



Holland
MICHIGAN



**Comprehensive Annual
Financial Report
For Fiscal Year Ended
June 30, 2016**

INTRODUCTORY SECTION

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CITY OF HOLLAND

HOLLAND, MICHIGAN

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2016

Prepared by:

Finance Office

Tim Vagle

Director of Finance

CITY OF HOLLAND, MICHIGAN

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CITY OF HOLLAND, MICHIGAN

ELECTED OFFICERS

For the Year Ended June 30, 2016

CITY COUNCIL

Nancy DeBoer
Mayor

Myron Trethewey
Ward 1
Brian Burch
Ward 3
Todd Whiteman
Ward 5
Quincy Byrd
At-Large

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

Ronald Vander Veen (Cunningham Dalman, P.C.)
City Attorney
James Bush
City Assessor

Tim Vagle
City Treasurer / Clerk

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

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

Anna Perales
Deputy City Clerk
Matt Messer
Director of Public Safety
Andy Kenyon
Director of Parks & Recreation
Jennifer Orme
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 8, 2016

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, 2016, 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 2015 population of 33,742.

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 combined 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 385 full-time positions, and 60 part-time positions at Full-Time Equivalency. 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	85
Police Officers	Fraternal Order of Police, Holland Police Officers Division	54
Firefighters	International Association of Firefighters, Local 759	19
Non-Union	None	<u>227</u>
Total		385

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 and *Moody’s Investors Service* assigned credit ratings to the City of Holland debt as follows:

Moody’s Investors Service (reviewed and rated 2016)	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)
- > *blended component units*
- > *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. The two component units that require blended reporting presentation are the *Holland Building Authority (no activity in current year)* and the *Holland Energy Fund*. The five component units that require discrete reporting presentation are the *Downtown Development Authority*, *Holland Historical Trust*, *Brownfield Redevelopment Authority*, *Economic Development Corporation (no activity in current year)* and the *Local Development Finance Authority (no activity in current year)*. 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 (45.5%), commercial (23.4%), industrial (30.3%), 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.

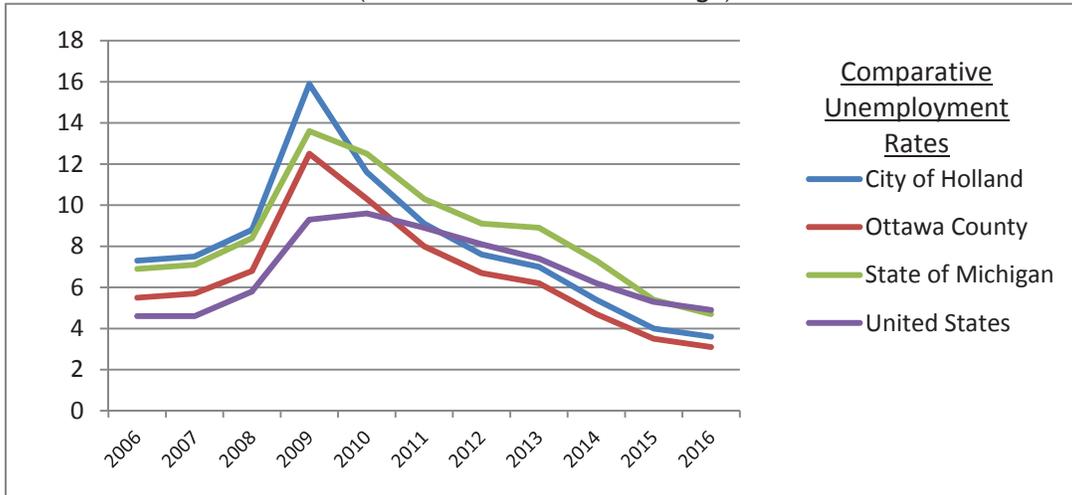
The local West Michigan area has substantially recovered from the Great Recession/national economic downturn which began in 2008-09. The following table of comparative unemployment rates reflects local unemployment rates within the City, the two counties it is located in, as well as with national and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

Comparative Unemployment Rates

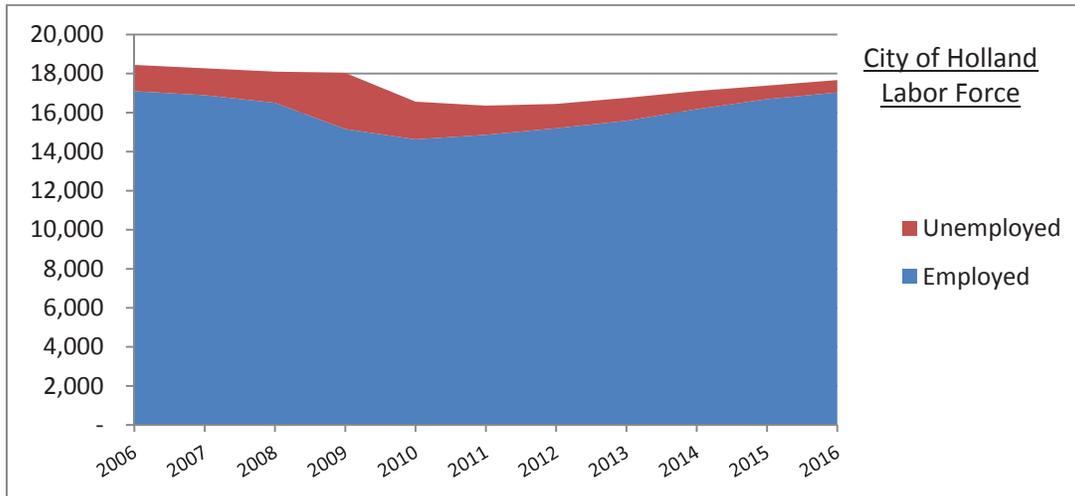
<u>Annual Average</u>	<u>City of Holland</u>	<u>County of Ottawa</u>	<u>County of Allegan</u>	<u>State of Michigan</u>	<u>United States</u>
2016 (Aug. 31)	3.6	3.1	3.7	4.7	4.9
2015	4.0	3.5	4.0	5.4	5.3
2014	5.4	4.7	5.4	7.3	6.2
2013	7.0	6.2	6.8	8.9	7.4
2012	7.6	6.7	7.4	9.1	8.1
2011	9.1	8.0	8.8	10.3	8.9
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

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>	
2016 (Aug. 31)	17,028	641	17,669	+1.65%
2015	16,686	692	17,378	+1.58%
2014	16,176	928	17,104	+2.04%
2013	15,579	1,177	16,756	+1.87%
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%

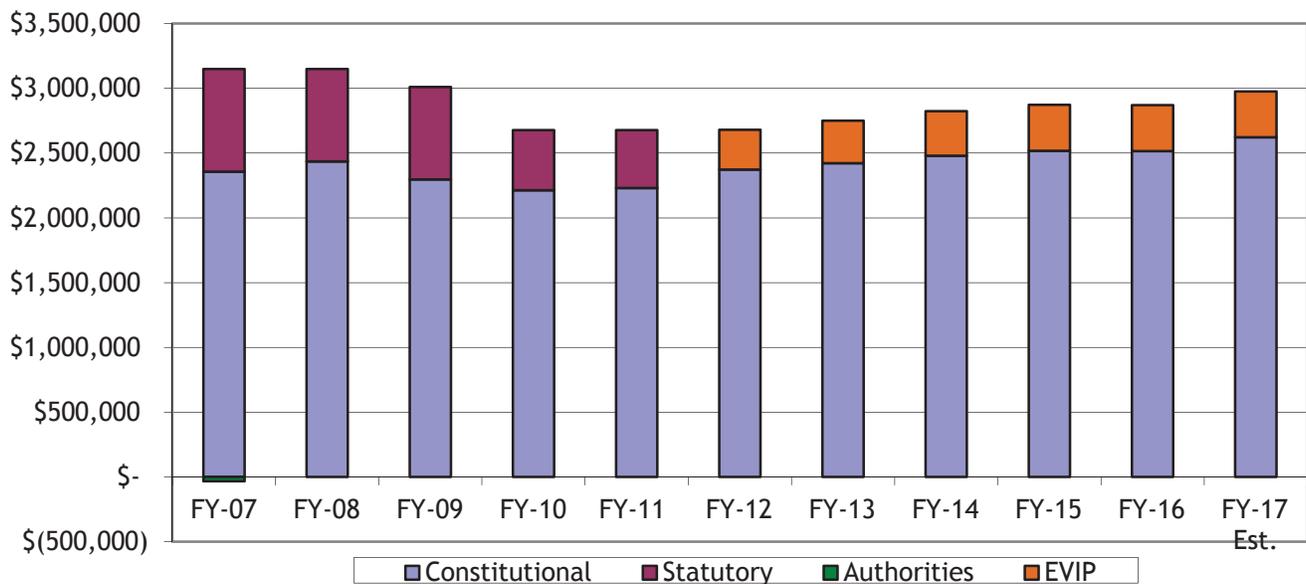
ECONOMIC CONDITIONS OF THE COMMUNITY

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The City of Holland has a diversity of employers including automotive, furniture, boatbuilding, the food industry and new technologies. Lakeshore Advantage, which provides regional economic development services for the Holland, Zeeland and Ottawa County, indicates that the Lakeshore area has a healthy economic climate. Most area businesses have experienced sales growth, and many are planning to expand. As growth continues, recruiting talent has become a challenge, and many businesses are increasing their investment in training. In 2016, WalletHub.com ranked Holland first in “Best Small City to Start a Business”.

Local government Revenue Sharing received from the State of Michigan varies from year to year. 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.

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.

Based on 2016 PA198 applications processed by the City of Holland, 12 new jobs are anticipated to be created along with \$655,000 of new related construction and machinery. For the 2016 tax period the City currently has 105 PA198 industrial facilities certificates active and 6 PA328’s active. In 2015, the City had 125 PA198 industrial facilities certificates and 7 PA328 certificates active.

In 2012, several new public acts were passed regarding personal property. These public acts exempted 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.

ECONOMIC CONDITIONS OF THE COMMUNITY

(Continued from Previous Page)

The following table identifies the 2016 PA198 industrial tax abatements issued by the City. The value of PA198 abatements is down by \$4.9 million from 2015.

PA 198 Industrial Facilities Tax Abatements (IFT's) 2016

Company	Description of Services	Planned Investment	Projected Job Growth
Cento Anni	Custom woodworking	\$ 255,000	9
Edmar Manufacturing	Metal Stamping and Fabrication	400,000	3
		<hr/> \$ 655,000	<hr/> 12

PA 328 New Personal Property Abatement 2016

No new PA 328's for 2015

-

Total PA 198 & PA328 Investment for 2016

\$ 655,000

Building permit construction values remained stable, decreasing overall by 41% from FY2015 (\$86.8 million) to FY2016 (\$50.9 million). Institutional and municipal permits totaled \$23.8 million for FY2016 (\$22.2 million for FY2015). The largest combined permit value for one entity in FY2016 was for the construction of a Hope College Student Center at a value of \$14.7 million. Other large permits included Pilot Travel Center for \$4 million and Holland Board of Public Works Energy Park interior for \$2 million.

Neighborhood improvement projects continue to be a top priority of the Holland City Council and \$589,684 in local and grant funds were expended in homeowner and neighborhood improvements in FY2016. *Livability.com* ranked Holland 4th on a list of "10 Best Cities to raise a Family" and 9th in "Best Affordable Places to Live" for 2016. According to real estate reports for the 3rd quarter of 2016, the median sales price of homes in Holland was \$160,000. The median sales price of homes increased 3.2% in the 3rd quarter of 2016 compared to 2015. 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 2016 Fall Term included 3,105 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. 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 1,350 for the 2016 Fall Term.

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 is Windmill Island Gardens, featuring a working Dutch windmill, open seasonally. Holland's Tulip Time Festival was ranked first for "Best Flower Festival" in USA Today 10 Best Readers' Choice Awards for 2016.

ECONOMIC CONDITIONS OF THE COMMUNITY

(Continued from Previous Page)

The downtown area continues to draw crowds for shopping, eating, entertainment, nightlife and lodging. Several downtown sponsored marketing events such as the street performer series, ice sculpting competition, “Girlfriends Weekend” and “Groove Walk”, highlight the City as an entertainment destination. Innovative snowmelt in downtown sidewalks and roads, which has been expanded to cover 603,000 square feet, helps to keep the central business district vibrant and pedestrian friendly during the winter months. A downtown outdoor fireplace and fountain serve as popular pedestrian gathering spots. Geenen DeKock (GDK) is developing the property located between 8th & 9th Streets, between River and Pine Avenues, towards the Civic Center. In the Western Gateway area of 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. The downtown Holland Amtrak depot stop puts Chicago within a 3 hour reach of Holland and the schedule is conducive for a day-only or weekend trip. 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. *Expedia.com* Viewfinder travel blog ranked Holland 2nd on its list of 30 most beautiful towns in America.

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, 2015	@ June 30, 2016	Increase (Decrease)
General Fund - General	\$ 4,001,230	\$ 3,704,962	\$(296,268)
Gen. Fund - Budget Stabilization	981,213	963,786	(17,427)
Special Revenue	5,116,365	1,928,314	(3,188,051)
Debt Service Funds	224,856	297,540	72,684
Capital Projects Funds	2,561,303	6,422,285	3,860,982
Permanent Trust Funds	1,621,130	1,656,690	35,560
Totals	\$ 14,506,097	\$14,973,577	\$467,480

Additional Comments Concerning Certain Fund Balances

- > The FY2016 decrease in *General Fund - Fund Balance* to \$3,704,962 at June 30, 2016 is due to use of Fund Balance in excess of the 15% policy to fund energy-related improvements to various City facilities. The initial budget amendment was to utilize \$700,000 cash and use Act 99 Financing for the remaining \$3 million of improvements. The net reduction in Fund Balance was less (\$296,268) due to vacancies in certain positions and lower energy costs. 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 Public Safety defined benefit pension plan, which is leading to increased required contributions.
- > The increase in the *Fund Balance of the Debt Service Funds* in FY2016 was due to revenue received from property owners in payment of special assessments, and a larger reimbursement from State for Personal Property Tax losses than initially estimated/budgeted.
- > The increase in the *Fund Balance of the Capital Projects Funds* resulted from \$3 million proceeds from Act 99 borrowing to fund energy improvements that will be expended in FY17. Other gains come from delays in starting planned/budgeted municipal capital projects.
- > The *General Fund - Budget Stabilization* portion ended the fiscal year with an *Unassigned Fund Balance* of \$963,786. Most property tax appeals have been settled and this fund is expected to stabilize in the next years. Balances in this fund are more than adequate when combined with the General Fund, at 22.0% of the ensuing FY2016-17 General Fund budget.

GOVERNMENTAL-TYPE FUNDS - CAPITAL PROJECTS

Expenditures in the *Capital Projects Funds*, excluding interfund transfers, totaled \$10,933,653 for FY2016 as compared to \$5,081,146 for FY2015. More significant projects with expenditures exceeding \$50,000 during the fiscal year included:

I N F R A S T R U C T U R E P R O J E C T S (Excluding Utility Fund Share)	
Alden Court Drainage	\$147,369
South Shore & Azalea Culvert	80,796
Resurfacing Program	229,751
Central Avenue, 3 rd Street to State	3,098,472
8 th Street, Fairbanks to College	1,510,309
9 th Street, Washington to 8 th Street	2,539,394
Regent Boulevard	403,607
16 th Street, Waverly to Hoover Boulevard	561,975
M U N I C I P A L C A P I T A L P R O J E C T S	
Civic Center Renovations	\$222,571
Holland Historical Trust - Museum Windows	64,527
City Wide Tree Planting	103,565
Sustainability	60,325
South Shore Village	308,445
Energy Upgrades to City Facilities	921,060
Driveway Work at Waverly Fire Station	54,321
Neighborhood Projects	138,037

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.

I N T E R N A L S E R V I C E S

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, 2015</u>	<u>Working Capital June 30, 2016</u>
Technology Services	\$ 185,421	\$ 233,721
Equipment Services	1,974,142	1,529,348
Insurance Services	<u>3,755,647</u>	<u>4,198,186</u>
Totals	<u>\$ 5,915,210</u>	<u>\$ 5,961,255</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 and General & Professional Liability 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. The total employer-paid premium for fiscal year 2015-16 was \$29,100,495; this amount includes \$25,000,000 pension obligation bond proceeds.

The most recent actuarial valuation, dated December 31, 2015, indicates that the City's valuation assets (stated at market value) provide 83.8% funding (employer portion only), based upon actuarial determined accrued liabilities of \$132,838,542, valuation assets of \$111,310,830, and unfunded accrued liabilities of \$21,527,712.

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 2015-16 was \$792,917 and by employees was \$200,474.

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 0.975%, as compared to 0.673% for the previous fiscal year. If investments had not been valued at market the annualized average interest rate would have been 0.799%. The overall fiscal year adjustment for market write-up for the pool was \$52,724, including a \$(37,970) write-down of called long-term investment previously being amortized over the bond term. The overall ending market balance was \$93,710. The City typically buys and holds long term investments to maturity so fiscal year end market adjustments are not actually realized. The exhibit below also includes funds that do not participate in the pool.

Fund Type	INVESTMENTS EARNINGS			
	Fiscal Year		Year-to-Year Change	
	2014-2015	2015-2016	Amount	Percentage
General Fund	\$ 85,141	\$ 125,930	\$ 40,789	47.9%
Permanent	11,085	16,688	5,603	50.5%
Special Revenue	41,367	23,629	(17,738)	-42.9%
Debt Service	2,889	3,845	956	33.1%
Capital Projects	17,287	52,228	34,941	202.1%
Enterprise	1,095,439	1,077,499	(17,940)	-1.6%
Internal Service	35,876	53,275	17,399	48.5%
Component Units	11,544	(1,405)	(12,949)	-112.2%
Total	\$1,300,628	\$ 1,351,689	\$ 51,061	3.9%

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>
Energy Excellence Award for Education Program (2016)	Governor's Energy Excellence Awards	Housing & Neighborhood Svcs.
Special Award for Coolest Downtown (2016)	America in Bloom	Leisure & Cultural Services
Outstanding Achievement Award for Environmental Efforts (2016)	America in Bloom	Utility Services
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 (2011-2015)	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 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

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, 2016, with eight of these projects currently 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. Four new Brownfield projects were under consideration around the end of FY2016, with approval in the following FY. 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 one Renaissance Zone (Compact Power/LG Chem) have been approved. The use of Act 198 tax abatements has slowed down somewhat due to the elimination of Personal Property Taxes.

- Infrastructure Projects:

- > It is the City's normal practice to complete an annual road resurfacing program including several streets. This fiscal year the City resurfaced four different streets, spot resurfaced one and applied cracksealing to fourteen, at a cost of \$229,751.
- > Work continued during the fiscal year on the \$9.8 million Central Avenue, 3rd Street to State Street, reconstruction project; it will conclude in FY2017. The project consists of road reconstruction, curb and gutter work, sidewalk repairs, snowmelt improvements and replacing certain storm sewers and water mains. At fiscal year-end \$8.8 million had been expended.
- > A \$8.2 million reconstruction project on 9th Street began, which also includes the last phase of snowmelt transmission mains necessary to operate the City's snowmelt system from the new power plan. The project will be completed in FY-2017; \$2.6 million had been expended at fiscal year-end.
- > Improvements to 16th Street, Waverly Road to Hoover Boulevard, began in FY2015 and were completed in FY2016, with a total cost of \$649,201. The project widened 16th Street east and west of US-31 to create a center turn lane and included a sidewalk connection along the south side of 16th Street between US-31 and Waverly Road.

- Electric Utility:

- > The Holland Board of Public Works continues with snowmelt improvements which have cost \$3,086,000 to date. Other projects include substation upgrades of \$8,152,000, and an area wide LED light upgrade at a cost of \$652,000.
- > A new gas-fired combined cycle electric generation power plant is being built on the east side of the city and will be operational in 2017. Approximately \$214,250,000 of costs have been incurred to date. The new plant will provide a sustainable long term power source and serve as a gateway to the city. Bonds in the amount of \$158,840,000 were sold during a prior year to finance the project.
- > Property has been purchased on W. 3rd Street to relocate electric distribution circuits. The total purchase price was \$1,210,000.
- > An Advanced Metering Infrastructure Project is underway, incurring costs to date of \$2,680,000.

SIGNIFICANT INITIATIVES, EVENTS AND ACCOMPLISHMENTS

(Continued from Previous Page)

- Water Utility:
 - > Water main replacement and improvements were completed at a cost of approximately \$1,702,000.
 - > The Water Plant made capital improvements at an approximate cost of \$715,000, which includes the Filter Pipe Gallery Project.
 - > During fiscal year 2014, the Holland/Wyoming Interconnect Project experienced a leakage event that caused the valve and metering station to fail. The station is being rebuilt using \$950,000 of loss reimbursement proceeds received in FY2016.

- Wastewater Treatment Plant:
 - > Sewer mains were replaced at a cost of \$1,091,000, and sanitary sewer mains were lined costing \$415,000.
 - > The WWTP made improvements to the odor control system, the East Plant, and the bio solids handling building at a combined cost of \$14,638,000. The cost is shared with the surrounding Townships.

- 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 \$138,037 was spent assisting homeowners with miscellaneous home improvement/repair projects.
 - > Improvements began to the South Shore Village Neighborhood Commercial District; including a sidewalk in front of stores, a new public parking lot, landscaping and pedestrian lights. The \$565,600 project will be completed in FY-2017, \$308,400 had been expended by fiscal year-end.
 - > The feasibility study on the Civic Center was completed during FY-2016 and Design & Engineering work began, to determine the extent of renovations to be done. In November 2016 City Council authorized the issuance of \$13.5 million Qualified Energy Conservation Bonds, \$10 million will be used to finance this project; a total of \$279,056 has been spent on this project as of fiscal year-end.

- Sustainability and Energy Conservation:
 - > Implementation of the Community Energy Plan continued through the work of seven (7) City Council appointed task forces. After conducting a pilot program last year, the Home Energy Retrofit task force finalized a program to retrofitted homes with energy efficiency measures to begin in the summer of 2016. After success in securing legislative and the Governor's approval of new legislation to enable on-bill financing of deep energy retrofits, a major effort was expended to create an on-bill financing program in partnership with Michigan Saves. The program will be rolled out in the fall of 2016.
 - > Significant work was completed by the Holland Board of Public Works 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 Holland/Hope College Sustainability Institute continued its work 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.

SIGNIFICANT INITIATIVES, EVENTS AND ACCOMPLISHMENTS

(Continued from Previous Page)

- > The City of Holland and Holland Board of Public Works actively pursued the Georgetown University Energy Prize to reduce the most energy per capita in the nation. 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 involved a hundred 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 Holland Energy Fund was formally incorporated and the Board conducted business to approve various projects and strategies to reduce energy consumption in Holland. Agreements were signed with Michigan Saves, Concord and EFS to facilitate development of the on-bill financing program. Final approval and structure for home energy retrofit program was also completed with funding facilitated through the Holland Energy Fund.
- Budgetary Predictors:
 - > Property Tax revenues represent approximately 50% of the General Fund budget. Property values continue to trend upward. 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 beyond the inflation rate.
 - > The City’s General Fund receives a transfer from the Electric Utility Fund consisting of 5.75% 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. 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 which will facilitate a plan to touch all City of Holland streets every twenty 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.

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 for the fiscal year ended June 30, 2015. This was the 24th consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

ACKNOWLEDGMENTS

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

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

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

Respectfully submitted,



Tim Vagle
Director of Finance/Treasurer



Government Finance Officers Association

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

Presented to

**City of Holland
Michigan**

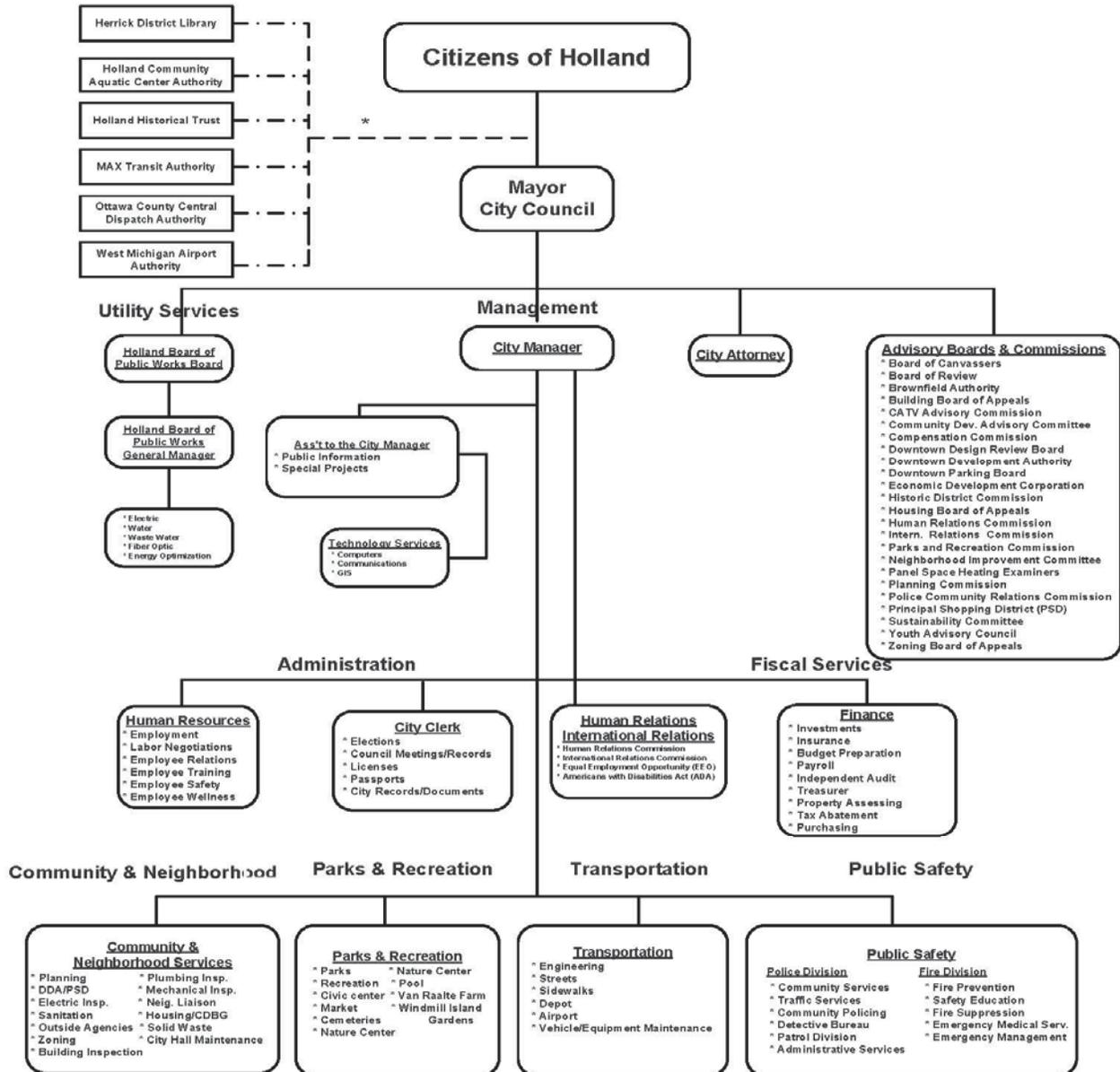
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2015

Executive Director/CEO

City of Holland

Organizational Chart



* The City Council makes appointments to these Districts and Authorities

Rev April 2016

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FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

December 8, 2016

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, 2016, 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, 2016, 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.

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 our report dated December 8, 2016, on our consideration of the City of Holland, Michigan's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Rehmann 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, 2016. 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 entered into multiple contracts to acquire, construct, improve and install a gas fired combined cycle power plant, and associated facilities and equipment, bypass discharge infrastructure, and site acquisition and improvements.
- Work continued 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.
- Work began on a multi-year \$8.2 million dollar 9th Street road reconstruction project; it includes the last phase of snowmelt transmission mains necessary to operate the City's snowmelt system from the new power plant. As of June 30, 2016, \$2.6 million has been spent.
- The City issued \$25,000,000 of pension obligation bonds, which were used to pay down a portion of the outstanding net pension liability.

The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$442,256,726 (net position). Of this amount, \$76,946,888 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 \$33,757,527.

As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$14,973,577, an increase of \$467,480 in comparison with the prior year.

At the end of the current fiscal year, unassigned fund balance for the general fund was \$4,650,598 or 14.1% 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, liabilities, and deferred inflows of resources, 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 parks 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 Local Development Finance Authority (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 and the infrastructure projects fund, which are considered to be major funds. 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, special revenue funds, and the perpetual care fund. Budgetary comparison statements or schedules 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.

CITY OF HOLLAND, MICHIGAN

Management's Discussion and Analysis

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 and deferred inflows of resources by \$442,256,726 at the close of the most recent fiscal year.

	Net Position					
	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Current and other assets	\$ 28,310,516	\$ 27,142,812	\$ 169,609,554	\$ 272,830,019	\$ 197,920,070	\$ 299,972,831
Capital assets, net	123,917,970	119,756,115	406,188,007	276,488,913	530,105,977	396,245,028
Total assets	<u>152,228,486</u>	<u>146,898,927</u>	<u>575,797,561</u>	<u>549,318,932</u>	<u>728,026,047</u>	<u>696,217,859</u>
Deferred outflows of resources	7,423,396	2,163,606	6,809,156	1,663,606	14,232,552	3,827,212
Long-term liabilities	32,376,600	20,877,856	205,881,754	193,300,118	238,258,354	214,177,974
Other liabilities	30,989,892	33,965,712	29,670,958	43,402,186	60,660,850	77,367,898
Total liabilities	<u>63,366,492</u>	<u>54,843,568</u>	<u>235,552,712</u>	<u>236,702,304</u>	<u>298,919,204</u>	<u>291,545,872</u>
Deferred inflows of resources	694,717	-	387,952	-	1,082,669	-
Net position:						
Net investment in capital assets	107,920,320	101,785,238	227,299,822	164,628,976	335,220,142	266,414,214
Restricted	3,986,636	6,339,594	26,103,060	24,300,021	30,089,696	30,639,615
Unrestricted (deficit)	(16,316,283)	(13,905,867)	93,263,171	125,351,237	76,946,888	111,445,370
Total net position	<u>\$ 95,590,673</u>	<u>\$ 94,218,965</u>	<u>\$ 346,666,053</u>	<u>\$ 314,280,234</u>	<u>\$ 442,256,726</u>	<u>\$ 408,499,199</u>

A substantial portion of the City's net position, \$335,220,142 (75.8%), 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 \$30,089,696 (6.8%) 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 \$76,946,888 (17.4%) 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.

