



Holland
MICHIGAN



**Comprehensive Annual
Financial Report**
For Fiscal Year Ended
June 30, 2017

INTRODUCTORY SECTION

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CITY OF HOLLAND

HOLLAND, MICHIGAN

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2017

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, 2017

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

Gregory Robinson
Interim 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*
Mark Vanderploeg
*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*

Charles Warren
*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 7, 2017

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, 2017, 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 2016 population of 33,543.

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 382 full-time positions, and 62 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	87
Police Officers	Fraternal Order of Police, Holland Police Officers Division	52
Firefighters	International Association of Firefighters, Local 759	18
Non-Union	None	<u>225</u>
Total		382

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*. 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 (51.6%), commercial (27.0%), industrial (20.5%), and all other (0.9%). 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.

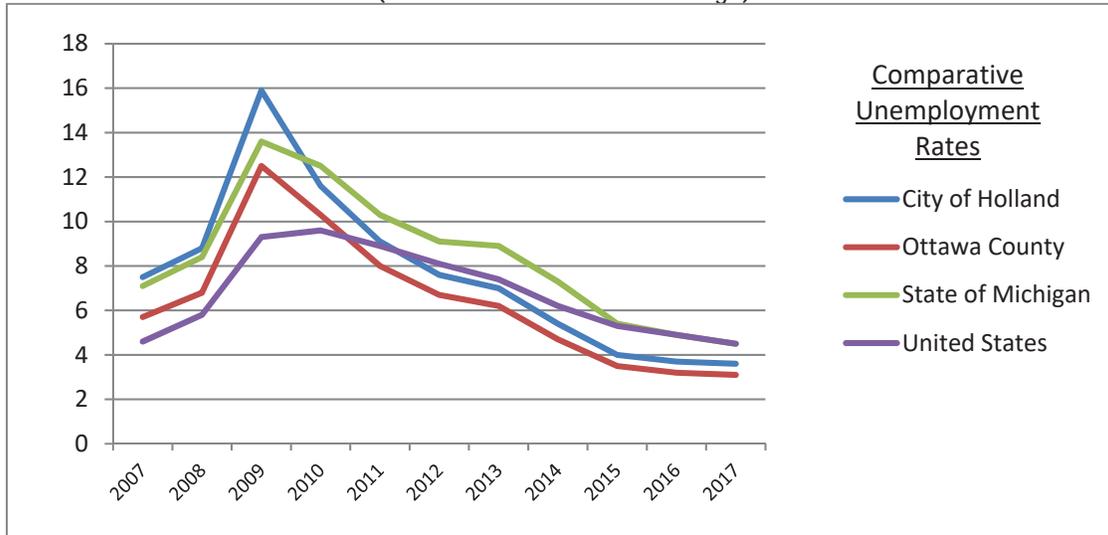
The following table of comparative unemployment rates reflects local unemployment rates within the City, the two counties it is located in, as well as national and state trends. Significant improvements have been seen in the past several years as the economy recovers from the 2008-09 economic downturn.

Comparative Unemployment Rates

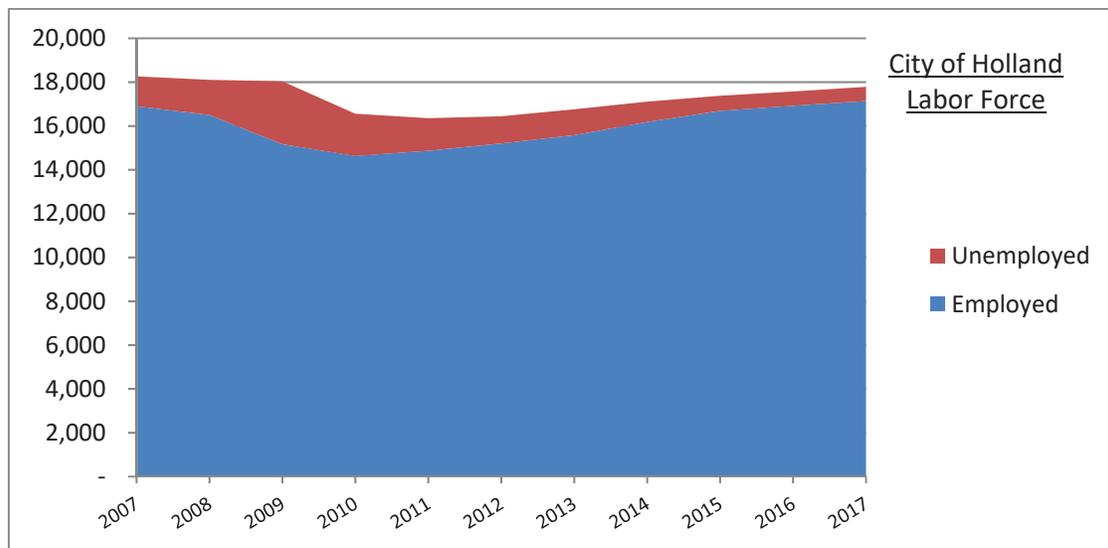
<u>Annual Average</u>	<u>City of Holland</u>	<u>County of Ottawa</u>	<u>County of Allegan</u>	<u>State of Michigan</u>	<u>United States</u>
<u>2017 (Aug. 31)</u>	3.6	3.1	3.7	4.5	4.5
2016	3.4	3.2	3.7	4.9	4.9
2015	4.0	3.5	4.0	5.4	5.3
2014	5.4	4.7	5.4	7.3	6.2
2013	7.0	6.2	6.8	8.9	7.4
2012	7.6	6.7	7.4	9.1	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

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>	
2017 (Aug. 31)	17,137	642	17,779	+1.16%
2016	16,919	653	17,572	+1.10%
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%

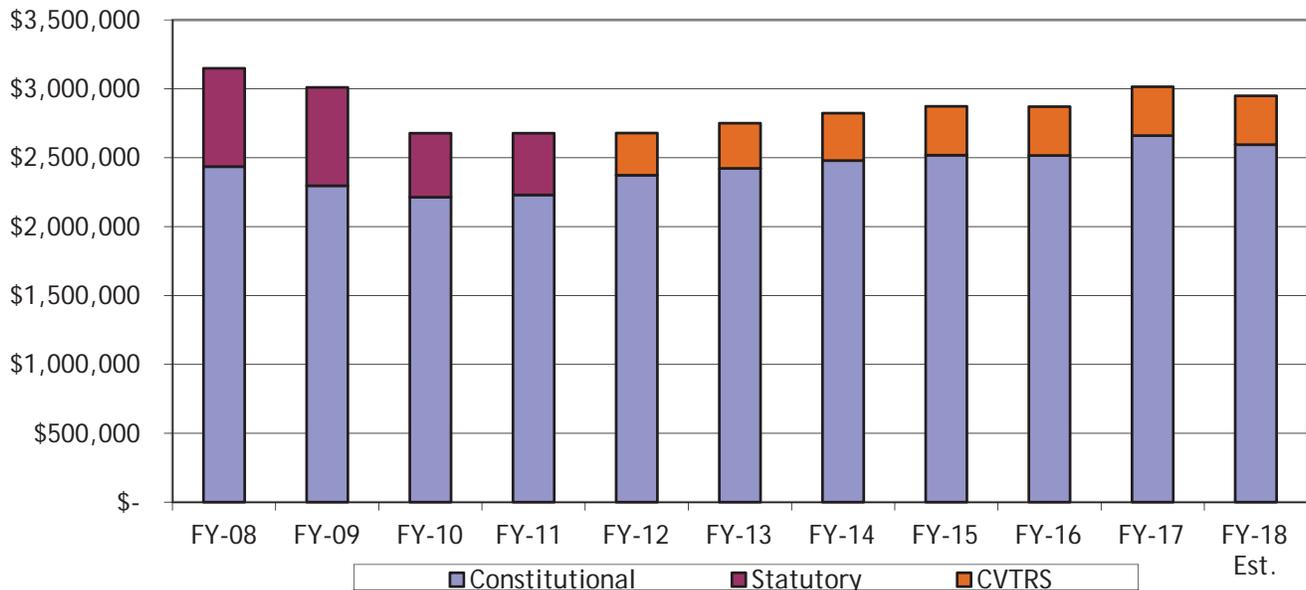
ECONOMIC CONDITIONS OF THE COMMUNITY

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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 Holland, Zeeland and Ottawa County, indicates that the West Michigan Lakeshore continues to experience strong economic development. Most businesses have stable or increasing sales both domestic and internationally, and many plan to expand. There has been significant investment in research and development, resulting in new products, services and capabilities. Recruiting talent continues to be a challenge, and housing availability is becoming a concern. In 2017, WalletHub.com ranked Holland first in “Best Small Cities 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), 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 2017 PA198 applications processed by the City of Holland, 338 new jobs are anticipated to be created along with \$26.1 million of new related construction and machinery. For the 2017 tax period the City currently has 96 PA198 industrial facilities certificates active and 6 PA328’s active. In 2016, the City had 105 PA198 industrial facilities certificates and 6 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 2017 PA198 industrial tax abatements issued by the City. The value of PA198 abatements is up by \$25.4 million from 2016.

PA 198 Industrial Facilities Tax Abatements (IFT's) 2017

Company	Description of Services	Planned Investment	Projected Job Growth
Koops, Inc.	Industrial Automation	\$ 3,330,730	60
LG Chem Michigan Inc.	Battery Pack Manufacturing	18,991,000	250
Sure-loc Edging	Aluminum Landscape Edging	1,887,000	6
Trigon Steel Components, Inc.	Steel	1,894,475	22
		\$ 26,103,205	338
PA 328 New Personal Property Abatement 2017			
No new PA 328's for 2017		-	
Total PA 198 & PA328 Investment for 2017		\$ 26,103,205	

Building permit construction values increased overall by 53% from 2016 (\$50.8 million) to FY2017 (\$77.7 million). Institutional and municipal permits totaled \$15.1 million for FY2017 (\$23.7 million for FY2016). The largest combined permit value for one entity in FY2017 was for the construction of the LG Chem Michigan Inc. battery manufacturing plant at a value of \$8.5 million. Other large permits included a renovation to Central Wesleyan church for \$5.7 million and Holland Community Hospital for \$4.8 million.

Neighborhood improvement projects continue to be a top priority of the Holland City Council and \$312,643 in local and grant funds were expended in homeowner and neighborhood improvements in FY2017. *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 2017, the median sales price of homes in Holland was \$180,000. The median sales price of homes increased 12.5% in the 3rd quarter of 2017 compared to 2016.

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 2017 Fall Term included 3,029 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 1,450 for the 2017 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. The canopied Farmers 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. *Carrentals.com* included Holland on its list of "33 Most Scenic Towns in North 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, 2016	@ June 30, 2017	Increase (Decrease)
General Fund - General	\$ 3,704,962	\$ 3,704,962	\$0
Gen. Fund - Budget Stabilization	963,786	1,116,500	152,714
Special Revenue	1,928,314	3,626,159	1,697,845
Debt Service Funds	297,540	683,467	385,927
Capital Projects Funds	6,422,285	15,286,973	8,864,688
Permanent Trust Funds	1,656,690	1,685,648	28,958
Totals	\$ 14,973,577	\$26,103,709	\$11,130,132

Additional Comments Concerning Certain Fund Balances

- > The FY2017 *General Fund - Fund Balance* remains at \$3,704,962 at June 30, 2017 because the \$679,873 net change in fund balance was transferred to the Municipal Capital Improvement Fund to fund future projects.
- > The increase in the *Fund Balance of the Debt Service Funds* in FY2017 was due to additional revenues from the Local Community Stabilization Authority (LCSA) to reimburse municipalities for losses in personal property tax revenues due to the elimination of industrial and small taxpayer personal property taxes that exceeded the budgeted amount.
- > The increase in the *Fund Balance of the Capital Projects Funds* resulted from \$13.3 million proceeds from limited tax general obligations bonds issued to fund the Civic Center Place Improvement Project. During the fiscal year a \$3.56 million payment was made to the Utility Funds for snowmelt improvements with the remaining funds to be expended in FY18 and FY19, as well as the amount transferred from General Fund noted above.
- > The *General Fund - Budget Stabilization* portion ended the fiscal year with an *Unassigned Fund Balance* of \$1,116,500. Most property tax appeals have been settled, and the budgeted amounts for tax settlement in the coming years appear to be minimal. However, a FY17 transfer from the General Fund in the amount \$200,000 is intended to be utilized over the next couple fiscal years, to fund the salary of a Finance Office staff person who will work alongside the current Finance Director through two budget cycles as part of a succession plan and a planned retirement. Balances in this fund are more than adequate when combined with the General Fund, at 22.5% of the ensuing FY2017-18 General Fund budget.

GOVERNMENTAL-TYPE FUNDS-CAPITAL PROJECTS

Expenditures in the *Capital Projects Funds*, excluding interfund transfers and bond issuance costs, totaled \$11,006,586 for FY2017 as compared to \$10,933,653 for FY2016. More significant projects with expenditures exceeding \$50,000 during the fiscal year included:

INFRASTRUCTURE PROJECTS (Excluding Utility Fund Share)	
Storm Sewer Repairs	163,212
Resurfacing Program	1,463,041
Central Avenue, 3 rd Street to State	384,908
9 th Street, Washington to 8 th Street	70,184
Shore Shore Drive	335,881
16 th Street & Columbia Traffic Signal	182,493
MUNICIPAL CAPITAL PROJECTS	
City Hall - Exterior Painting	59,146
Civic Center Renovations	1,157,501
South Shore Village	212,622
Energy Upgrades to City Facilities	2,707,111
Moran Park - Tennis Courts and Pickleball Courts	97,722
Kollen Park - Railing Enhancement	97,720

GOVERNMENTAL-TYPE FUNDS

CAPITAL ASSETS - GOVERNMENTAL ACTIVITIES

Depreciation of governmental activity capital assets is recognized under GASB 34. Inclusion of infrastructure and easements, along with related annual maintenance, brings the City into full compliance with GASB 34 regarding capital assets.

INTERNAL SERVICES

The City maintains several Internal Service Funds to account for the financing of services, insurance coverage and equipment. 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, 2016</u>	<u>Working Capital June 30, 2017</u>
Technology Services	\$ 233,721	\$ 242,350
Equipment Services	1,529,348	1,717,083
Insurance Services	<u>4,198,186</u>	<u>4,154,529</u>
Totals	<u>\$ 5,961,255</u>	<u>\$ 6,113,962</u>

The City's risk management program provides for somewhat high self-funded retentions for various types of coverage. In most cases, the self-funded retention is \$100,000 per occurrence, which helps contain the premium cost for commercial insurance policy coverage. Additionally, the City uses 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 provides the City with a level of stop-loss protection that would not be available without the consolidation of losses. Workers Compensation is a commercial policy with no self-insured retention, and does not participate in the All-Lines Aggregate program. An independent asset appraisal firm provides appraisal updates of all capital assets for insurance coverage purposes. The Internal Service Funds section in the Supplementary Information tab of this report accounts for the various coverage types.

EMPLOYEES' RETIREMENT PLAN

MICHIGAN MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM - Defined Benefit Plan

The City participates in the *Michigan Municipal Employees' Retirement System (MERS)*, covering all full-time employees, and limited eligible part-time employees. The total employer-paid premium for fiscal year 2016-17 was \$3,224,275.

The most recent actuarial valuation, dated December 31, 2016, indicates that the City's valuation assets (stated at market value) provide 83.6% funding (employer portion only), based upon actuarial determined accrued liabilities of \$134,463,694, valuation assets of \$112,356,798, and unfunded accrued liabilities of \$22,106,896.

MICHIGAN MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM - Defined Contribution Plan

A defined contribution plan is provided for all pension eligible employees that are not part of the defined benefit plan. There is a standard 6% City contribution with an optional 2% employee contribution along with a 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 2016-17 was \$830,436 and by employees was \$215,544.

