.40 |
| Planning | 1.90 | 1.90 | 2.40 | 2.60 | 2.67 |
| Technology | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 |
| Public safety | | | | | |
| Police | 65.00 | 65.00 | 65.00 | 65.00 | 69.00 |
| Fire | 51.00 | 51.00 | 51.00 | 55.00 | 55.00 |
| Environmental health & inspections | 8.90 | 7.90 | 8.35 | 8.85 | 8.85 |
| Public works | | | | | |
| Streets | 15.65 | 15.65 | 16.15 | 18.15 | 17.90 |
| Engineering | 2.35 | 2.35 | 2.60 | 2.60 | 2.90 |
| Transit | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Centralized vehicle maintenance | 7.00 | 7.15 | 7.80 | 7.80 | 7.75 |
| Welfare and social services | | | | | |
| Ourstreet / Human relations | 1.95 | 1.95 | 2.10 | 2.80 | 2.80 |
| Economic development assistance | 0.85 | 1.10 | 1.90 | 2.20 | 2.13 |
| Downtown development | 3.30 | 3.30 | 3.15 | 3.20 | 3.20 |
| Culture and recreation | | | | | |
| Recreation | 4.00 | 4.15 | 3.75 | 4.75 | 4.60 |
| Parks | 11.85 | 11.60 | 11.95 | 12.95 | 13.40 |
| Civic Center | 1.45 | 1.30 | 1.40 | 1.40 | 1.60 |
| Board of Public Works Utilities | <u>171.00</u> | <u>178.00</u> | <u>177.00</u> | <u>179.00</u> | <u>182.00</u> |
| Total | <u><u>373.20</u></u> | <u><u>379.15</u></u> | <u><u>380.70</u></u> | <u><u>394.70</u></u> | <u><u>401.70</u></u> |

Source: City of Holland Finance Office Fiscal Year 2015 Budget (Approved Positions)

Exhibit L-1 - Unaudited



| Full-time Equivalent Employees as of June 30 | | | | |
|--|----------------------|----------------------|----------------------|----------------------|
| 2010 | 2009 | 2008 | 2007 | 2006 |
| 3.33 | 3.20 | 3.20 | 3.20 | 3.65 |
| 13.35 | 14.30 | 14.35 | 14.35 | 13.90 |
| 2.25 | 2.25 | 3.25 | 3.25 | 3.00 |
| 2.25 | 2.25 | 2.25 | 2.25 | 2.25 |
| 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| 3.15 | 4.15 | 4.15 | 4.15 | 4.15 |
| 3.20 | 3.20 | 3.10 | 3.30 | 3.50 |
| 4.00 | 4.00 | 4.00 | 4.00 | 5.00 |
| 71.00 | 73.50 | 74.50 | 74.50 | 74.50 |
| 56.00 | 57.00 | 58.00 | 58.00 | 58.00 |
| 10.15 | 10.20 | 10.20 | 11.20 | 11.50 |
| 19.90 | 19.91 | 19.82 | 19.74 | 19.74 |
| 3.00 | 3.00 | 2.90 | 2.90 | 2.90 |
| 2.75 | 2.75 | 2.75 | 1.58 | 0.83 |
| 8.44 | 9.95 | 8.93 | 8.93 | 8.93 |
| 3.80 | 3.80 | 3.80 | 3.80 | 5.05 |
| 1.84 | 1.95 | 2.00 | 2.80 | 2.30 |
| 2.20 | 2.20 | 2.15 | 2.05 | 2.05 |
| 4.60 | 4.60 | 4.60 | 4.60 | 4.60 |
| 13.75 | 14.65 | 14.65 | 13.65 | 13.65 |
| 1.50 | 1.60 | 1.65 | 1.75 | 1.75 |
| <u>183.00</u> | <u>186.00</u> | <u>185.00</u> | <u>180.00</u> | <u>182.00</u> |
| <u><u>414.46</u></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> |