CITY OF HOLLAND, MICHIGAN

Management's Discussion and Analysis

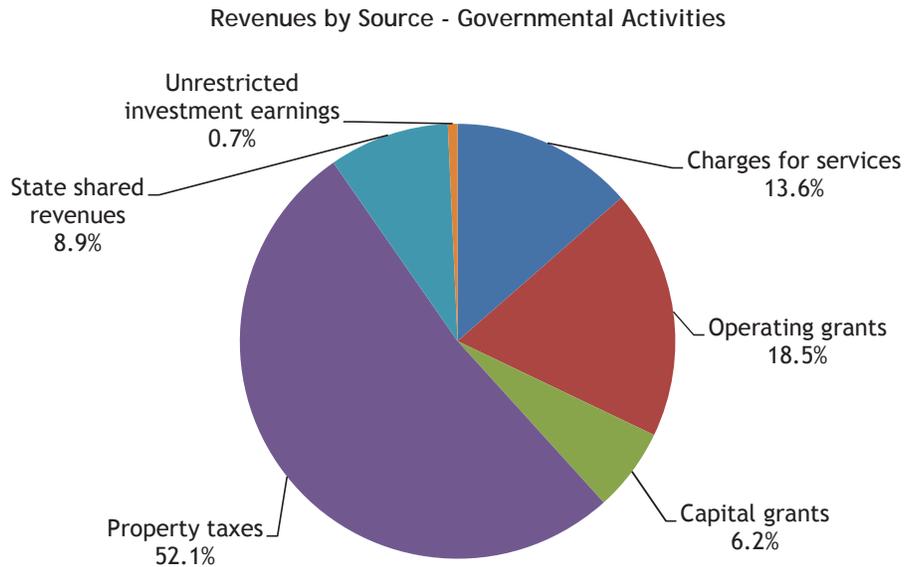
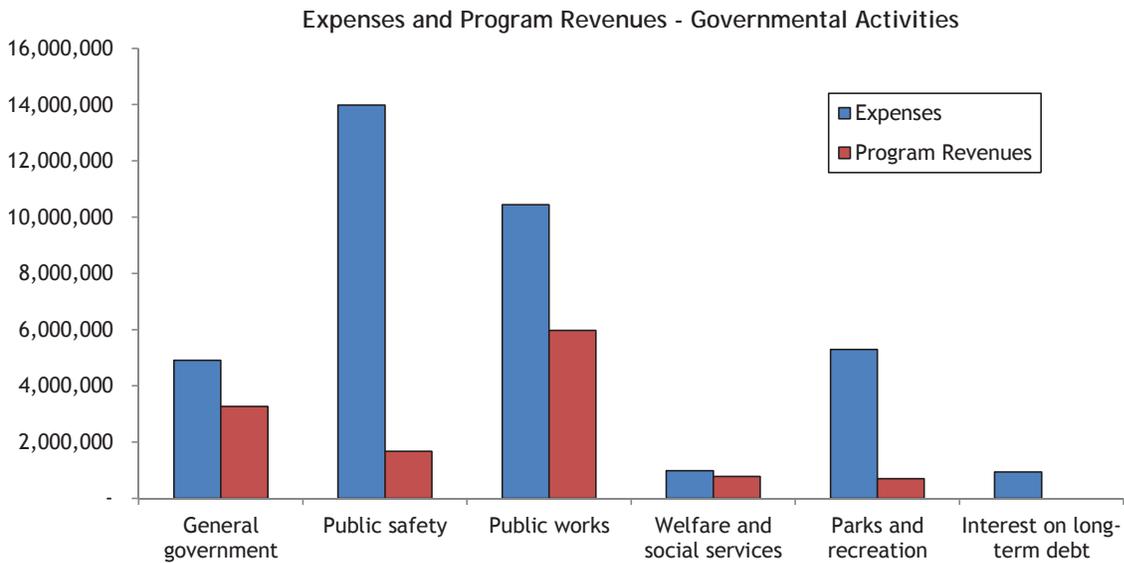
	Change in Net Position					
	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues						
Program revenues:						
Charges for services	\$ 4,390,883	\$ 4,115,318	\$ 129,063,368	\$ 122,123,045	\$ 133,454,251	\$ 126,238,363
Operating grants	6,009,124	5,489,592	1,977,470	1,107,948	7,986,594	6,597,540
Capital grants	2,006,264	793,387	7,544,349	2,339,301	9,550,613	3,132,688
General revenues:						
Property taxes	16,862,893	15,694,176	104,432	99,983	16,967,325	15,794,159
State shared revenues	2,893,597	2,895,971	-	-	2,893,597	2,895,971
Unrestricted investment earnings	231,995	138,303	-	-	231,995	138,303
Total revenues	32,394,756	29,126,747	138,689,619	125,670,277	171,084,375	154,797,024
Expenses						
General government	4,903,394	5,465,655	-	-	4,903,394	5,465,655
Public safety	13,985,570	12,903,945	-	-	13,985,570	12,903,945
Public works	10,443,197	9,312,839	-	-	10,443,197	9,312,839
Welfare and social services	979,963	901,870	-	-	979,963	901,870
Parks and recreation	5,289,399	5,339,569	-	-	5,289,399	5,339,569
Interest on long-term debt	942,486	787,260	-	-	942,486	787,260
Electric utility	-	-	80,103,538	80,847,034	80,103,538	80,847,034
Wastewater utility	-	-	9,672,514	8,773,098	9,672,514	8,773,098
Water utility	-	-	6,540,960	6,248,425	6,540,960	6,248,425
Other enterprise activities	-	-	3,124,822	3,104,234	3,124,822	3,104,234
Total expenses	36,544,009	34,711,138	99,441,834	98,972,791	135,985,843	133,683,929
Change in net position, before transfers	(4,149,253)	(5,584,391)	39,247,785	26,697,486	35,098,532	21,113,095
Transfers	5,520,961	5,165,762	(5,520,961)	(5,165,762)	-	-
Change in net position, before special item	1,371,708	(418,629)	33,726,824	21,531,724	35,098,532	21,113,095
Special item	-	-	(1,341,005)	-	(1,341,005)	-
Change in net position	1,371,708	(418,629)	32,385,819	21,531,724	33,757,527	21,113,095
Net position:						
Beginning of year	94,218,965	122,337,570	314,280,234	306,820,224	408,499,199	429,157,794
Restatement for implementation of GASB 68	-	(27,699,976)	-	(14,071,714)	-	(41,771,690)
Net position, end of year	\$ 95,590,673	\$ 94,218,965	\$ 346,666,053	\$ 314,280,234	\$ 442,256,726	\$ 408,499,199

CITY OF HOLLAND, MICHIGAN

Management's Discussion and Analysis

The City's net position increased by \$33,757,527 during the current fiscal year. Increases in property tax revenue, charges for services and operating/capital grants are the primary reasons for the positive change.

Governmental Activities. Governmental activities increased the City's net position by \$1,371,708 mainly due to an increase in property tax revenue. There was a decrease of \$562,261 in general government expenses because of a hiring delay in filling vacant positions and reduced attorney costs. There was an increase of \$1,081,625 in public safety expenses due to the allocation of the payment made to the pension system for the unfunded accrued pension liability on the defined benefit for the non-union divisions.

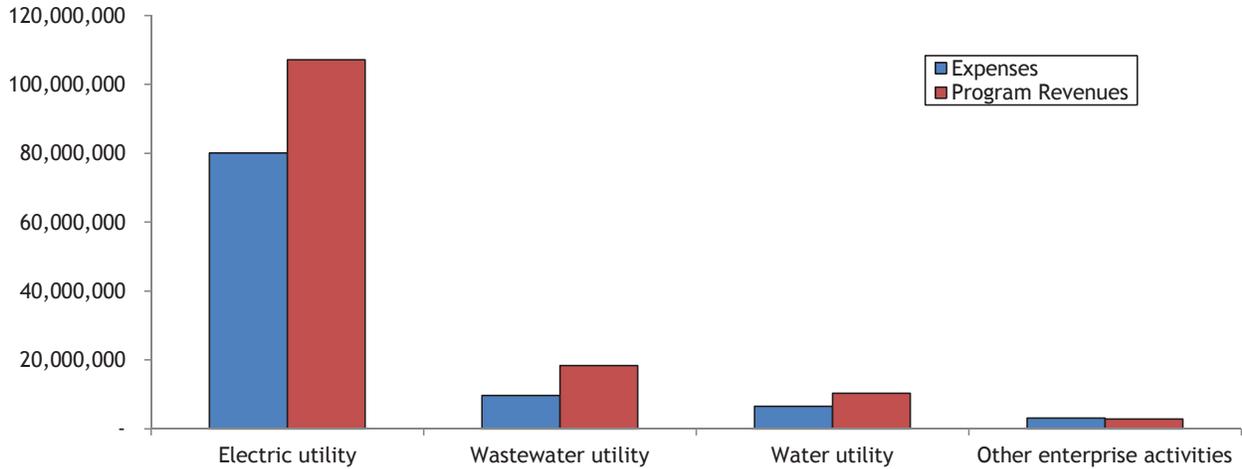


CITY OF HOLLAND, MICHIGAN

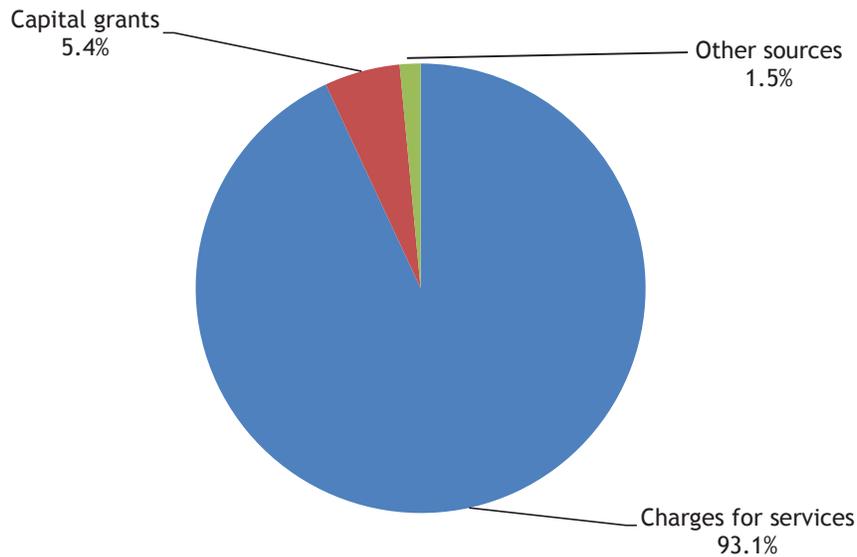
Management's Discussion and Analysis

Business-type Activities. Business-type activities increased the City of Holland’s net position by \$32,385,819, mainly due to an increase, effective July 1, 2015, in electric, wastewater and water utility rates, ranging from 2.2% to 4.3%. During the year the City's Board of Public Works revalued 28,400 tons of coal on hand to \$35 per ton causing a change in valuation of \$1,341,005. The remaining coal on hand is expected to be sold at market value. This was reported as a special item.

Expenses and Program Revenues - Business-type Activities



Revenues by Source - 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 decreased by \$313,695 mainly due to the use of fund balance in excess of the 15% policy to fund energy-related improvements to various City facilities.

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.

During the current fiscal year the fund balance of the City's infrastructure projects fund decreased by \$25,869, due to current year capital projects exceeding the fund revenues and other financing sources.

The general fund budgeted for a decrease in fund balance of \$885,610 and the actual decrease in fund balance was \$313,695. Significant changes in budgetary variances are as follows:

- Reduced wages and fringe benefits costs due to vacant positions.
- Reduced costs for building & grounds maintenance, contractual services and operating supplies.
- Costs related to the issuance of pension obligation bonds were lower than expected.

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 a \$20,160,830 increase in net position. An increase in electric utility rates and reduced operating expenses contributed to this positive change. The wastewater fund had a \$8,645,703 increase in net position as a result of an increase in rates and capital contributions during the year. The water fund had an increase in net position of \$3,802,448 as a result of an increase in rates and insurance recovery received as part of a settlement. The nonmajor enterprise funds reported a decrease of \$223,162 in net position.

General Fund Budgetary Highlights

The original revenue budget was \$16,500,820 and as amended was \$16,491,226 which represents a decrease of \$9,594. The original expenditure budget was \$21,036,730 and as amended was \$45,678,533 which represents an increase of \$24,641,803. The large increase in the amended budget was for a \$25 million City-wide excess contribution to the defined benefit pension plan that was budgeted in the General Fund, of which only \$10,837,667 was actually paid by the General Fund, with the remaining portion paid by the Electric, Wastewater, and Water funds for their funds respective share of the net pension liability.

CITY OF HOLLAND, MICHIGAN

Management's Discussion and Analysis

Actual expenditures came in \$14,570,380 less than the amended budget. Transfers out matched the budgeted amount. Causes for variances are as follows:

- Expenditures related to the excess contribution to the defined benefit pension plan had an overall positive variance of \$14,256,473. The budget included \$13,996,583, which was paid by the Electric, Wastewater and Water funds. Bond issuance costs were \$259,890 less than budgeted, which accounts for the remaining budget variance.
- Expenditures for wages and fringe benefits had an overall positive variance of \$71,989 due to a delay in filling staffing vacancies. The variance is mainly due to vacancies in the general government function of \$65,379 and public safety function of \$15,401.
- Expenditures, across all functions, had a positive variance of \$48,558 for operating supplies and \$19,323 for building and grounds maintenance.
- Housing & Neighborhoods had a positive variance of \$14,548 due to community programs that were not completed.
- Contractual fees paid to the city attorney had a positive variance of \$10,330 due to a decreased need for legal services.

Capital Asset and Debt Administration

Capital Assets. The City's capital assets for its governmental and business-type activities as of June 30, 2016 amounted to \$530,105,977 (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 3.5% increase for governmental activities and a 46.9% increase for business-type activities.

	Capital Assets (Net of Depreciation)					
	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land	\$ 16,505,089	\$ 16,507,352	\$ 27,035,251	\$ 23,562,207	\$ 43,540,340	\$ 40,069,559
Construction in progress	8,542,250	3,111,519	239,295,621	122,516,733	247,837,871	125,628,252
Buildings, equipment and infrastructure, net	98,870,631	100,137,244	139,857,135	130,409,973	238,727,766	230,547,217
Total capital assets, net	\$123,917,970	\$119,756,115	\$406,188,007	\$276,488,913	\$530,105,977	\$396,245,028

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

Long-term Debt

	Long-term Debt					
	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Bonds payable	\$ 27,405,000	\$ 18,930,000	\$187,780,360	\$174,855,548	\$215,185,360	\$193,785,548
Capital lease	-	-	9,500,000	9,500,000	9,500,000	9,500,000
Notes payable	3,000,000	-	-	-	3,000,000	-
Unamortized premium on bonds payable	130,421	179,168	7,424,302	7,845,369	7,554,723	8,024,537
Other debt	50,000	60,000	-	-	50,000	60,000
Compensated absences	1,791,179	1,708,688	1,177,092	1,099,201	2,968,271	2,807,889
Total long-term debt	\$ 32,376,600	\$ 20,877,856	\$205,881,754	\$193,300,118	\$238,258,354	\$214,177,974

CITY OF HOLLAND, MICHIGAN

Management's Discussion and Analysis

During the year ended June 30, 2016, the City issued pension bonds in the amount of \$25,000,000, as the City continued efforts to pay down the net pension liability.

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 \$119,348,148.

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

Economic Factors and Next Year's Budget and Rates

Construction on the new Energy Park continues, drastically changing the eastern skyline of the downtown Holland business district. Preparations were made to get the auxiliary boiler running in early December 2016 and completion is targeted for February 2017. The \$8.6 million Business Center and Aircraft Apron project was completed in October 2016, the West Michigan Regional Airport now plans a \$450,000 connector project from the new apron to the main taxiway. Several street capital projects and improvements to various City facilities are also planned, with the largest being the long awaited renovation of the Civic Center. Opening of a new hotel on 8th Street, along with expanded snowmelt system, continues to generate enthusiasm for tourism and small convention opportunities. A vibrant downtown area and work on the 8th Street block, between River and Pine, 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, 2016, the unemployment rate within the City has dropped to 3.6%, from the 2009 high of 15.9%. Growth in the total labor force has slowed during the past couple of years but continues to experience positive change.

Fiscal year 2017 experienced a 4.03% decrease in taxable valuation base, due to changes in state law phasing out personal property taxes, with actual property tax revenues projected to remain the same as fiscal year 2016. This is due to new construction and uncapping of taxes as properties are sold. The State has also committed to reimburse lost revenues from personal property tax losses. The City's five year budget projection includes a 2.5% increase on property values for the upcoming fiscal year 2018.

The overall tax rate for the City has remained at 15.1085 mills since fiscal year 2013. The fiscal year 2017 general fund budget, excluding budget stabilization, projects fund balance to be \$3,713,370 on June 30, 2017 or 17.5% of budgeted expenditures. In December 2016 bonds was sold in the amount of \$13.5 million to help fund the Civic Center renovation project and to pay for part of the costs associated with the expansion of snowmelt.

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, 2016

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and pooled investments	\$ 24,666,823	\$ 64,518,975	\$ 89,185,798	\$ 613,364
Investments	-	37,132,312	37,132,312	501,638
Receivables, net	3,158,793	20,683,278	23,842,071	5,486
Internal balances	189,558	(189,558)	-	-
Inventory	72,600	6,424,983	6,497,583	5,648
Prepaid items	222,742	3,522,912	3,745,654	200
Restricted assets:				
Cash and pooled investments	-	16,340,246	16,340,246	-
Investments	-	21,166,777	21,166,777	-
Accrued interest	-	9,629	9,629	-
Capital assets:				
Land	16,505,089	27,035,251	43,540,340	20,000
Construction in progress	8,542,250	239,295,621	247,837,871	-
Being depreciated, net of depreciation	98,870,631	139,857,135	238,727,766	1,454,326
Total assets	152,228,486	575,797,561	728,026,047	2,600,662
Deferred outflows of resources				
Loss on advance bond refundings, net	247,771	316,605	564,376	-
Deferred pension amounts	7,175,625	6,492,551	13,668,176	-
Total deferred outflows of resources	7,423,396	6,809,156	14,232,552	-
Liabilities				
Payables	4,437,517	20,190,093	24,627,610	46,904
Unearned revenue	228,777	792,993	1,021,770	13,023
Deposits	15,180	747,576	762,756	-
Line of credit	-	-	-	45,000
Landfill closure and postclosure cost	-	327,450	327,450	-
Long-term debt:				
Due within one year from restricted assets	-	6,696,669	6,696,669	-
Due within one year	5,068,016	2,459,282	7,527,298	-
Due in more than one year from restricted assets	-	183,917,993	183,917,993	-
Due in more than one year	27,308,584	12,807,810	40,116,394	-
Net pension liability	24,785,039	6,771,539	31,556,578	-
Net other postemployment benefit obligation	1,523,379	841,307	2,364,686	-
Total liabilities	63,366,492	235,552,712	298,919,204	104,927
Deferred inflows of resources				
Deferred pension amounts	694,717	387,952	1,082,669	-
Net position				
Net investment in capital assets	107,920,320	227,299,822	335,220,142	1,474,326
Restricted:				
Cemetery maintenance	70,303	-	70,303	-
Debt service	98,314	-	98,314	-
Street construction and maintenance	435,941	-	435,941	-
Grant programs	55,927	-	55,927	-
Capital projects and by agreement	1,739,764	26,103,060	27,842,824	363,565
Cemetery endowment corpus (nonexpendable)	1,586,387	-	1,586,387	-
Unrestricted (deficit)	(16,316,283)	93,263,171	76,946,888	657,844
Total net position	\$ 95,590,673	\$ 346,666,053	\$ 442,256,726	\$ 2,495,735

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

CITY OF HOLLAND, MICHIGAN

Statement of Activities

For the Year Ended June 30, 2016

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	\$ 4,903,394	\$ 1,400,401	\$ 342,727	\$ 1,529,966	\$ (1,630,300)
Public safety	13,985,570	1,156,746	474,020	45,003	(12,309,801)
Public works	10,443,197	977,505	4,562,350	431,295	(4,472,047)
Welfare and social services	979,963	203,791	579,668	-	(196,504)
Parks and recreation	5,289,399	652,440	50,359	-	(4,586,600)
Interest on long-term debt	942,486	-	-	-	(942,486)
Total governmental activities	36,544,009	4,390,883	6,009,124	2,006,264	(24,137,738)
Business-type activities:					
Electric utility	80,103,538	106,199,176	941,197	-	27,036,835
Wastewater utility	9,672,514	10,856,173	69,732	7,392,312	8,645,703
Water utility	6,540,960	9,338,887	869,402	135,119	3,802,448
Refuse and recycling pickup	1,692,037	1,786,281	1,959	-	96,203
Windmill Island	816,022	855,972	3,039	16,918	59,907
Airport facilities and management system	571,774	18,661	92,000	-	(461,113)
Other enterprise activities	44,989	8,218	141	-	(36,630)
Total business-type activities	99,441,834	129,063,368	1,977,470	7,544,349	39,143,353
Total primary government	\$ 135,985,843	\$ 133,454,251	\$ 7,986,594	\$ 9,550,613	\$ 15,005,615
Component units					
Downtown Development Authority	\$ 256,203	\$ 9,507	\$ 2,351	\$ -	\$ (244,345)
Holland Historical Trust	832,251	96,283	351,665	-	(384,303)
Brownfield Redevelopment Authority	943,853	-	81,071	-	(862,782)
Total component units	\$ 2,032,307	\$ 105,790	\$ 435,087	\$ -	\$ (1,491,430)

continued...

CITY OF HOLLAND, MICHIGAN

Statement of Activities

For the Year Ended June 30, 2016

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Change in net position				
Net revenues (expenses)	\$ (24,137,738)	\$ 39,143,353	\$ 15,005,615	\$ (1,491,430)
General revenues:				
Property taxes	16,862,893	104,432	16,967,325	1,170,867
State shared revenues	2,893,597	-	2,893,597	-
Unrestricted investment earnings	231,995	-	231,995	-
Transfers	5,520,961	(5,520,961)	-	-
Total general revenues and transfers	25,509,446	(5,416,529)	20,092,917	1,170,867
Change in net position before special item	1,371,708	33,726,824	35,098,532	(320,563)
Special item (note 19)	-	(1,341,005)	(1,341,005)	-
Change in net position	1,371,708	32,385,819	33,757,527	(320,563)
Net position, beginning of year	94,218,965	314,280,234	408,499,199	2,816,298
Net position, end of year	\$ 95,590,673	\$ 346,666,053	\$ 442,256,726	\$ 2,495,735

concluded

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, 2016

	General Fund	Infrastructure Projects	Nonmajor Governmental Funds	Total Governmental Funds
Assets				
Cash and pooled investments	\$ 4,769,519	\$ 2,329,011	\$ 10,003,646	\$ 17,102,176
Receivables:				
Accounts	286,787	76,174	235,323	598,284
Taxes and special assessments	1,021	164	787,360	788,545
Interest	9,045	-	-	9,045
Leases	-	-	433,046	433,046
Due from other governmental units	520,082	-	679,781	1,199,863
Due from other funds	28,085	1,748,293	654,497	2,430,875
Prepaid items	12,483	-	300	12,783
Total assets	\$ 5,627,022	\$ 4,153,642	\$ 12,793,953	\$ 22,574,617
Liabilities				
Accounts payable	\$ 360,538	\$ 2,578,270	\$ 634,888	\$ 3,573,696
Accrued payroll and benefits	174,440	3,478	24,331	202,249
Due to other governmental units	183,047	-	-	183,047
Due to other funds	91,676	1,429,176	656,973	2,177,825
Deposits	15,180	-	-	15,180
Unearned revenue	133,393	84,167	11,217	228,777
Total liabilities	958,274	4,095,091	1,327,409	6,380,774
Deferred inflows of resources				
Unavailable revenue:				
Special assessments receivable	-	164	787,056	787,220
Lease receivable	-	-	433,046	433,046
Total deferred inflows of resources	-	164	1,220,102	1,220,266
Fund balances				
Nonspendable	12,483	-	1,586,687	1,599,170
Restricted	-	-	3,890,895	3,890,895
Committed	5,667	58,387	4,768,860	4,832,914
Unassigned	4,650,598	-	-	4,650,598
Total fund balances	4,668,748	58,387	10,246,442	14,973,577
Total liabilities, deferred inflows of resources and fund balances	\$ 5,627,022	\$ 4,153,642	\$ 12,793,953	\$ 22,574,617

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, 2016

Fund balances - total governmental funds	\$ 14,973,577
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	16,505,089
Construction in progress	8,542,250
Capital assets being depreciated, net	98,870,631
Less capital assets accounted for in the internal service funds	(5,212,067)
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	11,058,359
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 assessments receivable	787,220
Deferred inflows for lease receivable	433,046
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	247,771
Bonds and loans payable	(30,455,000)
Unamortized premium on bonds payable	(130,421)
Accrued interest on bonds payable	(202,272)
Net other postemployment benefit obligation	(1,523,379)
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	(24,785,039)
Deferred outflows related to the net pension liability	7,175,625
Deferred inflows related to the net pension liability	(694,717)
Net position of governmental activities	<u>\$ 95,590,673</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, 2016

	General Fund	Infrastructure Projects	Nonmajor Governmental Funds	Total Governmental Funds
Revenues				
Property taxes	\$ 10,913,743	\$ 52,671	\$ 5,896,479	\$ 16,862,893
Special assessments	-	164	773,285	773,449
Licenses and permits	535,824	-	-	535,824
Intergovernmental	2,965,662	431,295	4,737,841	8,134,798
Charges for services	1,606,702	-	223,907	1,830,609
Fines and fees	136,809	-	492,185	628,994
Contributions from private sector	-	275,812	2,003,949	2,279,761
Interest and rents	396,201	7	598,097	994,305
Miscellaneous	24,148	-	284,913	309,061
Total revenues	16,579,089	759,949	15,010,656	32,349,694
Expenditures				
Current:				
General government	3,258,401	-	547,433	3,805,834
Public safety	11,597,183	-	339,378	11,936,561
Public works	1,241,925	-	3,095,235	4,337,160
Welfare and social services	428,164	-	533,491	961,655
Parks and recreation	3,469,429	-	1,641,622	5,111,051
Other	11,115,067	-	-	11,115,067
Debt service:				
Principal retirement	-	-	2,445,000	2,445,000
Interest and fiscal charges	-	-	696,684	696,684
Capital outlay	-	8,902,315	2,092,368	10,994,683
Total expenditures	31,110,169	8,902,315	11,391,211	51,403,695
Revenues over (under) expenditures	(14,531,080)	(8,142,366)	3,619,445	(19,054,001)
Other financing sources (uses)				
Proceeds from issuance of long-term debt	10,910,000	-	3,000,000	13,910,000
Proceeds on sale of capital assets	-	-	224,281	224,281
Transfers in	5,083,688	8,172,410	6,066,450	19,322,548
Transfers out	(1,776,303)	(55,913)	(12,103,132)	(13,935,348)
Total other financing sources (uses)	14,217,385	8,116,497	(2,812,401)	19,521,481
Net changes in fund balances	(313,695)	(25,869)	807,044	467,480
Fund balances, beginning of year	4,982,443	84,256	9,439,398	14,506,097
Fund balances, end of year	\$ 4,668,748	\$ 58,387	\$ 10,246,442	\$ 14,973,577

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, 2016

Net changes in fund balances - total governmental funds	\$ 467,480
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	9,115,097
Depreciation expense	(4,914,436)
Proceeds on sale of capital assets	(224,281)
Loss on sale of capital assets	(296,200)
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	2,445,000
Proceeds from issuance of long-term debt	(13,910,000)
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	520,968
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	110,536
Net change in leases receivable	(448,152)
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	8,628,536
Change in accrued interest on bonds payable	(21,427)
Change in net other postemployment benefit obligation	(74,640)
Change in net position of governmental activities	<u>\$ 1,371,708</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, 2016

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Property taxes	\$ 10,648,920	\$ 10,904,270	\$ 10,913,743	\$ 9,473
Licenses and permits	636,500	531,700	535,824	4,124
Intergovernmental	3,108,250	2,965,680	2,965,662	(18)
Charges for services	1,521,045	1,580,174	1,606,702	26,528
Fines and fees	187,200	132,200	136,809	4,609
Interest and rents	371,501	350,700	396,201	45,501
Miscellaneous	27,404	27,502	24,148	(3,354)
Total revenues	16,500,820	16,492,226	16,579,089	86,863
Expenditures				
Current:				
General government	3,365,513	3,377,862	3,258,401	(119,461)
Public safety	11,833,552	11,709,368	11,597,183	(112,185)
Public works	1,378,614	1,268,615	1,241,925	(26,690)
Welfare and social services	480,267	448,964	428,164	(20,800)
Parks and recreation	3,454,584	3,502,982	3,469,429	(33,553)
Other	524,200	25,371,742	11,115,067	(14,256,675)
Total expenditures	21,036,730	45,679,533	31,110,169	(14,569,364)
Revenues over (under) expenditures	(4,535,910)	(29,187,307)	(14,531,080)	14,656,227
Other financing sources (uses)				
Proceeds from issuance of long-term debt	-	25,000,000	10,910,000	(14,090,000)
Transfers in	5,075,000	5,078,000	5,083,688	5,688
Transfers out	(549,090)	(1,776,303)	(1,776,303)	-
Total other financing sources (uses)	4,525,910	28,301,697	14,217,385	(14,084,312)
Net changes in fund balance	(10,000)	(885,610)	(313,695)	571,915
Fund balance, beginning of year	4,982,443	4,982,443	4,982,443	-
Fund balance, end of year	\$ 4,972,443	\$ 4,096,833	\$ 4,668,748	\$ 571,915

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, 2016

	Business-type Activities - Enterprise Funds		
	Electric Utility	Wastewater Utility	Water Utility
Assets			
Current assets:			
Cash and pooled investments	\$ 47,198,496	\$ 12,240,321	\$ 4,035,487
Investments	32,629,565	701,794	3,800,953
Receivables:			
Accounts	13,749,296	1,494,848	2,493,862
Taxes and special assessments	-	55,965	97,962
Interest	211,266	1,100	9,955
Due from other funds	815,932	753,934	38,642
Inventories	6,136,961	51,672	236,350
Prepaid items	3,441,513	44,585	36,814
Total current assets	104,183,029	15,344,219	10,750,025
Noncurrent assets:			
Restricted assets:			
Cash and pooled investments	11,729,080	2,311,779	2,299,387
Investments	16,665,976	4,500,801	-
Accrued interest	-	7,878	1,751
Capital assets:			
Land	18,312,933	260,673	2,017,286
Construction in progress	224,937,808	9,077,106	5,120,964
Machinery and equipment	244,158,280	90,816,498	61,327,241
Accumulated depreciation	(192,270,845)	(43,736,300)	(26,660,907)
Due from City of Wyoming	-	-	2,277,352
Total noncurrent assets	323,533,232	63,238,435	46,383,074
Total assets	427,716,261	78,582,654	57,133,099
Deferred outflows of resources			
Loss on advance bond refundings, net	-	-	316,605
Deferred pension amounts	4,285,085	1,233,583	973,883
Total deferred outflows of resources	4,285,085	1,233,583	1,290,488

Business-type Activities - Enterprise Funds		Governmental Activities
Nonmajor Enterprise Funds	Total	Internal Service Funds
\$ 1,044,671	\$ 64,518,975	\$ 7,564,647
-	37,132,312	-
291,663	18,029,669	130,010
9	153,936	-
-	222,321	-
-	1,608,508	7,979
-	6,424,983	72,600
-	3,522,912	209,959
<u>1,336,343</u>	<u>131,613,616</u>	<u>7,985,195</u>
-	16,340,246	-
-	21,166,777	-
-	9,629	-
6,444,359	27,035,251	-
159,743	239,295,621	-
19,787,340	416,089,359	12,244,054
(13,564,172)	(276,232,224)	(7,031,987)
-	2,277,352	-
<u>12,827,270</u>	<u>445,982,011</u>	<u>5,212,067</u>
<u>14,163,613</u>	<u>577,595,627</u>	<u>13,197,262</u>
-	316,605	-
-	6,492,551	-
-	6,809,156	-