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 0.580%, as compared to 0.975% for the previous fiscal year. If investments had not been valued at market the annualized average interest rate would have been 0.981%. The overall fiscal year adjustment for market write-down for the pool was \$(146,043), including a \$(3,319) write-down of called long-term investment previously being amortized over the bond term. The overall ending market balance was \$(49,014). 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	
	2015-2016	2016-2017	Amount	Percentage
General Fund	\$ 125,930	\$ 91,151	\$ (34,779)	-27.6%
Permanent	16,688	9,691	(6,997)	-41.9%
Special Revenue	23,629	11,054	(12,575)	-53.2%
Debt Service	3,845	8,422	4,577	1.2%
Capital Projects	52,228	51,888	(340)	0.7%
Enterprise	1,077,499	548,442	(529,057)	-49.1%
Internal Service	53,275	29,709	(23,566)	-44.2%
Component Units	(1,405)	66,248	67,653	4815.2%
Total	\$1,351,689	\$ 816,605	\$ (535,084)	39.6%

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>
Innovator of the Year (2017)	Governor's Energy Excellence Award	Holland Energy Fund
Outstanding Achievement in Residential Marketing & Customer Engagement (2017)	Association of Energy Services Professionals	Utility Services
Human Interest/News Single Story Regional Emmy Award (2017)	Telly Awards	Technology Services
International Challenge 5 Blooms Silver Rating for 'Six miles of Tulip Lanes'	Communities in Bloom	Leisure & Cultural Services
Airport Sponsor of the Year (2016)	Michigan Department of Transportation (MDOT)	Airport Authority
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
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
Tree City USA Award (since 1981)	National Arbor Day Foundation	Leisure & Cultural Services
Best of Weddings (since 2011)	The Knot	Windmill Island
Population Category (2011-2015)	America in Bloom	Leisure & Cultural Services
Neighborhood Environmental Partners Program Award (2015)	Michigan Department of Environmental Quality	Utility Services
Documentary, Editing & Informational Awards (2015)	Telly Awards	Technology Services
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
National Award Winner for Outstanding Participation in National Night Out (2008, 2011, 2012, 2014)	National Association of Town Watch	Community & Neighborhood Svcs.
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

SIGNIFICANT INITIATIVES, EVENTS AND ACOMPLISHMENTS

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 seventeen separate projects approved with tax captures at June 30, 2017, 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 FY2017, with approval in the following fiscal year. 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. PA198 Industrial Facilities Tax Abatements (IFT) were awarded in FY17 for four (4) new construction projects exceeding \$26 million.

- Infrastructure Projects:

- > It is the City's normal practice to complete an annual road resurfacing program. This fiscal year the City resurfaced 4.5 miles of streets and applied crack sealing to thirteen others, at a cost of \$1,463,041.
- > Work concluded on the Central Avenue, 3rd Street to State Street, reconstruction project. The project involved road reconstruction, curb and gutter work, sidewalk repairs, snowmelt improvements and certain storm sewers and water mains were replaced. Total project cost was \$9.9 million, with \$1.1 million expended during this fiscal year.
- > Reconstruction of 9th Street was completed at a cost of \$7.9 million, with \$5.2 million expended this fiscal year. Work included adding the last phase of snowmelt transmission mains necessary to operate the City's snowmelt system from the new power plant.
- > Work began on a \$400,000 project to realign 64th Street at M-40 with Cabill Drive. Work during the fiscal year included consulting work and the purchase of a small parcel of land purchased; costs for the fiscal year were, at a cost of \$11,900.
- > A \$2.7 million reconstruction project of South Shore Drive began in March 2017, it includes new pavement and storm water and non-motorized improvements. The project will be completed in FY-2018; \$336,000 had been expended at fiscal year-end.

- Electric Utility:

- > The new gas-fired combined cycle electric generation power plant built on the east side of the city is substantially complete. Approximately \$246,391,000 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.

SIGNIFICANT INITIATIVES, EVENTS AND ACCOMPLISHMENTS

(Continued from Previous Page)

- > A new Pine Street substation is under construction. Costs incurred to date total \$4,606,000. The substation will replace a substation located at the DeYoung Plant, which will soon close.
- > An Advanced Metering Infrastructure project incurred costs to date of \$4,188,000. Other projects include pollution remediation of \$2,885,000 and other substation improvements of \$2,861,000.
- Water Utility:
 - > Water main replacements were completed at a cost of approximately \$3,638,000.
 - > Pump stations were replaced during fiscal year 2017 at an approximate cost of \$374,000.
 - > During fiscal year 2014, the Holland/Wyoming Interconnect Project experienced a leakage event that caused the valve and metering station to fail. The station was rebuilt using \$1,685,000 of loss reimbursement proceeds received from the original contracted builders.
- Wastewater Treatment Plant:
 - > Sewer mains were replaced at a cost of \$1,474,000, and sanitary sewer mains were lined costing \$1,060,000.
 - > Improvements to the Holland Area Water Reclamation Facility (WRF) were completed. Total project costs were \$21,462,000, with \$5,017,000 of the costs incurred during the current fiscal year. As a result of the improvements, bio-solids handling capabilities increased and the secondary treatment process for Biochemical Oxygen Demand is more efficient.
- Municipal Capital Projects:
 - > Design work for a non-motorized pathway connecting Windmill Island Gardens to Holland Township began in FY2014 and continued this fiscal year. An agreement with a Holland Township landowner could not be reached, changing the scope of this project. Alternate plans to create non-motorized pathways on site are under design and construction is expected in 2018.
 - > A total of \$48,500 was spent assisting homeowners with miscellaneous home improvement/repair projects.
 - > Improvements to the South Shore Village Neighborhood Commercial District were completed, at a cost of \$550,000. Work included improving the sidewalk in front of stores, adding a new public parking lot, landscaping and pedestrian lights. \$212,600 was expended this fiscal year.
 - > Repairs were made and enhancements completed at several parks. Major work was done at the following locations:
 - Maplewood Park - New playground equipment cost \$10,468
 - Moran Park - Resurfacing tennis courts, converting 3 into 10 pickleball courts cost \$97,722
 - Kollen Park - Painted the railings along the boardwalk at a cost of \$97,720
 - Matt Urban Complex - New irrigation well and repairs to the sprinkling system cost of \$33,890
 - > Design and engineering work was completed and construction on the Civic Center Place began in March 2017. City Council approved a \$14.2 million budget with \$10 million to be financed by the Qualified Energy Conservation Bonds sold in December 2016. A total of \$1.2 million was spent this fiscal year and \$1.6 million since inception of the project.
- Sustainability and Energy Conservation:
 - > Implementation of the Community Energy Plan continued through the work of seven (7) City Council appointed task forces. A Steering Committee meets quarterly to ensure coordination of efforts.
 - > The Home Energy Retrofit program to encourage deeper energy efficiency measures in homes was launched with 56 homes receiving incentives representing an investment exceeding \$1 million.

SIGNIFICANT INITIATIVES, EVENTS AND ACCOMPLISHMENTS

(Continued from Previous Page)

- > The On-Bill Loan program made its first loan in November 2016. By June 30, 2017, a total of 18 loans were made with an average project size of \$14,726 and average loan amount of \$14,305 at interest rates of 4.99% and 5.99% depending on term. The program was made possible after success in securing legislative and the Governor's approval of new legislation to enable on-bill financing of deep energy retrofits.
 - > Energy Labeling was completed on several homes that participated in the program.
 - > The Holland Board of Public Works new electric generating facility in the vicinity of Fairbanks Avenue and East 8th Street was substantially completed in FY17. 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.
 - > Holland Energy Fund completed its first year of operations, approving funding for the Home Energy Retrofit program and facilitating the On-Bill Financing program in collaboration with Michigan Saves, the Holland Board of Public Works and City of Holland. An application was submitted to the Internal Revenue Service to obtain 501(c)3 exempt status.
 - > Holland Energy Fund was nominated for the Governor's Energy Excellence Award for Innovator of the Year, for its work to launch the On-Bill financing program.
 - > The City of Holland completed \$3.7 million of energy improvements to various city buildings and locations.
- 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 Obligation Bonds were issued in November 2015 for the Unfunded Actuarial Liability (UAL) related to non-union employees, reducing pension costs. While pension costs have decreased, the sale of the pension bonds has increased debt payments. Pension Obligation Bonds will be issued in January 2018 to cover most of the Unfunded Actuarial Liability (UAL) related to public safety union employees, which is expected to eliminate significant pension cost increases experienced of the past several years flattening the overall pension costs. The General Operating millage amount will be reduced and Debt Service millage increased in the coming years, similar to what was done in 2015.
 - > 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

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, 2016. This was the 25th 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 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

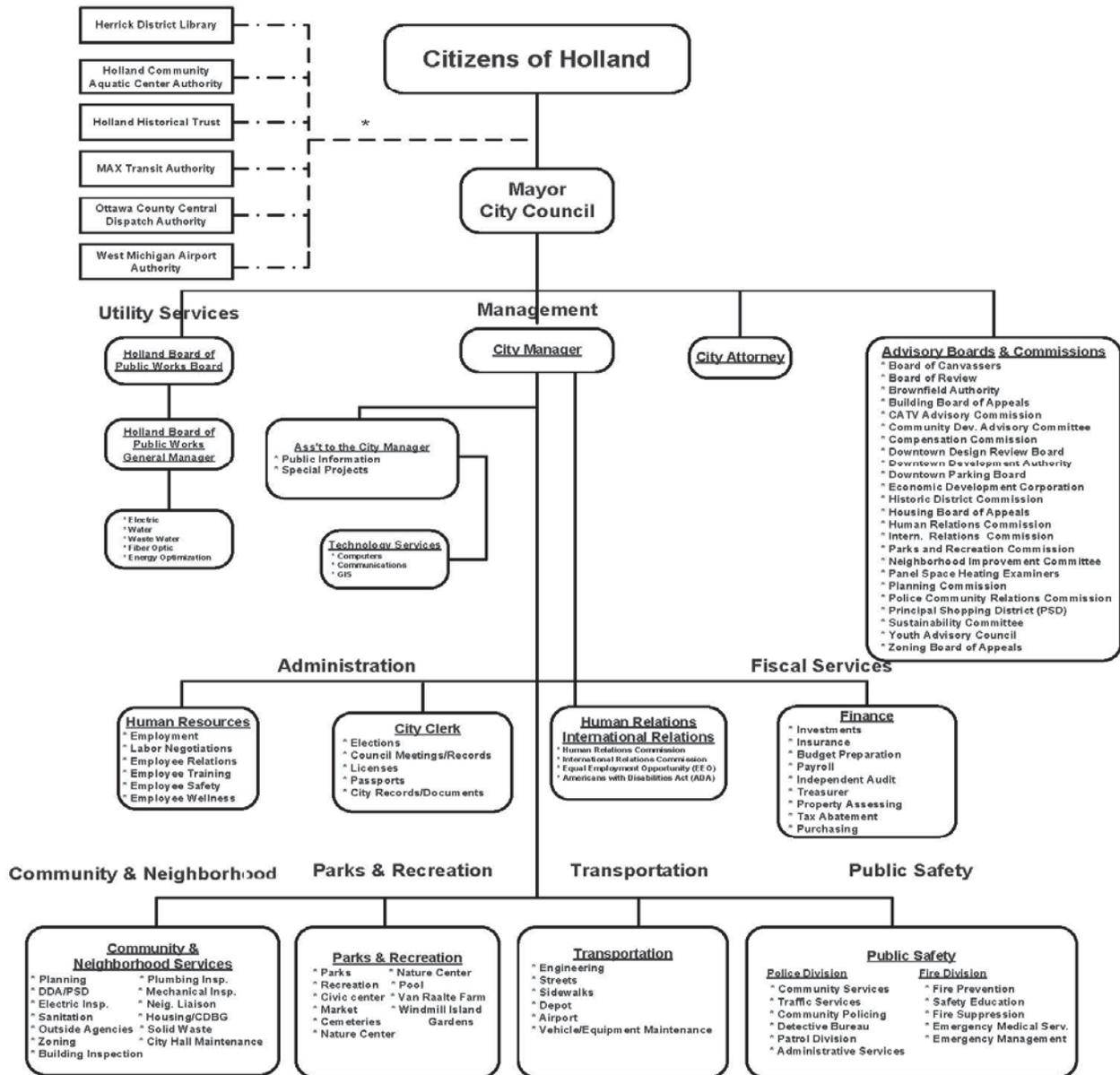
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2016

Executive Director/CEO

City of Holland

Organizational Chart



* The City Council makes appointments to these Districts and Authorities

FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

December 7, 2017

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, 2017, 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, 2017, 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 7, 2017, on our consideration of the City of Holland, Michigan's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

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

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MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF HOLLAND, MICHIGAN

Management's Discussion and Analysis

As management of the City of Holland, Michigan (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2017. 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:

- After several years of planning, property acquisition and demolition, the Holland Energy Park began producing electricity. The combined cycle natural gas fired facility has received numerous awards and national recognition as it utilizes state of the art technology. A capital investment of nearly \$250 million was financed with the sale of \$158.8 million in bonds and reserves.
- Substantial completion was reached on improvements to the Holland Area Water Reclamation Facility ("WRF") to increase bio-solids handling capabilities and optimize the secondary treatment process for additional Biochemical Oxygen Demand (BOD) capacity. This project was funded by debt issued by Ottawa County. Total Holland Board of Public Works ("Board") share of the outstanding debt is \$9.1 million.
- Work began on the \$5.4 million South Shore Drive project to upgrade infrastructure; it includes watermain, sanitary sewer and storm sewer work, ADA sidewalk ramps and reconstruction of the roadway. As of June 30, 2017, \$1.3 million has been spent.
- Work began in March 2017 on the \$14.2 million Civic Center Place Redevelopment project. This project aims to renovate the 60-year old building, Holland's historic center of recreational and cultural activity, while strengthening the physical connection of downtown Holland to the Lake Macatawa waterfront. As of June 30, 2017, \$1.6 million has been spent. Debt was issued to fund \$10.0 millions of this project.

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 \$475,019,390 (net position). Of this amount, \$87,474,764 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 \$32,762,664.

As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$26,103,709, an increase of \$11,130,132 in comparison with the prior year.

At the end of the current fiscal year, unassigned fund balance for the general fund was \$4,755,738 or 21.8% 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 SmartZone Local Development Finance Authority, 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 municipal facilities/land improvement 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 \$475,019,390 at the close of the most recent fiscal year.

	Net Position					
	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 37,709,981	\$ 28,310,516	\$ 179,368,904	\$ 169,609,554	\$ 217,078,885	\$ 197,920,070
Capital assets, net	128,399,542	123,917,970	431,426,392	406,188,007	559,825,934	530,105,977
Total assets	166,109,523	152,228,486	610,795,296	575,797,561	776,904,819	728,026,047
Deferred outflows of resources	3,848,897	7,423,396	2,480,717	6,809,156	6,329,614	14,232,552
Long-term debt outstanding	42,136,036	32,376,600	203,912,511	206,209,204	246,048,547	238,585,804
Other liabilities	27,724,828	30,989,892	32,711,141	29,343,508	60,435,969	60,333,400
Total liabilities	69,860,864	63,366,492	236,623,652	235,552,712	306,484,516	298,919,204
Deferred inflows of resources	1,403,273	694,717	327,254	387,952	1,730,527	1,082,669
Net position:						
Net investment in capital assets	106,647,631	107,920,320	243,038,572	227,299,822	349,686,203	335,220,142
Restricted	5,552,677	3,986,636	32,305,746	26,103,060	37,858,423	30,089,696
Unrestricted (deficit)	(13,506,025)	(16,316,283)	100,980,789	93,263,171	87,474,764	76,946,888
Total net position	\$ 98,694,283	\$ 95,590,673	\$ 376,325,107	\$ 346,666,053	\$ 475,019,390	\$ 442,256,726

A substantial portion of the City's net position, \$349,686,203 (73.6%), 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 \$37,858,423 (8.0%) 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 \$84,474,764 (18.4%) to meet its ongoing obligations to citizens and creditors.