CITY OF HOLLAND, MICHIGAN

Operating Indicators by Function For the Last Ten Fiscal Years

| Function | Fiscal Year | | | | |
|---|-------------|--------|--------|--------|--------|
| | 2015 | 2014 | 2013 | 2012 | 2011 |
| Cemetery | | | | | |
| Burials | 222 | 225 | 244 | 229 | 266 |
| Police | | | | | |
| Physical arrests | 1,901 | 2,055 | 2,031 | 2,241 | 2,281 |
| Parking violations | 3,783 | 3,984 | 7,591 | 5,040 | 4,589 |
| Traffic violations | 4,373 | 3,661 | 3,494 | 4,006 | 3,769 |
| Fire | | | | | |
| Emergency responses | 3,268 | 3,101 | 2,944 | 2,768 | 2,709 |
| Fires | 91 | 93 | 96 | 86 | 86 |
| Medical Emergencies | 2,160 | 2,079 | 1,957 | 1,944 | 1,858 |
| Inspections | 263 | 249 | 194 | 132 | 116 |
| Public works | | | | | |
| Street resurfacing (miles) | 4.6 | 3.8 | 4.0 | 8.7 | 4.9 |
| Working in the ROW permits | 340 | 343 | 330 | 282 | 302 |
| Community & neighborhood services | | | | | |
| Number of construction permits: | | | | | |
| Industrial & commercial | 99 | 102 | 95 | 78 | 86 |
| Residential | 530 | 497 | 438 | 508 | 440 |
| Institutional & municipal | 16 | 24 | 21 | 26 | 23 |
| Value of construction permits (millions of dollars) | | | | | |
| Industrial & commercial | 36.27 | 22.57 | 18.92 | 24.80 | 52.48 |
| Residential | 28.23 | 14.45 | 7.64 | 8.60 | 10.21 |
| Institutional & municipal | 8.85 | 38.95 | 31.40 | 47.00 | 16.06 |
| Culture and recreation | | | | | |
| Program participants | 21,427 | 19,480 | 19,329 | 18,594 | 16,965 |
| Pool attendance | 11,700 | 11,068 | 15,051 | 18,790 | 17,224 |
| Water | | | | | |
| Service connections | 13,405 | 13,375 | 12,957 | 13,028 | 13,284 |
| Average daily consumption (thousands of gallons) | 11,200 | 11,690 | 11,790 | 11,666 | 10,211 |
| Wastewater | | | | | |
| Service connections | 12,335 | 12,320 | 12,308 | 12,272 | 12,202 |
| Average daily consumption (thousands of gallons) | 9,025 | 9,144 | 9,490 | 7,501 | 7,370 |

Source: Various city departments

Exhibit L-2 - Unaudited

| Fiscal Year | | | | |
|-------------|--------|--------|--------|--------|
| 2010 | 2009 | 2008 | 2007 | 2006 |
| 245 | 262 | 213 | 292 | 257 |
| 3,339 | 3,237 | 3,496 | 3,186 | 2,933 |
| 4,832 | 4,551 | 5,533 | 6,120 | 5,187 |
| 2,924 | 6,383 | 6,762 | 7,235 | 7,436 |
| 2,799 | 2,994 | 2,913 | 2,786 | 2,670 |
| 94 | 89 | 146 | 98 | 129 |
| 1,909 | 2,112 | 1,959 | 1,916 | 1,752 |
| 145 | 96 | 109 | 71 | 129 |
| 5.5 | 11.2 | 11.4 | 2.2 | 6.8 |
| 337 | 346 | 336 | 307 | 327 |
| 70 | 68 | 96 | 96 | 116 |
| 43 | 459 | 552 | 550 | 603 |
| 29 | 16 | 27 | 35 | 33 |
| 6.15 | 6.55 | 15.12 | 67.24 | 25.76 |
| 6.67 | 7.01 | 8.75 | 10.60 | 15.40 |
| 13.81 | 7.25 | 27.18 | 7.68 | 19.10 |
| 30,782 | 35,450 | 28,115 | 26,386 | 20,784 |
| 16,969 | 9,047 | 10,998 | 11,214 | 13,317 |
| 13,261 | 13,414 | 13,155 | 13,190 | 13,139 |
| 10,088 | 10,689 | 12,459 | 12,428 | 13,387 |
| 12,184 | 12,397 | 12,169 | 12,196 | 12,143 |
| 7,274 | 7,538 | 7,448 | 7,578 | 8,839 |