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CITY OF HOLLAND, MICHIGAN

Statement of Net Position

Proprietary Funds

June 30, 2016

	Business-type Activities - Enterprise Funds		
	Electric Utility	Wastewater Utility	Water Utility
Liabilities			
Current liabilities:			
Accounts payable	\$ 16,935,672	\$ 2,460,846	\$ 440,916
Claims payable	-	-	-
Accrued payroll and benefits	132,208	48,131	33,198
Accrued interest payable	18,819	5,418	4,277
Accrued interest payable from restricted assets	-	19,349	29,953
Due to other funds	788,913	279,144	727,740
Deposits	681,363	-	-
Unearned revenue	-	-	-
Accrued compensated absences - current	882,830	154,155	133,411
Bonds and lease purchases payable - current	846,245	243,616	192,329
Bonds payable from restricted assets - current	4,904,729	387,500	1,404,440
Total current liabilities	<u>25,190,779</u>	<u>3,598,159</u>	<u>2,966,264</u>
Noncurrent liabilities:			
Landfill closure and postclosure cost	327,450	-	-
Accrued compensated absences	-	-	-
Bonds payable, net of current portion	8,453,155	2,433,484	1,921,171
Bonds payable from restricted assets, net of current portion	160,893,245	9,112,500	13,912,248
Unearned revenue	-	408,571	-
Net pension liability	4,469,216	1,286,592	1,015,731
Net other postemployment benefit obligation	514,703	180,474	146,130
Total noncurrent liabilities	<u>174,657,769</u>	<u>13,421,621</u>	<u>16,995,280</u>
Total liabilities	<u>199,848,548</u>	<u>17,019,780</u>	<u>19,961,544</u>
Deferred inflows of resources			
Deferred pension amounts	<u>256,048</u>	<u>73,711</u>	<u>58,193</u>
Net position			
Net investment in capital assets	140,341,503	47,326,548	26,804,501
Restricted for capital projects and by agreement	17,393,755	6,409,918	2,299,387
Unrestricted	74,161,492	8,986,280	9,299,962
Total net position	<u>\$ 231,896,750</u>	<u>\$ 62,722,746</u>	<u>\$ 38,403,850</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
\$ 50,317	\$ 19,887,751	\$ 105,417
-	-	160,059
10,989	224,526	10,777
-	28,514	-
-	49,302	-
2,269	1,798,066	71,471
66,213	747,576	-
384,422	384,422	-
6,696	1,177,092	1,175,000
-	1,282,190	-
-	6,696,669	-
<u>520,906</u>	<u>32,276,108</u>	<u>1,522,724</u>
-	327,450	-
-	-	616,179
-	12,807,810	-
-	183,917,993	-
-	408,571	-
-	6,771,539	-
-	841,307	-
<u>-</u>	<u>205,074,670</u>	<u>616,179</u>
<u>520,906</u>	<u>237,350,778</u>	<u>2,138,903</u>
-	387,952	-
12,827,270	227,299,822	5,212,067
-	26,103,060	-
815,437	93,263,171	5,846,292
<u>\$ 13,642,707</u>	<u>\$ 346,666,053</u>	<u>\$ 11,058,359</u>

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CITY OF HOLLAND, MICHIGAN

Statement of Revenues, Expenses and Changes in Fund Net Position
 Proprietary Funds
 For the Year Ended June 30, 2016

	Business-type Activities - Enterprise Funds		
	Electric Utility	Wastewater Utility	Water Utility
Operating revenues			
Usage fees and charges for services	\$ 106,199,176	\$ 10,856,173	\$ 9,338,887
Premiums	-	-	-
Admissions and fares	-	-	-
Rentals	-	-	-
Miscellaneous	-	-	-
Total operating revenues	106,199,176	10,856,173	9,338,887
Operating expenses			
Personal services	7,705,488	2,290,594	1,797,073
Other current expenses	65,068,515	5,340,419	2,707,606
Depreciation	6,443,446	1,943,444	1,579,412
Total operating expenses	79,217,449	9,574,457	6,084,091
Operating income (loss)	26,981,727	1,281,716	3,254,796
Nonoperating revenues (expenses)			
Property taxes	-	-	-
Other private donations	-	-	-
Investment earnings	941,197	69,732	62,481
Interest expense	(189,501)	(75,998)	(410,468)
Insurance recovery	-	-	806,921
Gain (loss) on disposal of capital assets	(696,588)	(22,059)	(46,401)
Total nonoperating revenues (expenses)	55,108	(28,325)	412,533
Income (loss) before contributions and transfers	27,036,835	1,253,391	3,667,329
Contributions and transfers			
Capital contributions	-	7,392,312	135,119
Transfers in	-	-	-
Transfers out	(5,535,000)	-	-
Net contributions and transfers	(5,535,000)	7,392,312	135,119
Change in net position before special item	21,501,835	8,645,703	3,802,448
Special item (note 19)	(1,341,005)	-	-
Changes in net position	20,160,830	8,645,703	3,802,448
Net position, beginning of year	211,735,920	54,077,043	34,601,402
Net position, end of year	\$ 231,896,750	\$ 62,722,746	\$ 38,403,850

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
\$ 1,889,424	\$ 128,283,660	\$ 2,654,867
-	-	6,037,218
697,267	697,267	-
82,441	82,441	1,847,800
-	-	55,165
<u>2,669,132</u>	<u>129,063,368</u>	<u>10,595,050</u>
583,827	12,376,982	2,123,376
1,951,989	75,068,529	7,854,347
589,006	10,555,308	691,446
<u>3,124,822</u>	<u>98,000,819</u>	<u>10,669,169</u>
<u>(455,690)</u>	<u>31,062,549</u>	<u>(74,119)</u>
104,432	104,432	-
93,050	93,050	-
4,089	1,077,499	53,275
-	(675,967)	-
-	806,921	329,292
-	(765,048)	78,648
<u>201,571</u>	<u>640,887</u>	<u>461,215</u>
<u>(254,119)</u>	<u>31,703,436</u>	<u>387,096</u>
16,918	7,544,349	111
14,039	14,039	341,780
-	(5,535,000)	(208,019)
<u>30,957</u>	<u>2,023,388</u>	<u>133,872</u>
<u>(223,162)</u>	<u>33,726,824</u>	<u>520,968</u>
-	(1,341,005)	-
<u>(223,162)</u>	<u>32,385,819</u>	<u>520,968</u>
<u>13,865,869</u>	<u>314,280,234</u>	<u>10,537,391</u>
<u>\$ 13,642,707</u>	<u>\$ 346,666,053</u>	<u>\$ 11,058,359</u>

CITY OF HOLLAND, MICHIGAN

Statement of Cash Flows

Proprietary Funds

For the Year Ended June 30, 2016

	Business-type Activities - Enterprise Funds		
	Electric Utility	Wastewater Utility	Water Utility
Cash flows from operating activities			
Receipts from customers and users	\$ 104,624,815	\$ 9,978,506	\$ 8,368,695
Receipts from interfund services provided	-	-	-
Payments to suppliers	(60,276,238)	(4,735,411)	(2,293,974)
Payments to employees	(16,891,120)	(4,952,262)	(3,905,194)
Net cash provided by operating activities	<u>27,457,457</u>	<u>290,833</u>	<u>2,169,527</u>
Cash flows from noncapital financing activities			
Property taxes	-	-	-
Private donations	-	-	-
Insurance refunds	-	-	806,921
Intragovernmental receipts	-	-	-
Intragovernmental payments	(5,535,000)	-	-
Capital grant - State Drinking Water Revolving grant - Wyoming portion	-	-	10,057
Net cash provided by (used in) noncapital financing activities	<u>(5,535,000)</u>	<u>-</u>	<u>816,978</u>
Cash flows from capital and related financing activities			
Principal paid on long-term debt	-	-	(1,275,000)
Interest paid on long-term debt	(475,411)	(103,819)	(451,145)
Proceeds from State Drinking Water Revolving Fund	-	-	109,812
Proceeds on issuance of long-term debt	9,299,400	2,677,100	2,113,500
Capital grant - State Drinking Water Revolving grant	-	-	11,129
Capital contributions	-	11,774,747	123,990
Proceeds from sales of capital assets	179,956	11,230	27,061
Intragovernmental receipts	-	183,446	-
Purchase/construction of capital assets	(121,227,574)	(16,280,655)	(3,562,714)
Net cash used in capital and related financing activities	<u>(112,223,629)</u>	<u>(1,737,951)</u>	<u>(2,903,367)</u>
Cash flows from investing activities			
Proceeds from sales of investments	68,416,702	5,504,060	3,402,893
Purchase of investments	(49,172,906)	(5,200,683)	(3,800,567)
Investment earnings	742,567	67,960	67,285
Net cash provided by (used in) investing activities	<u>19,986,363</u>	<u>371,337</u>	<u>(330,389)</u>
Net increase (decrease) in cash and pooled investments	(70,314,809)	(1,075,781)	(247,251)
Cash and pooled investments, beginning of year	<u>129,242,385</u>	<u>15,627,881</u>	<u>6,582,125</u>
Cash and pooled investments, end of year	<u>\$ 58,927,576</u>	<u>\$ 14,552,100</u>	<u>\$ 6,334,874</u>

Business-type Activities - Enterprise Funds		Governmental Activities
Nonmajor Enterprise Funds	Total	Internal Service Funds
\$ 2,810,195	\$ 125,782,211	\$ -
-	-	10,817,696
(1,930,170)	(69,235,793)	(8,305,547)
(618,339)	(26,366,915)	(2,066,373)
<u>261,686</u>	<u>30,179,503</u>	<u>445,776</u>
104,426	104,426	-
-	-	-
-	806,921	329,292
-	-	341,780
-	(5,535,000)	(208,019)
-	10,057	-
<u>104,426</u>	<u>(4,613,596)</u>	<u>463,053</u>
-	(1,275,000)	-
-	(1,030,375)	-
-	109,812	-
-	14,090,000	-
-	11,129	-
109,968	12,008,705	111
-	218,247	175,813
14,147	197,593	-
(166,754)	(141,237,697)	(1,270,286)
<u>(42,639)</u>	<u>(116,907,586)</u>	<u>(1,094,362)</u>
-	77,323,655	-
-	(58,174,156)	-
4,089	881,901	53,275
<u>4,089</u>	<u>20,031,400</u>	<u>53,275</u>
327,562	(71,310,279)	(132,258)
<u>717,109</u>	<u>152,169,500</u>	<u>7,696,905</u>
<u>\$ 1,044,671</u>	<u>\$ 80,859,221</u>	<u>\$ 7,564,647</u>

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CITY OF HOLLAND, MICHIGAN

Statement of Cash Flows

Proprietary Funds

For the Year Ended June 30, 2016

	Business-type Activities - Enterprise Funds		
	Electric Utility	Wastewater Utility	Water Utility
Classified on the statement of net position as			
Cash and pooled investments	\$ 47,198,496	\$ 12,240,321	\$ 4,035,487
Restricted cash and pooled investments	11,729,080	2,311,779	2,299,387
	<u>\$ 58,927,576</u>	<u>\$ 14,552,100</u>	<u>\$ 6,334,874</u>
Cash flows from operating activities			
Operating income (loss)	\$ 26,981,727	\$ 1,281,716	\$ 3,254,796
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	6,443,446	1,943,444	1,579,412
Change in:			
Accounts receivables	(1,034,595)	(125,588)	(1,016,299)
Due from other funds	(649,262)	(752,079)	(9,951)
Inventories	3,070,402	779	2,921
Prepaid items	(147,437)	(27,831)	(26,679)
Due from the City of Wyoming	-	-	56,059
Accounts payable	1,591,536	468,257	127,625
Claims payable	-	-	-
Accrued payroll and benefits	(192,309)	(72,962)	(64,414)
Due to other funds	277,776	163,803	309,765
Unearned revenue	-	-	-
Accrued compensated absences	-	-	-
Deposits	109,496	-	-
Net pension liability	(5,799,578)	(1,669,575)	(1,318,086)
Net other postemployment benefits obligation	(6,346)	(1,548)	(1,214)
Deferred pension amounts	(3,187,399)	(917,583)	(724,408)
Net cash provided by operating activities	<u>\$ 27,457,457</u>	<u>\$ 290,833</u>	<u>\$ 2,169,527</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
\$ 1,044,671	\$ 64,518,975	\$ 7,564,647
-	16,340,246	-
<u>\$ 1,044,671</u>	<u>\$ 80,859,221</u>	<u>\$ 7,564,647</u>
\$ (455,690)	\$ 31,062,549	\$ (74,119)
589,006	10,555,308	691,446
(42,105)	(2,218,587)	(7,363)
-	(1,411,292)	175,327
-	3,074,102	(30,476)
-	(201,947)	(194,609)
-	56,059	-
21,445	2,208,863	(313,122)
-	-	105,567
(20,224)	(349,909)	(25,488)
-	751,344	36,122
183,168	183,168	-
(13,914)	(13,914)	82,491
-	109,496	-
-	(8,787,239)	-
-	(9,108)	-
-	(4,829,390)	-
<u>\$ 261,686</u>	<u>\$ 30,179,503</u>	<u>\$ 445,776</u>

concluded

CITY OF HOLLAND, MICHIGAN

Statement of Fiduciary Assets and Liabilities

Agency Funds

June 30, 2016

Assets

Cash and pooled investments	\$ 984,708
Accounts receivable	723

Total assets \$ 985,431

Liabilities

Accounts payable	\$ 65,987
Due to other governmental units	915,763
Other liabilities and deposits	3,681

Total liabilities \$ 985,431

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, 2016

	Downtown Development Authority	Holland Historical Trust	Brownfield Redevelopment Authority	Total
Assets				
Cash and pooled investments	\$ 157,127	\$ 200,545	\$ 255,692	\$ 613,364
Investments	-	501,638	-	501,638
Receivables, net	114	5,372	-	5,486
Inventory	-	5,648	-	5,648
Prepaid items	200	-	-	200
Capital assets:				
Land	-	20,000	-	20,000
Being depreciated, net of depreciation	180,315	1,274,011	-	1,454,326
Total assets	337,756	2,007,214	255,692	2,600,662
Liabilities				
Accounts payable	5,702	25,705	-	31,407
Accrued payroll and benefits	1,366	14,131	-	15,497
Unearned revenue	-	13,023	-	13,023
Line of credit	-	45,000	-	45,000
Total liabilities	7,068	97,859	-	104,927
Net position				
Investment in capital assets	180,315	1,294,011	-	1,474,326
Restricted by agreement	-	363,565	-	363,565
Unrestricted	150,373	251,779	255,692	657,844
Total net position	\$ 330,688	\$ 1,909,355	\$ 255,692	\$ 2,495,735

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, 2016

	Downtown Development Authority	Holland Historical Trust	Brownfield Redevelopment Authority	Total
Expenses				
Downtown Development Authority	\$ 256,203	\$ -	\$ -	\$ 256,203
Holland Historical Trust	-	832,251	-	832,251
Brownfield Redevelopment Authority	-	-	943,853	943,853
Total expenses	256,203	832,251	943,853	2,032,307
Program revenues				
Charges for services	9,507	96,283	-	105,790
Operating grants and contributions	2,351	351,665	81,071	435,087
Total program revenues	11,858	447,948	81,071	540,877
Net expenses	(244,345)	(384,303)	(862,782)	(1,491,430)
General revenues				
Property taxes	189,308	-	981,559	1,170,867
Change in net position	(55,037)	(384,303)	118,777	(320,563)
Net position, beginning of year	385,725	2,293,658	136,915	2,816,298
Net position, end of year	\$ 330,688	\$ 1,909,355	\$ 255,692	\$ 2,495,735

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 Units

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.

Holland Energy Fund ("HEF") - The HEF, a Michigan not-for-profit corporation, 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 facilitate and/or finance building energy labeling and the retrofitting of homes, commercial, and industrial facilities in the City with energy conservation measures.

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.

CITY OF HOLLAND, MICHIGAN

Notes to Financial Statements

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.

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, and two members appointed by West Ottawa Schools. The City has the authority to dissolve or inactivate the LDFA, upon which the assets of LDFA would revert to the City. 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.

CITY OF HOLLAND, MICHIGAN

Notes to Financial Statements

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Agency funds, a type of fiduciary fund, are unlike all other types of funds, reporting only assets and liabilities. Therefore, agency funds cannot be said to have a measurement focus. They do, however, use the accrual basis of accounting to recognize receivables and payables.

Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. After March 1, any delinquent taxes on real property are paid by the county which is responsible for collecting any outstanding taxes on real property as of that date. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers property tax revenues to be available if they are collected within 60 days of the end of the current fiscal period. Intergovernmental revenue, charges for services and interest are all considered to be susceptible to accrual if collected within 180 days of fiscal year-end. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

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

The City reports the following major governmental funds:

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

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

The City reports the following major enterprise funds:

The *Electric Utility 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.

CITY OF HOLLAND, MICHIGAN

Notes to Financial Statements

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.

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.

CITY OF HOLLAND, MICHIGAN

Notes to Financial Statements

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

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

Cash and Pooled Investments

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

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

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.

CITY OF HOLLAND, MICHIGAN

Notes to Financial Statements

Receivables

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

Due To/From Other Funds

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

Due To/From Other Governmental Units

Amounts due to other governments include amounts collected for payments in lieu of taxes that have not yet been remitted to other governmental agencies. Amounts due from other governments include amounts due from grantors for specific programs and capital projects. Program and capital grants are recorded as receivables and revenue at the time reimbursable costs are incurred. Amount received in advance of costs being incurred are reported as unearned revenue.

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 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 acquisition cost as of the date of donation. 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. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

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.

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	\$ 11,217	\$ -	\$ -
Infrastructure projects	84,167	-	-
Fees collected in excess of amounts earned	133,393	384,422	13,023
Capital contributions	-	408,571	-
Total unearned revenue	\$ 228,777	\$ 792,993	\$ 13,023

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. 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, 2014 was \$1,193,481,478, 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	1.4268		
Sidewalk development and improvement	0.0500		
Municipal capital projects	0.5765		
Debt service general obligation	2.2198		
	<u>13.7731</u>	16.1346	1
		17.5000	City Charter
Library support / debt service	1.2362	1.4834	1
		1.5000	2
West Michigan Airport Authority	0.0992	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 Transfers

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 2016, total transfers of \$5,535,000 were made. A \$4,952,000 transfer was made to the General Fund, a \$400,000 transfer was made to the Municipal Facilities and Land Improvements Projects Fund, and a \$183,000 transfer was made to the Holland Energy 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, 2016. 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 lease receivable. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. In addition, the City reports deferred inflows of resources for changes in expected and actual investment returns, assumptions, and benefits provided in its pension plans.

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.

CITY OF HOLLAND, MICHIGAN

Notes to Financial Statements

3. 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.

For the year ended June 30, 2016, 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	\$ 171,430	\$ 175,453	\$ 4,023
Public safety:			
Fire	2,834,235	2,845,200	10,965
Construction inspections	585,754	586,485	731
Parks and recreation:			
Parks	1,696,716	1,697,790	1,074
Recreation	964,790	967,529	2,739
Budget Stabilization:			
General government:			
Other services and charges	15,000	17,427	2,427
Major Streets Fund:			
Transfers out	3,795,241	3,995,834	200,593
Street Improvements Reserve Fund:			
Public works	-	132	132
Snowmelt Operating System Fund:			
Public works	196,991	198,025	1,034
District Library Taxation Fund:			
Parks and recreation	1,305,971	1,306,647	676
Clean Energy Program Fund:			
Welfare and social services	3,176	15,965	12,789
Cemetery Perpetual Care Fund:			
Transfers out	11,000	16,688	5,688

CITY OF HOLLAND, MICHIGAN

Notes to Financial Statements

4. DEPOSITS AND INVESTMENTS

The City's reporting entity deposits and investments as of June 30, 2016 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	\$ 24,666,823	\$ 64,518,975	\$ 613,364	\$ 984,708	\$ 90,783,870
Investments	-	37,132,312	501,638	-	37,633,950
Restricted assets:					
Cash and pooled investments	-	16,340,246	-	-	16,340,246
Investments	-	21,166,777	-	-	21,166,777
Total	<u>\$ 24,666,823</u>	<u>\$ 139,158,310</u>	<u>\$ 1,115,002</u>	<u>\$ 984,708</u>	<u>\$ 165,924,843</u>

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

Petty cash	\$ 13,498
Deposits (checking/savings accounts)	66,478,947
Certificate of deposit (due within one year)	15,977,343
Certificate of deposit (due within one to five years)	3,017,710
Investments:	
Primary government	80,000,740
Component units	436,605
	<u>\$ 165,924,843</u>

CITY OF HOLLAND, MICHIGAN

Notes to Financial Statements

Investment and Deposit Risk

Primary Government

Interest Rate Risk. State law limits the allowable investments and the maturities of some of the allowable investments as identified in Note 1. The City's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The maturity dates for each investment are identified 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	\$ -	\$ 13,513,590	\$ 28,438,735	\$ 41,952,325
Municipal bonds	-	1,800,869	6,350,829	8,151,698
Commercial paper	-	1,158,616	-	1,158,616
Money market funds	3,769,470	-	-	3,769,470
Repurchase agreements	19,302,655	-	-	19,302,655
MPPA Investments	5,665,976	-	-	5,665,976
Total Primary Government	\$ 28,738,101	\$ 16,473,075	\$ 34,789,564	\$ 80,000,740

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.

CITY OF HOLLAND, MICHIGAN

Notes to Financial Statements

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

S&P AAAm	\$ 3,761,215
S&P AA+	42,632,628
S&P AA	482,865
S&P AA-	6,734,580
S&P A1	1,158,616
Moody's Aa1	253,950
Unrated	5,674,231
Not subject to credit risk	<u>19,302,655</u>
	<u>\$ 80,000,740</u>

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, \$82,385,687 of the bank balance of \$86,786,609 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial Credit Risk - Investments. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. State law does not require and the City does not have a specific policy pertaining to investment custodial credit risk which is more restrictive than state law. Of the above \$80,000,740 of investments held at year-end, the City has a custodial credit risk exposure of \$60,698,085 because the related securities are uninsured, unregistered and held by the government's brokerage firm which is also the counterparty for these particular securities. The City is not exposed to custodial credit risk on the repurchase agreements as the investments are held in an overnight sweep account which is collateralized by US government securities. Custodial credit risk for the mutual funds and MPPA Trust Pool cannot be determined as these investments are not evidenced by specifically identifiable securities.

Concentration of Credit Risk. State law limits allowable investments but does not limit concentration of credit risk as identified in the listing above. The City's 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.

Fair Value Measurement. The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

CITY OF HOLLAND, MICHIGAN

Notes to Financial Statements

The City has the following recurring fair value measurements as of June 30, 2016:

	Level 1	Level 2	Level 3	Total
U.S. Treasury securities	\$ 41,952,325	\$ -	\$ -	\$ 41,952,325
Municipal bonds	8,151,698	-	-	8,151,698
Money market funds	-	3,769,470	-	3,769,470
Repurchase agreement	-	19,302,655	-	19,302,655
Michigan Public Power Agency	-	-	5,665,976	5,665,976
	<u>\$ 50,104,023</u>	<u>\$ 23,072,125</u>	<u>\$ 5,665,976</u>	<u>78,842,124</u>
Investments carried at amortized cost:				
Commercial paper				<u>1,158,616</u>
Total investments				<u>\$ 80,000,740</u>

The City has earmarked cash and investment balances for system expansion, maintenance and insurance risk retention as follows:

	Governmental Activities	Business-type Activities	Total
City trunkage	\$ -	\$ 1,079,870	\$ 1,079,870
Township trunkage	-	212,815	212,815
Insurance/risk retention	-	3,553,826	3,553,826
Total	<u>\$ -</u>	<u>\$ 4,846,511</u>	<u>\$ 4,846,511</u>

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, \$89,454 of the bank balance of \$266,087 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	\$ 102,834	n/a	n/a	Various
Equity mutual funds	282,629	n/a	n/a	n/a
Other mutual funds	27,699	n/a	n/a	n/a
Corporate equities, domestic	23,443	n/a	n/a	n/a
	<u>\$ 436,605</u>			

Fair Value. HHT categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. HHT's investments detailed above are considered Level 1.

5. RECEIVABLES

Receivables are comprised of the following at year-end:

	Governmental Activities	Business-type Activities	Component Units
Accounts	\$ 756,703	\$ 18,126,853	\$ -
Allowance for uncollectible receivables	(28,409)	(97,184)	-
Taxes and special assessments	815,843	154,085	761
Allowance for uncollectible taxes and special assessments	(27,298)	(149)	(647)
Interest	9,045	222,321	-
Leases	433,046	-	-
Pledges receivable	-	-	5,372
Due from other governmental units	1,199,863	-	-
Due from City of Wyoming	-	2,277,352	-
	<u>\$ 3,158,793</u>	<u>\$ 20,683,278</u>	<u>\$ 5,486</u>

Of the governmental activities amounts reported for receivables above, special assessments receivable in the amount of \$672,626 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 \$2,277,352 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, 2016, was as follows:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Governmental Activities					
Capital assets, not being depreciated:					
Land	\$ 16,507,352	\$ -	\$ (2,263)	\$ -	\$ 16,505,089
Construction in progress	3,111,519	6,563,483	(254,878)	(877,874)	8,542,250
	<u>19,618,871</u>	<u>6,563,483</u>	<u>(257,141)</u>	<u>(877,874)</u>	<u>25,047,339</u>
Capital assets, being depreciated:					
Land improvements	19,637,887	153,097	-	-	19,790,984
Buildings	36,942,755	78,491	(9,998)	-	37,011,248
Machinery and equipment	8,732,781	580,216	(798,797)	295,226	8,809,426
Vehicles	7,774,654	558,312	(483,686)	-	7,849,280
Infrastructure	104,358,569	2,451,784	(423,380)	582,648	106,969,621
	<u>177,446,646</u>	<u>3,821,900</u>	<u>(1,715,861)</u>	<u>877,874</u>	<u>180,430,559</u>
Less accumulated depreciation for:					
Land improvements	(11,764,984)	(814,777)	-	-	(12,579,761)
Buildings	(14,858,638)	(975,970)	9,998	-	(15,824,610)
Machinery and equipment	(5,885,191)	(455,410)	727,897	-	(5,612,704)
Vehicles	(4,611,954)	(441,506)	423,827	-	(4,629,633)
Infrastructure	(40,188,635)	(2,918,219)	193,634	-	(42,913,220)
	<u>(77,309,402)</u>	<u>(5,605,882)</u>	<u>1,355,356</u>	<u>-</u>	<u>(81,559,928)</u>
Total capital assets being depreciated, net	<u>100,137,244</u>	<u>(1,783,982)</u>	<u>(360,505)</u>	<u>877,874</u>	<u>98,870,631</u>
Governmental activities capital assets, net	<u>\$ 119,756,115</u>	<u>\$ 4,779,501</u>	<u>\$ (617,646)</u>	<u>\$ -</u>	<u>\$ 123,917,970</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	\$ 23,562,207	\$ 131,486	\$ -	\$ 3,341,558	\$ 27,035,251
Construction in progress	122,516,733	133,015,600	(117,576)	(16,119,136)	239,295,621
	<u>146,078,940</u>	<u>133,147,086</u>	<u>(117,576)</u>	<u>(12,777,578)</u>	<u>266,330,872</u>
Capital assets, being depreciated:					
Land improvements	14,374,085	-	-	-	14,374,085
Buildings	4,441,881	-	-	-	4,441,881
Machinery and equipment	380,387,559	7,593,321	(7,012,866)	12,777,578	393,745,592
Office equipment / furniture	35,758	-	-	-	35,758
Vehicles	3,172,712	497,290	(177,959)	-	3,492,043
	<u>402,411,995</u>	<u>8,090,611</u>	<u>(7,190,825)</u>	<u>12,777,578</u>	<u>416,089,359</u>
Less accumulated depreciation for:					
Land improvements	(9,756,972)	(424,570)	-	-	(10,181,542)
Buildings	(2,574,363)	(82,500)	-	-	(2,656,863)
Machinery and equipment	(257,513,261)	(9,792,542)	6,147,147	-	(261,158,656)
Office equipment / furniture	(35,758)	-	-	-	(35,758)
Vehicles	(2,121,668)	(255,696)	177,959	-	(2,199,405)
	<u>(272,002,022)</u>	<u>(10,555,308)</u>	<u>6,325,106</u>	<u>-</u>	<u>(276,232,224)</u>
Total capital assets being depreciated, net	<u>130,409,973</u>	<u>(2,464,697)</u>	<u>(865,719)</u>	<u>12,777,578</u>	<u>139,857,135</u>
Business-type activities capital assets, net	<u>\$ 276,488,913</u>	<u>\$ 130,682,389</u>	<u>\$ (983,295)</u>	<u>\$ -</u>	<u>\$ 406,188,007</u>

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

Depreciation of governmental activities by function	
General government	\$ 278,330
Public safety	490,156
Public works	3,386,965
Cultural and recreation	623,013
Economic development	135,972
Internal service funds	691,446
	<u>5,605,882</u>

CITY OF HOLLAND, MICHIGAN

Notes to Financial Statements

Depreciation of business-type activities by function	
Electric utility	\$ 6,443,446
Wastewater utility	1,943,444
Water utility	1,579,412
Windmill island	103,184
Depot operations	24,539
Airport facilities and management system	449,538
Public transit facilities and management system	11,745
	<u>\$ 10,555,308</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	(195,467)	(19,269)	-	-	(214,736)
Downtown Development Authority capital assets, net	<u>\$ 199,584</u>	<u>\$ (19,269)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 180,315</u>
Component Unit -					
Holland Historical Trust					
Capital assets, not being depreciated:					
Land	\$ 20,000	\$ -	\$ -	\$ -	\$ 20,000
Capital assets, being depreciated:					
Buildings and improvements	2,794,397	4,000	-	-	2,798,397
Furniture and equipment	35,943	1,220	-	-	37,163
	<u>2,830,340</u>	<u>5,220</u>	<u>-</u>	<u>-</u>	<u>2,835,560</u>
Less accumulated depreciation for:					
Buildings and improvements	(1,413,110)	(112,852)	-	-	(1,525,962)
Furniture and equipment	(35,127)	(460)	-	-	(35,587)
	<u>(1,448,237)</u>	<u>(113,312)</u>	<u>-</u>	<u>-</u>	<u>(1,561,549)</u>
Total capital assets being depreciated, net	<u>1,382,103</u>	<u>(108,092)</u>	<u>-</u>	<u>-</u>	<u>1,274,011</u>
Holland Historical Trust capital assets, net	<u>\$ 1,402,103</u>	<u>\$ (108,092)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,294,011</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	\$ 3,679,113	\$ 19,887,751	\$ 31,407
Accrued payroll and benefits	213,026	224,526	15,497
Claims payable	160,059	-	-
Accrued interest payable	202,272	28,514	-
Accrued interest payable from restricted assets	-	49,302	-
Due to other governmental units	183,047	-	-
	<u>\$ 4,437,517</u>	<u>\$ 20,190,093</u>	<u>\$ 46,904</u>

8. LONG-TERM DEBT

Long-term debt at June 30, 2016, 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	\$ 18,930,000	\$ -	\$ (2,435,000)	\$ 16,495,000	\$ 2,570,000
Special assessment bonds	60,000	-	(10,000)	50,000	10,000
Pension bonds	-	10,910,000	-	10,910,000	992,810
Note payable	-	3,000,000	-	3,000,000	271,459
Total installment debt	18,990,000	13,910,000	(2,445,000)	30,455,000	3,844,269
Premium on bonds payable	179,168	-	(48,747)	130,421	48,747
Compensated absences	1,708,688	1,257,274	(1,174,783)	1,791,179	1,175,000
Totals governmental activities	<u>\$ 20,877,856</u>	<u>\$ 15,167,274</u>	<u>\$ (3,668,530)</u>	<u>\$ 32,376,600</u>	<u>\$ 5,068,016</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.

\$ 430,000

\$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.

6,950,000

\$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.

3,465,000

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. \$ 2,690,000

\$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. 2,960,000

Total general obligation bonds \$ 16,495,000

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. \$ 50,000

Pension bonds

\$10,910,000 2016 Pension Bonds (City portion), due in annual installments of \$992,810 to \$1,232,830 plus interest ranging from 0.76 to 3.42%, payable semi-annually, through December 1, 2025. \$ 10,910,000

Note payable

\$3,000,000 2016 note payable, due in semi-annual installments of \$134,991 to \$166,023 plus interest at a rate of 2.19%, payable semi-annually, through June 1, 2026. \$ 3,000,000

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Business-type activities					
Revenue bonds	\$ 174,855,548	\$ 109,812	\$ (1,275,000)	\$ 173,690,360	\$ 5,905,000
Pension bonds	-	14,090,000	-	14,090,000	1,282,190
Capital lease	9,500,000	-	-	9,500,000	387,500
Total installment debt	<u>184,355,548</u>	<u>14,199,812</u>	<u>(1,275,000)</u>	<u>197,280,360</u>	<u>7,574,690</u>
Premium on bonds payable	7,845,369	-	(421,067)	7,424,302	404,169
Compensated absences	1,099,201	1,172,883	(1,094,992)	1,177,092	1,177,092
Total business-type activities	<u>\$ 193,300,118</u>	<u>\$ 15,372,695</u>	<u>\$ (2,791,059)</u>	<u>\$ 205,881,754</u>	<u>\$ 9,155,951</u>

CITY OF HOLLAND, MICHIGAN

Notes to Financial Statements

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.	\$ 4,830,360
\$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.	9,165,000
\$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.	855,000
\$158,840,000 2014A Electric Utility System Revenue Bonds, due in annual installments of \$4,600,000 to \$10,705,000 plus interest ranging from 1.659 to 4.919%, payable semi-annually, through July 1, 2039.	<u>158,840,000</u>
Total revenue bonds	<u>\$ 173,690,360</u>

Pension bonds

\$14,090,000 2016 Pension Bonds (Board portion), due in annual installments of \$1,282,190 to \$1,592,170 plus interest ranging from 0.76 to 3.42%, payable semi-annually, through December 1, 2025.	<u>\$ 14,090,000</u>
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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.	<u>\$ 9,500,000</u>
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The Board 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 \$10,349 held in trust at June 30, 2016. The Board has recognized a liability for closure and postclosure cost of \$327,450 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 85% 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.