CITY OF HOLLAND, MICHIGAN

Management's Discussion and Analysis

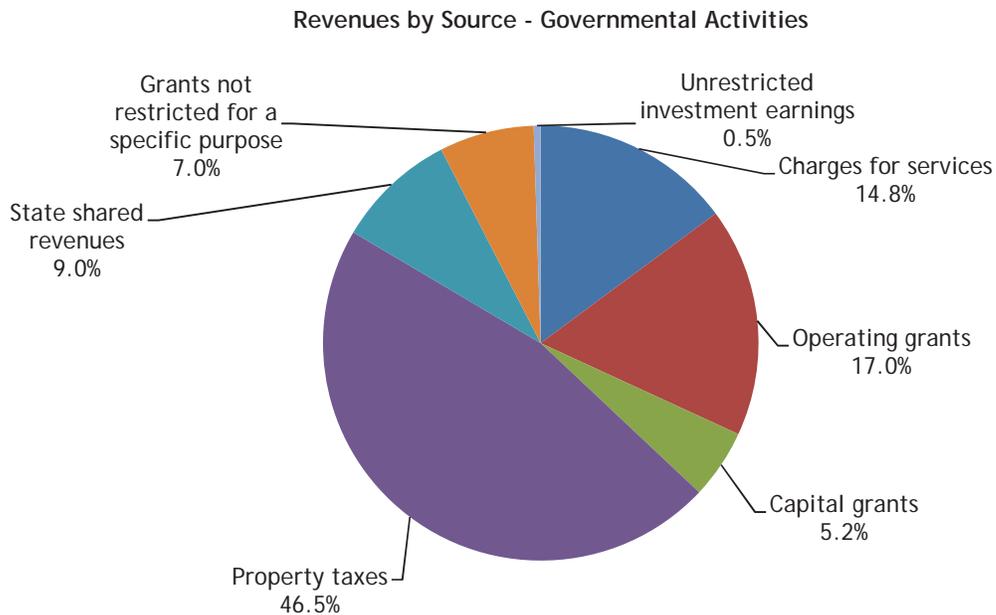
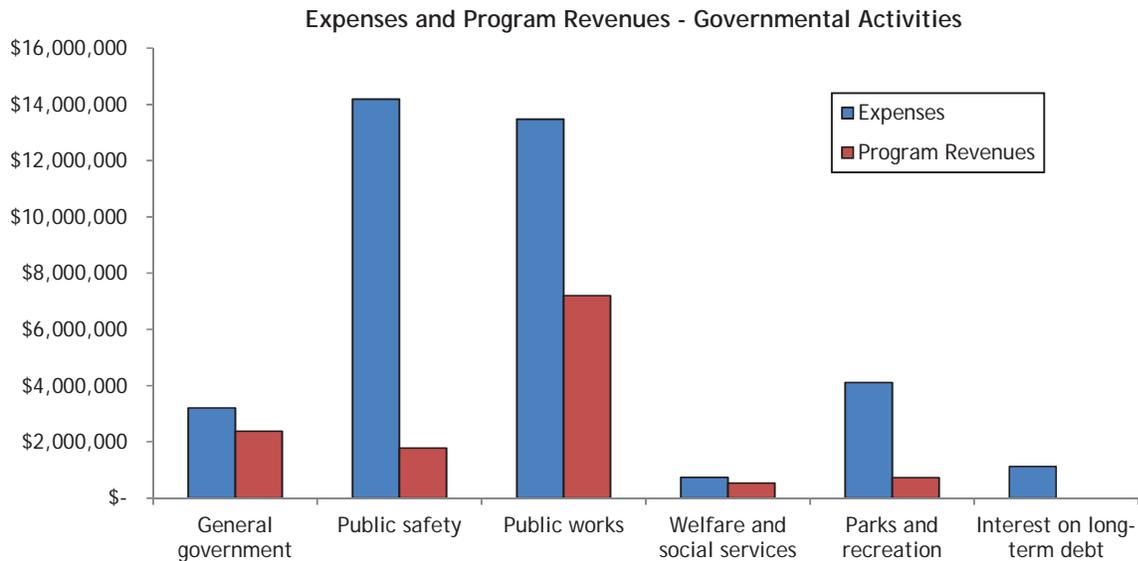
At the end of the current fiscal year, the City is able to report positive balances in all three categories of net position for the government as a whole.

	Change in Net Position					
	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues						
Program revenues:						
Charges for services	\$ 5,065,675	\$ 4,390,883	\$ 136,152,925	\$ 129,063,368	\$ 141,218,600	\$ 133,454,251
Operating grants	5,802,887	6,009,124	1,440,753	1,977,470	7,243,640	7,986,594
Capital grants	1,756,505	2,006,264	876,078	7,544,349	2,632,583	9,550,613
General revenues:						
Property taxes	15,837,255	16,862,893	98,937	104,432	15,936,192	16,967,325
Grant and contributions not restricted to specific programs	2,396,125	-	-	-	2,396,125	-
State shared revenues	3,051,775	2,893,597	-	-	3,051,775	2,893,597
Unrestricted investment earnings	176,941	231,995	-	-	176,941	231,995
Total revenues	34,087,163	32,394,756	138,568,693	138,689,619	172,655,856	171,084,375
Expenses						
General government	3,201,781	4,903,394	-	-	3,201,781	4,903,394
Public safety	14,190,015	13,985,570	-	-	14,190,015	13,985,570
Public works	13,472,462	10,443,197	-	-	13,472,462	10,443,197
Welfare and social services	733,058	979,963	-	-	733,058	979,963
Parks and recreation	4,112,906	5,289,399	-	-	4,112,906	5,289,399
Interest on long-term debt	1,123,331	942,486	-	-	1,123,331	942,486
Electric utility	-	-	79,772,187	80,103,538	79,772,187	80,103,538
Wastewater utility	-	-	9,857,338	9,672,514	9,857,338	9,672,514
Water utility	-	-	6,844,228	6,540,960	6,844,228	6,540,960
Other enterprise activities	-	-	2,981,978	3,124,822	2,981,978	3,124,822
Total expenses	36,833,553	36,544,009	99,455,731	99,441,834	136,289,284	135,985,843
Change in net position, before transfers	(2,746,390)	(4,149,253)	39,112,962	39,247,785	36,366,572	35,098,532
Transfers	5,850,000	5,520,961	(5,850,000)	(5,520,961)	-	-
Change in net position, before special and extraordinary items	3,103,610	1,371,708	33,262,962	33,726,824	36,366,572	35,098,532
Special item	-	-	-	(1,341,005)	-	(1,341,005)
Extraordinary items	-	-	(3,603,908)	-	(3,603,908)	-
Change in net position	3,103,610	1,371,708	29,659,054	32,385,819	32,762,664	33,757,527
Net position:						
Beginning of year	95,590,673	94,218,965	346,666,053	314,280,234	442,256,726	408,499,199
Net position, end of year	\$ 98,694,283	\$ 95,590,673	\$ 376,325,107	\$ 346,666,053	\$ 475,019,390	\$ 442,256,726

CITY OF HOLLAND, MICHIGAN

Management's Discussion and Analysis

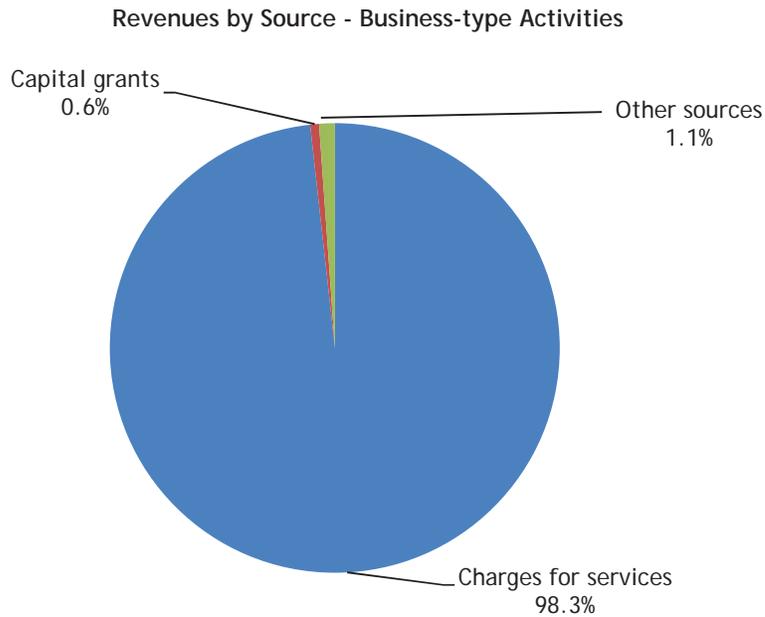
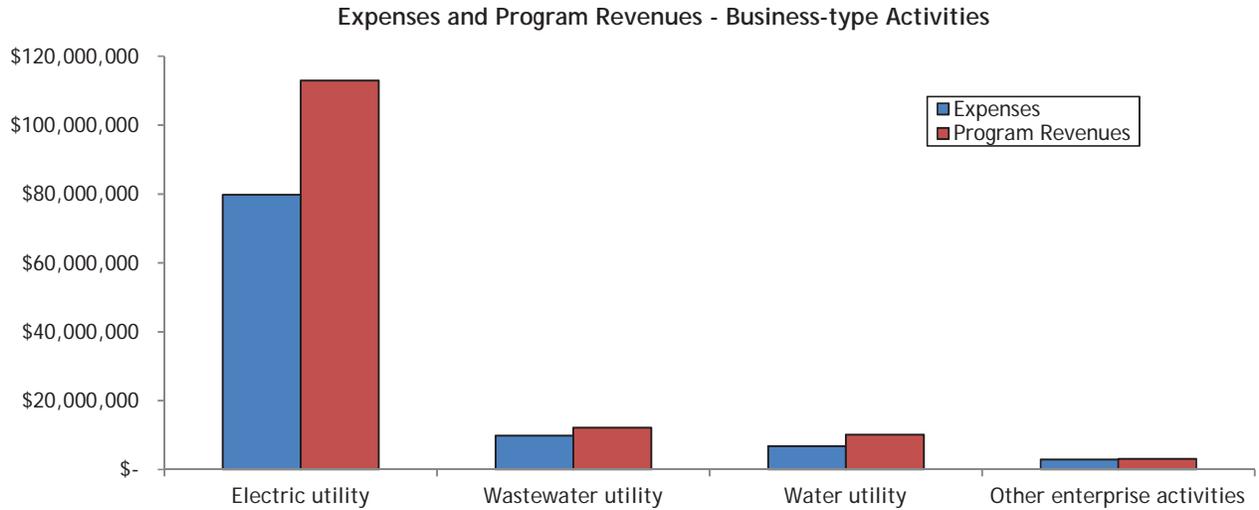
Governmental Activities. Governmental activities increased the City's net position by \$3,103,610. There was a decrease of \$1,701,613 in general government expenses due to unpaid wages and fringe benefits as the result of vacant positions and the 2016 payment toward the unfunded accrued liability from the pension bond issue. There was an increase of \$3,029,265 in public works expenses due to capital outlay costs. There was an decrease of \$1,176,493 in parks and recreation due to a reduction in capital outlay purchased.



CITY OF HOLLAND, MICHIGAN

Management's Discussion and Analysis

Business-type Activities. Business-type activities increased the City of Holland's net position by \$29,659,054, mainly due to Electric, Wastewater and Water rate increases ranging from 2.2% to 2.4%.



CITY OF HOLLAND, MICHIGAN

Management's Discussion and Analysis

Financial Analysis of the City's Funds

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

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

During the current fiscal year the fund balance of the City's general fund increased by \$152,714 mainly due to an increase in Michigan personal property tax reimbursement.

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 municipal facilities/land improvements projects fund increased by \$8,864,686, due to current year proceeds from issuance of new long-term debt in excess of current year capital projects expenditures.

The general fund budgeted for an increase in fund balance of \$217,382 and the actual increase in fund balance was \$152,714. Significant changes in budgetary variances are as follows:

- Decreased property tax revenue
- Increased transfers out to fund municipal capital projects.

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 \$23,974,637 increase in net position. An increase in electric utility rates, an insurance recovery and a small increase in operating expenses contributed to this positive change. The wastewater fund had a \$2,348,386 increase in net position as a result of an increase in rates and interest income during the year. The water fund had an increase in net position of \$3,315,656 as a result of an increase in rates. The nonmajor enterprise funds reported an increase of \$20,375 in net position.

General Fund Budgetary Highlights

The original revenue budget was \$15,891,062 and as amended was \$16,473,946 which represents an increase of \$582,884. The original expenditure budget was \$21,042,654 and as amended was \$20,553,069 which represents a decrease of \$489,585.

CITY OF HOLLAND, MICHIGAN

Management's Discussion and Analysis

Actual expenditures came in \$284,633 less than the amended budget. Transfers out were \$478,943 in excess of the amended budget. Causes for variances are as follows:

- Expenditures for wages and fringe benefits had an overall positive variance of \$129,529 due to a military leave and a delay in filling staffing vacancies after retirement and resignations. The variance is mainly due to vacancies in the general government function of \$42,499, public safety function of \$23,757 and parks and recreation function of \$43,028.
- Contractual expenditures had a positive variance of \$69,623, across all functions. The general government function accounted for \$39,957, with \$17,459 due to a decreased need for legal services from the city attorney and labor attorney.
- Expenditures, across all functions, had a positive variance of \$22,104 for education and training.
- Transfers out had a negative budget variance due to a year end transfer to the Municipal Capital Improvement Fund for future capital projects.

Capital Asset and Debt Administration

Capital Assets. The City's capital assets for its governmental and business-type activities as of June 30, 2017 amounted to \$559,825,934 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings, machinery and equipment, motor vehicles, and infrastructure. The total increase in the City's investment in capital assets for the current fiscal year was a 3.6% increase for governmental activities and a 6.2% increase for business-type activities.

	Capital Assets (Net of Depreciation)					
	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land	\$ 16,520,089	\$ 16,505,089	\$ 29,813,155	\$ 27,035,251	\$ 46,333,244	\$ 43,540,340
Construction in progress	5,094,012	8,542,250	207,198,956	239,295,621	212,292,968	247,837,871
Buildings, equipment and infrastructure, net	106,785,441	98,870,631	194,414,281	139,857,135	301,199,722	238,727,766
Total capital assets, net	\$ 128,399,542	\$ 123,917,970	\$ 431,426,392	\$ 406,188,007	\$ 559,825,934	\$ 530,105,977

The increase in governmental activities capital assets is mainly due to street capital projects, adding to the City's investment in infrastructure. Utility capital projects account for the increase in business-type capital assets, with the largest addition due to the combined cycle power plant project.

CITY OF HOLLAND, MICHIGAN

Management's Discussion and Analysis

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	
	2017	2016	2017	2016	2017	2016
Bonds payable	\$ 37,212,190	\$ 27,405,000	\$ 185,315,378	\$ 187,780,360	\$ 222,527,568	\$ 215,185,360
Capital lease	-	-	9,112,500	9,500,000	9,112,500	9,500,000
Notes payable	2,728,541	3,000,000	-	-	2,728,541	3,000,000
Unamortized premium						
on bonds payable	359,116	130,421	7,020,133	7,424,302	7,379,249	7,554,723
Landfill liability	-	-	1,373,983	327,450	1,373,983	327,450
Other debt	-	50,000	-	-	-	50,000
Compensated absences	1,836,189	1,791,179	1,090,517	1,177,092	2,926,706	2,968,271
Total long-term debt	\$ 42,136,036	\$ 32,376,600	\$ 203,912,511	\$ 206,209,204	\$ 246,048,547	\$ 238,585,804

The increase in the governmental activities long-term debt is mainly due to the issuance of \$13.3 million Limited Tax General Obligation Bonds to fund the Civic Center Place project and snowmelt projects. An increase in the landfill postclosure costs account for additional business-type long-term debt, off-set by expected principal payments resulted in a decrease in long-term debt for business-type activities.