CITY OF HOLLAND, MICHIGAN

Capital Asset Statistics by Function For the Last Ten Fiscal Years

| Function | Fiscal Year | | | | |
|---|-------------|--------|--------|--------|--------|
| | 2015 | 2014 | 2013 | 2012 | 2011 |
| General Government | | | | | |
| Cemeteries | 2 | 2 | 2 | 2 | 2 |
| Police | | | | | |
| Stations | 1 | 1 | 1 | 1 | 1 |
| Patrol Units | 19 | 19 | 19 | 19 | 19 |
| Fire Stations | 3 | 3 | 3 | 3 | 3 |
| Public works | | | | | |
| Streets (miles) | 148.9 | 149.1 | 149.1 | 148.7 | 148.5 |
| Streetlights | 2,598 | 2,595 | 2,593 | 2,504 | 2,534 |
| Culture and recreation | | | | | |
| Park acreage | 403 | 403 | 403 | 508 | 508 |
| Parks | 22 | 22 | 22 | 23 | 23 |
| Baseball/softball diamonds | 10 | 10 | 10 | 10 | 10 |
| Soccer fields | 11 | 10 | 10 | 10 | 10 |
| Swimming pools | 1 | 1 | 1 | 1 | 1 |
| Tennis courts | 14 | 14 | 14 | 14 | 14 |
| Stadiums | 0 | 0 | 0 | 1 | 1 |
| Nature centers | 1 | 1 | 1 | 1 | 1 |
| Tourist attractions | 1 | 1 | 1 | 1 | 1 |
| Community centers | 1 | 1 | 1 | 1 | 1 |
| Water | | | | | |
| Water mains (miles) | 247.50 | 247.50 | 245.78 | 240.73 | 240.15 |
| Fire hydrants | 2,363 | 2,363 | 2,353 | 2,345 | 2,342 |
| Maximum daily capacity of plant (thousands of gallons) | 38,500 | 38,500 | 38,500 | 38,500 | 38,500 |
| Wastewater | | | | | |
| Sanitary sewers (miles) | 183.00 | 182.77 | 182.76 | 182.94 | 183.73 |
| Storm sewers (miles) | 151.5 | 151.5 | 159.0 | 159.0 | 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 | | | | |
|-------------|--------|--------|--------|--------|
| 2010 | 2009 | 2008 | 2007 | 2006 |
| 2 | 2 | 2 | 2 | 2 |
| 1 | 1 | 1 | 1 | 1 |
| 19 | 19 | 19 | 18 | 18 |
| 3 | 3 | 3 | 3 | 3 |
| 148.5 | 148.5 | 148.8 | 154.5 | 148.6 |
| 2,581 | 2,520 | 4,742 | 4,643 | 4,632 |
| 509 | 509 | 460 | 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 |
| 236.96 | 236.72 | 233.08 | 232.44 | 229.54 |
| 2,320 | 2,321 | 2,250 | 2,256 | 2,195 |
| 38,500 | 38,500 | 38,500 | 38,500 | 38,500 |
| 183.21 | 185.84 | 182.81 | 183.16 | 182.52 |
| 155.0 | 155.0 | 155.0 | 155.0 | 155.0 |
| 12,000 | 12,000 | 12,000 | 12,000 | 12,000 |