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.

CITY OF HOLLAND, MICHIGAN

Notes to Financial Statements

The special assessment bonds represent the financing of public improvements that benefit specific districts; these districts are specially assessed, at least in part, for the cost of the improvements. At June 30, 2016, the City has cash and investments of \$39,961 available in the special assessment debt service fund for repayment of these bonds. In addition, there is \$30,818 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, 2016, excluding unamortized premium/discount, are as follows:

Year Ended June 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2017	\$ 3,844,269	\$ 939,252	\$ 7,574,690	\$ 7,629,796
2018	3,581,157	812,489	7,791,280	7,485,835
2019	3,737,540	713,919	7,951,006	7,351,832
2020	3,913,422	593,427	8,163,868	7,159,158
2021	3,303,805	475,231	8,354,866	6,980,368
2022-2026	10,159,807	1,178,410	43,204,290	30,576,757
2027-2031	1,335,000	329,957	38,335,000	22,936,782
2032-2036	580,000	43,500	45,250,360	13,712,809
2037-2040	-	-	30,655,000	3,002,100
	<u>\$ 30,455,000</u>	<u>\$ 5,086,185</u>	<u>\$ 197,280,360</u>	<u>\$ 106,835,437</u>

Revenue Bonds

Covenants of the Revenue Bond Resolution provide for, among other things, restrictions on the transfer of funds, issuance of additional debt, creation of liens, and the sale and lease of property. In addition, the covenants require that the rates be set sufficient to cover the scheduled debt service.

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 \$56,831, payable through 2020. Principal and interest paid for the current year and special assessment revenues were \$13,036 and \$9,823, 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 \$33,425,173 respectively.

CITY OF HOLLAND, MICHIGAN

Notes to Financial Statements

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. The total principal and interest paid for the current year and total customer net revenues were \$252,821 and \$3,225,160 respectively.

Water. The Board has pledged future water customer revenues, net of specified operating expenses, to repay \$9.74 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 \$486,312 and \$4,834,208 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 \$880,550 and \$4,834,208 respectively.

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 \$379,550 and \$4,834,208 respectively.

Defeased Debt

As of June 30, 2016, 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, 2016 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. LINE OF CREDIT

HHT has available a \$100,000 line of credit with variable interest based on 1.25% plus lender's prime commercial rate (effective rate of 4.75% at June 30, 2016). The line expires on March 3, 2017 and is secured by HHT's assets. Outstanding borrowings on the line as of June 30, 2016 were \$45,000.

CITY OF HOLLAND, MICHIGAN

Notes to Financial Statements

10. JOINT VENTURES

The Board entered into a joint venture, the Michigan Public Power Agency (MPPA), with 15 other municipal electric systems. The MPPA was formed to undertake the planning, financing, development, acquisition, construction, improvement, operation and maintenance of projects to supply electric power and energy for 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, 2016, the Board recognized expenses totaling \$18,036,608 under the terms of the contracts which represented \$1,443,553 for fixed operating costs, \$5,595,063 for debt service and \$10,997,992 for the purchase of power. Accounts payable to MPPA totaled \$1,155,963 at June 30, 2016. 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 consider the dynamics of the PJM and MISO markets. Debt service payments assume no early calls or refinancing of existing revenue bonds.

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	
2017	\$ 4,305,335	\$ 662,507	\$ 971,828	\$ 202,644	\$ 278,317	\$ 113,030	\$ 6,533,661
2018	4,305,656	730,680	1,111,483	225,406	278,691	193,066	6,844,982
2019	4,305,962	805,868	1,111,242	243,434	278,264	253,811	6,998,581
2020	-	-	1,111,967	250,612	278,665	260,012	1,901,256
2021	-	-	1,110,861	258,003	278,217	267,813	1,914,894
2022-2026	-	-	2,222,822	268,433	1,391,798	275,847	4,158,900
2027-2031	-	-	-	-	1,392,038	1,508,445	2,900,483
2032-2036	-	-	-	-	1,391,604	1,748,701	3,140,305
2037-2041	-	-	-	-	1,391,237	2,027,224	3,418,461
2042-2044	-	-	-	-	834,609	2,863,265	3,697,874
	<u>\$12,916,953</u>	<u>\$ 2,199,055</u>	<u>\$ 7,640,203</u>	<u>\$ 1,448,532</u>	<u>\$ 7,793,440</u>	<u>\$ 9,511,214</u>	<u>\$41,509,397</u>

Debt Service requirements expire in the years 2019 and 2023 for the Belle River and Campbell projects, respectively and in 2044 for the Fremont project. The above amounts include estimated fixed operating costs for the same period as the Debt Service. The contracts for the Board's commitment for fixed operating costs to extend beyond these dates is dependent upon the use of the facilities.

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

CITY OF HOLLAND, MICHIGAN

Notes to Financial Statements

11. INTERFUND RECEIVABLES AND PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2016, was as follows:

	Due from Other Funds							Total
	General Fund	Infra-structure Projects	Nonmajor Govern-mental Funds	Electric Utility	Wastewater Utility	Water Utility	Internal Service Funds	
Due to Other Funds								
General Fund	\$ -	\$ -	\$ -	\$ 46,504	\$ 42,970	\$ 2,202	\$ -	\$ 91,676
Infrastructure Projects	-	-	-	724,964	669,878	34,334	-	1,429,176
Nonmajor Govern-mental Funds	-	-	584,466	36,779	33,986	1,742	-	656,973
Electric Utility	12,338	768,044	5,025	-	-	-	3,506	788,913
Wastewater Utility	4,366	271,760	1,778	-	-	-	1,240	279,144
Water Utility	11,381	708,489	4,637	-	-	-	3,233	727,740
Nonmajor Enterprise Funds	-	-	-	1,151	1,063	55	-	2,269
Internal Service Funds	-	-	58,591	6,534	6,037	309	-	71,471
	<u>\$ 28,085</u>	<u>\$ 1,748,293</u>	<u>\$ 654,497</u>	<u>\$ 815,932</u>	<u>\$ 753,934</u>	<u>\$ 38,642</u>	<u>\$ 7,979</u>	<u>\$ 4,047,362</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, 2016, interfund transfers consisted of the following:

	Transfers in					Total
	General Fund	Infra-structure Projects	Nonmajor Govern-mental Funds	Nonmajor Enterprise Funds	Internal Service Funds	
Transfers out						
General Fund	\$ -	\$ -	\$ 1,676,303	\$ -	\$ 100,000	\$ 1,776,303
Infrastructure Projects	-	-	55,913	-	-	55,913
Nonmajor Govern-mental Funds	131,688	8,172,410	3,543,215	14,039	241,780	12,103,132
Electric Utility	4,952,000	-	583,000	-	-	5,535,000
Internal Service Funds	-	-	208,019	-	-	208,019
	<u>\$ 5,083,688</u>	<u>\$ 8,172,410</u>	<u>\$ 6,066,450</u>	<u>\$ 14,039</u>	<u>\$ 341,780</u>	<u>\$ 19,678,367</u>

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

CITY OF HOLLAND, MICHIGAN

Notes to Financial Statements

12. NET INVESTMENT IN CAPITAL ASSETS

The composition of net investment in capital assets as of June 30, 2016, was as follows:

	Governmental Activities	Business-type Activities	Component Units
Capital assets:			
Land	\$ 16,505,089	\$ 27,035,251	\$ 20,000
Construction in progress	8,542,250	239,295,621	-
Capital assets being depreciated, net	98,870,631	139,857,135	1,454,326
	<u>123,917,970</u>	<u>406,188,007</u>	<u>1,474,326</u>
Related debt:			
Total installment debt	30,455,000	197,280,360	-
Less: bonds payable related to pension obligations	(10,910,000)	(14,090,000)	-
Less: bonds payable related to capital leases	(430,000)	-	-
Less: note payable for non-capital items	(3,000,000)	-	-
Net bond premium	130,421	7,424,302	-
Loss on advance bond refundings	(247,771)	(316,605)	-
Unspent bond proceeds	-	(11,409,872)	-
	<u>15,997,650</u>	<u>178,888,185</u>	<u>-</u>
Net investment in capital assets	<u>\$ 107,920,320</u>	<u>\$ 227,299,822</u>	<u>\$ 1,474,326</u>

CITY OF HOLLAND, MICHIGAN

Notes to Financial Statements

13. FUND BALANCES - GOVERNMENTAL FUNDS

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

	General Fund	Infrastructure Projects	Nonmajor Governmental Funds	Total
Nonspendable:				
Prepaid items	\$ 12,483	\$ -	\$ 300	\$ 12,783
Cemetery endowment corpus	-	-	1,586,387	1,586,387
Total nonspendable	12,483	-	1,586,687	1,599,170
Restricted:				
Street construction and maintenance	-	-	435,941	435,941
Cemetery maintenance and improvements	-	-	70,303	70,303
Parking system and maintenance	-	-	261,784	261,784
Downtown promotion	-	-	26,765	26,765
Grant and support programs	-	-	55,927	55,927
Specified donations	-	-	458,921	458,921
Assistance programs	-	-	204,774	204,774
Debt service	-	-	297,540	297,540
Unexpended note proceeds	-	-	2,078,940	2,078,940
Total restricted	-	-	3,890,895	3,890,895
Committed:				
Infrastructure construction and maintenance	-	-	16,974	16,974
Public access television	-	-	400,699	400,699
Grant and support programs	5,667	-	-	5,667
Capital improvements	-	58,387	4,284,958	4,343,345
Energy conservation	-	-	66,229	66,229
Total committed	5,667	58,387	4,768,860	4,832,914
Unassigned	4,650,598	-	-	4,650,598
Total fund balances - governmental funds	\$ 4,668,748	\$ 58,387	\$ 10,246,442	\$ 14,973,577

CITY OF HOLLAND, MICHIGAN

Notes to Financial Statements

14. PENSION PLAN

General Information About the Plan

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

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 the December 31, 2015 valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	330
Inactive employees entitled to but not yet receiving benefits	61
Active employees	<u>192</u>
 Total membership	 <u><u>583</u></u>

Contributions. The employer is required to contribute amounts at least equal to the actuarially determined rate, as established by the MERS Retirement Board. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. 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, 2016:

Division/Bargaining Unit	Employer Contribution	Employee Contribution
01 - Gen. NonUnion	\$9,836/month	3.00%
02 - Public Safety Command	\$3,409/month	3.00%
11 - PubWks Local 586	\$18,292/month	2.00%
13 - PubWks-NonUnion	\$8,243/month	2.00%
14 - Clerical	\$2,306/month	2.00%
20 - Police FOP	20.64%	5.58%
50 - Fire Local 759	34.69%	6.23%

CITY OF HOLLAND, MICHIGAN

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Net Pension Liability. The City's net pension liability was measured as of December 31, 2015, 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, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5%
Salary increases	3.75% in the long-term
Investment rate of return	7.75%, net of investment and administrative expense including inflation

Although no specific price inflation assumptions are needed for the valuation, the 2.5% long-term wage inflation assumption would be consistent with a price inflation of 3%-4%.

Mortality rates used were based on the RP-2014 Group Annuity Mortality Table of a 50% Male and 50% Female blend.

The actuarial assumptions used in valuation were based on the results of the most recent actuarial experience study of 2009-2013.

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%	0.51%
Diversifying strategies	10.0%	6.56%	0.66%
	<u>100.0%</u>		
Inflation			3.25%
Administrative expenses netted above			<u>0.50%</u>
Investment rate of return			<u>8.25%</u>

CITY OF HOLLAND, MICHIGAN

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Discount Rate. The discount rate used to measure the total pension liability is 8.25% for 2015. 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, 2014	\$ 122,297,055	\$ 77,965,295	\$ 44,331,760
Changes for the year:			
Service cost	1,395,000	-	1,395,000
Interest	9,806,547	-	9,806,547
Changes in benefits	(35,121)	-	(35,121)
Differences between expected and actual experience	(1,624,003)	-	(1,624,003)
Changes in assumptions	6,009,942	-	6,009,942
Employer contributions	-	28,953,539	(28,953,539)
Employee contributions	-	592,609	(592,609)
Net investment income (loss)	-	(1,046,066)	1,046,066
Benefit payments, including refunds of employee contributions	(8,254,623)	(8,254,623)	-
Administrative expense	-	(172,535)	172,535
Net changes	7,297,742	20,072,924	(12,775,182)
Balances at December 31, 2015	\$ 129,594,797	\$ 98,038,219	\$ 31,556,578

The statements of net position present net pension liability of \$24,785,039 and \$6,771,539 for governmental and business-type activities, respectively.

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%)
\$ 45,354,571	\$ 31,556,578	\$ 19,792,322

CITY OF HOLLAND, MICHIGAN

Notes to Financial Statements

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

Pension Expense and Deferred Outflows of Resources Related to Pensions

For the year ended June 30, 2016, the City recognized pension expense of \$6,855,331. The City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Difference between expected and actual experience	\$ -	\$ 1,082,669	\$ (1,082,669)
Changes in assumptions	4,006,628	-	4,006,628
Net difference between projected and actual earnings on pension plan investments	7,520,751	-	7,520,751
	<u>11,527,379</u>	<u>1,082,669</u>	<u>10,444,710</u>
Contributions subsequent to the measurement date	2,140,797	-	2,140,797
	<u>2,140,797</u>	<u>-</u>	<u>2,140,797</u>
Total	\$ 13,668,176	\$ 1,082,669	\$ 12,585,507

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, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the pension will be recognized in pension expense as follows:

Year Ended June 30,	Amount
2017	\$ 3,412,273
2018	3,412,272
2019	1,950,292
2020	<u>1,669,873</u>
Total	\$ 10,444,710

Payable to the Pension Plan. At June 30, 2016, the City reported a payable of \$184,574 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2016.

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 2%. The participants direct their investments under defined contribution provisions. The City contributed \$792,917 and employees contributed \$200,474 to the defined contribution plan.

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Deferred Compensation Plan

The City offers a supplemental retirement program in accordance with Section 457 of the Internal Revenue Code (IRC) that will provide for payments on retirement, as well as death benefits in the event of death prior to retirement. The Plan assets are held in trust for the exclusive benefit of participants and their beneficiaries. As such, these amounts have not been included in the financial statements. The City contributed \$2,615 and employees contributed \$352,160 to the defined compensation plan.

15. OTHER POSTEMPLOYMENT BENEFITS

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

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

Employee Group	Single Coverage	Two-Person Coverage
Nonbargaining City and BPW	\$ 250	\$ 450
Police Bargaining	250	450
Fire Bargaining	250	500
BPW Utility Bargaining	250	450
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, 2016, the City contributed \$395,865 including cash contributions of \$276,231 and an implicit rate subsidy (which did not require cash) of \$119,634.

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

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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	\$ 492,177
Interest on net OPEB obligation	91,966
Adjustment to annual required contribution	<u>(122,746)</u>
Net OPEB cost (expense)	461,397
Contributions made	<u>(395,865)</u>
Increase in net OPEB obligation	65,532
Net OPEB obligation, beginning of year	<u>2,299,154</u>
Net OPEB obligation, end of year	<u><u>\$ 2,364,686</u></u>

The statements of net position present net OPEB obligation liability of \$1,523,379 and \$841,307 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
2014	\$ 820,756	54.5%	\$ 1,841,009
2015	875,766	47.7%	2,299,154
2016	461,397	85.8%	2,364,686

Funded Status and Funding Progress. As of June 30, 2016, the most recent actuarial valuation date, the Plan was 0 percent funded. The actuarial accrued liability for benefits was \$5,192,937, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$5,192,937. The covered payroll (annual payroll of active employees covered by the Plan) and the ratio of the UAAL to the covered payroll were not available.

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

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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, 2016 actuarial valuation, the entry age normal (level percentage) 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 of 5%. 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 23 years on a closed basis.

16. CONTINGENT LIABILITIES

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

17. RISK MANAGEMENT

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

	Health and Dental	Vehicle Insurance	Property and Liability	Workers' Compensation	Income Protection	Total
Estimated liability, June 30, 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
Estimated claims incurred	5,187,603	94,421	163,038	46,151	118,467	5,609,680
Claim payments	(5,266,002)	(94,421)	(161,589)	(46,054)	(118,467)	(5,686,533)
Estimated liability, June 30, 2016	\$ 158,513	\$ -	\$ 1,449	\$ 97	\$ -	\$ 160,059

CITY OF HOLLAND, MICHIGAN

Notes to Financial Statements

The City has in place a risk management program that encompasses annual retention levels, depending upon the specific coverage. Employee health and dental coverage assumes risk up to \$100,000 specific and \$4,820,600 aggregate. Vehicle liability insurance provides first-dollar coverage on all claims. The City assumes total unlimited risk for damage to its vehicles, except fire vehicles, with small deductibles for damages. Damages to all other forms of property are established with a \$100,000 deductible per incident. Retentions for general and public liability risks are currently \$100,000 per incident.

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

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

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

18. COMMITMENTS

At June 30, 2016, the City had the following outstanding commitments:

- \$50,000 for various drain projects
- \$3,048,000 for various municipal projects
- \$5,390,000 for road construction and related infrastructure projects
- \$35,168,000 for various electric utility projects
- \$1,698,000 for various water utility projects
- \$4,039,000 for various wastewater utility projects

19. SPECIAL ITEM

During the year, the City’s Board of Public Works revalued 28,400 tons of coal on hand to \$35 per ton causing a change in valuation of \$1,341,005. The remaining coal on hand is expected to be sold at market value.

CITY OF HOLLAND, MICHIGAN

■ Notes to Financial Statements

20. SUBSEQUENT EVENT

In August 2016, the City issued 2016 refunding bonds in the amount of \$6,975,000 to refund the outstanding balance of \$6,950,000 of its 2006 Building Authority Refunding Bonds in full. These bonds bear interest at a rate of 1.46% and are payable through October 1, 2021.

In December 2016, the City issued limited tax general obligation bonds in the amounts of \$9,835,000 and \$3,440,000, respectively, to help fund the Civic Center renovation project and to pay for part of the costs associated with the expansion of snowmelt. These bonds bear interest ranging from 1.18% to 4.36% and are payable through August 1, 2036.



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	
	2016	2015
Total pension liability		
Service cost	\$ 1,395,000	\$ 1,451,999
Interest	9,806,547	9,570,281
Changes in benefit terms	(35,121)	-
Differences between expected and actual experience	(1,624,003)	-
Changes of assumptions	6,009,942	-
Benefit payments, including refunds of employee contributions	<u>(8,254,623)</u>	<u>(8,005,271)</u>
Net change in total pension liability	<u>7,297,742</u>	<u>3,017,009</u>
Total pension liability, beginning of year	<u>122,297,055</u>	<u>119,280,046</u>
Total pension liability, end of year	<u>129,594,797</u>	<u>122,297,055</u>
Plan fiduciary net position		
Employer contributions	28,953,539	3,989,428
Employee contributions	592,609	543,411
Net investment income (loss)	(1,046,066)	4,785,679
Benefit payments, including refunds of employee contributions	(8,254,623)	(8,005,271)
Administrative expense	<u>(172,535)</u>	<u>(175,174)</u>
Net change in plan fiduciary net position	<u>20,072,924</u>	<u>1,138,073</u>
Plan fiduciary net position, beginning of year	<u>77,965,295</u>	<u>76,827,222</u>
Plan fiduciary net position, end of year	<u>98,038,219</u>	<u>77,965,295</u>
City's net pension liability	<u>\$ 31,556,578</u>	<u>\$ 44,331,760</u>
Plan fiduciary net position as a percentage of total pension liability	75.6%	63.8%
Covered-employee payroll	\$ 12,891,251	\$ 13,451,949
City's net pension liability as a percentage of covered-employee payroll	244.8%	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
2016	\$ 129,594,797	\$ 98,038,219	\$ 31,556,578	75.6%	\$ 12,891,251
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
2016	\$ 2,993,524	\$ 29,100,495	\$ 26,106,971 *	\$ 13,542,326	214.9%
2015	4,060,347	4,060,347	-	13,157,543	30.9%

* During 2016, the City issued pension obligation bonds totaling \$25,000,000 and contributed the proceeds to the Plan.

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 Actuarially determined contribution rates are calculated as of the December 31 that is 18 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	Ranges from 5 to 23 years, depending on division/bargaining unit
Asset valuation method	10 year smoothed
Inflation	2.5%
Salary increases	3.75% in the long-term
Investment rate of return	7.75%, net of investment and administrative expense including inflation
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, 2015 actuarial valuations. The Early Retirement rates were first used for the December 31, 2015 actuarial valuations.
Mortality	Mortality rates used were based on the RP-2014 Group Annuity Mortality Table of a 50% Male and 50% Female blend.

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)
6/30/2012	\$ -	\$ 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%
6/30/2016	-	5,192,937	5,192,937	0.0%	26,246,925	19.8%

Schedule of Employer Contributions

Year Ended June 30,	Annual Required Contributions	Percentage Contributed
2014	\$ 852,385	52.5%
2015	918,228	45.5%
2016	492,177	80.4%

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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, public works, community & neighborhood services, parks and recreation, 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, 2016

	General	Budget Stabilization	Total General Fund
Assets			
Cash and pooled investments	\$ 3,799,872	\$ 969,647	\$ 4,769,519
Receivables:			
Accounts	286,787	-	286,787
Taxes	1,021	-	1,021
Interest	9,045	-	9,045
Due from other governmental units	520,082	-	520,082
Due from other funds	28,085	-	28,085
Prepaid items	12,483	-	12,483
Total assets	\$ 4,657,375	\$ 969,647	\$ 5,627,022
Liabilities			
Accounts payable	\$ 354,677	\$ 5,861	\$ 360,538
Accrued payroll and benefits	174,440	-	174,440
Due to other governmental units	183,047	-	183,047
Due to other funds	91,676	-	91,676
Deposits	15,180	-	15,180
Unearned revenue	133,393	-	133,393
Total liabilities	952,413	5,861	958,274
Fund balances			
Nonspendable	12,483	-	12,483
Committed	5,667	-	5,667
Unassigned	3,686,812	963,786	4,650,598
Total fund balances	3,704,962	963,786	4,668,748
Total liabilities and fund balances	\$ 4,657,375	\$ 969,647	\$ 5,627,022

CITY OF HOLLAND, MICHIGAN

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

General Fund - By Activity

For the Year Ended June 30, 2016

	General	Budget Stabilization	Total General Fund
Revenues			
Property taxes	\$ 10,913,743	\$ -	\$ 10,913,743
Licenses and permits	535,824	-	535,824
Intergovernmental	2,965,662	-	2,965,662
Charges for services	1,606,702	-	1,606,702
Fines and fees	136,809	-	136,809
Interest and rents	396,201	-	396,201
Miscellaneous	24,148	-	24,148
Total revenues	16,579,089	-	16,579,089
Expenditures			
Current:			
General government	3,240,974	17,427	3,258,401
Public safety	11,597,183	-	11,597,183
Public works	1,241,925	-	1,241,925
Welfare and social services	428,164	-	428,164
Parks and recreation	3,469,429	-	3,469,429
Other	11,115,067	-	11,115,067
Total expenditures	31,092,742	17,427	31,110,169
Revenue under expenditures	(14,513,653)	(17,427)	(14,531,080)
Other financing sources (uses)			
Proceeds from issuance of long-term debt	10,910,000	-	10,910,000
Transfers in	5,083,688	-	5,083,688
Transfers out	(1,776,303)	-	(1,776,303)
Total other financing sources (uses)	14,217,385	-	14,217,385
Net changes in fund balances	(296,268)	(17,427)	(313,695)
Fund balances, beginning of year	4,001,230	981,213	4,982,443
Fund balances, end of year	\$ 3,704,962	\$ 963,786	\$ 4,668,748

CITY OF HOLLAND, MICHIGAN

Detailed Schedule of Revenues Budget and Actual - General Fund For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Taxes:				
Property	\$ 9,994,520	\$ 10,234,320	\$ 10,236,581	\$ 2,261
Penalties and interest on delinquent taxes	85,000	100,000	107,690	7,690
Administration fee	520,000	523,500	523,395	(105)
Public service charge in lieu of property tax	48,000	45,000	44,598	(402)
Other miscellaneous tax revenue	1,400	1,450	1,479	29
Total taxes	<u>10,648,920</u>	<u>10,904,270</u>	<u>10,913,743</u>	<u>9,473</u>
Licenses and permits:				
Business	27,600	27,600	28,345	745
Nonbusiness	608,900	504,100	507,479	3,379
Total licenses and permits	<u>636,500</u>	<u>531,700</u>	<u>535,824</u>	<u>4,124</u>
Intergovernmental:				
State	3,022,150	2,878,780	2,893,597	14,817
Federal	36,100	36,900	35,007	(1,893)
Other	50,000	50,000	37,058	(12,942)
Total intergovernmental	<u>3,108,250</u>	<u>2,965,680</u>	<u>2,965,662</u>	<u>(18)</u>
Charges for services:				
Fees	706,110	750,731	767,506	16,775
Services rendered	698,935	708,124	710,537	2,413
Sales	116,000	121,319	128,659	7,340
Total charges for services	<u>1,521,045</u>	<u>1,580,174</u>	<u>1,606,702</u>	<u>26,528</u>
Fines and fees	<u>187,200</u>	<u>132,200</u>	<u>136,809</u>	<u>4,609</u>
Interest and rents:				
Investment earnings	91,001	91,000	125,930	34,930
Rents	280,500	259,700	270,271	10,571
Total interest and rents	<u>371,501</u>	<u>350,700</u>	<u>396,201</u>	<u>45,501</u>
Miscellaneous	<u>27,404</u>	<u>27,502</u>	<u>24,148</u>	<u>(3,354)</u>
Total revenues	<u>\$ 16,500,820</u>	<u>\$ 16,492,226</u>	<u>\$ 16,579,089</u>	<u>\$ 86,863</u>

CITY OF HOLLAND, MICHIGAN

Detailed Schedule of Expenditures

Budget and Actual - General Fund
For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Expenditures				
<i>General fund expenditures</i>				
General government:				
City council	\$ 164,385	\$ 171,430	\$ 175,453	\$ 4,023
City manager	344,057	340,005	331,908	(8,097)
Elections	51,578	70,867	67,142	(3,725)
City finance	513,079	517,641	507,516	(10,125)
Independent audit	52,450	47,080	46,060	(1,020)
City assessor	505,601	420,669	414,835	(5,834)
Legal services	170,500	207,600	197,270	(10,330)
City clerk	266,238	277,082	271,666	(5,416)
Human resources	211,660	233,066	212,204	(20,862)
City treasurer	235,332	209,347	197,712	(11,635)
City hall and grounds	183,130	210,421	196,366	(14,055)
Cemetery	459,909	466,223	434,186	(32,037)
Volunteer services	7,329	4,654	4,321	(333)
Planning commission	190,265	186,777	184,335	(2,442)
Total general government	<u>3,355,513</u>	<u>3,362,862</u>	<u>3,240,974</u>	<u>(121,888)</u>
Public safety:				
Police	8,020,113	7,846,754	7,754,936	(91,818)
Fire	2,843,071	2,834,235	2,845,200	10,965
Environmental health/inspections	463,257	442,625	410,562	(32,063)
Construction inspections	507,111	585,754	586,485	731
Total public safety	<u>11,833,552</u>	<u>11,709,368</u>	<u>11,597,183</u>	<u>(112,185)</u>
Public works:				
Streets	1,163,575	1,069,477	1,046,673	(22,804)
Transportation management/engineering	215,039	199,138	195,252	(3,886)
Total public works	<u>1,378,614</u>	<u>1,268,615</u>	<u>1,241,925</u>	<u>(26,690)</u>
Welfare and social services:				
Housing and neighborhood	226,232	217,940	210,285	(7,655)
Economic development assistance	104,030	90,026	88,466	(1,560)
Human relations commission	150,005	140,998	129,413	(11,585)
Total welfare and social services	<u>480,267</u>	<u>448,964</u>	<u>428,164</u>	<u>(20,800)</u>

continued...

CITY OF HOLLAND, MICHIGAN

Detailed Schedule of Expenditures

Budget and Actual - General Fund

For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Expenditures (concluded)				
<i>General fund expenditures (concluded)</i>				
Parks and recreation:				
Parks	\$ 1,716,215	\$ 1,696,716	\$ 1,697,790	\$ 1,074
Nature center	273,889	282,381	269,219	(13,162)
Cultural-recreational	98,000	98,093	97,780	(313)
Civic center	245,578	238,286	229,980	(8,306)
Recreation	901,555	964,790	967,529	2,739
Market	161,646	164,623	150,757	(13,866)
Parks and recreation administration	57,701	58,093	56,374	(1,719)
Total parks and recreation	<u>3,454,584</u>	<u>3,502,982</u>	<u>3,469,429</u>	<u>(33,553)</u>
Other:				
Insurance	92,800	80,000	79,798	(202)
Interest	-	457,492	197,602	(259,890)
MERS payment	-	24,834,250	10,837,667	(13,996,583)
Contingencies	431,400	-	-	-
Total other	<u>524,200</u>	<u>25,371,742</u>	<u>11,115,067</u>	<u>(14,256,675)</u>
Total general fund expenditures	<u>21,026,730</u>	<u>45,664,533</u>	<u>31,092,742</u>	<u>(14,571,791)</u>
<i>Budget stabilization fund expenditures</i>				
General government:				
Other services and charges	<u>10,000</u>	<u>15,000</u>	<u>17,427</u>	<u>2,427</u>
Total expenditures	<u>\$ 21,036,730</u>	<u>\$ 45,679,533</u>	<u>\$ 31,110,169</u>	<u>\$ (14,569,364)</u>

concluded

CITY OF HOLLAND, MICHIGAN

Detailed Schedule of Transfers Budget and Actual - General Fund For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Transfers in				
Special Revenue Fund:				
Miscellaneous Government Functions:				
CATV - (Public Access Channels)	\$ 115,000	\$ 115,000	\$ 115,000	\$ -
Permanent Fund:				
Cemetery Trust	8,000	11,000	16,688	5,688
Enterprise Funds:				
Electric Utility	4,952,000	4,952,000	4,952,000	-
Total transfers in	\$ 5,075,000	\$ 5,078,000	\$ 5,083,688	\$ 5,688
Transfers out				
Special Revenue Funds:				
Miscellaneous Government Functions:				
Dangerous Structures	\$ 400	\$ 400	\$ 11,743	\$ 11,343
Public Safety Grants:				
Anti-Drug Abuse Grants	-	252,213	250,796	(1,417)
Capital Projects Funds:				
Municipal Facilities/Land Improvement Projects	275,624	1,423,690	1,413,764	(9,926)
Enterprise Funds:				
Windmill Island	173,066	-	-	-
Internal Service Funds:				
Fire Vehicle/Equipment	100,000	100,000	100,000	-
Total transfers out	\$ 549,090	\$ 1,776,303	\$ 1,776,303	\$ -

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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 County of Allegan portion of the City.

CITY OF HOLLAND, MICHIGAN

Nonmajor Governmental Funds

Special Revenue Funds (Continued)

Ottawa County Road Tax Fund

The Ottawa 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 Ottawa 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 County of Ottawa portion of the City.