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 \$109,643,622.

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

Economic Factors and Next Year's Budget and Rates

Renovation of the Civic Center will continue as will several street capital projects and improvements to various City facilities. A local developer has purchased the entire block between 8th and 9th Street just east of the Civic Center, with plans to build seven multi-story mixed use buildings and partner with the City of Holland to construct a 380 space parking structure and an additional 20 spaces of surface parking utilizing Brownfield Tax capture to finance \$7 million in bonds to be issued by the City of Holland. 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, 2017, 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 been slow during the past six years but continues to experience positive change.

CITY OF HOLLAND, MICHIGAN

Management's Discussion and Analysis

Fiscal year 2018 experienced a 2.4% increase in taxable valuation base but actual property tax revenues are projected to decrease approximately 3.6% from fiscal year 2017, due to additional millage allocated to debt service to cover \$21.5 million of pension obligation bonds to fund unfunded accrued liability in the newly closed police and fire union groups, that will be issued in January 2018. This will flatten future pension costs, compared to several years of significant cost increases. The State has also committed to reimburse lost revenues from personal property tax loss, which the City has received the past three years. The City's five year budget projection includes a 2.0% increase on property values for the upcoming fiscal year 2019.

The overall tax rate for the City has been reduced to 13.8692 mills since Herrick District Library became a taxing authority effective with calendar year 2017. The fiscal year 2018 general fund budget, excluding budget stabilization, projects fund balance to be \$3,704,962 on June 30, 2018 or 17.5% of budgeted expenditures.

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.



BASIC FINANCIAL STATEMENTS

CITY OF HOLLAND, MICHIGAN

Statement of Net Position
June 30, 2017

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and pooled investments	\$ 34,652,332	\$ 75,679,653	\$ 110,331,985	\$ 810,303
Investments	-	35,355,913	35,355,913	385,678
Receivables, net	2,909,882	26,727,707	29,637,589	89,777
Internal balances	(114,579)	114,579	-	-
Inventory	82,606	5,498,009	5,580,615	4,683
Prepaid items	179,740	3,687,297	3,867,037	2,804
Restricted assets:				
Cash and pooled investments	-	14,454,576	14,454,576	-
Investments	-	17,846,067	17,846,067	-
Accrued interest	-	5,103	5,103	-
Capital assets:				
Land	16,520,089	29,813,155	46,333,244	20,000
Construction in progress	5,094,012	207,198,956	212,292,968	-
Being depreciated, net of depreciation	106,785,441	194,414,281	301,199,722	1,357,406
Total assets	166,109,523	610,795,296	776,904,819	2,670,651
Deferred outflows of resources				
Deferred charge on bond refunding	288,859	252,380	541,239	-
Deferred pension amounts	3,560,038	2,228,337	5,788,375	-
Total deferred outflows of resources	3,848,897	2,480,717	6,329,614	-
Liabilities				
Payables	2,984,657	26,487,127	29,471,784	46,522
Unearned revenue	229,979	324,953	554,932	12,307
Deposits	89,030	849,056	938,086	-
Line of credit	-	-	-	100,000
Long-term debt:				
Due within one year from restricted assets	-	6,396,793	6,396,793	-
Due within one year	5,047,401	2,781,797	7,829,198	-
Due in more than one year from restricted assets	-	173,130,907	173,130,907	-
Due in more than one year	37,088,635	21,603,014	58,691,649	-
Net pension liability	22,702,608	4,203,951	26,906,559	-
Net other postemployment benefit obligation	1,718,554	846,054	2,564,608	-
Total liabilities	69,860,864	236,623,652	306,484,516	158,829
Deferred inflows of resources				
Deferred pension amounts	1,403,273	327,254	1,730,527	-
Net position				
Net investment in capital assets	106,647,631	243,038,572	349,686,203	1,377,406
Restricted:				
Cemetery maintenance	99,261	-	99,261	-
Debt service	317,157	-	317,157	-
Street construction and maintenance	1,399,575	-	1,399,575	-
Grant programs	216,701	-	216,701	-
Capital projects, debt service and by agreement	1,933,596	32,305,746	34,239,342	446,106
Cemetery endowment corpus (nonexpendable)	1,586,387	-	1,586,387	-
Unrestricted (deficit)	(13,506,025)	100,980,789	87,474,764	688,310
Total net position	\$ 98,694,283	\$ 376,325,107	\$ 475,019,390	\$ 2,511,822

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

CITY OF HOLLAND, MICHIGAN

Statement of Activities

For the Year Ended June 30, 2017

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	\$ 3,201,781	\$ 1,397,974	\$ 587,539	\$ 393,774	\$ (822,494)
Public safety	14,190,015	1,435,896	344,214	3,025	(12,406,880)
Public works	13,472,462	1,448,468	4,385,789	1,359,706	(6,278,499)
Welfare and social services	733,058	103,460	435,647	-	(193,951)
Parks and recreation	4,112,906	679,877	49,698	-	(3,383,331)
Interest on long-term debt	1,123,331	-	-	-	(1,123,331)
Total governmental activities	36,833,553	5,065,675	5,802,887	1,756,505	(24,208,486)
Business-type activities:					
Electric utility	79,772,187	111,706,239	1,266,145	-	33,200,197
Wastewater utility	9,857,338	11,384,632	109,056	712,036	2,348,386
Water utility	6,844,228	10,009,506	61,522	88,856	3,315,656
Refuse and recycling pickup	1,433,402	2,009,650	2,277	-	578,525
Windmill Island	943,503	1,010,061	1,362	75,186	143,106
Airport facilities and management system	567,579	25,047	-	-	(542,532)
Other enterprise activities	37,494	7,790	391	-	(29,313)
Total business-type activities	99,455,731	136,152,925	1,440,753	876,078	39,014,025
Total primary government	\$ 136,289,284	\$ 141,218,600	\$ 7,243,640	\$ 2,632,583	\$ 14,805,539
Component units					
Downtown Development Authority	\$ 211,187	\$ 7,140	\$ 3,059	\$ -	\$ (200,988)
Holland Historical Trust	755,488	122,619	428,813	-	(204,056)
Brownfield Redevelopment Authority	1,136,763	-	89,980	-	(1,046,783)
SmartZone	104	-	19,066	-	18,962
Total component units	\$ 2,103,542	\$ 129,759	\$ 540,918	\$ -	\$ (1,432,865)

continued...

CITY OF HOLLAND, MICHIGAN

Statement of Activities

For the Year Ended June 30, 2017

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Change in net position				
Net revenues (expenses)	\$ (24,208,486)	\$ 39,014,025	\$ 14,805,539	\$ (1,432,865)
General revenues:				
Property taxes	15,837,255	98,937	15,936,192	1,433,860
State shared revenues	3,051,775	-	3,051,775	-
Grants and contributions not restricted to specific programs	2,396,125	-	2,396,125	15,092
Unrestricted investment earnings	176,941	-	176,941	-
Transfers	5,850,000	(5,850,000)	-	-
Total general revenues and transfers	27,312,096	(5,751,063)	21,561,033	1,448,952
Change in net position before extraordinary items	3,103,610	33,262,962	36,366,572	16,087
Extraordinary items (note 19)	-	(3,603,908)	(3,603,908)	-
Change in net position	3,103,610	29,659,054	32,762,664	16,087
Net position, beginning of year	95,590,673	346,666,053	442,256,726	2,495,735
Net position, end of year	\$ 98,694,283	\$ 376,325,107	\$ 475,019,390	\$ 2,511,822

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, 2017

	General Fund	Municipal Facilities/Land Improvements Projects	Nonmajor Governmental Funds	Total Governmental Funds
Assets				
Cash and pooled investments	\$ 5,388,275	\$ 15,629,123	\$ 5,638,034	\$ 26,655,432
Receivables:				
Accounts	128,085	-	296,782	424,867
Taxes and special assessments	925	-	820,790	821,715
Interest	3,168	-	-	3,168
Notes	-	-	245,673	245,673
Due from other governmental units	520,119	-	730,093	1,250,212
Due from other funds	26,596	370,404	699,311	1,096,311
Prepaid items	60,057	-	300	60,357
Total assets	\$ 6,127,225	\$ 15,999,527	\$ 8,430,983	\$ 30,557,735
Liabilities				
Accounts payable	\$ 531,362	\$ 770,943	\$ 408,051	\$ 1,710,356
Accrued payroll and benefits	241,622	-	35,528	277,150
Due to other governmental units	209,092	-	-	209,092
Due to other funds	103,338	-	1,014,676	1,118,014
Deposits	89,030	-	-	89,030
Unearned revenue	131,319	-	98,660	229,979
Total liabilities	1,305,763	770,943	1,556,915	3,633,621
Deferred inflows of resources				
Unavailable revenue:				
Special assessments receivable	-	-	820,405	820,405
Fund balances				
Nonspendable	60,057	-	1,586,687	1,646,744
Restricted	-	8,341,887	3,511,895	11,853,782
Committed	5,667	6,886,697	955,081	7,847,445
Unassigned	4,755,738	-	-	4,755,738
Total fund balances	4,821,462	15,228,584	6,053,663	26,103,709
Total liabilities, deferred inflows of resources and fund balances	\$ 6,127,225	\$ 15,999,527	\$ 8,430,983	\$ 30,557,735

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, 2017

Fund balances - total governmental funds	\$ 26,103,709
<p>Amounts reported for <i>governmental activities</i> in the statement of net position are different because:</p>	
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.</p>	
Land	16,520,089
Construction in progress	5,094,012
Capital assets being depreciated, net	106,785,441
Less capital assets accounted for in the internal service funds	(5,323,983)
<p>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.</p>	
Net position of governmental activities accounted for in the internal service funds	11,336,305
<p>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.</p>	
Deferred inflows from special assessments receivable	820,405
<p>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.</p>	
Deferred charge on bond refunding	288,859
Bonds and notes payable	(39,940,731)
Unamortized premium on bonds payable	(359,116)
Accrued interest on bonds payable	(366,310)
Net other postemployment benefit obligation	(1,718,554)
<p>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.</p>	
Net pension liability	(22,702,608)
Deferred outflows related to the net pension liability	3,560,038
Deferred inflows related to the net pension liability	(1,403,273)
Net position of governmental activities	\$ 98,694,283

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, 2017

	General Fund	Municipal Facilities/Land Improvements Projects	Nonmajor Governmental Funds	Total Governmental Funds
Revenues				
Taxes	\$ 9,036,247	\$ 316,401	\$ 6,484,607	\$ 15,837,255
Special assessments	-	-	1,287,641	1,287,641
Licenses and permits	783,080	-	-	783,080
Intergovernmental	4,568,926	186,898	6,866,586	11,622,410
Charges for services	1,657,964	-	270,279	1,928,243
Fines and fees	142,051	-	480,177	622,228
Contributions from private sector	-	374,002	629,180	1,003,182
Interest and rents	351,756	52,771	496,852	901,379
Miscellaneous	63,626	6,712	320,864	391,202
Total revenues	16,603,650	936,784	16,836,186	34,376,620
Expenditures				
Current:				
General government	3,549,861	-	482,826	4,032,687
Public safety	11,533,770	-	324,079	11,857,849
Public works	1,174,902	-	3,552,520	4,727,422
Welfare and social services	446,506	-	271,183	717,689
Parks and recreation	3,475,589	-	1,495,631	4,971,220
Other	87,808	-	-	87,808
Debt service:				
Principal retirement	-	-	3,884,269	3,884,269
Interest and fiscal charges	-	-	721,854	721,854
Bond issuance cost	-	148,325	50,518	198,843
Capital outlay	-	8,359,792	2,675,244	11,035,036
Total expenditures	20,268,436	8,508,117	13,458,124	42,234,677
Revenues over (under) expenditures	(3,664,786)	(7,571,333)	3,378,062	(7,858,057)
Other financing sources (uses)				
Issuance of long-term debt	-	13,310,000	-	13,310,000
Premium on issuance of long-term debt	-	293,266	-	293,266
Issuance of refunding bonds	-	-	6,975,000	6,975,000
Payments to refunded bond escrow agent	-	-	(7,059,255)	(7,059,255)
Proceeds from sale of capital assets	-	17,075	-	17,075
Transfers in	5,324,938	3,145,678	4,755,963	13,226,579
Transfers out	(1,507,438)	(330,000)	(5,937,038)	(7,774,476)
Total other financing sources (uses)	3,817,500	16,436,019	(1,265,330)	18,988,189
Net changes in fund balances	152,714	8,864,686	2,112,732	11,130,132
Fund balances, beginning of year	4,668,748	6,363,898	3,940,931	14,973,577
Fund balances, end of year	\$ 4,821,462	\$ 15,228,584	\$ 6,053,663	\$ 26,103,709

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, 2017

Net changes in fund balances - total governmental funds \$ 11,130,132

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.

Capital assets purchased/constructed	10,661,885
Depreciation expense	(5,134,842)
Proceeds from sale of capital assets	(17,075)
Loss on sale of capital assets	(1,140,312)

Bond proceeds provide current financial resources to governmental funds in the period issued, but issuing bonds increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Principal payments on long-term liabilities	3,884,269
Issuance of long-term debt	(20,285,000)
Premium on issuance of long-term debt	(293,266)
Payments to refunded bond escrow agent	7,059,255

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	277,946
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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	33,185
Net change in leases receivable	(433,046)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.