Street Improvements Reserve Fund

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

This fund provides financial accountability for this purpose. Primary funding is attained from a property tax levy of 1.4268 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, 2016, 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 funds 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, 2016, 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, 2016, 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, 2016, 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.

M.S.H.D.A. 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, 2016, 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, 2016, of estimated revenues and appropriations are carried forward to the ensuing fiscal year.

Clean Energy Program Fund

The City is recipient of funding from Good Samaritan Ministries to implement a Pilot Program to establish a revolving loan to improve energy efficiency for rental properties currently participating in Good Samaritan Ministries Transitional Housing Program. Good Samaritan Ministries identifies the properties eligible for this program and provide City staff with the information needed to manage each loan.

This fund supports multi-year revenues and expenditures spanning to completion of the grant. However, for annual financial reporting purposes, revenue and expenditures are also recognized by fiscal year. Open budget balances at June 30, 2016, of estimated revenues and appropriations are carried forward to the ensuing fiscal year.

Stormwater Grant Fund

The City is recipient to grant funding from the Michigan Department of Environmental Quality's (MDEQ) Stormwater, Asset Management and Wastewater (SAW) Program. The purpose is to assess the City's storm sewer system, add information to GIS as needed and prepare a comprehensive plan. In kind services may and are used to account for the City's match requirement.

This fund supports multi-year revenues and expenditures spanning to completion of the grant. However, for annual financial reporting purposes, revenue and expenditures are also recognized by fiscal year. Open budget balances at June 30, 2016, 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.

CITY OF HOLLAND, MICHIGAN

Nonmajor Governmental Funds

Private contributions supports the operations in this fund. Open budget balances at June 30, 2016 of estimated revenues and appropriations are carried forward to the ensuing fiscal year.

Holland Energy Fund

Holland Energy Fund is a Michigan non-profit corporation as authorized by the Home Rule Cities Act and the Municipal Utility Residential Clean Energy Program Act. The board of directors consist of three members of the City Council and up to two board members of the Holland Board of Public Works. It was established to facilitate and/or finance building energy labeling and retrofit homes, commercial and industrial facilities in the City with energy conservation measures.

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, pension obligation, note payable, 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.

CITY OF HOLLAND, MICHIGAN

■ Nonmajor Governmental Funds

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

The 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

Debt Service Funds (Continued)

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 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, 2016, 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 - Engineering & Design
- Holland Museum - Windows
- City Wide - Tree Planting
- Paw Paw Park - Upgrades
- Lake Macatawa Street Ends - Community Access to Lake
- Matt Urban - Playground Equipment

Public Safety

- Fire Station:
 - Driveway work at Waverly Station

CITY OF HOLLAND, MICHIGAN

Nonmajor Governmental Funds

All Other Municipal Projects & Programs

City Hall:

Interior Painting, Plumbing Improvements

Sustainability:

Georgetown University Energy Prize Competition

Home Energy Retrofits

Community Energy Plan

Community and Neighborhood:

South Shore Village - Parking & Landscaping

Funding Assistance for Home Repairs/Replacements

Planning:

Master Plan

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, enhancements

8th Street - Utility Improvements

Regent Boulevard, reconstruction

Drain Projects

Major Drain System Project:

Watershed / Storm Water Regulation (MACC Project)

Alden Court

South Shore & Azalea

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 cremain 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, 2016

	Special Revenue Funds				
	Street Maintenance and Improvements				
	Major Street	Local Street	Allegan County Road Tax	Ottawa County Road Tax	Street Improvements Reserve
Assets					
Cash and pooled investments	\$ -	\$ -	\$ 407,934	\$ 3,852	\$ 16,990
Receivables:					
Accounts	5,345	3,672	-	522	-
Taxes and special assessments	-	-	-	-	-
Leases	-	-	-	-	-
Due from other governmental units	433,446	124,973	-	-	-
Due from other funds	6,568	4,873	-	-	-
Prepaid items	-	-	-	-	-
Total assets	\$ 445,359	\$ 133,518	\$ 407,934	\$ 4,374	\$ 16,990
Liabilities					
Accounts payable	\$ 49,013	\$ 31,606	\$ -	\$ -	\$ 16
Accrued payroll and benefits	6,302	5,294	-	-	-
Due to other funds	368,411	94,618	-	-	-
Unearned revenue	-	-	-	-	-
Total liabilities	423,726	131,518	-	-	16
Deferred inflows of resources					
Unavailable revenue:					
Special assessment receivable	-	-	-	-	-
Lease receivable	-	-	-	-	-
Total deferred inflows of resources	-	-	-	-	-
Fund balances					
Nonspendable	-	-	-	-	-
Restricted	21,633	2,000	407,934	4,374	-
Committed	-	-	-	-	16,974
Total fund balances	21,633	2,000	407,934	4,374	16,974
Total liabilities, deferred inflows of resources and fund balances	\$ 445,359	\$ 133,518	\$ 407,934	\$ 4,374	\$ 16,990

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
\$ 262,317	\$ 4,863	\$ 28,686	\$ 287,738	\$ 204,774	\$ 458,264	\$ -
1,111	-	700	124,521	-	39,538	55,641
-	-	-	-	756,238	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	300	-	-	-	-
<u>\$ 263,428</u>	<u>\$ 4,863</u>	<u>\$ 29,686</u>	<u>\$ 412,259</u>	<u>\$ 961,012</u>	<u>\$ 497,802</u>	<u>\$ 55,641</u>
\$ 140	\$ 27	\$ 191	\$ 8,965	\$ -	\$ 35,546	\$ -
526	-	2,268	2,595	-	3,335	-
978	4,836	162	-	-	-	55,641
-	-	-	-	-	-	-
<u>1,644</u>	<u>4,863</u>	<u>2,621</u>	<u>11,560</u>	<u>-</u>	<u>38,881</u>	<u>55,641</u>
-	-	-	-	756,238	-	-
-	-	-	-	-	-	-
-	-	-	-	756,238	-	-
-	-	300	-	-	-	-
261,784	-	26,765	-	204,774	458,921	-
-	-	-	400,699	-	-	-
<u>261,784</u>	<u>-</u>	<u>27,065</u>	<u>400,699</u>	<u>204,774</u>	<u>458,921</u>	<u>-</u>
<u>\$ 263,428</u>	<u>\$ 4,863</u>	<u>\$ 29,686</u>	<u>\$ 412,259</u>	<u>\$ 961,012</u>	<u>\$ 497,802</u>	<u>\$ 55,641</u>

continued...

CITY OF HOLLAND, MICHIGAN

Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2016

	Special Revenue Funds				
	Public Safety				
	Police Criminal Justice Training	Anti-Drug Abuse Grants	Office of Highway Safety Planning (OHSP) Grant	Law Enforcement Block Grant	Homeland Security Grant
Assets					
Cash and pooled investments	\$ 3,772	\$ 8,077	\$ -	\$ -	\$ -
Receivables:					
Accounts	-	-	-	-	-
Taxes and special assessments	-	-	-	-	-
Leases	-	-	-	-	-
Due from other governmental units	-	7,577	5,381	-	-
Due from other funds	-	-	-	-	-
Prepaid items	-	-	-	-	-
Total assets	\$ 3,772	\$ 15,654	\$ 5,381	\$ -	\$ -
Liabilities					
Accounts payable	\$ -	\$ 5,050	\$ -	\$ -	\$ -
Accrued payroll and benefits	-	3,611	-	-	-
Due to other funds	-	6,993	5,381	-	-
Unearned revenue	-	-	-	-	-
Total liabilities	-	15,654	5,381	-	-
Deferred inflows of resources					
Unavailable revenue:					
Special assessment receivable	-	-	-	-	-
Lease receivable	-	-	-	-	-
Total deferred inflows of resources	-	-	-	-	-
Fund balances					
Nonspendable	-	-	-	-	-
Restricted	3,772	-	-	-	-
Committed	-	-	-	-	-
Total fund balances	3,772	-	-	-	-
Total liabilities, deferred inflows of resources and fund balances	\$ 3,772	\$ 15,654	\$ 5,381	\$ -	\$ -

Special Revenue Funds

Public Safety	Culture and Community Improvement					
Michigan Rehabilitation Services Grant	District Library Taxation	M.S.H.D.A. Grant	Community Development Block Grant (CDBG)	Clean Energy Program	Stormwater Grant	Eat Healthy For Life - EBT Program
\$ -	\$ -	\$ -	\$ 35,028	\$ 19,864	\$ -	\$ 24,620
-	523	-	-	-	-	-
-	105	-	-	-	-	-
-	-	-	-	-	-	-
-	-	14,000	75,769	-	18,635	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ 628</u>	<u>\$ 14,000</u>	<u>\$ 110,797</u>	<u>\$ 19,864</u>	<u>\$ 18,635</u>	<u>\$ 24,620</u>
\$ -	\$ 543	\$ -	\$ 40,881	\$ -	\$ 13,531	\$ 1,531
-	-	-	400	-	-	-
-	85	14,000	49,097	-	5,104	-
-	-	-	-	-	-	11,217
-	628	14,000	90,378	-	18,635	12,748
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	20,419	19,864	-	11,872
-	-	-	-	-	-	-
-	-	-	20,419	19,864	-	11,872
<u>\$ -</u>	<u>\$ 628</u>	<u>\$ 14,000</u>	<u>\$ 110,797</u>	<u>\$ 19,864</u>	<u>\$ 18,635</u>	<u>\$ 24,620</u>

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CITY OF HOLLAND, MICHIGAN

Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2016

	Special Revenue Funds	Debt Service Funds			Capital Projects Funds
	Culture and Community Improvement				
	Holland Energy	General Obligation Debt Service	Building Authority Debt Service	Special Assessment Debt Service	Municipal Facilities/Land Improvements Projects
Assets					
Cash and pooled investments	\$ 85,819	\$ 244,365	\$ 13,039	\$ 39,961	\$ 6,200,743
Receivables:					
Accounts	-	-	-	-	-
Taxes and special assessments	-	199	-	30,818	-
Leases	-	-	433,046	-	-
Due from other governmental units	-	-	-	-	-
Due from other funds	-	-	-	-	643,056
Prepaid items	-	-	-	-	-
Total assets	\$ 85,819	\$ 244,564	\$ 446,085	\$ 70,779	\$ 6,843,799
Liabilities					
Accounts payable	\$ 19,590	\$ 24	\$ -	\$ -	\$ 428,234
Accrued payroll and benefits	-	-	-	-	-
Due to other funds	-	-	-	-	51,667
Unearned revenue	-	-	-	-	-
Total liabilities	19,590	24	-	-	479,901
Deferred inflows of resources					
Unavailable revenue:					
Special assessment receivable	-	-	-	30,818	-
Lease receivable	-	-	433,046	-	-
Total deferred inflows of resources	-	-	433,046	30,818	-
Fund balances					
Nonspendable	-	-	-	-	-
Restricted	-	244,540	13,039	39,961	2,078,940
Committed	66,229	-	-	-	4,284,958
Total fund balances	66,229	244,540	13,039	39,961	6,363,898
Total liabilities, deferred inflows of resources and fund balances	\$ 85,819	\$ 244,564	\$ 446,085	\$ 70,779	\$ 6,843,799



Permanent Fund	
Cemetery Perpetual Care	Total
\$ 1,652,940	\$ 10,003,646
3,750	235,323
-	787,360
-	433,046
-	679,781
-	654,497
-	300
<u>\$ 1,656,690</u>	<u>\$ 12,793,953</u>
\$ -	\$ 634,888
-	24,331
-	656,973
-	11,217
<u>-</u>	<u>1,327,409</u>
-	787,056
-	433,046
<u>-</u>	<u>1,220,102</u>
1,586,387	1,586,687
70,303	3,890,895
-	4,768,860
<u>1,656,690</u>	<u>10,246,442</u>
<u>\$ 1,656,690</u>	<u>\$ 12,793,953</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, 2016

	Special Revenue Funds				
	Street Maintenance and Improvements				
	Major Street	Local Street	Allegan County Road Tax	Ottawa County Road Tax	Street Improvements Reserve
Revenues					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ 1,528,866
Special assessments	-	-	-	-	-
Intergovernmental	2,731,866	706,110	453,706	334,374	-
Charges for services	21,382	36,953	-	-	-
Fines and fees	-	-	-	-	-
Contributions from private sector	-	-	-	-	-
Interest and rents	27,353	1,422	4,128	-	(18,918)
Miscellaneous	-	-	-	-	-
Total revenues	2,780,601	744,485	457,834	334,374	1,509,948
Expenditures					
Current:					
General government	-	-	-	-	-
Public safety	-	-	-	-	-
Public works	1,262,121	1,269,861	-	-	132
Welfare and social services	-	-	-	-	-
Parks and recreation	-	-	-	-	-
Debt service:					
Principal retirement	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Capital outlay	-	-	-	-	-
Total expenditures	1,262,121	1,269,861	-	-	132
Revenue over (under) expenditures	1,518,480	(525,376)	457,834	334,374	1,509,816
Other financing sources (uses)					
Proceeds from issuance of long-term debt	-	-	-	-	-
Proceeds on sale of capital assets	-	-	-	-	-
Transfers in	-	525,374	-	-	1,558,798
Transfers out	(3,995,834)	-	(532,936)	(330,000)	(3,849,555)
Total other financing sources (uses)	(3,995,834)	525,374	(532,936)	(330,000)	(2,290,757)
Net change in fund balances	(2,477,354)	(2)	(75,102)	4,374	(780,941)
Fund balances, beginning of year	2,498,987	2,002	483,036	-	797,915
Fund balances, end of year	\$ 21,633	\$ 2,000	\$ 407,934	\$ 4,374	\$ 16,974

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
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
199,511	174,653	178,580	-	184,556	-	-
-	-	-	-	-	-	-
17,671	-	47,508	9,192	-	-	55,641
-	-	-	492,185	-	-	-
-	-	18,578	-	-	247,546	-
2,674	-	437	4,800	15,787	-	-
-	-	-	-	-	-	-
<u>219,856</u>	<u>174,653</u>	<u>245,103</u>	<u>506,177</u>	<u>200,343</u>	<u>247,546</u>	<u>55,641</u>
-	-	-	200,991	-	278,869	67,384
-	-	-	-	-	-	-
198,968	198,025	-	-	-	-	-
-	-	-	-	-	-	-
-	-	334,975	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	53,666	-	-	-
<u>198,968</u>	<u>198,025</u>	<u>334,975</u>	<u>254,657</u>	<u>-</u>	<u>278,869</u>	<u>67,384</u>
<u>20,888</u>	<u>(23,372)</u>	<u>(89,872)</u>	<u>251,520</u>	<u>200,343</u>	<u>(31,323)</u>	<u>(11,743)</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	39,534	-	-	-	-	11,743
(9,256)	(16,200)	-	(294,500)	-	(14,039)	-
<u>(9,256)</u>	<u>23,334</u>	<u>-</u>	<u>(294,500)</u>	<u>-</u>	<u>(14,039)</u>	<u>11,743</u>
11,632	(38)	(89,872)	(42,980)	200,343	(45,362)	-
<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>\$ 261,784</u>	<u>\$ -</u>	<u>\$ 27,065</u>	<u>\$ 400,699</u>	<u>\$ 204,774</u>	<u>\$ 458,921</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, 2016

	Special Revenue Funds				
	Public Safety				
	Police Criminal Justice Training	Anti-Drug Abuse Grants	Office of Highway Safety Planning (OHSP) Grant	Law Enforcement Block Grant	Homeland Security Grant
Revenues					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Special assessments	-	-	-	-	-
Intergovernmental	11,302	53,427	17,708	7,364	7,985
Charges for services	-	-	-	-	-
Fines and fees	-	-	-	-	-
Contributions from private sector	-	-	-	-	-
Interest and rents	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total revenues	11,302	53,427	17,708	7,364	7,985
Expenditures					
Current:					
General government	-	-	-	-	-
Public safety	9,462	304,223	17,708	-	7,985
Public works	-	-	-	-	-
Welfare and social services	-	-	-	-	-
Parks and recreation	-	-	-	-	-
Debt service:					
Principal retirement	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Capital outlay	-	-	-	7,364	-
Total expenditures	9,462	304,223	17,708	7,364	7,985
Revenue over (under) expenditures	1,840	(250,796)	-	-	-
Other financing sources (uses)					
Proceeds from issuance of long-term debt	-	-	-	-	-
Proceeds on sale of capital assets	-	-	-	-	-
Transfers in	-	250,796	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	-	250,796	-	-	-
Net change in fund balances	1,840	-	-	-	-
Fund balances, beginning of year	1,932	-	-	-	-
Fund balances, end of year	\$ 3,772	\$ -	\$ -	\$ -	\$ -

Special Revenue Funds

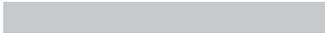
Public Safety	Culture and Community Improvement					
Michigan Rehabilitation Services Grant	District Library Taxation	M.S.H.D.A. Grant	Community Development Block Grant (CDBG)	Clean Energy Program	Stormwater Grant	Eat Healthy For Life - EBT Program
\$ -	\$ 1,306,496	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
47,306	-	-	280,260	-	48,794	-
-	-	-	-	-	-	-
-	-	-	175,003	35,603	-	17,514
-	-	-	-	226	-	-
-	-	-	16,815	-	-	-
47,306	1,306,496	-	472,078	35,829	48,794	17,514
-	-	-	-	-	-	-
-	-	-	-	-	-	-
47,306	-	-	451,659	15,965	48,794	18,561
-	1,306,647	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
47,306	1,306,647	-	451,659	15,965	48,794	18,561
-	(151)	-	20,419	19,864	-	(1,047)
-	-	-	-	-	-	-
-	97	-	-	-	-	-
-	-	-	-	-	-	-
-	97	-	-	-	-	-
-	(54)	-	20,419	19,864	-	(1,047)
-	54	-	-	-	-	12,919
\$ -	\$ -	\$ -	\$ 20,419	\$ 19,864	\$ -	\$ 11,872

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CITY OF HOLLAND, MICHIGAN

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
 Nonmajor Governmental Funds
 For the Year Ended June 30, 2016

	Special Revenue Funds	Debt Service Funds			Capital Projects Funds
	Culture and Community Improvement	General Obligation Debt Service	Building Authority Debt Service	Special Assessment Debt Service	Municipal Facilities/Land Improvements Projects
	Holland Energy				
Revenues					
Property taxes	\$ -	\$ 2,444,655	\$ -	\$ -	\$ 616,462
Special assessments	-	-	-	35,985	-
Intergovernmental	-	-	-	-	37,639
Charges for services	-	-	-	-	-
Fines and fees	-	-	-	-	-
Contributions from private sector	-	-	-	-	1,509,705
Interest and rents	563	3,447	482,620	3,732	53,138
Miscellaneous	-	268,098	-	-	-
Total revenues	563	2,716,200	482,620	39,717	2,216,944
Expenditures					
Current:					
General government	-	189	-	-	-
Public safety	-	-	-	-	-
Public works	117,334	-	-	-	-
Welfare and social services	-	-	-	-	-
Parks and recreation	-	-	-	-	-
Debt service:					
Principal retirement	-	715,000	1,720,000	10,000	-
Interest and fiscal charges	-	247,689	445,832	3,163	-
Capital outlay	-	-	-	-	2,031,338
Total expenditures	117,334	962,878	2,165,832	13,163	2,031,338
Revenue over (under) expenditures	(116,771)	1,753,322	(1,683,212)	26,554	185,606
Other financing sources (uses)					
Proceeds from issuance of long-term debt	-	-	-	-	3,000,000
Proceeds on sale of capital assets	-	-	-	-	224,281
Transfers in	183,000	-	1,683,344	-	1,813,764
Transfers out	-	(1,683,344)	-	(23,980)	(1,336,800)
Total other financing sources (uses)	183,000	(1,683,344)	1,683,344	(23,980)	3,701,245
Net change in fund balances	66,229	69,978	132	2,574	3,886,851
Fund balances, beginning of year	-	174,562	12,907	37,387	2,477,047
Fund balances, end of year	\$ 66,229	\$ 244,540	\$ 13,039	\$ 39,961	\$ 6,363,898



Permanent Fund	
Cemetery Perpetual Care	Total
\$ -	\$ 5,896,479
-	773,285
-	4,737,841
35,560	223,907
-	492,185
-	2,003,949
16,688	598,097
-	284,913
<u>52,248</u>	<u>15,010,656</u>
-	547,433
-	339,378
-	3,095,235
-	533,491
-	1,641,622
-	2,445,000
-	696,684
-	<u>2,092,368</u>
-	<u>11,391,211</u>
<u>52,248</u>	<u>3,619,445</u>
-	3,000,000
-	224,281
-	6,066,450
<u>(16,688)</u>	<u>(12,103,132)</u>
<u>(16,688)</u>	<u>(2,812,401)</u>
35,560	807,044
<u>1,621,130</u>	<u>9,439,398</u>
<u>\$ 1,656,690</u>	<u>\$ 10,246,442</u>

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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, 2016

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Intergovernmental	\$ 2,222,515	\$ 2,675,083	\$ 2,731,866	\$ 56,783
Charges for services	25,000	20,000	21,382	1,382
Interest and rents	15,000	20,000	27,353	7,353
Total revenues	2,262,515	2,715,083	2,780,601	65,518
Expenditures				
Current:				
Public works:				
Personnel services	574,200	511,483	481,913	(29,570)
Other services and charges	894,720	850,089	780,208	(69,881)
Total expenditures	1,468,920	1,361,572	1,262,121	(99,451)
Revenues over expenditures	793,595	1,353,511	1,518,480	164,969
Other financing uses				
Transfers out	(3,339,366)	(3,795,241)	(3,995,834)	(200,593)
Net changes in fund balances	(2,545,771)	(2,441,730)	(2,477,354)	(35,624)
Fund balances, beginning of year	2,498,987	2,498,987	2,498,987	-
Fund balances (deficits), end of year	\$ (46,784)	\$ 57,257	\$ 21,633	\$ (35,624)

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, 2016

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Intergovernmental	\$ 554,059	\$ 695,402	\$ 706,110	\$ 10,708
Charges for services	40,000	40,000	36,953	(3,047)
Interest and rents	1,000	975	1,422	447
Total revenues	595,059	736,377	744,485	8,108
Expenditures				
Current:				
Public works:				
Personnel services	588,600	588,575	560,390	(28,185)
Other services and charges	723,250	726,468	709,471	(16,997)
Total expenditures	1,311,850	1,315,043	1,269,861	(45,182)
Revenues over (under) expenditures	(716,791)	(578,666)	(525,376)	53,290
Other financing sources				
Transfers in	716,791	578,666	525,374	(53,292)
Net changes in fund balances	-	-	(2)	(2)
Fund balances, beginning of year	2,002	2,002	2,002	-
Fund balances, end of year	\$ 2,002	\$ 2,002	\$ 2,000	\$ (2)

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, 2016

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Intergovernmental	\$ 400,000	\$ 450,000	\$ 453,706	\$ 3,706
Interest and rents	3,500	4,000	4,128	128
	<u>403,500</u>	<u>454,000</u>	<u>457,834</u>	<u>3,834</u>
Total revenues	403,500	454,000	457,834	3,834
Other financing uses				
Transfers out	<u>(875,000)</u>	<u>(867,074)</u>	<u>(532,936)</u>	<u>334,138</u>
Net changes in fund balances	(471,500)	(413,074)	(75,102)	337,972
Fund balances, beginning of year	<u>483,036</u>	<u>483,036</u>	<u>483,036</u>	<u>-</u>
Fund balances, end of year	<u>\$ 11,536</u>	<u>\$ 69,962</u>	<u>\$ 407,934</u>	<u>\$ 337,972</u>

CITY OF HOLLAND, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balances
 Budget and Actual - Ottawa County Road Tax Fund
 For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Intergovernmental	\$ -	\$ 330,000	\$ 334,374	\$ 4,374
Interest and rents	-	500	-	(500)
Total revenues	-	330,500	334,374	3,874
Other financing uses				
Transfers out	-	(330,000)	(330,000)	-
Net changes in fund balances	-	500	4,374	3,874
Fund balances, beginning of year	-	-	-	-
Fund balances, end of year	\$ -	\$ 500	\$ 4,374	\$ 3,874

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, 2016

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Property taxes	\$ 1,831,500	\$ 1,524,793	\$ 1,528,866	\$ 4,073
Intergovernmental	187,706	-	-	-
Interest and rents	11,000	-	(18,918)	(18,918)
Total revenues	2,030,206	1,524,793	1,509,948	(14,845)
Expenditures				
Current:				
Public works:				
Other services and charges	-	-	132	132
Revenues over (under) expenditures	2,030,206	1,524,793	1,509,816	(14,977)
Other financing sources (uses)				
Transfers in	3,400,000	3,869,000	1,558,798	(2,310,202)
Transfers out	(6,823,000)	(6,180,939)	(3,849,555)	2,331,384
Total other financing sources (uses)	(3,423,000)	(2,311,939)	(2,290,757)	21,182
Net changes in fund balances	(1,392,794)	(787,146)	(780,941)	6,205
Fund balances, beginning of year	797,915	797,915	797,915	-
Fund balances (deficits), end of year	\$ (594,879)	\$ 10,769	\$ 16,974	\$ 6,205

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, 2016

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Special assessments	\$ 199,600	\$ 199,510	\$ 199,511	\$ 1
Charges for services	19,150	14,150	17,671	3,521
Interest and rents	900	1,500	2,674	1,174
Total revenues	219,650	215,160	219,856	4,696
Expenditures				
Current:				
Public works:				
Personnel services	84,204	58,069	53,911	(4,158)
Other services and charges	145,300	198,699	145,057	(53,642)
Total expenditures	229,504	256,768	198,968	(57,800)
Revenues over (under) expenditures	(9,854)	(41,608)	20,888	62,496
Other financing uses				
Transfers out	(9,345)	(9,345)	(9,256)	89
Net changes in fund balances	(19,199)	(50,953)	11,632	62,585
Fund balances, beginning of year	250,152	250,152	250,152	-
Fund balances, end of year	\$ 230,953	\$ 199,199	\$ 261,784	\$ 62,585

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, 2016

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Special assessments	\$ 205,400	\$ 184,653	\$ 174,653	\$ (10,000)
Expenditures				
Current:				
Public works:				
Other services and charges	241,217	196,991	198,025	1,034
Revenues under expenditures	(35,817)	(12,338)	(23,372)	(11,034)
Other financing sources (uses)				
Transfers in	31,920	31,920	39,534	7,614
Transfers out	-	(16,200)	(16,200)	-
Total other financing sources (uses)	31,920	15,720	23,334	7,614
Net changes in fund balances	(3,897)	3,382	(38)	(3,420)
Fund balances, beginning of year	38	38	38	-
Fund balances (deficit), end of year	\$ (3,859)	\$ 3,420	\$ -	\$ (3,420)

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, 2016

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Special assessments	\$ 190,000	\$ 178,580	\$ 178,580	\$ -
Charges for services	132,000	47,558	47,508	(50)
Contributions from private sector	37,100	18,175	18,578	403
Interest and rents	500	200	437	237
Total revenues	359,600	244,513	245,103	590
Expenditures				
Current:				
Parks and recreation:				
Personnel services	202,402	193,674	183,132	(10,542)
Other services and charges	196,600	153,061	151,843	(1,218)
Total expenditures	399,002	346,735	334,975	(11,760)
Net changes in fund balances	(39,402)	(102,222)	(89,872)	12,350
Fund balances, beginning of year	116,937	116,937	116,937	-
Fund balances, end of year	\$ 77,535	\$ 14,715	\$ 27,065	\$ 12,350

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, 2016

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Charges for services	\$ 6,000	\$ 8,000	\$ 9,192	\$ 1,192
Fines and fees	480,700	488,000	492,185	4,185
Interest and rents	1,500	3,000	4,800	1,800
Miscellaneous	500	500	-	(500)
Total revenues	488,700	499,500	506,177	6,677
Expenditures				
Current:				
General government:				
Personnel services	159,914	153,225	151,194	(2,031)
Other services and charges	39,800	52,821	49,797	(3,024)
Capital outlay	65,000	54,000	53,666	(334)
Total expenditures	264,714	260,046	254,657	(5,389)
Revenues over expenditures	223,986	239,454	251,520	12,066
Other financing uses				
Transfers out	(215,000)	(294,500)	(294,500)	-
Net changes in fund balances	8,986	(55,046)	(42,980)	12,066
Fund balances, beginning of year	443,679	443,679	443,679	-
Fund balances, end of year	\$ 452,665	\$ 388,633	\$ 400,699	\$ 12,066

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, 2016

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Special assessments	\$ 87,153	\$ 184,552	\$ 184,556	\$ 4
Interest and rents	14,924	14,920	15,787	867
	<hr/>	<hr/>	<hr/>	<hr/>
Net change in fund balance	102,077	199,472	200,343	871
Fund balances, beginning of year	4,431	4,431	4,431	-
	<hr/>	<hr/>	<hr/>	<hr/>
Fund balances, end of year	<u>\$ 106,508</u>	<u>\$ 203,903</u>	<u>\$ 204,774</u>	<u>\$ 871</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, 2016

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Contributions from private sector	\$ -	\$ 201,820	\$ 247,546	\$ 45,726
Expenditures				
Current:				
General government:				
Personnel services	-	255,770	60,561	(195,209)
Other services and charges	-	263,878	218,308	(45,570)
Capital outlay	-	58,464	-	(58,464)
Total expenditures	-	578,112	278,869	(299,243)
Revenues over (under) expenditures	-	(376,292)	(31,323)	344,969
Other financing uses				
Transfers out	(421,000)	(91,548)	(14,039)	77,509
Net changes in fund balances	(421,000)	(467,840)	(45,362)	422,478
Fund balances, beginning of year	504,283	504,283	504,283	-
Fund balances, end of year	\$ 83,283	\$ 36,443	\$ 458,921	\$ 422,478

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, 2016

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Charges for services	\$ 9,900	\$ 67,900	\$ 55,641	\$ (12,259)
Expenditures				
Current:				
General government:				
Other services and charges	10,300	68,300	67,384	(916)
Revenues under expenditures	(400)	(400)	(11,743)	(11,343)
Other financing sources				
Transfers in	400	400	11,743	11,343
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 - Police Criminal Justice Training Fund
 For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Intergovernmental	\$ 9,800	\$ 9,800	\$ 11,302	\$ 1,502
Expenditures				
Current:				
Public safety:				
Other services and charges	9,525	9,525	9,462	(63)
Net changes in fund balances	275	275	1,840	1,565
Fund balances, beginning of year	1,932	1,932	1,932	-
Fund balances, end of year	<u>\$ 2,207</u>	<u>\$ 2,207</u>	<u>\$ 3,772</u>	<u>\$ 1,565</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, 2016

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Intergovernmental	\$ 3,363	\$ 53,427	\$ 53,427	\$ -
Expenditures				
Current:				
Public safety:				
Personal services	3,363	305,640	304,223	(1,417)
Revenues over (under) expenditures	-	(252,213)	(250,796)	1,417
Other financing sources				
Transfers in	-	252,213	250,796	(1,417)
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, 2016

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Intergovernmental	\$ 6,917	\$ 27,413	\$ 17,708	\$ (9,705)
Expenditures				
Current:				
Public safety:				
Personal services	6,917	27,413	17,708	(9,705)
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, 2016

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Intergovernmental	\$ 12,604	\$ 12,604	\$ 7,364	\$ (5,240)
Expenditures				
Current:				
Public safety:				
Other services and charges	2,171	2,171	-	(2,171)
Capital outlay	10,433	10,433	7,364	(3,069)
Total expenditures	12,604	12,604	7,364	(5,240)
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, 2016

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Intergovernmental	\$ -	\$ 50,000	\$ 7,985	\$ (42,015)
Expenditures				
Current:				
Public safety:				
Other services and charges	-	50,000	7,985	(42,015)
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 - Michigan Rehabilitation Services Grant Fund
 For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Intergovernmental	\$ -	\$ 47,306	\$ 47,306	\$ -
Expenditures				
Current:				
Welfare and social services:				
Other services and charges	-	47,306	47,306	-
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 - District Library Taxation Fund
 For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Property taxes	\$ 1,282,325	\$ 1,305,974	\$ 1,306,496	\$ 522
Expenditures				
Current:				
Parks and recreation:				
Other services and charges	1,282,625	1,305,971	1,306,647	676
Revenues over (under) expenditures	(300)	3	(151)	(154)
Other financing sources				
Transfers in	-	-	97	97
Net changes in fund balances	(300)	3	(54)	(57)
Fund balances, beginning of year	54	54	54	-
Fund balances (deficits), end of year	\$ (246)	\$ 57	\$ -	\$ (57)

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, 2016

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Intergovernmental	\$ 400,920	\$ 400,920	\$ 280,260	\$ (120,660)
Contributions from private sector	-	179,643	175,003	(4,640)
Miscellaneous	-	16,815	16,815	-
Total revenues	<u>400,920</u>	<u>597,378</u>	<u>472,078</u>	<u>(125,300)</u>
Expenditures				
Current:				
Welfare and social services:				
Personnel services	-	102,293	92,682	(9,611)
Other services and charges	400,920	495,085	358,977	(136,108)
Total expenditures	<u>400,920</u>	<u>597,378</u>	<u>451,659</u>	<u>(145,719)</u>
Net changes in fund balances	-	-	20,419	(20,419)
Fund balances, beginning of year	-	-	-	-
Fund balances, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,419</u>	<u>\$ (20,419)</u>

CITY OF HOLLAND, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balances
 Budget and Actual - Clean Energy Program Fund
 For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Contributions from private sector	\$ -	\$ 34,156	\$ 35,603	\$ 1,447
Interest and rents	-	-	226	226
Total revenues	-	34,156	35,829	1,673
Expenditures				
Current:				
Welfare and social services:				
Other services and charges	-	3,176	15,965	12,789
Net changes in fund balances	-	30,980	19,864	(11,116)
Fund balances, beginning of year	-	-	-	-
Fund balances, end of year	\$ -	\$ 30,980	\$ 19,864	\$ (11,116)

CITY OF HOLLAND, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balances
 Budget and Actual - Stormwater Grant Fund
 For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Intergovernmental	\$ 500,000	\$ 450,000	\$ 48,794	\$ (401,206)
Expenditures				
Current:				
Public works:				
Personnel services	-	-	2,765	2,765
Other services and charges	500,000	500,000	46,029	(453,971)
Total expenditures	500,000	500,000	48,794	(451,206)
Revenues over (under) expenditures	-	(50,000)	-	50,000
Other financing sources				
Transfers in	-	50,000	-	(50,000)
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 - Eat Healthy For Life - EBT Program Fund
 For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Contributions from private sector	\$ 3,856	\$ 23,856	\$ 17,514	\$ (6,342)
Expenditures				
Current:				
Welfare and social services:				
Personnel services	-	719	-	(719)
Other services and charges	16,775	36,056	18,561	(17,495)
Total expenditures	16,775	36,775	18,561	(18,214)
Net changes in fund balances	(12,919)	(12,919)	(1,047)	11,872
Fund balances, beginning of year	12,919	12,919	12,919	-
Fund balances, end of year	\$ -	\$ -	\$ 11,872	\$ 11,872

CITY OF HOLLAND, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balances
 Budget and Actual - Holland Energy Fund
 For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Interest and rents	\$ -	\$ -	\$ 563	\$ 563
Expenditures				
Current:				
Public works:				
Other services and charges	-	233,000	117,334	(115,666)
Revenues over (under) expenditures	-	(233,000)	(116,771)	116,229
Other financing sources				
Transfers in	-	233,000	183,000	(50,000)
Net changes in fund balances	-	-	66,229	66,229
Fund balances, beginning of year	-	-	-	-
Fund balances, end of year	\$ -	\$ -	\$ 66,229	\$ 66,229

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, 2016

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Charges for services	\$ 31,600	\$ 31,600	\$ 35,560	\$ 3,960
Interest and rents	8,000	11,000	16,688	5,688
	<u>39,600</u>	<u>42,600</u>	<u>52,248</u>	<u>9,648</u>
Total revenues				
Other financing uses				
Transfers out	(8,000)	(11,000)	(16,688)	(5,688)
	<u>31,600</u>	<u>31,600</u>	<u>35,560</u>	<u>3,960</u>
Net changes in fund balances				
Fund balances, beginning of year	1,621,130	1,621,130	1,621,130	-
	<u>\$ 1,652,730</u>	<u>\$ 1,652,730</u>	<u>\$ 1,656,690</u>	<u>\$ 3,960</u>
Fund balances, end of year				

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 water main 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, 2016, 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 July 1, 2006, 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, 2016

	Refuse and Recycling Pickup	Windmill Island	Depot Operations	Airport Facilities and Management System
Assets				
Current assets:				
Cash and pooled investments	\$ 701,839	\$ 326,993	\$ 8	\$ 2,468
Receivables:				
Accounts	274,117	17,420	-	-
Taxes and special assessments	-	-	-	9
Total current assets	<u>975,956</u>	<u>344,413</u>	<u>8</u>	<u>2,477</u>
Noncurrent assets:				
Capital assets:				
Land	-	99,809	291,300	6,053,250
Construction in progress	-	159,743	-	-
Machinery and equipment	-	3,568,178	1,667,199	14,043,709
Accumulated depreciation	-	(1,874,089)	(1,185,526)	(10,227,587)
Total noncurrent assets	<u>-</u>	<u>1,953,641</u>	<u>772,973</u>	<u>9,869,372</u>
Total assets	<u>975,956</u>	<u>2,298,054</u>	<u>772,981</u>	<u>9,871,849</u>
Liabilities				
Current liabilities:				
Accounts payable	41,710	8,361	-	-
Accrued payroll and benefits	930	9,852	-	207
Due to other funds	-	2,269	-	-
Deposits	-	66,213	-	-
Unearned revenue	384,422	-	-	-
Accrued compensated absences - current	2,742	3,954	-	-
Total liabilities (all current)	<u>429,804</u>	<u>90,649</u>	<u>-</u>	<u>207</u>
Net position				
Investment in capital assets	-	1,953,641	772,973	9,869,372
Unrestricted	546,152	253,764	8	2,270
Total net position	<u>\$ 546,152</u>	<u>\$ 2,207,405</u>	<u>\$ 772,981</u>	<u>\$ 9,871,642</u>

Public Transit Facilities and Management System	Employee Benefit Fund	Total
\$ 1,552	\$ 11,811	\$ 1,044,671
126	-	291,663
-	-	9
<u>1,678</u>	<u>11,811</u>	<u>1,336,343</u>
-	-	6,444,359
-	-	159,743
508,254	-	19,787,340
(276,970)	-	(13,564,172)
<u>231,284</u>	<u>-</u>	<u>12,827,270</u>
<u>232,962</u>	<u>11,811</u>	<u>14,163,613</u>
-	246	50,317
-	-	10,989
-	-	2,269
-	-	66,213
-	-	384,422
-	-	6,696
<u>-</u>	<u>246</u>	<u>520,906</u>
231,284	-	12,827,270
<u>1,678</u>	<u>11,565</u>	<u>815,437</u>
<u>\$ 232,962</u>	<u>\$ 11,565</u>	<u>\$ 13,642,707</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, 2016

	Refuse and Recycling Pickup	Windmill Island	Depot Operations	Airport Facilities and Management System
Operating revenues				
Usage fees and charges for services	\$ 1,786,281	\$ 76,265	\$ -	\$ 18,661
Admissions and fares	-	697,267	-	-
Rentals	-	82,440	1	-
Total operating revenues	1,786,281	855,972	1	18,661
Operating expenses				
Personal services	93,828	470,850	-	19,149
Other current expenses	1,598,209	241,988	-	103,087
Depreciation	-	103,184	24,539	449,538
Total operating expenses	1,692,037	816,022	24,539	571,774
Operating income (loss)	94,244	39,950	(24,538)	(553,113)
Nonoperating revenues				
Property taxes	-	-	-	104,432
Other private donations	-	1,050	-	92,000
Investment earnings	1,959	1,989	-	-
Total nonoperating revenues	1,959	3,039	-	196,432
Income (loss) before contributions and transfers	96,203	42,989	(24,538)	(356,681)
Contributions and transfers				
Capital contributions	-	16,918	-	-
Transfers in	-	14,039	-	-
Total contributions and transfers	-	30,957	-	-
Changes in net position	96,203	73,946	(24,538)	(356,681)
Net position, beginning of year	449,949	2,133,459	797,519	10,228,323
Net position, end of year	\$ 546,152	\$ 2,207,405	\$ 772,981	\$ 9,871,642

Public Transit Facilities and Management System	Employee Benefit Fund	Total
\$ 267	\$ 7,950	\$ 1,889,424
-	-	697,267
-	-	82,441
<u>267</u>	<u>7,950</u>	<u>2,669,132</u>
-	-	583,827
253	8,452	1,951,989
11,745	-	589,006
<u>11,998</u>	<u>8,452</u>	<u>3,124,822</u>
<u>(11,731)</u>	<u>(502)</u>	<u>(455,690)</u>
-	-	104,432
-	-	93,050
16	125	4,089
<u>16</u>	<u>125</u>	<u>201,571</u>
<u>(11,715)</u>	<u>(377)</u>	<u>(254,119)</u>
-	-	16,918
-	-	14,039
-	-	30,957
<u>(11,715)</u>	<u>(377)</u>	<u>(223,162)</u>
<u>244,677</u>	<u>11,942</u>	<u>13,865,869</u>
<u>\$ 232,962</u>	<u>\$ 11,565</u>	<u>\$ 13,642,707</u>

CITY OF HOLLAND, MICHIGAN

Combining Statement of Cash Flows
 Nonmajor Enterprise Funds
 For the Year Ended June 30, 2016

	Refuse and Recycling Pickup	Windmill Island	Depot Operations	Airport Facilities and Management System
Cash flows from operating activities				
Receipts from customers and users	\$ 1,875,889	\$ 907,239	\$ 1	\$ 18,661
Payments to suppliers	(1,578,635)	(239,561)	-	(103,087)
Payments to employees	(98,445)	(500,371)	-	(19,523)
Net cash provided by (used in) operating activities	198,809	167,307	1	(103,949)
Cash flows from noncapital financing activities				
Property taxes	-	-	-	104,426
Cash flows from capital and related financing activities				
Capital contributions	-	17,968	-	92,000
Intragovernmental receipts	-	14,147	-	-
Purchase of capital assets	-	(74,754)	-	(92,000)
Net cash used in capital and related financing activities	-	(42,639)	-	-
Cash flows from investing activities				
Investment earnings	1,959	1,989	-	-
Net increase (decrease) in cash and pooled investments	200,768	126,657	1	477
Cash and pooled investments, beginning of year	501,071	200,336	7	1,991
Cash and pooled investments, end of year	\$ 701,839	\$ 326,993	\$ 8	\$ 2,468
Cash flows from operating activities				
Operating income (loss)	\$ 94,244	\$ 39,950	\$ (24,538)	\$ (553,113)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	-	103,184	24,539	449,538
Change in:				
Accounts receivable	(74,647)	32,354	-	-
Accounts payable	19,574	2,427	-	(374)
Accrued payroll and benefits	(1,951)	(18,273)	-	-
Unearned revenue	164,255	18,913	-	-
Accrued compensated absences	(2,666)	(11,248)	-	-
Net cash provided by (used in) operating activities	\$ 198,809	\$ 167,307	\$ 1	\$ (103,949)

Public Transit Facilities and Management System	Employee Benefit Fund	Total
\$ 455	\$ 7,950	\$ 2,810,195
(253)	(8,634)	(1,930,170)
-	-	(618,339)
<u>202</u>	<u>(684)</u>	<u>261,686</u>
-	-	104,426
-	-	109,968
-	-	14,147
-	-	<u>(166,754)</u>
-	-	<u>(42,639)</u>
16	125	4,089
218	(559)	327,562
<u>1,334</u>	<u>12,370</u>	<u>717,109</u>
<u>\$ 1,552</u>	<u>\$ 11,811</u>	<u>\$ 1,044,671</u>
\$ (11,731)	\$ (502)	\$ (455,690)
11,745	-	589,006
188	-	(42,105)
-	(182)	21,445
-	-	(20,224)
-	-	183,168
-	-	<u>(13,914)</u>
<u>\$ 202</u>	<u>\$ (684)</u>	<u>\$ 261,686</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 for technology services 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 for photocopying equipment 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 sign-out 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, 2016

	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	\$ 209,087	\$ 4,690	\$ 22,862	\$ 22,100	\$ 1,339,380	\$ 176,770
Accounts receivable	2,650	-	-	32,797	20,613	18,560
Due from other funds	-	-	-	7,070	867	-
Inventories	-	3,068	-	24,780	44,752	-
Prepaid items	9,167	350	-	-	-	-
Total current assets	<u>220,904</u>	<u>8,108</u>	<u>22,862</u>	<u>86,747</u>	<u>1,405,612</u>	<u>195,330</u>
Noncurrent assets:						
Capital assets:						
Machinery and equipment	838,301	-	94,949	311,394	8,488,328	2,511,082
Accumulated depreciation	(570,821)	-	(14,821)	(14,150)	(5,156,325)	(1,275,870)
Total noncurrent assets	<u>267,480</u>	<u>-</u>	<u>80,128</u>	<u>297,244</u>	<u>3,332,003</u>	<u>1,235,212</u>
Total assets	<u>488,384</u>	<u>8,108</u>	<u>102,990</u>	<u>383,991</u>	<u>4,737,615</u>	<u>1,430,542</u>
Liabilities						
Current liabilities:						
Accounts payable	3,772	419	64	28,122	64,258	-
Claims payable	-	-	-	-	-	-
Accrued payroll and benefits	3,488	-	-	-	7,289	-
Due to other funds	10,410	-	-	58,591	81	-
Accrued compensated absences - current	-	-	-	-	-	-
Total current liabilities	<u>17,670</u>	<u>419</u>	<u>64</u>	<u>86,713</u>	<u>71,628</u>	<u>-</u>
Noncurrent liabilities:						
Accrued compensated absences	26,392	-	-	-	88,571	-
Total liabilities	<u>44,062</u>	<u>419</u>	<u>64</u>	<u>86,713</u>	<u>160,199</u>	<u>-</u>
Net position						
Investment in capital assets	267,480	-	80,128	297,244	3,332,003	1,235,212
Unrestricted	176,842	7,689	22,798	34	1,245,413	195,330
Total net position	<u>\$ 444,322</u>	<u>\$ 7,689</u>	<u>\$ 102,926</u>	<u>\$ 297,278</u>	<u>\$ 4,577,416</u>	<u>\$ 1,430,542</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
\$ 539,198	\$ 146,536	\$ 2,552,339	\$ 270,903	\$ 387,976	\$ 216,590	\$ 1,676,216	\$ 7,564,647
9,878	-	45,512	-	-	-	-	130,010
-	-	-	-	-	42	-	7,979
-	-	-	-	-	-	-	72,600
12,998	-	172,886	-	-	14,558	-	209,959
<u>562,074</u>	<u>146,536</u>	<u>2,770,737</u>	<u>270,903</u>	<u>387,976</u>	<u>231,190</u>	<u>1,676,216</u>	<u>7,985,195</u>
-	-	-	-	-	-	-	12,244,054
-	-	-	-	-	-	-	(7,031,987)
-	-	-	-	-	-	-	<u>5,212,067</u>
<u>562,074</u>	<u>146,536</u>	<u>2,770,737</u>	<u>270,903</u>	<u>387,976</u>	<u>231,190</u>	<u>1,676,216</u>	<u>13,197,262</u>
2,002	-	4,673	-	-	2,107	-	105,417
97	-	158,513	-	-	1,449	-	160,059
-	-	-	-	-	-	-	10,777
-	2,289	100	-	-	-	-	71,471
-	-	-	-	-	-	1,175,000	1,175,000
<u>2,099</u>	<u>2,289</u>	<u>163,286</u>	<u>-</u>	<u>-</u>	<u>3,556</u>	<u>1,175,000</u>	<u>1,522,724</u>
-	-	-	-	-	-	501,216	616,179
<u>2,099</u>	<u>2,289</u>	<u>163,286</u>	<u>-</u>	<u>-</u>	<u>3,556</u>	<u>1,676,216</u>	<u>2,138,903</u>
-	-	-	-	-	-	-	5,212,067
<u>559,975</u>	<u>144,247</u>	<u>2,607,451</u>	<u>270,903</u>	<u>387,976</u>	<u>227,634</u>	<u>-</u>	<u>5,846,292</u>
<u>\$ 559,975</u>	<u>\$ 144,247</u>	<u>\$ 2,607,451</u>	<u>\$ 270,903</u>	<u>\$ 387,976</u>	<u>\$ 227,634</u>	<u>\$ -</u>	<u>\$ 11,058,359</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, 2016

	Technology Services			Equipment Services		
	Computer Services	Postage Services	Communication Services	Fuel Dispensing	Centralized Vehicle / Equipment	Fire Vehicle / Equipment
Operating revenues						
Charges for services	\$ 617,526	\$ 22,998	\$ 131,261	\$ 452,417	\$ 315,459	\$ -
Premiums	-	-	-	-	-	-
Rentals	-	-	-	-	1,847,800	-
Miscellaneous	-	-	-	-	-	-
Total operating revenues	617,526	22,998	131,261	452,417	2,163,259	-
Operating expenses						
Personnel services	340,083	-	-	6,490	659,536	-
Other current expenses	270,393	22,092	125,624	408,703	1,013,216	-
Depreciation	98,238	-	9,487	8,387	474,100	101,234
Total operating expenses	708,714	22,092	135,111	423,580	2,146,852	101,234
Operating income (loss)	(91,188)	906	(3,850)	28,837	16,407	(101,234)
Nonoperating revenues (expenses)						
Investment earnings	416	30	192	(246)	14,927	712
Insurance recovery	-	-	-	-	-	-
Gain (loss) on disposal of capital assets	(2,129)	-	(4,371)	-	87,665	(2,517)
Total nonoperating revenues (expenses)	(1,713)	30	(4,179)	(246)	102,592	(1,805)
Income (loss) before contributions and transfers	(92,901)	936	(8,029)	28,591	118,999	(103,039)
Contributions and transfers						
Capital contributions	-	-	-	-	111	-
Transfers in	100,000	-	79,500	22,100	40,180	100,000
Transfers out	-	-	-	-	(208,019)	-
Net contributions and transfers	100,000	-	79,500	22,100	(167,728)	100,000
Changes in net position	7,099	936	71,471	50,691	(48,729)	(3,039)
Net position, beginning of year	437,223	6,753	31,455	246,587	4,626,145	1,433,581
Net position, end of year	\$ 444,322	\$ 7,689	\$ 102,926	\$ 297,278	\$ 4,577,416	\$ 1,430,542

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
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,115,206	\$ 2,654,867
312,840	110,307	5,373,403	106,638	22,919	111,111	-	6,037,218
-	-	-	-	-	-	-	1,847,800
54,690	-	-	50	425	-	-	55,165
367,530	110,307	5,373,403	106,688	23,344	111,111	1,115,206	10,595,050
-	1,982	79	-	-	-	1,115,206	2,123,376
375,899	116,485	5,265,923	94,421	23,077	138,514	-	7,854,347
-	-	-	-	-	-	-	691,446
375,899	118,467	5,266,002	94,421	23,077	138,514	1,115,206	10,669,169
(8,369)	(8,160)	107,401	12,267	267	(27,403)	-	(74,119)
5,082	1,537	22,675	2,332	3,826	1,792	-	53,275
-	-	328,802	-	-	490	-	329,292
-	-	-	-	-	-	-	78,648
5,082	1,537	351,477	2,332	3,826	2,282	-	461,215
(3,287)	(6,623)	458,878	14,599	4,093	(25,121)	-	387,096
-	-	-	-	-	-	-	111
-	-	-	-	-	-	-	341,780
-	-	-	-	-	-	-	(208,019)
-	-	-	-	-	-	-	133,872
(3,287)	(6,623)	458,878	14,599	4,093	(25,121)	-	520,968
563,262	150,870	2,148,573	256,304	383,883	252,755	-	10,537,391
\$ 559,975	\$ 144,247	\$ 2,607,451	\$ 270,903	\$ 387,976	\$ 227,634	\$ -	\$ 11,058,359

CITY OF HOLLAND, MICHIGAN

Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2016

	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	\$ 627,542	\$ 22,998	\$ 131,261	\$ 452,223	\$ 2,204,828	\$ -
Payments to suppliers	(280,112)	(21,959)	(125,560)	(515,637)	(1,051,689)	(18,560)
Payments to employees	(345,000)	-	-	(6,490)	(673,252)	-
Net cash provided by (used in) operating activities	<u>2,430</u>	<u>1,039</u>	<u>5,701</u>	<u>(69,904)</u>	<u>479,887</u>	<u>(18,560)</u>
Cash flows from noncapital financing activities						
Insurance refunds	-	-	-	-	-	-
Intragovernmental receipts	100,000	-	79,500	22,100	40,180	100,000
Intragovernmental payments	-	-	-	-	(208,019)	-
Net cash provided by (used in) noncapital financing activities	<u>100,000</u>	<u>-</u>	<u>79,500</u>	<u>22,100</u>	<u>(167,839)</u>	<u>100,000</u>
Cash flows from capital and related financing activities						
Capital contributions	-	-	-	-	111	-
Proceeds from sale of capital assets	-	-	-	-	157,251	18,562
Purchase of capital assets	(64,003)	-	(86,489)	(187,624)	(932,170)	-
Net cash provided by (used in) capital and related financing activities	<u>(64,003)</u>	<u>-</u>	<u>(86,489)</u>	<u>(187,624)</u>	<u>(774,808)</u>	<u>18,562</u>
Cash flows from investing activities						
Investment earnings	<u>416</u>	<u>30</u>	<u>192</u>	<u>(246)</u>	<u>14,927</u>	<u>712</u>
Net increase (decrease) in cash and pooled investments	<u>38,843</u>	<u>1,069</u>	<u>(1,096)</u>	<u>(235,674)</u>	<u>(447,833)</u>	<u>100,714</u>
Cash and pooled investments, beginning of year	<u>170,244</u>	<u>3,621</u>	<u>23,958</u>	<u>257,774</u>	<u>1,787,213</u>	<u>76,056</u>
Cash and pooled investments, end of year	<u>\$ 209,087</u>	<u>\$ 4,690</u>	<u>\$ 22,862</u>	<u>\$ 22,100</u>	<u>\$ 1,339,380</u>	<u>\$ 176,770</u>
Cash flows from operating activities						
Operating income (loss)	\$ (91,188)	\$ 906	\$ (3,850)	\$ 28,837	\$ 16,407	\$ (101,234)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:						
Depreciation	98,238	-	9,487	8,387	474,100	101,234
Change in:						
Accounts receivable	-	-	-	(18,098)	42,356	(18,560)
Due from other funds	-	-	-	(6,113)	(787)	-
Inventories	-	183	-	(24,780)	(5,879)	-
Prepaid items	(9,167)	-	-	-	-	-
Accounts payable	(552)	(50)	64	(82,154)	(32,594)	-
Claims payable	-	-	-	-	-	-
Accrued payroll and benefits	(9,978)	-	-	-	(15,407)	-
Due to other funds	10,016	-	-	24,017	-	-
Accrued compensated absences	5,061	-	-	-	1,691	-
Net cash provided by (used in) operating activities	<u>\$ 2,430</u>	<u>\$ 1,039</u>	<u>\$ 5,701</u>	<u>\$ (69,904)</u>	<u>\$ 479,887</u>	<u>\$ (18,560)</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
\$ 367,328	\$ 116,898	\$ 5,536,303	\$ 106,688	\$ 25,027	\$ 111,394	\$ 1,115,206	\$ 10,817,696
(396,629)	(116,485)	(5,525,127)	(94,421)	(23,077)	(136,291)	-	(8,305,547)
-	(1,982)	(182)	-	-	-	(1,039,467)	(2,066,373)
(29,301)	(1,569)	10,994	12,267	1,950	(24,897)	75,739	445,776
-	-	328,802	-	-	490	-	329,292
-	-	-	-	-	-	-	341,780
-	-	-	-	-	-	-	(208,019)
-	-	328,802	-	-	490	-	463,053
-	-	-	-	-	-	-	111
-	-	-	-	-	-	-	175,813
-	-	-	-	-	-	-	(1,270,286)
-	-	-	-	-	-	-	(1,094,362)
5,082	1,537	22,675	2,332	3,826	1,792	-	53,275
(24,219)	(32)	362,471	14,599	5,776	(22,615)	75,739	(132,258)
563,417	146,568	2,189,868	256,304	382,200	239,205	1,600,477	7,696,905
\$ 539,198	\$ 146,536	\$ 2,552,339	\$ 270,903	\$ 387,976	\$ 216,590	\$ 1,676,216	\$ 7,564,647
\$ (8,369)	\$ (8,160)	\$ 107,401	\$ 12,267	\$ 267	\$ (27,403)	\$ -	\$ (74,119)
-	-	-	-	-	-	-	691,446
(3,468)	-	(11,276)	-	1,683	-	-	(7,363)
3,266	4,302	174,376	-	-	283	-	175,327
-	-	-	-	-	-	-	(30,476)
(12,998)	-	(172,886)	-	-	442	-	(194,609)
(7,829)	-	(191,788)	-	-	1,781	-	(313,122)
97	-	105,470	-	-	-	-	105,567
-	-	(103)	-	-	-	-	(25,488)
-	2,289	(200)	-	-	-	-	36,122
-	-	-	-	-	-	75,739	82,491
\$ (29,301)	\$ (1,569)	\$ 10,994	\$ 12,267	\$ 1,950	\$ (24,897)	\$ 75,739	\$ 445,776

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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, 2016

	Current Tax Collections	Outside Agency Collections	Employees' Flexible Spending Plan	Imprest Payroll
Assets				
Cash and pooled investments	\$ -	\$ 1,781	\$ 3,681	\$ 225,065
Accounts receivable	-	30	693	-
Total assets	\$ -	\$ 1,811	\$ 4,374	\$ 225,065
Liabilities				
Accounts payable	\$ -	\$ 1,511	\$ 693	\$ 63,783
Due to other governmental units	-	300	-	161,282
Other liabilities and deposits	-	-	3,681	-
Total liabilities	\$ -	\$ 1,811	\$ 4,374	\$ 225,065



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

\$ 754,181	\$ 984,708
-	723

<u>\$ 754,181</u>	<u>\$ 985,431</u>
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\$ -	\$ 65,987
754,181	915,763
-	3,681

<u>\$ 754,181</u>	<u>\$ 985,431</u>
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CITY OF HOLLAND, MICHIGAN

Combining Statement of Changes in Fiduciary Assets and Liabilities

Agency Funds

For the Year Ended June 30, 2016

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016
<i>Current Tax Collection Fund</i>				
Assets				
Cash and pooled investments	\$ -	\$ 52,698,392	\$ 52,698,392	\$ -
Accounts receivable	-	174,034	174,034	-
Total assets	\$ -	\$ 52,872,426	\$ 52,872,426	\$ -
Liabilities				
Accounts payable	\$ -	\$ 34,103,259	\$ 34,103,259	\$ -
Due to other governmental units	-	18,769,167	18,769,167	-
Total liabilities	\$ -	\$ 52,872,426	\$ 52,872,426	\$ -
<i>Outside Agency Collection Fund</i>				
Assets				
Cash and pooled investments	\$ 1,089	\$ 188,422	\$ 187,730	\$ 1,781
Accounts receivable	525	30	525	30
Other assets	-	184,519	184,519	-
Total assets	\$ 1,614	\$ 372,971	\$ 372,774	\$ 1,811
Liabilities				
Accounts payable	\$ 264	\$ 188,977	\$ 187,730	\$ 1,511
Due to other governmental units	1,350	183,994	185,044	300
Total liabilities	\$ 1,614	\$ 372,971	\$ 372,774	\$ 1,811
<i>Employees' Flexible Spending Plan</i>				
Assets				
Cash and pooled investments	\$ 22,439	\$ 202,157	\$ 220,915	\$ 3,681
Accounts receivable	600	8,822	8,729	693
Total assets	\$ 23,039	\$ 210,979	\$ 229,644	\$ 4,374
Liabilities				
Accounts payable	\$ 627	\$ 4,514	\$ 4,448	\$ 693
Other liabilities and deposits	22,412	206,465	225,196	3,681
Total liabilities	\$ 23,039	\$ 210,979	\$ 229,644	\$ 4,374

continued...

CITY OF HOLLAND, MICHIGAN

Combining Statement of Changes in Fiduciary Assets and Liabilities

Agency Funds

For the Year Ended June 30, 2016

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016
<i>Imprest Payroll Fund</i>				
Assets				
Cash and pooled investments	\$ 67,484	\$ 6,889,592	\$ 6,732,011	\$ 225,065
Accounts receivable	28,703	78,766	107,469	-
Total assets	<u>\$ 96,187</u>	<u>\$ 6,968,358</u>	<u>\$ 6,839,480</u>	<u>\$ 225,065</u>
Liabilities				
Accounts payable	\$ 61,313	\$ 3,925,734	\$ 3,923,264	\$ 63,783
Due to other governmental units	34,874	3,042,624	2,916,216	161,282
Total liabilities	<u>\$ 96,187</u>	<u>\$ 6,968,358</u>	<u>\$ 6,839,480</u>	<u>\$ 225,065</u>
<i>WMAA Pooled Cash Fund</i>				
Assets				
Cash and pooled investments	\$ 1,119,882	\$ 1,237,429	\$ 1,603,130	\$ 754,181
Liabilities				
Due to other governmental units	\$ 1,119,882	\$ 1,237,429	\$ 1,603,130	\$ 754,181
<i>Total All Agency Funds</i>				
Assets				
Cash and pooled investments	\$ 1,210,894	\$ 61,215,992	\$ 61,442,178	\$ 984,708
Accounts receivable	29,828	261,652	290,757	723
Other assets	-	184,519	184,519	-
Total assets	<u>\$ 1,240,722</u>	<u>\$ 61,662,163</u>	<u>\$ 61,917,454</u>	<u>\$ 985,431</u>
Liabilities				
Accounts payable	\$ 62,204	\$ 38,222,484	\$ 38,218,701	\$ 65,987
Due to other governmental units	1,156,106	23,233,214	23,473,557	915,763
Other liabilities and deposits	22,412	206,465	225,196	3,681
Total liabilities	<u>\$ 1,240,722</u>	<u>\$ 61,662,163</u>	<u>\$ 61,917,454</u>	<u>\$ 985,431</u>

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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.

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.

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.