Amortization of deferred charge on bond refundings	(103,167)
Amortization of premium on long-term debt	64,571
Change in the net pension liability and related deferred amounts	(2,241,712)
Change in accrued interest on bonds payable	(164,038)
Change in net other postemployment benefit obligation	(195,175)

Change in net position of governmental activities \$ 3,103,610

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, 2017

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Taxes	\$ 9,030,988	\$ 9,049,451	\$ 9,036,247	\$ (13,204)
Licenses and permits	637,600	703,100	783,080	79,980
Intergovernmental	4,061,654	4,508,403	4,568,926	60,523
Charges for services	1,656,300	1,656,613	1,657,964	1,351
Fines and fees	131,700	132,450	142,051	9,601
Interest and rents	336,300	356,300	351,756	(4,544)
Miscellaneous	36,520	67,629	63,626	(4,003)
Total revenues	15,891,062	16,473,946	16,603,650	129,704
Expenditures				
Current:				
General government	3,429,873	3,641,571	3,549,861	(91,710)
Public safety	11,821,910	11,606,129	11,533,770	(72,359)
Public works	1,215,243	1,194,957	1,174,902	(20,055)
Welfare and social services	479,975	497,837	446,506	(51,331)
Parks and recreation	3,521,853	3,506,848	3,475,589	(31,259)
Other	573,800	105,727	87,808	(17,919)
Total expenditures	21,042,654	20,553,069	20,268,436	(284,633)
Revenues over (under) expenditures	(5,151,592)	(4,079,123)	(3,664,786)	414,337
Other financing sources (uses)				
Transfers in	5,321,000	5,325,000	5,324,938	(62)
Transfers out	(211,000)	(1,028,495)	(1,507,438)	478,943
Total other financing sources (uses)	5,110,000	4,296,505	3,817,500	479,005
Net changes in fund balance	(41,592)	217,382	152,714	(64,668)
Fund balance, beginning of year	4,668,748	4,668,748	4,668,748	-
Fund balance, end of year	\$ 4,627,156	\$ 4,886,130	\$ 4,821,462	\$ (64,668)

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, 2017

	Business-type Activities - Enterprise Funds		
	Electric Utility	Wastewater Utility	Water Utility
Assets			
Current assets:			
Cash and pooled investments	\$ 57,915,426	\$ 11,213,382	\$ 5,094,204
Investments	32,353,329	203,782	2,798,802
Receivables:			
Accounts	20,476,443	1,418,793	1,887,555
Taxes and special assessments	-	37,568	85,323
Interest	101,721	5,623	8,778
Due from other funds	296,788	517,592	34,463
Inventories	5,247,684	20,273	230,052
Prepaid items	3,658,624	15,623	13,050
Total current assets	120,050,015	13,432,636	10,152,227
Noncurrent assets:			
Restricted assets:			
Cash and pooled investments	9,465,801	2,762,210	2,226,565
Investments	15,399,766	2,446,301	-
Accrued interest	-	2,765	2,338
Capital assets:			
Land	21,051,258	260,673	2,056,865
Construction in progress	203,634,397	1,889,924	1,349,989
Machinery and equipment	253,267,816	104,657,128	69,338,742
Accumulated depreciation	(164,656,626)	(45,419,269)	(28,195,763)
Due from City of Wyoming	-	-	2,213,944
Total noncurrent assets	338,162,412	66,599,732	48,992,680
Total assets	458,212,427	80,032,368	59,144,907
Deferred outflows of resources			
Deferred charge on bond refunding	-	-	252,380
Deferred pension amounts	1,470,704	423,382	334,251
Total deferred outflows of resources	1,470,704	423,382	586,631

Business-type Activities - Enterprise Funds		Governmental Activities
Nonmajor Enterprise Funds	Total	Internal Service Funds
\$ 1,456,641	\$ 75,679,653	\$ 7,996,900
-	35,355,913	-
491,951	24,274,742	164,247
8	122,899	-
-	116,122	-
-	848,843	6,752
-	5,498,009	82,606
-	3,687,297	119,383
<u>1,948,600</u>	<u>145,583,478</u>	<u>8,369,888</u>
-	14,454,576	-
-	17,846,067	-
-	5,103	-
6,444,359	29,813,155	-
324,646	207,198,956	73,442
19,191,729	446,455,415	12,772,569
(13,769,476)	(252,041,134)	(7,522,028)
-	2,213,944	-
<u>12,191,258</u>	<u>465,946,082</u>	<u>5,323,983</u>
<u>14,139,858</u>	<u>611,529,560</u>	<u>13,693,871</u>
-	252,380	-
-	2,228,337	-
-	2,480,717	-

continued...

CITY OF HOLLAND, MICHIGAN

Statement of Net Position

Proprietary Funds
June 30, 2017

	Business-type Activities - Enterprise Funds		
	Electric Utility	Wastewater Utility	Water Utility
Liabilities			
Current liabilities:			
Accounts payable	\$ 19,702,614	\$ 2,282,128	\$ 777,499
Claims payable	-	-	-
Accrued payroll and benefits	178,359	56,481	41,904
Accrued interest payable	16,845	24,198	3,828
Accrued interest payable from restricted assets	3,310,703	-	32,995
Due to other funds	178,988	309,109	244,562
Deposits	778,381	-	-
Unearned revenue	-	-	-
Current portion of long-term debt	1,674,207	765,004	322,616
Current portion of long-term debt payable from restricted assets	4,904,729	-	1,492,064
Total current liabilities	<u>30,744,826</u>	<u>3,436,920</u>	<u>2,915,468</u>
Noncurrent liabilities:			
Long-term debt, net of current portion	8,971,593	10,904,691	1,726,730
Long-term debt payable from restricted assets, net of current portion	160,588,516	-	12,542,391
Net pension liability	2,774,608	798,750	630,593
Net other postemployment benefit obligation	516,213	182,079	147,762
Total noncurrent liabilities	<u>172,850,930</u>	<u>11,885,520</u>	<u>15,047,476</u>
Total liabilities	<u>203,595,756</u>	<u>15,322,440</u>	<u>17,962,944</u>
Deferred inflows of resources			
Deferred pension amounts	<u>215,988</u>	<u>62,178</u>	<u>49,088</u>
Net position			
Net investment in capital assets	147,803,600	52,275,956	30,767,758
Restricted for capital projects, debt service and by agreement	24,865,567	5,211,276	2,228,903
Unrestricted	<u>83,202,220</u>	<u>7,583,900</u>	<u>8,722,845</u>
Total net position	<u>\$ 255,871,387</u>	<u>\$ 65,071,132</u>	<u>\$ 41,719,506</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
\$ 44,344	\$ 22,806,585	\$ 125,152
-	-	280,727
15,229	291,973	15,870
-	44,871	-
-	3,343,698	-
1,605	734,264	99,628
70,675	849,056	-
324,953	324,953	-
19,970	2,781,797	1,142,000
-	6,396,793	-
<u>476,776</u>	<u>37,573,990</u>	<u>1,663,377</u>
-	21,603,014	694,189
-	173,130,907	-
-	4,203,951	-
-	846,054	-
-	<u>199,783,926</u>	<u>694,189</u>
<u>476,776</u>	<u>237,357,916</u>	<u>2,357,566</u>
-	<u>327,254</u>	-
12,191,258	243,038,572	5,323,983
-	32,305,746	-
<u>1,471,824</u>	<u>100,980,789</u>	<u>6,012,322</u>
<u>\$ 13,663,082</u>	<u>\$ 376,325,107</u>	<u>\$ 11,336,305</u>

concluded

CITY OF HOLLAND, MICHIGAN

Statement of Revenues, Expenses and Changes in Fund Net Position

Proprietary Funds

For the Year Ended June 30, 2017

	Business-type Activities - Enterprise Funds		
	Electric Utility	Wastewater Utility	Water Utility
Operating revenues			
Usage fees and charges for services	\$ 111,706,239	\$ 11,384,632	\$ 10,009,506
Premiums	-	-	-
Admissions and fares	-	-	-
Rentals	-	-	-
Miscellaneous	-	-	-
Total operating revenues	111,706,239	11,384,632	10,009,506
Operating expenses			
Personal services	7,489,893	2,314,471	1,772,607
Other current expenses	63,887,460	4,718,488	2,769,639
Depreciation	7,516,374	2,481,081	1,754,703
Total operating expenses	78,893,727	9,514,040	6,296,949
Operating income (loss)	32,812,512	1,870,592	3,712,557
Nonoperating revenues (expenses)			
Property taxes	-	-	-
Other private donations	-	-	-
Investment earnings	384,509	99,056	61,522
Interest expense	(220,554)	(180,032)	(399,853)
Insurance recovery	881,636	10,000	-
Gain (loss) on disposal of capital assets	(429,558)	(163,266)	(147,426)
Total nonoperating revenues (expenses)	616,033	(234,242)	(485,757)
Income (loss) before contributions and transfers	33,428,545	1,636,350	3,226,800
Contributions and transfers			
Capital contributions	-	712,036	88,856
Transfers in	-	-	-
Transfers out	(5,850,000)	-	-
Net contributions and transfers	(5,850,000)	712,036	88,856
Changes in net position before extraordinary items	27,578,545	2,348,386	3,315,656
Extraordinary items (note 19)	(3,603,908)	-	-
Changes in net position	23,974,637	2,348,386	3,315,656
Net position, beginning of year	231,896,750	62,722,746	38,403,850
Net position, end of year	\$ 255,871,387	\$ 65,071,132	\$ 41,719,506

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
\$ 2,138,595	\$ 135,238,972	\$ 2,861,134
-	-	5,982,952
807,252	807,252	-
106,701	106,701	1,814,451
-	-	41,368
<u>3,052,548</u>	<u>136,152,925</u>	<u>10,699,905</u>
701,756	12,278,727	2,157,138
1,697,950	73,073,537	8,109,599
574,797	12,326,955	712,649
<u>2,974,503</u>	<u>97,679,219</u>	<u>10,979,386</u>
<u>78,045</u>	<u>38,473,706</u>	<u>(279,481)</u>
98,937	98,937	-
675	675	-
3,355	548,442	29,709
-	(800,439)	-
-	891,636	80,648
(235,823)	(976,073)	49,126
<u>(132,856)</u>	<u>(236,822)</u>	<u>159,483</u>
<u>(54,811)</u>	<u>38,236,884</u>	<u>(119,998)</u>
75,186	876,078	47
-	-	420,097
-	(5,850,000)	(22,200)
<u>75,186</u>	<u>(4,973,922)</u>	<u>397,944</u>
20,375	33,262,962	277,946
-	(3,603,908)	-
<u>20,375</u>	<u>29,659,054</u>	<u>277,946</u>
13,642,707	346,666,053	11,058,359
<u>\$ 13,663,082</u>	<u>\$ 376,325,107</u>	<u>\$ 11,336,305</u>

CITY OF HOLLAND, MICHIGAN

Statement of Cash Flows

Proprietary Funds

For the Year Ended June 30, 2017

	Business-type Activities - Enterprise Funds		
	Electric Utility	Wastewater Utility	Water Utility
Cash flows from operating activities			
Receipts from customers and users	\$ 105,595,254	\$ 11,715,426	\$ 10,687,523
Receipts from interfund services provided	-	-	-
Payments to suppliers	(64,229,512)	(4,806,880)	(2,886,172)
Payments to employees	(6,426,687)	(2,024,134)	(1,522,117)
Net cash provided by operating activities	34,939,055	4,884,412	6,279,234
Cash flows from noncapital financing activities			
Property taxes	-	-	-
Private donations	-	-	-
Insurance refunds	881,636	10,000	-
Intergovernmental receipts	-	-	-
Intragovernmental payments	(5,850,000)	-	-
Capital grant - State Drinking Water Revolving grant - Wyoming portion	-	-	8,119
Net cash provided by (used in) noncapital financing activities	(4,968,364)	10,000	8,119
Cash flows from capital and related financing activities			
Principal paid on long-term debt	(846,245)	(631,116)	(1,497,328)
Interest paid on long-term debt	(527,257)	(180,601)	(432,078)
Proceeds from State Drinking Water Revolving Fund Bonds	-	-	122,207
Capital grant - State Drinking Water Revolving grant	-	-	16,238
Capital contributions	-	141,709	72,618
Proceeds from sales of capital assets	1,452,666	334,346	700,936
Transfers in	-	161,756	-
Transfers out	-	-	-
Purchase/construction of capital assets	(23,632,703)	(7,949,172)	(5,348,314)
Net cash used in capital and related financing activities	(23,553,539)	(8,123,078)	(6,365,721)
Cash flows from investing activities			
Proceeds from sales of investments	49,295,541	5,202,595	3,800,953
Purchase of investments	(47,636,198)	(2,644,271)	(2,795,579)
Investment income received	377,156	93,834	58,889
Net cash provided by investing activities	2,036,499	2,652,158	1,064,263
Net increase (decrease) in cash and pooled investments	8,453,651	(576,508)	985,895
Cash and pooled investments, beginning of year	58,927,576	14,552,100	6,334,874
Cash and pooled investments, end of year	\$ 67,381,227	\$ 13,975,592	\$ 7,320,769

Business-type Activities - Enterprise Funds		Governmental Activities
Nonmajor Enterprise Funds	Total	Internal Service Funds
\$ 2,797,253	\$ 130,795,456	\$ -
-	-	10,695,054
(1,703,923)	(73,626,487)	(7,886,977)
(684,242)	(10,657,180)	(2,108,686)
<u>409,088</u>	<u>46,511,789</u>	<u>699,391</u>
98,938	98,938	-
325	325	-
-	891,636	80,648
-	-	420,097
-	(5,850,000)	(22,200)
-	8,119	-
<u>99,263</u>	<u>(4,850,982)</u>	<u>478,545</u>
-	(2,974,689)	-
-	(1,139,936)	-
-	122,207	-
-	16,238	-
75,536	289,863	47
-	2,487,948	100,027
-	161,756	-
(664)	(664)	-
(174,608)	(37,104,797)	(875,466)
<u>(99,736)</u>	<u>(38,142,074)</u>	<u>(775,392)</u>
-	58,299,089	-
-	(53,076,048)	-
3,355	533,234	29,709
<u>3,355</u>	<u>5,756,275</u>	<u>29,709</u>
411,970	9,275,008	432,253
<u>1,044,671</u>	<u>80,859,221</u>	<u>7,564,647</u>
<u>\$ 1,456,641</u>	<u>\$ 90,134,229</u>	<u>\$ 7,996,900</u>

continued...

CITY OF HOLLAND, MICHIGAN

Statement of Cash Flows

Proprietary Funds

For the Year Ended June 30, 2017

	Business-type Activities - Enterprise Funds		
	Electric Utility	Wastewater Utility	Water Utility
Classified on the statement of net position as			
Cash and pooled investments	\$ 57,915,426	\$ 11,213,382	\$ 5,094,204
Restricted cash and pooled investments	9,465,801	2,762,210	2,226,565
	<u>\$ 67,381,227</u>	<u>\$ 13,975,592</u>	<u>\$ 7,320,769</u>
Cash flows from operating activities			
Operating income (loss)	\$ 32,812,512	\$ 1,870,592	\$ 3,712,557
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	7,516,374	2,481,081	1,754,703
Change in:			
Accounts receivable	(6,727,147)	94,452	618,946
Due from other funds	519,144	236,342	4,179
Inventories	260,119	31,399	6,298
Prepaid items	(217,111)	28,962	23,764
Due from the City of Wyoming	-	-	54,892
Accounts payable	(821,668)	(178,718)	336,583
Claims payable	-	-	-
Accrued payroll and benefits	46,151	8,350	8,706
Due to other funds	(609,925)	29,965	(483,178)
Unearned revenue	-	-	-
Accrued compensated absences	(64,168)	(30,444)	(5,237)
Deposits	97,018	-	-
Landfill postclosure liability	1,046,533	-	-
Net pension liability	(1,694,608)	(487,842)	(385,138)
Net other postemployment benefits obligation	1,510	1,605	1,632
Deferred pension amounts	2,774,321	798,668	630,527
Net cash provided by operating activities	<u>\$ 34,939,055</u>	<u>\$ 4,884,412</u>	<u>\$ 6,279,234</u>

Non-cash transactions:

The Electric Fund capitalized \$2,884,817 of land pollution remediation costs in connection with the closure of the James De Young ("JDY") power plant. Accounts payable above is net of a non-cash amount of \$3,588,610, which included the amount capitalized related to the closure and \$703,794 recognized as a non-cash extraordinary item as further discussed in Note 19.

The impaired assets from the JDY power plant that can no longer be used by the Board were revalued to the lower of carrying value or fair value, resulting in a non-cash extraordinary item of \$2,270,956.

The Electric Fund reported a non-cash extraordinary item of \$629,158, which was the result of certain spare parts and coal inventory that had been determined to be obsolete in the amount of \$305,218 and \$182,015, respectively, and \$141,925 as the remaining coal inventory was revalued to the lower of carrying value or fair value.

The Electric Fund transferred capital assets with a net book value of \$83,306 to the Sewer Fund.

Interest in the amount of \$3,310,703 in the Electric Fund was capitalized.

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
\$ 1,456,641	\$ 75,679,653	\$ 7,996,900
-	14,454,576	-
<u>\$ 1,456,641</u>	<u>\$ 90,134,229</u>	<u>\$ 7,996,900</u>
\$ 78,045	\$ 38,473,706	\$ (279,481)
574,797	12,326,955	712,649
(200,288)	(6,214,037)	(34,237)
-	759,665	1,227
-	297,816	(10,006)
-	(164,385)	90,576
-	54,892	-
(5,563)	(669,366)	18,286
-	-	123,766
3,830	67,037	3,444
-	(1,063,138)	28,159
(55,007)	(55,007)	-
13,274	(86,575)	45,008
-	97,018	-
-	1,046,533	-
-	(2,567,588)	-
-	4,747	-
-	4,203,516	-
<u>\$ 409,088</u>	<u>\$ 46,511,789</u>	<u>\$ 699,391</u>

concluded

CITY OF HOLLAND, MICHIGAN

Statement of Fiduciary Assets and Liabilities

Agency Funds

June 30, 2017

Assets

Cash and pooled investments	\$ 912,261
Accounts receivable	239

Total assets \$ 912,500

Liabilities

Accounts payable	\$ 54,808
Due to other governmental units	847,671
Other liabilities and deposits	10,021

Total liabilities \$ 912,500

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, 2017

	Downtown Development Authority	Holland Historical Trust	Brownfield Redevelopment Authority	SmartZone	Total
Assets					
Cash and pooled investments	\$ 153,654	\$ 176,491	\$ 461,196	\$ 18,962	\$ 810,303
Investments	-	385,678	-	-	385,678
Receivables, net	427	89,350	-	-	89,777
Inventory	-	4,683	-	-	4,683
Prepaid items	200	2,604	-	-	2,804
Capital assets:					
Land	-	20,000	-	-	20,000
Being depreciated, net of depreciation	192,177	1,165,229	-	-	1,357,406
Total assets	346,458	1,844,035	461,196	18,962	2,670,651
Liabilities					
Accounts payable	18,987	14,874	-	-	33,861
Accrued payroll and benefits	1,106	11,555	-	-	12,661
Unearned revenue	-	12,307	-	-	12,307
Line of credit	-	100,000	-	-	100,000
Total liabilities	20,093	138,736	-	-	158,829
Net position					
Investment in capital assets	192,177	1,185,229	-	-	1,377,406
Restricted by agreement	-	446,106	-	-	446,106
Unrestricted	134,188	73,964	461,196	18,962	688,310
Total net position	\$ 326,365	\$ 1,705,299	\$ 461,196	\$ 18,962	\$ 2,511,822

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, 2017

	Downtown Development Authority	Holland Historical Trust	Brownfield Redevelopment Authority	SmartZone	Total
Expenses					
Downtown Development Authority	\$ 211,187	\$ -	\$ -	\$ -	\$ 211,187
Holland Historical Trust	-	755,488	-	-	755,488
Brownfield Redevelopment Authority	-	-	1,136,763	-	1,136,763
Smartzone	-	-	-	104	104
Total expenses	211,187	755,488	1,136,763	104	2,103,542
Program revenues					
Charges for services	7,140	122,619	-	-	129,759
Operating grants and contributions	3,059	428,813	89,980	19,066	540,918
Total program revenues	10,199	551,432	89,980	19,066	670,677
Net expenses (revenues)	(200,988)	(204,056)	(1,046,783)	18,962	(1,432,865)
General revenues					
Property taxes	196,665	-	1,237,195	-	1,433,860
Unrestricted grants and contributions	-	-	15,092	-	15,092
Total general revenues	196,665	-	1,252,287	-	1,448,952
Change in net position	(4,323)	(204,056)	205,504	18,962	16,087
Net position, beginning of year	330,688	1,909,355	255,692	-	2,495,735
Net position, end of year	\$ 326,365	\$ 1,705,299	\$ 461,196	\$ 18,962	\$ 2,511,822

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 under GASB Statement 80 because the City is the sole corporate member. The purpose of the HEF 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.

Smartzone Local Development Finance Authority (the "LDFA") - The City established the LDFA 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. Separate financial statements are not prepared for this entity.

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 *Municipal Facilities/Land Improvements Projects Fund* accounts for the financial resources restricted and committed for the acquisition or construction of infrastructure projects that are financed by proprietary funds and issuance of bonds.

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.

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Equity

Cash and Pooled Investments

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

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

State statutes authorize the City to invest in:

- Bonds, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.
- Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution.
- Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
- Bankers' acceptances of United States banks.
- Obligations of the State of Michigan and its political subdivisions, that, at the time of purchase are rated as investment grade by at least one standard rating service.
- Mutual funds registered under the Investment Company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- External investment pools as authorized by Public Act 20 as amended through December 31, 1997.

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

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.

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 deferred charge on 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. The amount is amortized over the shorter of the life of the refunded or refunding debt. 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. A portion of these costs represent contributions to the plan subsequent to the plan measurement date.

Bond Premiums and Discounts

Premiums and discounts 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	\$ 32,199	\$ -	\$ -
Infrastructure projects	84,167	-	-
Fees collected in excess of amounts earned	113,613	324,953	12,307
Total unearned revenue	\$ 229,979	\$ 324,953	\$ 12,307

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, 2015 was \$1,096,436,220 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	8.3494		
Street development and improvement	1.4268		
Sidewalk development and improvement	0.0500		
Municipal capital projects	0.3155		
Debt service general obligation	3.6290		
	<u>13.7707</u>	16.0071	1
		17.5000	City Charter
Library support / debt service	1.2393	1.4716	1
		1.5000	2
West Michigan Airport Authority	0.0985	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 2017, total transfers of \$5,850,000 were made. A \$5,195,000 transfer was made to the General Fund, and a \$655,000 transfer was made to the Municipal Facilities and Land Improvements Projects 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, based on the date of hire, of total accumulated sick leave hours in excess of 720 hours for the year ended June 30, 2017. 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 special assessment 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, Special Revenue funds and Permanent Fund 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, 2017, 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	\$ 251,897	\$ 252,988	\$ 1,091
Elections	86,469	86,757	288
City hall and grounds	185,491	186,878	1,387
Cemetery	508,111	512,185	4,074
Public safety:			
Fire	2,819,832	2,820,802	970
Public works:			
Transportation management/engineering	163,507	165,412	1,905
Welfare and social services:			
Economic development assistance	61,277	61,791	514
Parks and recreation:			
Parks	1,623,741	1,631,502	7,761
Transfers out	1,028,495	1,507,438	478,943
Nonmajor Governmental Funds			
Ottawa County Road Tax Fund:			
Public works	330,000	331,371	1,371
Snowmelt Operating System Fund:			
Public works	179,177	229,357	50,180
Revolving Cash Assistance Fund:			
Transfers out	658,934	659,434	500
Homeland Security Grant Fund:			
Public safety	-	368	368
District Library Taxation Fund:			
Parks and recreation	1,249,996	1,253,796	3,800

CITY OF HOLLAND, MICHIGAN

Notes to Financial Statements

4. DEPOSITS AND INVESTMENTS

The City's reporting entity deposits and investments as of June 30, 2017 are included in the financial statements under the following classifications:

	Statement of Net Position			Statement of Fiduciary Assets and Liabilities	
	Governmental Activities	Business-type Activities	Component Units	Agency Funds	Total
Cash and pooled investments	\$ 34,652,332	\$ 75,679,653	\$ 810,303	\$ 912,261	\$ 112,054,549
Investments	-	35,355,913	385,678	-	35,741,591
Restricted assets:					
Cash and pooled investments	-	14,454,576	-	-	14,454,576
Investments	-	17,846,067	-	-	17,846,067
Total	\$ 34,652,332	\$ 143,336,209	\$ 1,195,981	\$ 912,261	\$ 180,096,783

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

Petty cash	\$ 13,746
Deposits (checking/savings accounts)	94,020,485
Certificate of deposit (due within one year)	4,728,518
Certificate of deposit (due within one to five years)	5,001,520
Investments:	
Primary government	75,946,836
Component units	385,678
	<u>\$ 180,096,783</u>

Investment and Deposit Risk

Primary Government

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

CITY OF HOLLAND, MICHIGAN

Notes to Financial Statements

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

	No maturity	Due < 1 year	Due in 1-5 years	Totals
Primary Government				
U.S. government securities	\$ -	\$ 11,977,958	\$ 26,219,244	\$ 38,197,202
Municipal bonds	-	2,074,670	4,379,137	6,453,807
Commercial paper	-	14,627,034	-	14,627,034
Money market funds	11,048,524	-	-	11,048,524
MPPA Investments	5,620,269	-	-	5,620,269
Total Primary Government	\$ 16,668,793	\$ 28,679,662	\$ 30,598,381	\$ 75,946,836

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.

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

S&P AAAm	\$ 11,048,524
S&P AA+	38,851,979
S&P AA	759,362
S&P AA-	4,788,678
S&P A1	13,630,491
S&P A1+	996,543
Moody's Aa1	250,990
Unrated	5,620,269
Total Primary Government	\$ 75,946,836

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, \$100,949,078 of the bank balance of \$104,845,309 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.

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.

CITY OF HOLLAND, MICHIGAN

Notes to Financial Statements

Fair Value Measurements. 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.

Debt securities classified as Level 1 are valued using prices quoted in active markets for those securities. Debt and equity securities classified in Level 2 are valued using the following approaches: debt securities are normally valued based on price data obtained from observed transactions and market price quotations from broker dealers and/or pricing vendors; equity securities are valued using fair value per share for each fund. Commercial paper classified in Level 2 is valued using broker quotes that utilize observable market inputs. Amounts held with the Michigan Public Power Agency classified in Level 3 are based upon unobservable inputs.

The City has the following recurring fair value measurements as of June 30, 2017:

	Level 1	Level 2	Level 3	Total
U.S. government securities	\$ -	\$ 38,197,202	\$ -	\$ 38,197,202
Municipal bonds	6,453,807	-	-	6,453,807
Commercial paper	-	14,627,034	-	14,627,034
Money market funds	-	11,048,524	-	11,048,524
Michigan Public Power Agency	-	-	5,620,269	5,620,269
Total investments	\$ 6,453,807	\$ 63,872,760	\$ 5,620,269	\$ 75,946,836

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	\$ -	\$ 1,394,546	\$ 1,394,546
Insurance/risk retention	-	10,597,196	10,597,196
Total	\$ -	\$ 11,991,742	\$ 11,991,742

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.

CITY OF HOLLAND, MICHIGAN

Notes to Financial Statements

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, \$30,561 of the bank balance of \$184,487 was exposed to custodial credit risk because it was uninsured and uncollateralized.

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

	Fair Value	Interest Rate	Maturity Date	Rating
Bond mutual funds	\$ 94,661	n/a	n/a	Various
Equity mutual funds	271,993	n/a	n/a	n/a
Other mutual funds	19,024	n/a	n/a	n/a
	<u>\$ 385,678</u>			

Fair Value Measurements. 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	\$ 630,696	\$ 24,367,994	\$ 315
Allowance for uncollectible receivables	(41,582)	(93,252)	-
Taxes and special assessments	847,120	123,035	623
Allowance for uncollectible taxes and special assessments	(25,405)	(136)	(511)
Notes	255,673	-	-
Allowance for notes receivable	(10,000)	-	-
Interest	3,168	116,122	-
Pledges receivable	-	-	96,450
Allowance for pledges receivable	-	-	(7,100)
Due from other governmental units	1,250,212	-	-
Due from City of Wyoming	-	2,213,944	-
	<u>\$ 2,909,882</u>	<u>\$ 26,727,707</u>	<u>\$ 89,777</u>

CITY OF HOLLAND, MICHIGAN

Notes to Financial Statements

Of the governmental activities amounts reported for receivables above, special assessments and notes receivable in the amount of \$714,661 and \$238,536 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 \$2,213,944 is not expected to be collected within one year.

6. CAPITAL ASSETS

Primary government

Capital asset activity for the primary government for the year ended June 30, 2017, was as follows:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Governmental Activities					
Capital assets, not being depreciated:					
Land	\$ 16,505,089	\$ 15,000	\$ -	\$ -	\$ 16,520,089
Construction in progress	8,542,250	4,774,698	(216,704)	(8,006,232)	5,094,012
	<u>25,047,339</u>	<u>4,789,698</u>	<u>(216,704)</u>	<u>(8,006,232)</u>	<u>21,614,101</u>
Capital assets, being depreciated:					
Land improvements	19,790,984	310,390	(76,275)	338,825	20,363,924
Buildings	37,011,248	228,347	(1,900)	-	37,237,695
Machinery and equipment	8,809,426	524,196	(378,005)	-	8,955,617
Vehicles	7,849,280	421,048	(213,505)	-	8,056,823
Infrastructure	106,969,621	5,263,672	(2,425,309)	7,667,407	117,475,391
	<u>180,430,559</u>	<u>6,747,653</u>	<u>(3,094,994)</u>	<u>8,006,232</u>	<u>192,089,450</u>
Less accumulated depreciation for:					
Land improvements	(12,579,761)	(806,444)	72,383	-	(13,313,822)
Buildings	(15,824,610)	(982,292)	1,900	-	(16,805,002)
Machinery and equipment	(5,612,704)	(460,928)	325,797	-	(5,747,835)
Vehicles	(4,629,633)	(446,115)	190,689	-	(4,885,059)
Infrastructure	(42,913,220)	(3,151,712)	1,512,641	-	(44,552,291)
	<u>(81,559,928)</u>	<u>(5,847,491)</u>	<u>2,103,410</u>	<u>-</u>	<u>(85,304,009)</u>
Total capital assets being depreciated, net	<u>98,870,631</u>	<u>900,162</u>	<u>(991,584)</u>	<u>8,006,232</u>	<u>106,785,441</u>
Governmental activities capital assets, net	<u>\$ 123,917,970</u>	<u>\$ 5,689,860</u>	<u>\$ (1,208,288)</u>	<u>\$ -</u>	<u>\$ 128,399,542</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	\$ 27,035,251	\$ 2,980,085	\$ (510,328)	\$ 308,147	\$ 29,813,155
Construction in progress	239,295,621	34,417,649	(1,837,812)	(64,676,502)	207,198,956
	<u>266,330,872</u>	<u>37,397,734</u>	<u>(2,348,140)</u>	<u>(64,368,355)</u>	<u>237,012,111</u>
Capital assets, being depreciated:					
Land improvements	14,374,085	9,706	(8,517)	-	14,375,274
Buildings	4,441,881	-	(527,049)	-	3,914,832
Machinery and equipment	393,745,592	5,120,527	(38,980,139)	64,368,355	424,254,335
Office equipment / furniture	35,758	-	(35,758)	-	-
Vehicles	3,492,043	772,350	(353,423)	-	3,910,970
	<u>416,089,359</u>	<u>5,902,583</u>	<u>(39,904,886)</u>	<u>64,368,355</u>	<u>446,455,411</u>
Less accumulated depreciation for:					
Land improvements	(10,181,542)	(424,036)	8,517	-	(10,597,061)
Buildings	(2,656,863)	(68,825)	298,702	-	(2,426,986)
Machinery and equipment	(261,158,656)	(11,528,228)	35,826,151	-	(236,860,733)
Office equipment / furniture	(35,758)	-	35,758	-	-
Vehicles	(2,199,405)	(305,866)	348,921	-	(2,156,350)
	<u>(276,232,224)</u>	<u>(12,326,955)</u>	<u>36,518,049</u>	<u>-</u>	<u>(252,041,130)</u>
Total capital assets being depreciated, net	<u>139,857,135</u>	<u>(6,424,372)</u>	<u>(3,386,837)</u>	<u>64,368,355</u>	<u>194,414,281</u>
Business-type activities capital assets, net	<u>\$ 406,188,007</u>	<u>\$ 30,973,362</u>	<u>\$ (5,734,977)</u>	<u>\$ -</u>	<u>\$ 431,426,392</u>

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

Depreciation of governmental activities by function

General government	\$ 265,445
Public safety	483,804
Public works	3,621,455
Cultural and recreation	619,683
Welfare and social services	8,684
Economic development	135,771
Internal service funds	712,649
	<u>5,847,491</u>