CITY OF HOLLAND, MICHIGAN

Component Units

As of the fiscal year ending June 30, 2016 sixteen 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
[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	Completed
156 W11th St. (former Washington School), new residential development	2016	In Progress
Property located between 8th & 9th and between River & Pine Ave (formerly several buildings), new mixed use facilities	2016	In Progress

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, 2016

Assets

Current assets:

Cash and pooled investments	\$ 157,127
Taxes receivable	114
Prepaid items	200
	<hr/>

Total assets \$ 157,441

Liabilities

Current liabilities:

Accounts payable	\$ 5,702
Accrued payroll and benefits	1,366
	<hr/>

Total liabilities 7,068

Fund balances

Nonspendable	200
Unassigned	150,173
	<hr/>

Total fund balances 150,373

Total liabilities and fund balances \$ 157,441

CITY OF HOLLAND, MICHIGAN

Reconciliation

Fund Balance for the Governmental Fund
to Net Position of Component Unit
Downtown Development Authority Component Unit
June 30, 2016

Fund balance - total governmental fund	\$ 150,373
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>180,315</u>
Net position of component unit	<u><u>\$ 330,688</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, 2016

Revenues	
Property taxes	\$ 189,308
Charges for services	9,507
Investment earnings	<u>2,351</u>
Total revenue	<u>201,166</u>
Expenditures	
Current:	
Economic development:	
Personnel services	84,767
Current operating expenditures	<u>152,167</u>
Total expenditures	<u>236,934</u>
Net changes in fund balance	(35,768)
Fund balance, beginning of year	<u>186,141</u>
Fund balance, end of year	<u><u>\$ 150,373</u></u>

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, 2016

Net changes in fund balance - total governmental fund \$ (35,768)

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 (19,269)

Changes in net position of component unit \$ (55,037)

CITY OF HOLLAND, MICHIGAN

Balance Sheet

Brownfield Redevelopment Authority Component Unit

June 30, 2016

Assets

Current assets:

Cash and pooled investments	<u>\$ 255,692</u>
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Fund balance

Unassigned	<u>\$ 255,692</u>
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CITY OF HOLLAND, MICHIGAN

Statement of Revenues, Expenditures and Changes in Fund Balance

Brownfield Redevelopment Authority Component Unit

For the Year Ended June 30, 2016

Revenues	
Property taxes	\$ 981,559
Contributions	76,439
Investment earnings	<u>4,632</u>
Total revenues	1,062,630
Expenditures	
Current:	
Economic development	<u>943,853</u>
Net changes in fund balance	118,777
Fund balance, beginning of year	<u>136,915</u>
Fund balance, end of year	<u><u>\$ 255,692</u></u>

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OTHER INFORMATION (UNAUDITED)

CITY OF HOLLAND, MICHIGAN

Essential Service Resources (Unaudited)

Last Five Fiscal Years

	Year Ending June 30,				
	2012	2013	2014	2015	2016
Essential services expense					
Police	\$ 7,271,864	\$ 7,244,857	\$ 7,658,619	\$ 7,835,153	\$ 7,754,936
Fire	2,490,713	2,460,729	2,537,967	2,698,560	2,845,200
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	36,673
Total essential services expense	<u>\$ 9,719,629</u>	<u>\$ 9,829,226</u>	<u>\$ 10,309,966</u>	<u>\$ 10,670,144</u>	<u>\$ 10,636,809</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>	<u>\$ 10,913,743</u>
Percentage utilized for essential services	92.8%	98.0%	101.3%	105.3%	97.5%

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.	224
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.	234
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.	240
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.	250
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.	252

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			
	2016	2015	2014	2013
Governmental activities				
Net investment in capital assets	\$ 107,920,320	\$ 101,785,238	\$ 101,283,878	\$ 100,986,324
Restricted	3,986,636	6,339,594	7,274,432	5,290,226
Unrestricted (deficit)	(16,316,283)	(13,905,867)	13,779,260	14,722,301
Total governmental activities net position	\$ 95,590,673	\$ 94,218,965	\$ 122,337,570	\$ 120,998,851
Business-type activities				
Net investment in capital assets	\$ 227,299,822	\$ 164,628,976	\$ 109,000,184	\$ 130,923,312
Restricted	26,103,060	24,300,021	23,063,654	10,299,047
Unrestricted	93,263,171	125,351,237	174,756,386	152,548,565
Total business-type activities net position	\$ 346,666,053	\$ 314,280,234	\$ 306,820,224	\$ 293,770,924
Primary government				
Net investment in capital assets	\$ 335,220,142	\$ 266,414,214	\$ 210,284,062	\$ 231,909,636
Restricted	30,089,696	30,639,615	30,338,086	15,589,273
Unrestricted	76,946,888	111,445,370	188,535,646	167,270,866
Total primary government net position	\$ 442,256,726	\$ 408,499,199	\$ 429,157,794	\$ 414,769,775

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					
2012	2011	2010	2009	2008	2007
\$ 98,805,338	\$ 97,982,454	\$ 91,848,117	\$ 96,236,210	\$ 94,586,185	\$ 85,215,206
5,038,121	5,007,295	8,273,750	4,739,586	5,726,977	6,836,980
13,480,119	13,469,116	12,635,427	11,443,984	13,044,127	18,854,026
<u>\$ 117,323,578</u>	<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>
\$ 132,936,434	\$ 130,752,723	\$ 125,755,686	\$ 129,330,134	\$ 133,094,822	\$ 134,418,954
15,130,725	12,841,230	11,605,553	11,591,211	13,532,257	14,296,104
133,025,971	126,288,993	122,779,775	111,446,733	101,113,510	92,581,178
<u>\$ 281,093,130</u>	<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>
\$ 231,741,772	\$ 228,735,177	\$ 217,603,803	\$ 225,566,344	\$ 227,681,007	\$ 219,634,160
20,168,846	17,848,525	19,879,303	16,330,797	19,259,234	21,133,084
146,506,090	139,758,109	135,415,202	122,890,717	114,157,637	111,435,204
<u>\$ 398,416,708</u>	<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>

CITY OF HOLLAND, MICHIGAN

Changes in Net Position Last Ten Fiscal Years

	Fiscal Year			
	2016	2015	2014	2013
Expenses				
Governmental activities:				
General government	\$ 4,903,394	\$ 5,465,655	\$ 5,242,181	\$ 4,820,804
Public safety	13,985,570	12,903,945	12,534,364	12,316,027
Public works	10,443,197	9,312,839	8,172,879	8,716,017
Welfare and social services	979,963	901,870	1,133,724	908,229
Parks and recreation	5,289,399	5,339,569	5,048,229	5,290,515
Interest on debt	942,486	787,260	911,559	1,015,138
Total governmental activities expenses	<u>36,544,009</u>	<u>34,711,138</u>	<u>33,042,936</u>	<u>33,066,730</u>
Business-type activities:				
Electric utility	80,103,538	80,847,034	84,346,528	79,504,798
Wastewater utility	9,672,514	8,773,098	8,512,074	8,419,218
Water utility	6,540,960	6,248,425	6,282,005	6,215,516
Other enterprise activities	3,124,822	3,104,234	2,805,066	4,428,481
Total business-type activities expenses	<u>99,441,834</u>	<u>98,972,791</u>	<u>101,945,673</u>	<u>98,568,013</u>
Total primary government expenses	<u>135,985,843</u>	<u>133,683,929</u>	<u>134,988,609</u>	<u>131,634,743</u>
Program revenues				
Governmental activities:				
Charges for services:				
General government	1,400,401	1,357,140	1,293,631	1,340,368
Public safety	1,156,746	1,366,794	1,331,259	1,148,691
Parks and recreation	652,440	607,673	611,146	545,865
Other activities	1,181,296	783,711	752,482	880,201
Operating grants and contributions	6,009,124	5,489,592	7,521,923	7,590,327
Capital grants and contributions	2,006,264	793,387	49,739	2,427,984
Total governmental activities program revenues	<u>12,406,271</u>	<u>10,398,297</u>	<u>11,560,180</u>	<u>13,933,436</u>
Business-type activities:				
Charges for services:				
Electric utility	106,199,176	100,816,653	97,539,619	93,576,510
Wastewater utility	10,856,173	10,305,015	10,107,589	9,446,065
Water utility	9,338,887	8,694,022	8,835,889	8,506,464
Other enterprise activities	2,669,132	2,307,355	2,140,867	2,103,272
Operating grants and contributions	1,977,470	1,107,948	779,632	1,534,672
Capital grants and contributions	7,544,349	2,339,301	272,815	617,604
Total business-type activities program revenues	<u>138,585,187</u>	<u>125,570,294</u>	<u>119,676,411</u>	<u>115,784,587</u>
Total primary government program revenues	<u>150,991,458</u>	<u>135,968,591</u>	<u>131,236,591</u>	<u>129,718,023</u>
Net (Expenses) Revenues				
Governmental activities	(24,137,738)	(24,312,841)	(21,482,756)	(19,133,294)
Business-type activities	<u>39,143,353</u>	<u>26,597,503</u>	<u>17,730,738</u>	<u>17,216,574</u>
Total primary government net (expenses) revenues	<u>15,005,615</u>	<u>2,284,662</u>	<u>(3,752,018)</u>	<u>(1,916,720)</u>

Fiscal Year					
2012	2011	2010	2009	2008	2007
\$ 4,822,179	\$ 4,746,330	\$ 4,486,867	\$ 7,087,290	\$ 6,606,201	\$ 6,249,186
12,099,607	12,078,156	12,220,723	12,845,443	11,782,618	11,584,857
11,382,965	7,821,063	7,966,875	9,420,191	7,270,495	6,996,667
1,019,891	1,332,557	1,473,119	1,495,708	1,093,507	1,310,221
4,837,537	5,244,382	5,293,696	6,048,286	5,457,951	5,818,508
1,115,515	968,108	1,143,337	1,253,379	1,193,155	1,277,812
<u>35,277,694</u>	<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>
76,116,440	73,286,291	68,510,184	67,823,832	71,198,426	70,982,822
8,401,050	8,230,946	7,926,053	8,185,044	8,006,723	7,692,405
6,305,874	6,293,924	6,020,005	6,181,007	5,558,454	5,662,012
3,037,469	3,176,910	3,296,369	3,409,153	4,471,485	5,940,049
<u>93,860,833</u>	<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>129,138,527</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>
1,461,558	1,380,752	1,271,066	3,040,152	2,514,224	2,475,575
1,091,868	1,002,070	811,487	798,688	867,229	988,690
521,717	510,063	495,074	495,556	1,162,829	1,122,695
1,350,055	928,157	607,705	982,413	618,367	691,541
4,279,364	4,905,759	4,833,063	4,807,025	4,156,784	1,471,960
5,396,650	4,372,059	906,356	2,534,159	1,858,530	5,969,801
<u>14,101,212</u>	<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>
88,066,208	84,411,319	78,536,430	75,466,722	79,166,950	81,276,323
8,619,974	8,854,094	7,874,856	6,879,454	6,997,724	7,315,443
7,346,263	7,133,417	6,331,397	5,881,210	5,715,370	5,668,249
1,864,234	1,905,362	2,042,509	2,032,514	1,997,363	2,273,950
1,970,111	157,859	59,954	89,035	1,605,962	2,075,992
233,950	639,163	544,493	1,670,442	1,465,771	834,580
<u>108,100,740</u>	<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>122,201,952</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>
(21,176,482)	(19,091,736)	(23,659,866)	(25,492,304)	(22,225,964)	(20,516,989)
<u>14,239,907</u>	<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>(6,936,575)</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>

continued...

CITY OF HOLLAND, MICHIGAN

Changes in Net Position Last Ten Fiscal Years

	Fiscal Year			
	2016	2015	2014	2013
General revenues and other changes in net position				
Governmental Activities:				
Property taxes	\$ 16,862,893	\$ 15,694,176	\$ 15,531,647	\$ 15,305,039
State shared revenue	2,893,597	2,895,971	2,843,918	2,771,987
Investment earnings - unrestricted	231,995	138,303	154,894	48,935
Miscellaneous	-	-	-	-
Gain on sale of capital assets	-	-	-	603,794
Transfers - internal activities	5,520,961	5,165,762	4,291,016	4,422,221
Total governmental activities	<u>25,509,446</u>	<u>23,894,212</u>	<u>22,821,475</u>	<u>23,151,976</u>
Business-type activities:				
Property taxes	104,432	99,983	98,858	97,572
Investment earnings - unrestricted	-	-	-	26,918
Miscellaneous	-	-	31,135	-
Transfers - internal activities	(5,520,961)	(5,165,762)	(4,291,016)	(4,422,221)
Special item:				
Coal revaluation	(1,341,005)	-	-	-
Transfer of assets to transportation authority	-	-	-	-
Transfer of assets to airport authority	-	-	-	-
Extraordinary item	-	-	(520,415)	-
Total business-type activities	<u>(6,757,534)</u>	<u>(5,065,779)</u>	<u>(4,681,438)</u>	<u>(4,297,731)</u>
Total primary government general revenues	<u>18,751,912</u>	<u>18,828,433</u>	<u>18,140,037</u>	<u>18,854,245</u>
Change in net position				
Governmental activities	1,371,708	(418,629)	1,338,719	4,018,682
Business-type activities	32,385,819	21,531,724	13,049,300	12,918,843
Total primary government change in net position	<u>\$ 33,757,527</u>	<u>\$ 21,113,095</u>	<u>\$ 14,388,019</u>	<u>\$ 16,937,525</u>

Fiscal Year						
2012	2011	2010	2009	2008	2007	
\$ 15,345,237	\$ 16,121,528	\$ 17,251,755	\$ 17,089,338	\$ 17,313,526	\$ 16,771,182	
2,700,327	2,697,917	2,698,103	3,041,193	3,168,205	3,133,796	
126,645	197,270	455,666	635,831	1,254,996	1,222,007	
-	482,588	-	-	-	-	
-	-	-	-	-	-	
3,868,986	3,294,004	3,600,531	3,788,433	2,940,314	2,535,283	
<u>22,041,195</u>	<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>	
103,438	108,734	118,962	117,952	19	171,058	
735,825	814,059	1,608,802	2,296,887	4,213,060	3,953,403	
-	-	-	-	-	(382,469)	
(3,868,986)	(3,294,004)	(3,600,531)	(3,788,433)	(2,940,314)	(2,535,283)	
-	-	-	-	-	-	
-	-	-	-	(2,542,464)	-	
-	-	-	(419,258)	-	-	
-	-	-	-	-	-	
<u>(3,029,723)</u>	<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>	
19,011,472	20,422,096	22,133,288	22,761,943	23,407,342	24,868,977	
864,713	3,701,571	346,189	(937,509)	2,451,077	3,145,279	
11,210,184	9,741,932	7,764,261	4,627,489	6,444,353	10,373,958	
<u>\$ 12,074,897</u>	<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>	

concluded

CITY OF HOLLAND, MICHIGAN

Fund Balances, Governmental Funds
Last Ten Fiscal Years

	Fiscal Year			
	2016	2015	2014	2013
General fund				
Reserved	\$ -	\$ -	\$ -	\$ -
Unreserved	-	-	-	-
Nonspendable	12,483	20,736	14,808	10,909
Committed	5,667	12,915	12,915	17,415
Unassigned	4,650,598	4,948,792	4,672,551	4,931,652
Total general fund	\$ 4,668,748	\$ 4,982,443	\$ 4,700,274	\$ 4,959,976
All other governmental funds				
Reserved:				
Prepaid Items	\$ -	\$ -	\$ -	\$ -
Assets held for resale	-	-	-	-
Permanent fund corpus	-	-	-	-
Permanent fund expendable	-	-	-	-
Unreserved, reported in:				
Special revenue funds	-	-	-	-
Debt service funds	-	-	-	-
Capital projects funds	-	-	-	-
Nonspendable	1,586,687	1,554,387	1,530,737	1,507,707
Restricted	3,890,895	4,959,854	5,743,695	3,997,308
Committed	4,827,247	3,009,413	2,678,973	3,270,785
Unassigned (deficit)	-	-	(151,746)	(365,102)
Total all other governmental funds	\$ 10,304,829	\$ 9,523,654	\$ 9,801,659	\$ 8,410,698

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, 2007 to 2010.

Fiscal Year					
2012	2011	2010	2009	2008	2007
\$ -	\$ -	\$ 5,010	\$ 2,144	\$ 6,863	\$ 10,874
-	-	3,229,998	2,563,468	2,329,183	2,575,413
7,028	300	-	-	-	-
27,090	66,490	-	-	-	-
4,183,015	4,065,072	-	-	-	-
<u>\$ 4,217,133</u>	<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>
\$ -	\$ -	\$ 300	\$ 300	\$ 50,169	\$ 1,241
-	-	-	20,000	-	-
-	-	1,441,142	1,411,567	1,385,867	1,365,692
-	-	52,068	127,130	220,112	267,434
-	-	6,587,493	3,396,437	3,883,960	4,803,171
-	-	804,641	753,755	826,450	905,740
-	-	1,291,149	834,822	1,348,069	1,742,621
1,488,822	1,465,142	-	-	-	-
3,783,400	4,932,209	-	-	-	-
2,118,169	1,593,998	-	-	-	-
(239,384)	-	-	-	-	-
<u>\$ 7,151,007</u>	<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>

CITY OF HOLLAND, MICHIGAN

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

	Fiscal Year			
	2016	2015	2014	2013
Revenues				
Property taxes	\$ 16,862,893	\$ 15,694,176	\$ 15,531,647	\$ 15,305,039
Special assessments	773,449	747,753	773,740	738,263
Licenses and permits	535,824	694,822	627,716	484,785
Intergovernmental	8,134,798	8,019,895	8,090,257	9,190,867
Charges for services	1,830,609	1,774,682	1,765,726	1,767,839
Fines and fees	628,994	640,851	629,639	600,565
Contributions from private sector	2,279,761	658,219	852,417	1,458,342
Interest and rents	994,305	945,998	1,005,386	916,552
Miscellaneous	309,061	297,550	287,829	272,010
Total revenues	32,349,694	29,473,946	29,564,357	30,734,262
Expenditures				
Current:				
General government	3,805,834	3,814,393	3,537,050	3,946,025
Public safety	11,936,561	11,819,699	11,376,342	10,904,914
Public works	4,337,160	4,400,212	4,627,841	3,993,238
Welfare and social services	961,655	899,556	1,142,307	895,361
Parks and recreation	5,111,051	5,053,039	4,510,490	4,365,859
Other	11,115,067	92,809	77,581	68,572
Debt service:				
Principal retirement	2,445,000	2,389,000	3,839,000	3,218,223
Interest and fiscal charges	696,684	779,254	912,384	1,010,844
Bond issuance costs	-	-	-	-
Capital outlay	10,994,683	5,195,929	2,336,346	5,982,162
Total expenditures	51,403,695	34,443,891	32,359,341	34,385,198
Revenues under expenditures	(19,054,001)	(4,969,945)	(2,794,984)	(3,650,936)
Other financing sources (uses)				
Proceeds from issuance on long-term debt	13,910,000	-	-	-
Bond premium	-	-	-	-
Payment to escrow agent	-	-	-	-
Proceeds on sale of capital assets	224,281	4,282	-	1,331,249
Transfers in	19,322,548	11,671,851	11,473,850	9,489,765
Transfers out	(13,935,348)	(6,702,024)	(7,547,607)	(5,167,544)
Total other financing sources (uses)	19,521,481	4,974,109	3,926,243	5,653,470
Net changes in fund balances	\$ 467,480	\$ 4,164	\$ 1,131,259	\$ 2,002,534
Debt service as a percentage of noncapital expenditures	7.4%	10.4%	15.8%	14.4%

Fiscal Year					
2012	2011	2010	2009	2008	2007
\$ 15,345,237	\$ 16,121,528	\$ 17,251,755	\$ 17,089,338	\$ 17,313,526	\$ 16,771,182
814,214	721,343	695,621	659,329	624,352	682,982
497,102	551,740	378,613	331,941	428,256	556,324
11,513,296	11,048,271	7,682,981	8,148,604	8,977,468	10,402,819
1,727,647	1,544,669	1,408,254	1,360,268	1,201,777	1,174,439
558,518	549,498	495,531	474,462	460,144	445,206
570,496	586,279	386,717	408,948	375,206	408,474
1,026,240	1,103,409	1,294,685	3,702,781	4,078,215	4,009,704
346,334	256,580	260,585	419,427	15,666	10,384
<u>32,399,084</u>	<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>
4,045,535	3,893,107	3,708,153	6,014,901	6,115,337	5,793,527
10,947,361	11,212,040	11,095,227	11,336,176	11,353,454	11,274,392
3,890,213	3,951,785	3,850,331	4,273,397	4,005,177	3,760,112
1,003,258	1,326,664	1,451,323	1,289,774	1,112,074	1,304,323
4,771,718	4,986,686	5,122,991	5,134,093	5,408,323	5,156,184
64,781	69,432	75,282	85,705	81,242	151,255
2,631,963	1,981,964	1,807,961	2,567,963	2,427,963	2,322,963
1,108,456	1,047,485	1,181,812	1,230,937	1,195,690	1,273,710
-	114,289	62,973	151,980	-	-
8,396,066	8,214,505	5,970,223	9,538,667	6,455,022	6,056,550
<u>36,859,351</u>	<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>(4,460,267)</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>
-	7,425,000	5,820,000	4,000,000	-	-
-	385,976	-	34,490	-	-
-	(7,852,210)	-	-	-	-
-	-	-	-	-	-
9,647,680	10,616,583	11,403,402	12,243,923	10,118,589	8,866,486
<u>(5,942,484)</u>	<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>3,705,196</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>\$ (755,071)</u>	<u>\$ (1,279,915)</u>	<u>\$ 4,302,178</u>	<u>\$ (941,050)</u>	<u>\$ (1,621,513)</u>	<u>\$ 252,930</u>
11.9%	10.6%	10.3%	11.8%	11.5%	11.3%

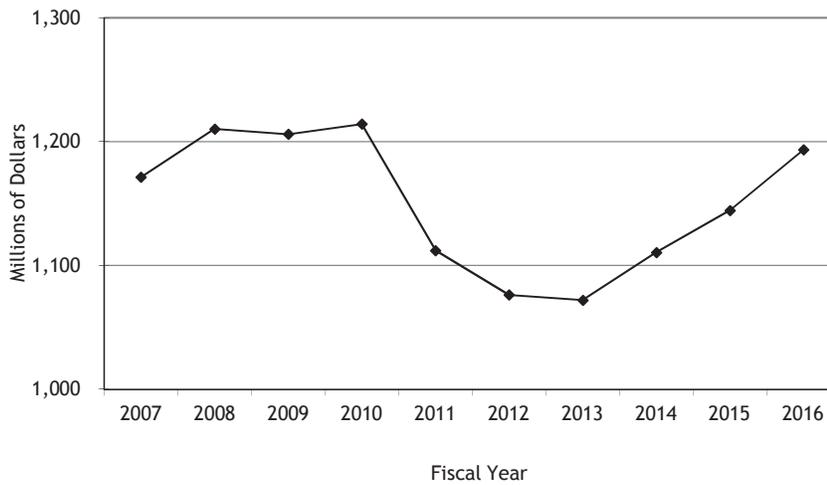
Actual Value of Taxable Property
For the Last Ten Fiscal Years

Fiscal Year	Residential Property	Commercial Property	Industrial Property	Other Property*	Less: Tax-Exempt Property	Total Taxable Value	Total Direct Tax Rate
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
2016	544,175,806	278,511,377	390,241,013	8,887,539	28,334,257	1,193,481,478	15.1085

*Other property includes agricultural, developmental and utilities.

Source: City of Holland Assessor's Office

Total Taxable Value



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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
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
2016	9.5000	2.2198	2.0533	1.2362	-	0.0992	15.1085	6.0000	0.3989

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.

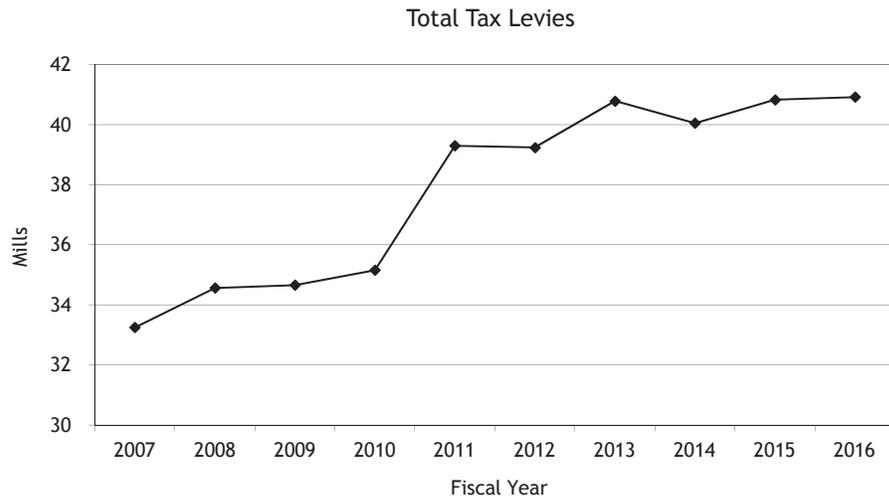
* Overlapping rates:

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		
4.2093	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
5.5234	1.6675	4.8565	6.0937	7.3622	25.3622	4.5000	22.5000	8.3500	26.3500



The total tax levy reflects principal residence tax rates for citizens living in Ottawa County

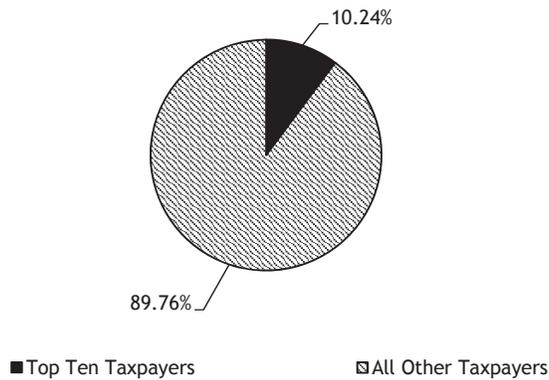
Principal Property Taxpayers
For the Current Fiscal Year and Nine Years Ago

Taxpayer	2016			2007		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
American Retirement Corp	\$ 31,354,800	1	2.63 %	\$ 19,486,113	3	1.66 %
Haworth, Inc	24,384,510	2	2.04	41,799,744	2	3.57
Lumir LLC	13,881,239	3	1.16	9,714,137	6	0.83
Johnson Controls Interiors	11,300,504	4	0.95	65,218,933	1	5.57
Benteler Aluminum Systems	8,459,300	5	0.71	-----		
H.J. Heinz Co	7,260,186	6	0.61	10,897,007	5	0.93
Johnson Controls Inc	6,991,400	7	0.59	-----		----
American Bottling Co	6,191,800	8	0.52	9,364,300	7	0.80
Semco Energy	6,158,300	9	0.52	-----		----
Challenge MFG Company	6,101,515	10	0.51	-----		----
Hydro Automotive Structures	-----		----	10,982,156	4	0.94
L & W Engineering Co	-----		----	9,016,075	8	0.77
New West MI Ind Inv LLC	-----		----	7,909,100	9	0.68
Meijer Realty Co	-----		----	6,625,289	10	0.57
	<u>\$122,083,554</u>		<u>10.24</u>	<u>\$191,012,854</u>		<u>16.32</u>

Source: City of Holland Assessor's Office

2016 Total Taxable Value is \$1,193,481,478, which includes IFT's at equivalency valuation.

Concentration of 2016 Taxpayers



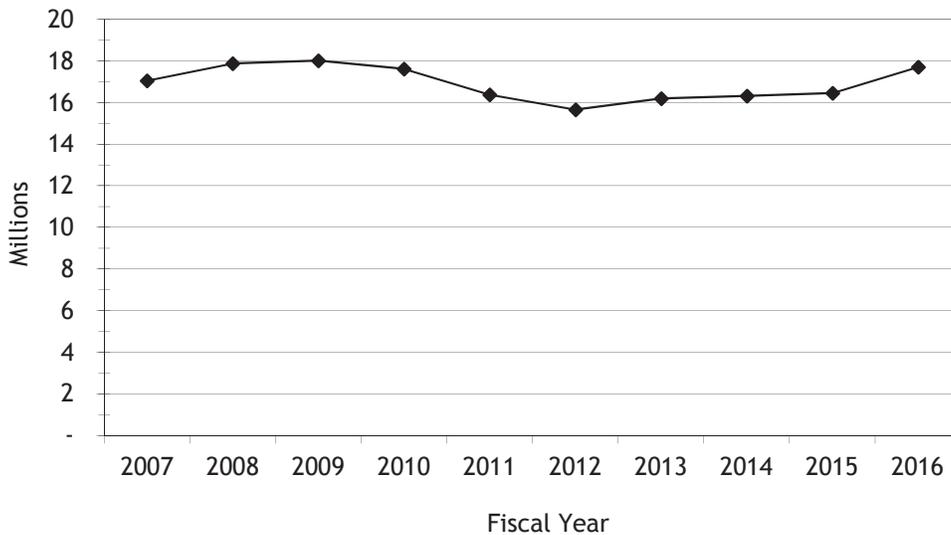
Property Tax Levies and Collections
For the Last Ten Fiscal Years

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
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	4,315	16,450,836	99.74
2016	17,714,681	17,704,725	99.94	-	17,704,725	99.94

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	Pension Obligation Bonds	Note Payable	Total Governmental Activities
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
2016	-	10,470,421	-	50,000	-	6,155,000	10,910,000	3,000,000	30,585,421

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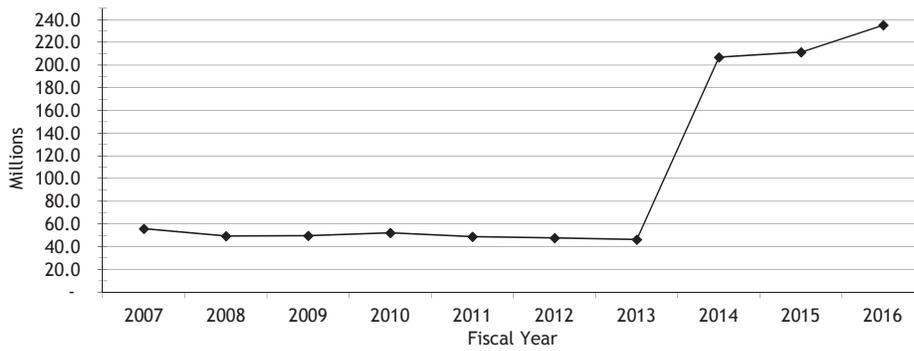
Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

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

Business-type Activities									
Airport Bonds	County Bonds	Water Bonds	Electric Bonds	Pension Obligation Bonds	Capital Lease	Total Business-type Activities	Total Primary Government	Percentage of Personal Income**	Per Capita**
\$ 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
-	-	15,316,688	165,797,974	14,090,000	9,500,000	204,704,662	235,290,083	33.14	6,973

concluded

PRIMARY GOVERNMENT DEBT



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

Fiscal Year	General Bonded Debt Outstanding					Total	Percentage of Actual Taxable Value* of Property	Per Capita**
	General Obligation Bonds	Building Authority Bonds	Capital Improvement Bonds	Pension Obligation Bonds				
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	4,000,000	-		27,862,000	2.31	818
2010	389,500	21,925,000	9,455,000	-		31,769,500	2.62	933
2011	377,000	20,310,000	9,400,000	-		30,087,000	2.71	910
2012	364,500	18,305,558	8,815,000	-		27,485,058	2.55	826
2013	-	16,891,662	8,200,000	-		25,091,662	2.34	754
2014	-	13,917,915	7,555,000	-		21,472,915	1.93	641
2015	-	12,239,168	6,870,000	-		19,109,168	1.67	568
2016	-	10,470,421	6,155,000	25,000,000		41,625,421	3.49	1,234

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, 2016

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable*	Estimated Share of Overlapping Debt
Debt repaid with property taxes			
Ottawa Area Intermediate School District	\$ 3,052,037	9.96%	\$ 303,983
Hamilton School District	37,820,387	29.21%	11,047,335
Holland School District	77,847,155	76.73%	59,732,122
Zeeland School District	111,871,115	0.00%	-
Allegan County	42,182,292	10.78%	4,547,251
Ottawa County	166,316,866	6.65%	11,060,072
Holland Area Community Swimming Pool Authority	1,965,000	76.73%	<u>1,507,745</u>
Subtotal, overlapping debt			88,198,508
City direct debt			<u>30,585,421</u>
Total direct and overlapping debt			<u><u>\$ 118,783,929</u></u>

Sources: Assessed value data used to estimate applicable percentages provided by the 2015 Allegan and 2015 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

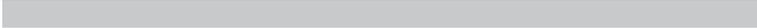
Legal Debt Margin Calculation for Fiscal Year 2016

Assessed value	\$1,193,481,478
Debt limit (10% of assessed value)	119,348,148
Debt applicable to limit:	
Building authority bonds	10,040,421
Capital improvement bonds	6,155,000
Pension obligation bonds	25,000,000
Note payable	3,000,000
Less: Amount set aside for repayment of debt	<u>(257,404)</u>
Total net debt applicable to limit	<u>43,938,017</u>
Legal debt margin	<u>\$ 75,410,131</u>

	Fiscal Year				
	2016	2015	2014	2013	2012
Debt Limit	\$ 119,348,148	\$ 114,436,011	\$ 111,048,237	\$ 107,192,648	\$ 107,612,788
Total net debt applicable to limit	<u>43,938,017</u>	<u>18,046,699</u>	<u>19,965,860</u>	<u>23,582,232</u>	<u>26,760,035</u>
Legal debt margin	<u>\$ 75,410,131</u>	<u>\$ 96,389,312</u>	<u>\$ 91,082,377</u>	<u>\$ 83,610,416</u>	<u>\$ 80,852,753</u>
Total net debt applicable to the limit as a percentage of debt limit	58.27%	18.72%	21.92%	28.20%	33.10%