CITY OF HOLLAND, MICHIGAN

Notes to Financial Statements

Depreciation of business-type activities by function

Electric utility	\$ 7,516,374
Wastewater utility	2,481,081
Water utility	1,754,703
Windmill island	102,598
Depot operations	24,539
Airport facilities and management system	444,724
Public transit facilities and management system	<u>2,936</u>
	<u>\$ 12,326,955</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	\$ 32,206	\$ -	\$ -	\$ 427,257
Less accumulated depreciation for:					
Land improvements	(214,736)	(20,344)	-	-	(235,080)
Downtown Development Authority					
capital assets, net	<u>\$ 180,315</u>	<u>\$ 11,862</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 192,177</u>
Component Unit -					
Holland Historical Trust					
Capital assets, not being depreciated:					
Land	\$ 20,000	\$ -	\$ -	\$ -	\$ 20,000
Capital assets, being depreciated:					
Buildings and improvements	2,798,397	-	-	-	2,798,397
Furniture and equipment	37,163	4,547	-	-	41,710
	<u>2,835,560</u>	<u>4,547</u>	<u>-</u>	<u>-</u>	<u>2,840,107</u>
Less accumulated depreciation for:					
Buildings and improvements	(1,525,962)	(112,688)	-	-	(1,638,650)
Furniture and equipment	(35,587)	(641)	-	-	(36,228)
	<u>(1,561,549)</u>	<u>(113,329)</u>	<u>-</u>	<u>-</u>	<u>(1,674,878)</u>
Total capital assets being depreciated, net	<u>1,274,011</u>	<u>(108,782)</u>	<u>-</u>	<u>-</u>	<u>1,165,229</u>
Holland Historical Trust					
capital assets, net	<u>\$ 1,294,011</u>	<u>\$ (108,782)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,185,229</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	\$ 1,835,508	\$ 22,806,585	\$ 33,861
Accrued payroll and benefits	293,020	291,973	12,661
Claims payable	280,727	-	-
Accrued interest payable	366,310	44,871	-
Accrued interest payable from restricted assets	-	3,343,698	-
Due to other governmental units	209,092	-	-
	<u>\$ 2,984,657</u>	<u>\$ 26,487,127</u>	<u>\$ 46,522</u>

8. LONG-TERM DEBT

Long-term debt at June 30, 2017, 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	\$ 16,495,000	\$ 20,285,000	\$ (9,485,000)	\$ 27,295,000	\$ 2,545,000
Special assessment bonds	50,000	-	(50,000)	-	-
Pension bonds	10,910,000	-	(992,810)	9,917,190	1,003,720
Note payable	3,000,000	-	(271,459)	2,728,541	277,437
Total installment debt	<u>30,455,000</u>	<u>20,285,000</u>	<u>(10,799,269)</u>	<u>39,940,731</u>	<u>3,826,157</u>
Premium on bonds payable	130,421	293,266	(64,571)	359,116	79,244
Compensated absences	1,791,179	1,187,501	(1,142,491)	1,836,189	1,142,000
Totals governmental activities	<u>\$ 32,376,600</u>	<u>\$ 21,765,767</u>	<u>\$ (12,006,331)</u>	<u>\$ 42,136,036</u>	<u>\$ 5,047,401</u>

General obligation bonds

\$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. \$ 3,340,000

\$5,500,000 2010 Capital Improvement Bonds, due in annual installments of \$520,000 to \$715,000, plus interest ranging from 1.25 to 3.2%, payable semi-annually, through August 1, 2019. 2,060,000

\$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. 1,610,000

CITY OF HOLLAND, MICHIGAN

Notes to Financial Statements

General obligation bonds (concluded)

\$9,835,000 2016B Limited Tax General Obligation Bonds, due in annual installments of \$175,000 to \$750,000, plus interest ranging from 1.18 to 4.36%, payable semi-annually, through August 1, 2036.	\$ 9,835,000
\$3,475,000 2016A Limited Tax General Obligation Bonds, due in annual installments of \$195,000 to \$635,000, plus interest ranging from 2.25 to 4.00%, payable semi-annually, through August 1, 2026.	3,475,000
\$6,975,000 2016 Building Authority Refunding Bonds, (refunding of the 2006 Building Authority Refunding Bonds) due in annual installments of \$120,000 to \$1,805,000, plus interest of 1.46%, payable semi-annually, through October 1, 2021.	<u>6,975,000</u>
Total general obligation bonds	<u>\$ 27,295,000</u>

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.	<u>\$ 9,917,190</u>
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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.	<u>\$ 2,728,541</u>
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	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Business-type activities					
Revenue bonds	\$ 173,690,360	\$ 122,207	\$ (1,305,000)	\$ 172,507,567	\$ 6,010,000
Pension bonds	14,090,000	-	(1,282,189)	12,807,811	1,296,280
Capital lease	9,500,000	-	(387,500)	9,112,500	395,000
Total installment debt	<u>197,280,360</u>	<u>122,207</u>	<u>(2,974,689)</u>	<u>194,427,878</u>	<u>7,701,280</u>
Premium on bonds payable	7,424,302	-	(404,169)	7,020,133	386,793
Landfill liability	327,450	1,046,533	-	1,373,983	-
Compensated absences	1,177,092	1,104,076	(1,190,651)	1,090,517	1,090,517
Total business-type activities	<u>\$ 206,209,204</u>	<u>\$ 2,272,816</u>	<u>\$ (4,569,509)</u>	<u>\$ 203,912,511</u>	<u>\$ 9,178,590</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.	\$ 4,692,567
\$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.	8,975,000
\$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>\$ 172,507,567</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>\$ 12,807,811</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>\$ 9,112,500</u>
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General obligation 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 annual requirements to pay principal and interest on installment debt outstanding at June 30, 2017 are as follows:

Year Ended June 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2018	\$ 3,826,157	\$ 1,170,383	\$ 7,701,280	\$ 7,580,890
2019	3,957,540	1,034,208	7,871,006	7,432,675
2020	4,093,422	951,357	8,043,868	7,281,463
2021	3,748,805	872,199	8,259,866	7,081,223
2022	3,823,692	795,688	8,451,500	6,895,440
2023-2027	11,461,115	2,808,525	40,572,791	30,130,682
2028-2032	5,040,000	1,421,635	38,372,567	22,834,633
2033-2037	3,990,000	414,976	44,500,000	13,630,713
2038-2039	-	-	30,655,000	3,002,100
	<u>\$ 39,940,731</u>	<u>\$ 9,468,971</u>	<u>\$ 194,427,878</u>	<u>\$ 105,869,819</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

Electric. The Board has pledged future electric 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 \$3,310,703 and \$40,328,886 respectively.

Wastewater. The Board has pledged future wastewater customer revenues, net of specified operating expenses, to repay \$9.5 million (50% of \$19 million) in Ottawa County sewage disposal bonds issued in April 2015. Proceeds from the bonds provided financing for the construction to the Holland area sewage disposal system. The bonds are payable solely from wastewater customer net revenues and are payable through 2035. Annual principal and interest payments on the bonds are expected to require less than 20% of net revenues. The total principal and interest paid for the current year and total customer net revenues were \$619,692 and \$4,351,673 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 \$482,513 and \$5,467,260 respectively.

CITY OF HOLLAND, MICHIGAN

Notes to Financial Statements

The Board has pledged future water customer revenues, net of specified operating expenses, to repay \$6.026 million in drinking water program bonds issued in September 2011. Proceeds from the bonds provided financing for the construction of the Holland/Wyoming Interconnect. The bonds are payable solely from water customer net revenues and are payable through 2032. Annual principal and interest payments on the bonds are expected to require less than 7% of net revenues. The total principal and interest paid for the current year and total customer net revenues were \$380,729 and \$5,467,260 respectively.

Refunded and Defeased Debt

During the fiscal year, the District advance refunded \$6,915,000 of 2006 Building Authority Refunding Bonds to provide resources to purchase U.S. government securities that were placed in an escrow fund for the purpose of generating resources for all future debt service payments. As a result, the certificates are considered defeased and the liability has been removed from the statement of net position. The refunding resulted in a savings of \$568,039 and an economic gain of \$544,433. As of June 30, 2017, a total of \$6,805,000 of defeased bonds are outstanding related to prior year refundings.

Landfill Liability

State and federal laws and regulations require the City to place a final cover on its fly ash and wastewater treatment bio solids landfill when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the Board reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$1,373,983 reported as landfill closure and postclosure liability at June 30, 2017, represents the cumulative amount reported to date based on the use of 85 percent of the estimated capacity of the landfill. The City will recognize the remaining estimated cost of closure and postclosure care in fiscal year 2018 since the disposal related to the closure of the James De Young coal plant will fill the remaining capacity of the open landfill cell.

The City is required by state and federal laws and regulations to make annual contributions to a trust to finance closure and postclosure care. The City is in compliance with these requirements. At June 30, 2017, the closure and postclosure costs have been assured by a \$100,000 letter of credit and \$10,891 held in trust.

Compensated Absences

The compensated absences liability attributable to the governmental activities will be liquidated by the General Fund, the Public Parking System, Principal Shopping District and CATV special revenue funds. As the balance of earned compensated absences at June 30, 2017 for the business-type activities 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 5.5% at June 30, 2017). The line expires on March 3, 2018 and is secured by HHT's assets. Outstanding borrowings on the line as of June 30, 2017 were \$100,000. For the year ended June 30, 2017, interest expense on borrowings was \$2,613.

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, 2017, the Board recognized expenses totaling \$18,705,163 under the terms of the contracts which represented \$1,531,183 for fixed operating costs, \$5,555,480 for debt service and \$11,618,500 for the purchase of power. Accounts payable to MPPA totaled \$2,402,971 at June 30, 2017. 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	
2018	\$ 2,152,981	\$ 665,956	\$ 1,111,605	\$ 286,227	\$ 278,465	\$ 191,777	\$ 4,687,011
2019	-	-	1,111,414	402,857	278,441	282,382	2,075,094
2020	-	-	1,111,355	414,943	278,252	306,454	2,111,004
2021	-	-	1,111,411	427,391	278,338	323,447	2,140,587
2022	-	-	555,487	216,854	278,321	333,151	1,383,813
2023-2027	-	-	-	-	1,391,680	1,759,071	3,150,751
2028-2032	-	-	-	-	1,391,972	1,822,766	3,214,738
2033-2037	-	-	-	-	1,391,321	1,855,291	3,246,612
2038-2042	-	-	-	-	1,391,388	1,915,589	3,306,977
2043	-	-	-	-	139,124	578,036	717,160
	<u>\$ 2,152,981</u>	<u>\$ 665,956</u>	<u>\$ 5,001,272</u>	<u>\$ 1,748,272</u>	<u>\$ 7,097,302</u>	<u>\$ 9,367,964</u>	<u>\$26,033,747</u>

Debt Service requirements expire in the years 2018 and 2022 for the Belle River and Campbell projects, respectively and in 2043 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, 2017, was as follows:

	Due from Other Funds							Total
	General Fund	Municipal Facilities/Land Improvements Projects	Nonmajor Governmental Funds	Electric Utility	Wastewater Utility	Water Utility	Internal Service Funds	
Due to Other Funds								
General Fund	\$ -	\$ -	\$ -	\$ 36,131	\$ 63,011	\$ 4,196	\$ -	\$ 103,338
Nonmajor Governmental Funds	-	272,814	-	259,383	452,359	30,120	-	1,014,676
Electric Utility	6,496	-	170,842	-	-	-	1,650	178,988
Wastewater Utility	11,222	-	295,039	-	-	-	2,848	309,109
Water Utility	8,878	-	233,430	-	-	-	2,254	244,562
Nonmajor Enterprise Funds	-	-	-	561	979	65	-	1,605
Internal Service Funds	-	97,590	-	713	1,243	82	-	99,628
	<u>\$ 26,596</u>	<u>\$ 370,404</u>	<u>\$ 699,311</u>	<u>\$ 296,788</u>	<u>\$ 517,592</u>	<u>\$ 34,463</u>	<u>\$ 6,752</u>	<u>\$ 1,951,906</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, 2017, interfund transfers consisted of the following:

	Transfers in				Total
	General Fund	Municipal Facilities/Land Improvements Projects	Nonmajor Governmental Funds	Internal Service Funds	
Transfers out					
General Fund	\$ -	\$ 1,153,878	\$ 253,560	\$ 100,000	\$ 1,507,438
Municipal Facilities/Land Improvements Projects	-	-	330,000	-	330,000
Nonmajor Governmental Funds	129,938	1,314,700	4,172,303	320,097	5,937,038
Electric Utility	5,195,000	655,000	-	-	5,850,000
Internal Service Funds	-	22,100	100	-	22,200
	<u>\$ 5,324,938</u>	<u>\$ 3,145,678</u>	<u>\$ 4,755,963</u>	<u>\$ 420,097</u>	<u>\$13,646,676</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, 2017, was as follows:

	Governmental Activities	Business-type Activities	Component Units
Capital assets:			
Land	\$ 16,520,089	\$ 29,813,155	\$ 20,000
Construction in progress	5,094,012	207,198,956	-
Capital assets being depreciated, net	106,785,441	194,414,281	1,357,406
	<u>128,399,542</u>	<u>431,426,392</u>	<u>1,377,406</u>
Related debt:			
Total installment debt	39,940,731	194,427,878	-
Less: bonds payable related to pension obligations	(9,917,190)	(12,807,811)	-
Net bond premium	359,116	7,020,133	-
Deferred charge on bond refundings	(288,859)	(252,380)	-
Unspent bond proceeds	(8,341,887)	-	-
	<u>21,751,911</u>	<u>188,387,820</u>	<u>-</u>
Net investment in capital assets	<u>\$ 106,647,631</u>	<u>\$ 243,038,572</u>	<u>\$ 1,377,406</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	Municipal Facilities/Land Improvements Projects	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable				
Prepaid items	\$ 60,057	\$ -	\$ 300	\$ 60,357
Cemetery endowment corpus	-	-	1,586,387	1,586,387
	<u>60,057</u>	<u>-</u>	<u>1,586,687</u>	<u>1,646,744</u>
Restricted				
Street construction and maintenance	-	-	1,399,575	1,399,575
Cemetery maintenance and improvements	-	-	99,261	99,261
Parking system and maintenance	-	-	306,513	306,513
Downtown promotion	-	-	102,047	102,047
Grant and support programs	-	-	216,701	216,701
Specified donations	-	-	517,581	517,581
Assistance programs	-	-	186,750	186,750
Debt service	-	-	683,467	683,467
Unexpended bond proceeds	-	8,341,887	-	8,341,887
	<u>-</u>	<u>8,341,887</u>	<u>3,511,895</u>	<u>11,853,782</u>
Committed				
Infrastructure construction and maintenance	-	-	343,993	343,993
Public access television	-	-	415,907	415,907
Grant and support programs	5,667	-	-	5,667
Capital improvements	-	6,886,697	58,389	6,945,086
Energy conservation	-	-	136,792	136,792
	<u>5,667</u>	<u>6,886,697</u>	<u>955,081</u>	<u>7,847,445</u>
Unassigned	<u>4,755,738</u>	<u>-</u>	<u>-</u>	<u>4,755,738</u>
Total fund balances - governmental funds	<u>\$ 4,821,462</u>	<u>\$ 15,228,584</u>	<u>\$ 6,053,663</u>	<u>\$ 26,103,709</u>

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, 2016 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	63
Active employees	183
Total membership	576

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, 2017:

Division/Bargaining Unit	Employer Contribution	Employee Contribution	Status
01 - Gen. NonUnion	\$10,471/month	3.00%	Closed
02 - Public Safety Command	\$3,797/month	3.00%	Closed
11 - PubWks Local 586	\$18,103/month	3.00%	Closed
13 - PubWks-NonUnion	\$9,084/month	3.00%	Closed
14 - Clerical	\$2,398/month	3.00%	Closed
20 - Police FOP	21.61%	7.58%	Open
50 - Fire Local 759	33.45%	8.23%	Open

CITY OF HOLLAND, MICHIGAN

Notes to Financial Statements

Net Pension Liability. The City's net pension liability was measured as of December 31, 2016, 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, 2016 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 explicit price inflation assumption is used in the valuation, the long-term annual rate of price inflation implicit in the 3.75% base wage inflation is 2.5%.