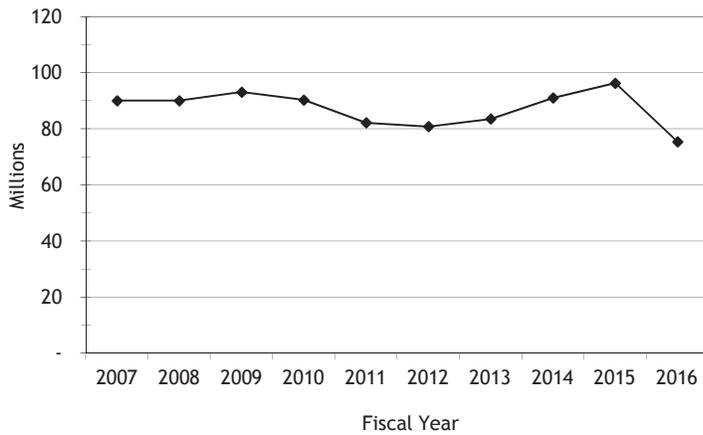
Note: The City of Holland is legally indebted for the Building Authority Bonds issued in 2004 for the Herrick District Library Expansion Project. Payment of approximately 62.1% of the debt is committed to be paid by three area local governmental jurisdictions based upon an executed Library Support Agreement. 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 \$430,000, or \$267,030, 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				
2011	2010	2009	2007	2007
\$ 111,202,723	\$ 121,415,479	\$ 120,588,930	\$ 117,120,687	\$ 117,120,687
<u>28,956,240</u>	<u>31,046,415</u>	<u>27,390,212</u>	<u>26,998,987</u>	<u>26,998,987</u>
<u>\$ 82,246,483</u>	<u>\$ 90,369,064</u>	<u>\$ 93,198,718</u>	<u>\$ 90,121,700</u>	<u>\$ 90,121,700</u>
35.21%	34.36%	29.39%	29.96%	29.96%

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	
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
2016	9,338,887	4,504,679	4,834,208	1,275,000	471,412	2.77

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 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	
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
2016	106,199,176	72,774,003	33,425,173	-	6,621,406	5.05

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	
2007	\$ -	\$ -	\$ -	\$ -	\$ -	-
2008	-	-	-	-	-	-
2009	-	-	-	-	-	-
2010	-	-	-	-	-	-
2011	-	-	-	-	-	-
2012	-	-	-	-	-	-
2013	-	-	-	-	-	-
2014	-	-	-	-	-	-
2015	10,305,015	6,640,193	3,664,822	-	92,338	39.69
2016	10,856,173	7,631,013	3,225,160	-	252,821	12.76

Pledged-Revenue Coverage
For the Last Ten Fiscal Years

Fiscal Year	Special Assessment Bonds				Coverage
	Special Assessment Collections	Debt Service			
		Principal	Interest		
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	
2016	251,297	10,000	3,036	19.28	

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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)
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%
2015	33,742	710,067	21,044	4.0%

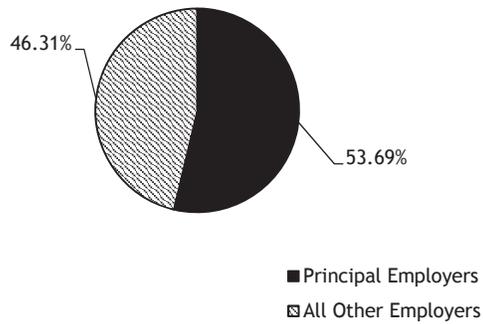
Sources:

- (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	2016			2007		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Haworth Inc	1,951	1	10.97 %	1,878	1	10.95 %
Johnson Controls Interiors	1,943	2	10.92	1,289	3	7.51
Holland Community Hospital	1,789	3	10.06	1,740	2	10.14
Challenge Mfg Company	765	4	4.30	825	5	4.81
Dialog Direct	717	5	4.03	-	-	-
Hope College	636	6	3.58	760	7	4.43
Holland Public Schools	539	7	3.03	-	-	-
Benteler & Hydro Automotive	416	8	2.34	-	-	-
Herman Miller	409	9	2.30	-	-	-
City of Holland / BPW	385	10	2.16	-	-	-
Plastech	-	-	-	1,035	4	6.03
Tiara Yachts	-	-	-	763	6	4.45
ARC Holland Real Estate	-	-	-	-	-	-
- Freedom Village Retirement	-	-	-	400	8	2.33
L&W Engineering	-	-	-	351	9	2.05
Cadbury Schweppes	-	-	-	330	10	1.92
	<u>9,550</u>		<u>53.69</u>	<u>9,371</u>		<u>54.62</u>

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



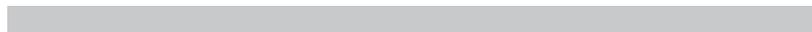
CITY OF HOLLAND, MICHIGAN

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

Function	Full-time Equivalent Employees as of June 30				
	2016	2015	2014	2013	2012
General government					
Management services	3.35	2.60	2.70	2.85	2.85
Fiscal services	12.90	12.95	13.00	12.15	13.15
City clerk	2.00	2.00	2.00	2.00	2.25
Human resources	1.60	1.60	1.25	1.25	2.25
Building	0.60	1.00	1.00	1.00	1.00
Cemetery	2.35	2.85	2.85	2.90	2.90
Planning	1.40	1.90	1.90	2.40	2.60
Technology	5.80	4.00	4.00	4.00	4.00
Public safety					
Police	65.00	65.00	65.00	65.00	65.00
Fire	51.00	51.00	51.00	51.00	55.00
Environmental health & inspections	9.65	8.90	7.90	8.35	8.85
Public works					
Streets	15.65	15.65	15.65	16.15	18.15
Engineering	3.35	2.35	2.35	2.60	2.60
Transit	0.00	0.00	0.00	0.00	0.00
Centralized vehicle maintenance	7.00	7.00	7.15	7.80	7.80
Welfare and social services					
Ourstreet / Human relations	2.90	1.95	1.95	2.10	2.80
Economic development assistance	0.10	0.85	1.10	1.90	2.20
Downtown development	3.15	3.30	3.30	3.15	3.20
Parks and recreation					
Recreation	4.00	4.00	4.15	3.75	4.75
Parks	13.50	11.85	11.60	11.95	12.95
Civic Center	1.45	1.45	1.30	1.40	1.40
Board of Public Works Utilities	<u>178.00</u>	<u>171.00</u>	<u>178.00</u>	<u>177.00</u>	<u>179.00</u>
Total	<u><u>384.75</u></u>	<u><u>373.20</u></u>	<u><u>379.15</u></u>	<u><u>380.70</u></u>	<u><u>394.70</u></u>

Source: City of Holland Finance Office Fiscal Year 2016 Budget (Approved Positions)

Exhibit L-1 - Unaudited



Full-time Equivalent Employees as of June 30				
2011	2010	2009	2008	2007
2.85	3.33	3.20	3.20	3.20
13.15	13.35	14.30	14.35	14.35
2.25	2.25	2.25	3.25	3.25
2.25	2.25	2.25	2.25	2.25
1.00	1.00	1.00	1.00	1.00
2.40	3.15	4.15	4.15	4.15
2.67	3.20	3.20	3.10	3.30
4.00	4.00	4.00	4.00	4.00
69.00	71.00	73.50	74.50	74.50
55.00	56.00	57.00	58.00	58.00
8.85	10.15	10.20	10.20	11.20
17.90	19.90	19.91	19.82	19.74
2.90	3.00	3.00	2.90	2.90
0.00	2.75	2.75	2.75	1.58
7.75	8.44	9.95	8.93	8.93
2.80	3.80	3.80	3.80	3.80
2.13	1.84	1.95	2.00	2.80
3.20	2.20	2.20	2.15	2.05
4.60	4.60	4.60	4.60	4.60
13.40	13.75	14.65	14.65	13.65
1.60	1.50	1.60	1.65	1.75
<u>182.00</u>	<u>183.00</u>	<u>186.00</u>	<u>185.00</u>	<u>180.00</u>
<u><u>401.70</u></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>

CITY OF HOLLAND, MICHIGAN

Operating Indicators by Function For the Last Ten Fiscal Years

Function	Fiscal Year				
	2016	2015	2014	2013	2012
Cemetery					
Burials	270	222	225	244	229
Police					
Physical arrests	1,498	1,901	2,055	2,031	2,241
Parking violations	4,010	3,783	3,984	7,591	5,040
Traffic violations	3,209	4,373	3,661	3,494	4,006
Fire					
Emergency responses	3,457	3,268	3,101	2,944	2,768
Fires	105	91	93	96	86
Medical Emergencies	2,238	2,160	2,079	1,957	1,944
Inspections	224	263	249	194	132
Public works					
Street resurfacing (miles)	7.0	4.6	3.8	4.0	8.7
Working in the ROW permits	323	340	343	330	282
Community & neighborhood services					
Number of construction permits:					
Industrial & commercial	69	99	102	95	78
Residential	499	530	497	438	508
Institutional & municipal	20	16	24	21	26
Value of construction permits (millions of dollars)					
Industrial & commercial	12.10	36.27	22.57	18.92	24.80
Residential	15.00	28.23	14.45	7.64	8.60
Institutional & municipal	23.70	8.85	38.95	31.40	47.00
Parks and recreation					
Program participants	22,285	21,427	19,480	19,329	18,594
Pool attendance	17,500	11,700	11,068	15,051	18,790
Water					
Service connections	13,500	13,405	13,375	12,957	13,028
Average daily consumption (thousands of gallons)	13,332	11,200	11,690	11,790	11,666
Wastewater					
Service connections	12,400	12,335	12,320	12,308	12,272
Average daily consumption (thousands of gallons)	9,683	9,025	9,144	9,490	7,501

Source: Various city departments

Exhibit L-2 - Unaudited

Fiscal Year				
2011	2010	2009	2008	2007
266	245	262	213	292
2,281	3,339	3,237	3,496	3,186
4,589	4,832	4,551	5,533	6,120
3,769	2,924	6,383	6,762	7,235
2,709	2,799	2,994	2,913	2,786
86	94	89	146	98
1,858	1,909	2,112	1,959	1,916
116	145	96	109	71
4.9	5.5	11.2	11.4	2.2
302	337	346	336	307
86	70	68	96	96
440	43	459	552	550
23	29	16	27	35
52.48	6.15	6.55	15.12	67.24
10.21	6.67	7.01	8.75	10.60
16.06	13.81	7.25	27.18	7.68
16,965	30,782	35,450	28,115	26,386
17,224	16,969	9,047	10,998	11,214
13,284	13,261	13,414	13,155	13,190
10,211	10,088	10,689	12,459	12,428
12,202	12,184	12,397	12,169	12,196
7,370	7,274	7,538	7,448	7,578

CITY OF HOLLAND, MICHIGAN

Capital Asset Statistics by Function For the Last Ten Fiscal Years

Function	Fiscal Year				
	2016	2015	2014	2013	2012
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)	149.0	148.9	149.1	149.1	148.7
Streetlights	2,615	2,598	2,595	2,593	2,504
Parks and recreation					
Park acreage	403	403	403	403	508
Parks	22	22	22	22	23
Baseball/softball diamonds	10	10	10	10	10
Soccer fields	11	11	10	10	10
Swimming pools	1	1	1	1	1
Tennis courts	14	14	14	14	14
Stadiums	0	0	0	0	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)	251.88	247.50	247.50	245.78	240.73
Fire hydrants	2,395	2,363	2,363	2,353	2,345
Maximum daily capacity of plant (thousands of gallons)	38,500	38,500	38,500	38,500	38,500
Wastewater					
Sanitary sewers (miles)	185.00	183.00	182.77	182.76	182.94
Storm sewers (miles)	152.0	151.5	151.5	159.0	159.0
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				
2011	2010	2009	2008	2007
2	2	2	2	2
1	1	1	1	1
19	19	19	19	18
3	3	3	3	3
148.5	148.5	148.5	148.8	154.5
2,534	2,581	2,520	4,742	4,643
508	509	509	460	448
23	24	24	24	24
10	9	9	9	9
10	9	9	9	9
1	1	1	1	1
14	21	21	21	21
1	1	1	1	1
1	1	1	1	1
1	1	1	1	1
1	1	1	1	1
240.15	236.96	236.72	233.08	232.44
2,342	2,320	2,321	2,250	2,256
38,500	38,500	38,500	38,500	38,500
183.73	183.21	185.84	182.81	183.16
155.0	155.0	155.0	155.0	155.0
12,000	12,000	12,000	12,000	12,000

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INTERNAL CONTROL AND COMPLIANCE

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

December 8, 2016

Honorable Mayor
and City Council
City of Holland, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the 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, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 8, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness and another deficiency that we consider to be a significant deficiency.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and responses as item 2016-001 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and responses as item 2016-002 to be a significant deficiency.

Compliance and Other Matters

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

City of Holland, Michigan's Response to Findings

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

CITY OF HOLLAND, MICHIGAN

Schedule of Findings and Responses For the Year Ended June 30, 2016

2016-001 - Material Audit Adjustments (Repeat Comment)

Finding Type. Material Weakness in Internal Control over Financial Reporting.

Criteria. Management is responsible for maintaining its accounting records in accordance with generally accepted accounting principles (GAAP).

Condition. During our audit, we identified and proposed audit adjustments (which were approved and posted by management) which we believe had a material effect on the City's financial statements. The purpose of these adjustments were to properly state capital assets and prepaid self-insured health insurance claims.

Cause. This condition in related to the capital asset adjustments appears to be the result of a misunderstanding between the City and the Board of Public Works as to which entity would capitalize certain assets. The adjustment to prepaid self-insured health insurance claims was to recognize a reimbursement to the City which was initially netted with other prepaid amounts.

Effect. As a result of this condition, the City's accounting records were initially misstated by amounts which were material to certain opinion units.

Recommendation. Management has already taken appropriate corrective action by reviewing and approving the proposed audit adjustments. Additionally, management should confirm with the Board of Public Works regarding ownership of jointly financed capital assets.

View of Responsible Officials. In the future, City staff will contact Board of Public Works staff to confirm ownership of jointly financed capital assets prior to beginning the work of capitalizing assets acquired each fiscal year.

CITY OF HOLLAND, MICHIGAN

Schedule of Findings and Responses For the Year Ended June 30, 2016

2016-002 - Reconciliation of Refuse and Recycling Account Balances

Finding Type. Significant Deficiency in Internal Control over Financial Reporting.

Criteria. Management is responsible for ensuring all account balances are reconciled within a timely manner. Documentation should be retained to support these balances and should also be readily available upon request during the audit process.

Condition. The City provides refuse, recycling, and yard waste services to its citizens. The administration of these services has been outsourced to a third party. In addition to receivables on outstanding account balances, there is unearned revenue recorded at year-end for customers paying bills prior to the month of service. A reconciliation of these balances historically has not taken place until several months after year-end. In addition, there is a bank account maintained by the City for refuse and recycling. While a reconciliation for this account was prepared, the cash balance was not adjusted within the City's accounting records until audit fieldwork. We also noted certain deposit in transit at year-end took an unusually long time to clear the bank (approximately one month).

Twice during the year, the City transfers delinquent balances to the tax roll and will also transfer the related balance within general ledger accounts. A full detail of delinquent account balance isn't maintained. Instead, a rollforward from month to month is maintained, therefore at any given time, the City is unable to provide a detail of the specific accounts included in this receivable. Finally, while the total aged balance remained consistent with prior years, the allocation amongst the aged groups changed significantly (specifically a significant increase in the amount of accounts 90 or more days past due). Neither City staff nor the third party administrator were able to explain the cause of this shift.

Cause. This condition appears to be the result of a timing delays in the third party service administrator providing reports to facilitate this reconciliation by City staff members. Also, there does not appear to a review of the reasonableness of the data or comparison with prior years to ensure accuracy.

Effect. As a result of this condition, accounts receivable, unearned revenue, and revenue account balances within the Refuse and Recycling fund were not adjusted at the time of initial fieldwork. There were also significant, unexplained changes in balances reported. After this reconciliation was completed, significant adjustments were required to the impacted accounts to accurately report these balances.

Recommendation. We recommend the City request the necessary reports to reconcile its refuse and recycling from the third party in advance of audit fieldwork. The City should work with the third party to ensure this process is completed in a timely fashion after year-end to allow time for any questions or variances to be addressed appropriately. These balances should also be reviewed for reasonableness, and any significant changes from prior years should be investigated and explained. We recommend this process be completed at least annually (when delinquent account balances are transferred to the City's tax rolls) and at year-end.

View of Responsible Officials. Staff will work with the third party service administrator to obtain fiscal year end reports to post transactions and thoroughly review account balances for reasonableness and accuracy prior to audit fieldwork. Finance staff will review and balance the detail of delinquent accounts with City solid waste customer service staff prior to placing balances on the tax bills.



INDEPENDENT AUDITORS' COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

December 8, 2016

Honorable Mayor and
City Council
City of Holland, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the *City of Holland, Michigan* (the "City") as of and for the year ended June 30, 2016, and have issued our report thereon dated December 8, 2016. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated August 23, 2016, our responsibility, as described by professional standards, is to form and express opinions about whether the financial statements that have been prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, as part of our audit, we considered the internal control of the City solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

We have provided our findings regarding internal control over financial reporting and compliance noted during our audit in a separate letter to you dated December 8, 2016. In addition, we noted certain other matters which are included in Attachment A to this letter.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our engagement letter and in our meeting about planning matters on September 2, 2016.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, and our firm has complied with all relevant ethical requirements regarding independence.

Qualitative Aspects of the City's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the City is included in Note 1 to the financial statements.

There have been no initial selections of accounting policies and no changes in significant accounting policies or their application during the year.

No matters have come to our attention that would require us, under professional standards, to inform you about the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements were:

- Management's estimate of the useful lives of depreciable capital assets is based on the length of time it is believed that those assets will provide some economic benefit in the future.
- Management's estimate of the accrued compensated absences is based on current hourly rates and policies regarding payment of sick and vacation banks.
- Management's estimate of the allowance for uncollectible receivable balances is based on past experience and future expectation for collection of various account balances.
- Management's estimate of the insurance claims incurred but not reported is based on information provided by the entity's third-party administrators and subsequent claims activity.
- The assumptions used in the actuarial valuations of the other postemployment benefits plan are based on historical trends and industry standards.
- Management's estimate of unearned refuse/recycling is estimated based on billing cycles. Unbilled receivables are estimated based on prior experience with billings.
- Management's estimate of landfill closure and post-closure costs have been calculated based on state guidelines and landfill utilization to date.
- Management's estimate of future fixed operating costs paid to Michigan Public Power Agency have been calculated based on future debt service requirements and the dynamics of the PJM and MISO markets.
- The allocation of shared costs between the funds has been determined based on studies of related time expended, services performed or other applicable activities and data.

We evaluated the key factors and assumptions used to develop these estimates and determined that they are reasonable in relation to the basic financial statements taken as a whole and in relation to the applicable opinion units. In addition, the financial statements include a net pension liability and other pension-related amounts, which are dependent on estimates made by the plan. These estimates are based on historical trends and industry standards, but are not within the control of management.

Significant Difficulties Encountered During the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole and each applicable opinion unit. In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. The material misstatements detected as a result of audit procedures and corrected by management are described in the Schedule of Findings and Responses issued in connection with our report on internal control over financial reporting.

The schedule of adjustments passed is included with management's written representations in Attachment C to this letter, and summarizes uncorrected financial statement misstatements whose effects in the current and prior periods, as determined by management, are immaterial, both individually and in the aggregate, to the financial statements taken as a whole and each applicable opinion unit.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the City's financial statements or the auditors' report. No such disagreements arose during the course of the audit.

Representations Requested from Management

We have requested certain written representations from management, which are included in Attachment C to this letter.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings, or Issues

In the normal course of our professional association with the City, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the City's auditors.

Other Information in Documents Containing Audited Financial Statements

Our responsibility for the supplementary information accompanying the financial statements, as described by professional standards, is to evaluate the presentation of the supplementary information in relation to the financial statements as a whole and to report on whether the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole. We made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Upcoming Changes in Accounting Standards

Generally accepted accounting principles (GAAP) are continually changing in order to promote the usability and enhance the applicability of information included in external financial reporting. While it would not be practical to include an in-depth discussion of every upcoming change in professional standards, Attachment B to this letter contains a brief overview of recent pronouncements of the Governmental Accounting Standards Board (GASB) and their related effective dates. Management is responsible for reviewing these standards, determining their applicability, and implementing them in future accounting periods.

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

Very truly yours,

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

CITY OF HOLLAND, MICHIGAN

Attachment A - Comments and Recommendations

For the June 30, 2016 Audit

During our audit, we became aware of certain other matters that are opportunities for strengthening internal control and/or improving operating efficiency. This memorandum summarizes our comments and recommendations regarding those matters. Our consideration of the City's internal control over financial reporting is described in our report, dated December 8, 2016, issued in accordance with *Government Auditing Standards*. This memorandum does not affect that report or our report dated December 8, 2016, on the financial statements of the City of Holland, Michigan.

Approval of Paid Time Off

As a benefit of employment with the City, qualifying employees are provided varying numbers of paid time off days. Any unused days may also be paid out upon termination of employment with the City. The City has developed a process in which employees are to request advance approval of these days off from a director supervisor or department head and then that individual is to review the employee's usage of approved paid time off prior to submitting to payroll. We reviewed this process through our audit procedures, noting one instance in which a department head is responsible for requesting and approving her own time off. We recommend that all employees' vacation day request and usage be subjected to review by another individual with knowledge of the employees' use of paid time off, and that documentation be retained to support this approval.

Continuing Bond Disclosure Reporting

To comply with ongoing bond reporting requirements, the City is required to submit annual reports to the Electronic Municipal Market Access ("EMMA") website. This report includes various information including current property taxable values, select pension and other postemployment benefit data, and a summary of outstanding debt. In reviewing the summary of outstanding debt in the City's most recent EMMA submission, certain debt balances did not agree to the outstanding debt as of the date reported. The City has outsourced the final reporting of this data to a third party. It is our understanding that the City does review this information prior to submission, but these differences were not adjusted in the final submitted report. We recommend the City continue to work with the third party to ensure all data submitted to EMMA is accurate.



CITY OF HOLLAND, MICHIGAN

Attachment B - Upcoming Changes in Accounting Standards / Regulations

For the June 30, 2016 Audit

The following pronouncements of the Governmental Accounting Standards Board (GASB) have been released recently and may be applicable to the City in the near future. We encourage management to review the following information and determine which standard(s) may be applicable to the City. For the complete text of these and other GASB standards, visit www.gasb.org and click on the “Standards & Guidance” tab. If you have questions regarding the applicability, timing, or implementation approach for any of these standards, please contact your audit team.

GASB 74 ■ Postemployment Benefit Plans Other than Pension Plans

Effective 06/15/2017 (your FY 2017)

This standard requires the calculation of a net other postemployment benefit (OPEB) liability based on an actuarial valuation of retiree healthcare and similar benefits administered by an OPEB trust. It mirrors the new accounting and financial reporting requirements of GASB 67 for pension plans.

GASB 75 ■ Postemployment Benefits Other than Pensions

Effective 06/15/2018 (your FY 2018)

This standard builds on the requirements of GASB 74 by requiring employers that provide other postemployment benefits (OPEB) to recognize a net OPEB liability on their statements of net position. It mirrors the new accounting and financial reporting requirements of GASB 68 for pension benefits.

GASB 77 ■ Tax Abatement Disclosures

Effective 12/15/2016 (your FY 2017)

This standard requires governments to disclose certain information about tax abatement agreements made to foster economic development or otherwise benefit the government or its citizens. Required disclosures include a brief description of the arrangement, the gross dollar amount of taxes abated in the current period, and any additional commitments made by the government as part of the agreement.

GASB 78 ■ Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans

Effective 12/15/2016 (your FY 2017)

This standard is an amendment to GASB 68, and provides guidance to governments that participate in non-governmental cost-sharing pension plans. We do not expect this standard to have any significant effect on the City.

GASB 81 ■ Irrevocable Split-Interest Agreements

Effective 12/15/2017 (your FY 2018)

This standard addresses the accounting for split-interest agreements for which the government serves as the intermediary and/or the beneficiary. It requires governments to record assets, liabilities, and deferred inflows of resources at the inception of the agreement when serving as intermediary, or when the government controls the present service capacity of a beneficial interest. We do not expect this standard to have any significant effect on the City.

CITY OF HOLLAND, MICHIGAN

Attachment B - Upcoming Changes in Accounting Standards / Regulations For the June 30, 2016 Audit

GASB 82 ■ Pension Issues

Effective 06/15/2017 (your FY 2017)

This standard is an amendment to GASB 67/68 to clarify several issues related to pensions. We do not expect this standard to have any significant effect on the City.



CITY OF HOLLAND, MICHIGAN

Attachment C - Management Representations

For the June 30, 2016 Audit

The following pages contain the written representations that we requested from management.

December 8, 2016

Rehmann Robson
2330 East Paris Ave SE
Grand Rapids, MI 49546

This representation letter is provided in connection with your audit of the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Holland, Michigan (the "City"), as of and for the year ended June 30, 2016, and the related notes to the financial statements, for the purpose of expressing opinions on whether the basic financial statements present fairly, in all material respects, the financial position, results of operations, and cash flows, where applicable, and the budgetary comparison for the General Fund of the City in conformity with accounting principles generally accepted for governments in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm that, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves as of December 8, 2016:

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated August 23, 2016, for the preparation and fair presentation of the financial statements of the various opinion units referred to above in accordance with U.S. GAAP. We have reviewed, approved, and taken responsibility for the financial statements and related notes.
2. We have reviewed and approved the various adjusting journal entries that were proposed by you for recording in our books and records and reflected in the financial statements.
3. We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
4. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
5. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
6. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP. For the purposes of this letter, related parties mean members of the governing body; board members; administrative officials; immediate families of administrative officials, board members, and members of the governing body; and any companies affiliated with or owned by such individuals.
7. All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.

8. The effects of uncorrected misstatements summarized in the attached schedule and aggregated by you during the current engagement are immaterial, both individually and in the aggregate, to the applicable opinion units and to the financial statements as a whole.
9. The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP.
10. With regard to items reported at fair value:
 - a. The underlying assumptions are reasonable and they appropriately reflect management's intent and ability to carry out its stated courses of action.
 - b. The measurement methods and related assumptions used in determining fair value are appropriate in the circumstances and have been consistently applied.
 - c. The disclosures related to fair values are complete, adequate, and in conformity with U.S. GAAP.
 - d. There are no subsequent events that require adjustments to the fair value measurements and disclosures included in the financial statements.
11. All component units, as well as joint ventures with an equity interest, are included and other joint ventures and related organizations are properly disclosed.
12. All funds and activities are properly classified.
13. All funds that meet the quantitative criteria in GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, and GASB Statement No. 37, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments: Omnibus*, for presentation as major are identified and presented as such and all other funds that are presented as major are considered important to financial statement users.
14. All components of net position and fund balance classifications have been properly reported.
15. All revenues within the statement of activities have been properly classified as program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
16. All expenses have been properly classified in or allocated to functions and programs in the statement of activities, and allocations, if any, have been made on a reasonable basis.
17. All interfund and intra-entity transactions and balances have been properly classified and reported.
18. Special items and extraordinary items have been properly classified and reported.
19. Deposit and investment risks have been properly and fully disclosed.
20. Capital assets, including infrastructure assets, are properly capitalized, reported, and if applicable, depreciated.
21. All required supplementary information is measured and presented within the prescribed guidelines.
22. We believe that the actuarial assumptions and methods used to measure pension and other postemployment benefit liabilities and costs for financial accounting purposes are appropriate in the circumstances.
23. We are responsible for the fair presentation of the City's net pension liability as calculated by the Municipal Employees' Retirement System of Michigan (MERS) and related amounts. We provided MERS with complete and accurate information regarding the City's participation in the plan, and have reviewed the information provided by MERS for inclusion in the City's financial statements.

Information Provided

24. We have provided you with:
 - a. Access to all information, of which we are aware that is relevant to the preparation and fair presentation of the financial statements of the various opinion units referred to above, such as records, documentation, meeting minutes, and other matters;
 - b. Additional information that you have requested from us for the purpose of the audit; and
 - c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
25. All transactions have been recorded in the accounting records and are reflected in the financial statements.
26. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
27. We have no knowledge of any fraud or suspected fraud that affects the entity and involves:
 - d. Management;
 - e. Employees who have significant roles in internal control; or
 - f. Others where the fraud could have a material effect on the financial statements.
28. We have no knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, vendors, regulators, or others.
29. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.
30. We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.
31. There have been no communications from regulatory agencies concerning noncompliance with or deficiencies in accounting, internal control, or financial reporting practices.
32. The government has no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.
33. We have disclosed to you all guarantees, whether written or oral, under which the government is contingently liable.
34. We have identified and disclosed to you the laws, regulations, and provisions of contracts and grant agreements that could have a direct and material effect on financial statement amounts, including legal and contractual provisions for reporting specific activities in separate funds.
35. There are no:
 - g. Violations or possible violations of laws or regulations, or provisions of contracts or grant agreements whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency, including applicable budget laws and regulations.
 - h. Unasserted claims or assessments that our lawyer has advised are probable of assertion and must be disclosed in accordance with GASB-62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*.
 - i. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by GASB-62.
36. The government has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset or future revenue been pledged as collateral, except as disclosed to you.
37. We have complied with all aspects of grant agreements and other contractual agreements that would have a material effect on the financial statements in the event of noncompliance.

38. We have disclosed to you all significant estimates and material concentrations known to management that are required to be disclosed in accordance with GASB-62. Significant estimates are estimates at the balance sheet date that could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets or geographic areas for which events could occur that would significantly disrupt normal finances within the next year.

Supplementary Information in Relation to the Financial Statements as a Whole

39. With respect to the supplementary information accompanying the financial statements:
- We acknowledge our responsibility for the presentation of the supplementary information in accordance with accounting principles generally accepted in the United States of America.
 - We believe the supplementary information, including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United States of America.
 - The methods of measurement or presentation have not changed from those used in the prior period.
 - We believe the significant assumptions or interpretations underlying the measurement or presentation of the supplementary information, and the basis for our assumptions and interpretations, are reasonable and appropriate in the circumstances.

Required Supplementary Information

40. With respect to the required supplementary information accompanying the financial statements:
- We acknowledge our responsibility for the presentation of the required supplementary information in accordance with accounting principles generally accepted in the United States of America.
 - We believe the required supplementary information, including its form and content, is measured and fairly presented in accordance with accounting principles generally accepted in the United States of America.
 - The methods of measurement or presentation have not changed from those used in the prior period.
 - We believe the significant assumptions or interpretations underlying the measurement or presentation of the required supplementary information, and the basis for our assumptions and interpretations, are reasonable and appropriate in the circumstances.



Ryan Cotton, City Manager



Tim Vagle, Finance Director

CITY OF HOLLAND, MICHIGAN

Schedule of Adjustments Passed (SOAP)

For the June 30, 2016 Audit

In accordance with generally accepted auditing standards, we have prepared the following schedule of proposed audit adjustments, which we believe are immaterial both individually and in the aggregate. We are providing this schedule to both management and those charged with governance to receive their assurance that they agree that the amounts listed below are not material to the financial statements, either individually or in the aggregate, and do not need to be recorded.

	Effect of Passed Adjustment - Over(Under)Statement				
	Assets	Liabilities	Beginning Equity	Revenues	Expenses/ Expenditures
Nonmajor enterprise funds					
Unreconciled variances in prior year					
refuse, recycling and yard waste					
accruals (corrected in the current year)	\$ -	\$ -	\$ 67,064	\$ (67,064)	\$ -
Misstatement as a percentage of					
total assets	0.00%	0.00%	0.47%	-0.47%	0.00%