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>0.25%</u>
Investment rate of return			<u><u>8.00%</u></u>

CITY OF HOLLAND, MICHIGAN

Notes to Financial Statements

Discount Rate. The discount rate used to measure the total pension liability as of December 31, 2016 was 8.0% (down from 8.25% in 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, 2015	\$ 129,594,797	\$ 98,038,219	\$ 31,556,578
Changes for the year:			
Service cost	1,422,305	-	1,422,305
Interest	10,095,787	-	10,095,787
Differences between expected and actual experience	(1,674,442)	-	(1,674,442)
Employer contributions	-	3,033,757	(3,033,757)
Employee contributions	-	667,112	(667,112)
Net investment income	-	11,009,981	(11,009,981)
Benefit payments, including refunds of employee contributions	(8,217,231)	(8,217,231)	-
Administrative expense	-	(217,181)	217,181
Net changes	<u>1,626,419</u>	<u>6,276,438</u>	<u>(4,650,019)</u>
Balances at December 31, 2016	<u>\$ 131,221,216</u>	<u>\$ 104,314,657</u>	<u>\$ 26,906,559</u>

The statement of net position presents a net pension liability of \$22,702,608 and \$4,203,951 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 8.0%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1% lower (7.0%) or 1% higher (9.0%) than the current rate:

1% Decrease (7.0%)	Current Discount Rate (8.0%)	1% Increase (9.0%)
\$ 40,695,131	\$ 26,906,559	\$ 15,143,537

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 and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2017, the City recognized pension expense of \$5,670,215. The City reported deferred outflows/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	\$ -	\$ 1,730,527	\$ (1,730,527)
Changes in assumptions	2,003,314	-	2,003,314
Net difference between projected and actual earnings on pension plan investments	2,885,446	-	2,885,446
	<u>4,888,760</u>	<u>1,730,527</u>	<u>3,158,233</u>
Contributions subsequent to the measurement date	899,615	-	899,615
Total	\$ 5,788,375	\$ 1,730,527	\$ 4,057,848

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, 2018. 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
2018	\$ 2,255,769
2019	927,067
2020	646,650
2021	<u>(671,253)</u>
Total	\$ 3,158,233

Payable to the Pension Plan. At June 30, 2017, the City reported a payable of \$190,518 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2017.

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 \$830,436 and employees contributed \$215,544 to the defined contribution plan for the year ended June 30, 2017.

CITY OF HOLLAND, MICHIGAN

Notes to Financial Statements

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 \$2,612 and employees contributed \$354,081 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, 2017, the City contributed \$286,471 including cash contributions of \$203,019 and an implicit rate subsidy (which did not require cash) of \$83,452.

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

CITY OF HOLLAND, MICHIGAN

Notes to Financial Statements

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

Annual required contribution	\$ 522,606
Interest on net OPEB obligation	94,587
Adjustment to annual required contribution	<u>(130,800)</u>
Net OPEB cost (expense)	486,393
Contributions made	<u>(286,471)</u>
Increase in net OPEB obligation	199,922
Net OPEB obligation, beginning of year	<u>2,364,686</u>
Net OPEB obligation, end of year	<u><u>\$ 2,564,608</u></u>

The statements of net position present net OPEB obligation of \$1,718,554 and \$846,054 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
2015	\$ 875,766	47.7%	\$ 2,299,154
2016	461,397	85.8%	2,364,686
2017	486,393	58.9%	2,564,608

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) was \$26,246,925, and the ratio of the UAAL to the covered payroll was 19.8%.

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

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

CITY OF HOLLAND, MICHIGAN

Notes to Financial Statements

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

In the June 30, 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, 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
Estimated claims incurred	5,535,010	75,893	159,800	24,548	144,409	5,939,660
Claim payments	(5,412,796)	(75,893)	(161,249)	(24,645)	(144,409)	(5,818,992)
Estimated liability, June 30, 2017	\$ 280,727	\$ -	\$ -	\$ -	\$ -	\$ 280,727

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, 2017, the City had the following outstanding commitments:

- \$546,000 for various drain projects
- \$12,918,000 for various municipal projects
- \$3,276,000 for road construction and related infrastructure projects
- \$41,140,000 for various electric utility projects
- \$1,725,000 for various water utility projects
- \$3,925,000 for various wastewater utility projects

19. EXTRAORDINARY ITEMS

New regulations imposed upon the coal fired power electric generation industry and unprecedented growth and market penetration of new technologies (gas and renewables), forced the closure of the James De Young Power Plant ("JDY"). Based on the assessment of current market conditions, the Board reassessed inventory and equipment values to recognize the closure related losses. The JDY power plant land pollution remediation costs were reasonably estimable during the year and, to the extent allowed by GASB 49, were capitalized as land costs since the outlays would be incurred to prepare the JDY plant property for sale. The amount capitalized was \$2,884,817. Remediation expense in excess of that amount of \$703,794 was recognized as an extraordinary expense during the year.

CITY OF HOLLAND, MICHIGAN

Notes to Financial Statements

The impaired assets from the JDY power plant that can no longer be used by the Board were revalued to the lower of carrying value or fair value, resulting in a \$2,270,956 loss. These assets have little or no scrap value as the estimated cost of removal and disposal is expected to exceed scrap values. Spare parts inventory, determined to be obsolete, has been written off resulting in a \$305,218 loss.

Coal inventory value fell below book value during the year, and the inventory the Board managed to sell resulted in a year end loss of \$141,925. The unsold remainder of 5,200 tons, with a book value of \$182,015, has been determined obsolete and written off.

20. TAX ABATEMENTS

The City of Holland has offered tax incentives and abatements to create jobs, stimulate investment, provide affordable housing, rehabilitate existing residential, commercial and industrial properties, clean up environmentally contaminated properties, redevelop functionally obsolete properties, encourage high tech innovation, and enhance economic growth in the region.

The seven tax incentive programs provided by the City of Holland as of December 31, 2016, and the amount of taxes abated for each of the programs for the year ended June 30, 2017 were as follows:

Industrial Facility Tax Exemption (IFT)	\$	255,431
Payment in Lieu of Taxes (PILOT)		131,913
New Personal Property Exemption		147,616
Commercial Rehabilitation Act		2,177
Michigan Renaissance Zone		417,263
Neighborhood Enterprise Zone Act (NEZ)		11,563
Brownfield Redevelopment Financing Act		321,207
		<u>1,287,170</u>
	\$	<u>1,287,170</u>

City Council's Incentive Criteria For Decision Making

Individual projects are evaluated with consideration of impact on existing city infrastructure (roads, storm systems/drainage, water/sewer, and public safety) and possible need for increased capacity, environmental impact, impact on the local economy, the quality of jobs created/retained including income levels, the level and type of investment, redevelopment of blighted or contaminated property, need for affordable housing and more. Some projects are approved in partnership with State of Michigan and in collaboration with a regional economic development organization called Lakeshore Advantage. Agreements are signed with developers that outline expectations of all parties, including claw back provisions.



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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF HOLLAND, MICHIGAN

Required Supplementary Information

MERS Agent Multiple-Employer Defined Benefit Pension Plan

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

	Year Ended June 30		
	2017	2016	2015
Total pension liability			
Service cost	\$ 1,422,305	\$ 1,395,000	\$ 1,451,999
Interest	10,095,787	9,806,547	9,570,281
Changes in benefit terms	-	(35,121)	-
Differences between expected and actual experience	(1,674,442)	(1,624,003)	-
Changes of assumptions	-	6,009,942	-
Benefit payments, including refunds of employee contributions	(8,217,231)	(8,254,623)	(8,005,271)
Net change in total pension liability	<u>1,626,419</u>	<u>7,297,742</u>	<u>3,017,009</u>
Total pension liability, beginning of year	<u>129,594,797</u>	<u>122,297,055</u>	<u>119,280,046</u>
Total pension liability, end of year	<u>131,221,216</u>	<u>129,594,797</u>	<u>122,297,055</u>
Plan fiduciary net position			
Employer contributions	3,033,757	28,953,539	3,989,428
Employee contributions	667,112	592,609	543,411
Net investment income (loss)	11,009,981	(1,046,066)	4,785,679
Benefit payments, including refunds of employee contributions	(8,217,231)	(8,254,623)	(8,005,271)
Administrative expense	(217,181)	(172,535)	(175,174)
Net change in plan fiduciary net position	<u>6,276,438</u>	<u>20,072,924</u>	<u>1,138,073</u>
Plan fiduciary net position, beginning of year	<u>98,038,219</u>	<u>77,965,295</u>	<u>76,827,222</u>
Plan fiduciary net position, end of year	<u>104,314,657</u>	<u>98,038,219</u>	<u>77,965,295</u>
City's net pension liability	<u>\$ 26,906,559</u>	<u>\$ 31,556,578</u>	<u>\$ 44,331,760</u>
Plan fiduciary net position as a percentage of total pension liability	79.5%	75.6%	63.8%
Covered payroll	\$ 12,389,202	\$ 12,891,251	\$ 13,451,949
City's net pension liability as a percentage of covered payroll	217.2%	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 Payroll
2017	\$ 131,221,216	\$ 104,314,657	\$ 26,906,559	79.5%	\$ 12,389,202
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 Payroll	Contributions as Percentage of Covered Payroll
2017	\$ 1,789,641	\$ 1,789,641	\$ -	\$ 12,668,001	14.1%
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%

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 (2017, based on the 12/31/2014 actuarial valuation):

Actuarial cost method	Entry-age normal
Amortization method	Level percent of payroll, open
Remaining amortization period	Ranges from 6 to 24 years, depending on division/bargaining unit
Asset valuation method	10 year smoothed
Inflation	3.0% to 4.0%
Salary increases	4.5% in the long-term (2.0% and 3.0% for calendars years 2015 and 2016, respectively)
Investment rate of return	8.0%, 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, 2009 actuarial valuations. The Early Retirement rates were first used for the December 31, 2011 actuarial valuations.
Mortality	1994 Group Annuity Mortality Table of a 50% Male and 50% Female blend. For disabled retirees, the regular mortality table is used with a 10-year set forward in ages to reflect the higher expected mortality rates of disabled members.

CITY OF HOLLAND, MICHIGAN

Required Supplementary Information

Other Postemployment Benefits Plan

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a) / c)
6/30/2012	\$ -	\$ 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
2015	\$ 918,228	45.5%
2016	492,177	80.4%
2017	522,606	54.8%

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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, 2017

	General	Budget Stabilization	Total General Fund
Assets			
Cash and pooled investments	\$ 4,232,815	\$ 1,155,460	\$ 5,388,275
Receivables:			
Accounts	128,085	-	128,085
Taxes	925	-	925
Interest	3,168	-	3,168
Due from other governmental units	520,119	-	520,119
Due from other funds	26,596	-	26,596
Prepaid items	60,057	-	60,057
Total assets	\$ 4,971,765	\$ 1,155,460	\$ 6,127,225
Liabilities			
Accounts payable	\$ 492,402	\$ 38,960	\$ 531,362
Accrued payroll and benefits	241,622	-	241,622
Due to other governmental units	209,092	-	209,092
Due to other funds	103,338	-	103,338
Deposits	89,030	-	89,030
Unearned revenue	131,319	-	131,319
Total liabilities	1,266,803	38,960	1,305,763
Fund balances			
Nonspendable	60,057	-	60,057
Committed	5,667	-	5,667
Unassigned	3,639,238	1,116,500	4,755,738
Total fund balances	3,704,962	1,116,500	4,821,462
Total liabilities and fund balances	\$ 4,971,765	\$ 1,155,460	\$ 6,127,225

CITY OF HOLLAND, MICHIGAN

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

General Fund - By Activity

For the Year Ended June 30, 2017

	General	Budget Stabilization	Elimination	Total General Fund
Revenues				
Property taxes	\$ 9,036,247	\$ -	\$ -	\$ 9,036,247
Licenses and permits	783,080	-	-	783,080
Intergovernmental	4,568,926	-	-	4,568,926
Charges for services	1,657,964	-	-	1,657,964
Fines and fees	142,051	-	-	142,051
Interest and rents	351,756	-	-	351,756
Miscellaneous	63,626	-	-	63,626
Total revenues	16,603,650	-	-	16,603,650
Expenditures				
Current:				
General government	3,502,575	47,286	-	3,549,861
Public safety	11,533,770	-	-	11,533,770
Public works	1,174,902	-	-	1,174,902
Welfare and social services	446,506	-	-	446,506
Parks and recreation	3,475,589	-	-	3,475,589
Other	87,808	-	-	87,808
Total expenditures	20,221,150	47,286	-	20,268,436
Revenue under expenditures	(3,617,500)	(47,286)	-	(3,664,786)
Other financing sources (uses)				
Transfers in	5,324,938	200,000	(200,000)	5,324,938
Transfers out	(1,707,438)	-	200,000	(1,507,438)
Total other financing sources (uses)	3,617,500	200,000	-	3,817,500
Net changes in fund balances	-	152,714	-	152,714
Fund balances, beginning of year	3,704,962	963,786	-	4,668,748
Fund balances, end of year	\$ 3,704,962	\$ 1,116,500	\$ -	\$ 4,821,462

CITY OF HOLLAND, MICHIGAN

Detailed Schedule of Revenues

Budget and Actual - General Fund

For the Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Taxes:				
Property	\$ 8,414,038	\$ 8,391,081	\$ 8,375,326	\$ (15,755)
Penalties and interest on delinquent taxes	85,000	85,000	88,331	3,331
Administration fee	483,000	516,800	515,986	(814)
Public service charge in lieu of property tax	47,500	55,000	55,100	100
Other miscellaneous tax revenue	1,450	1,570	1,504	(66)
Total taxes	<u>9,030,988</u>	<u>9,049,451</u>	<u>9,036,247</u>	<u>(13,204)</u>
Licenses and permits:				
Business	28,600	30,600	31,642	1,042
Nonbusiness	609,000	672,500	751,438	78,938
Total licenses and permits	<u>637,600</u>	<u>703,100</u>	<u>783,080</u>	<u>79,980</u>
Intergovernmental:				
State	3,977,554	4,429,699	4,504,584	74,885
Federal	34,100	28,704	28,217	(487)
Other	50,000	50,000	36,125	(13,875)
Total intergovernmental	<u>4,061,654</u>	<u>4,508,403</u>	<u>4,568,926</u>	<u>60,523</u>
Charges for services:				
Fees	736,945	740,255	743,740	3,485
Services rendered	792,605	790,868	785,530	(5,338)
Sales	126,750	125,490	128,694	3,204
Total charges for services	<u>1,656,300</u>	<u>1,656,613</u>	<u>1,657,964</u>	<u>1,351</u>
Fines and fees	131,700	132,450	142,051	9,601
Interest and rents:				
Investment earnings	101,500	101,500	91,151	(10,349)
Rents	234,800	254,800	260,605	5,805
Total interest and rents	<u>336,300</u>	<u>356,300</u>	<u>351,756</u>	<u>(4,544)</u>
Miscellaneous	36,520	67,629	63,626	(4,003)
Total revenues	<u>\$ 15,891,062</u>	<u>\$ 16,473,946</u>	<u>\$ 16,603,650</u>	<u>\$ 129,704</u>

CITY OF HOLLAND, MICHIGAN

Detailed Schedule of Expenditures

Budget and Actual - General Fund

For the Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Expenditures				
<i>General fund expenditures</i>				
General government:				
City council	\$ 183,113	\$ 251,897	\$ 252,988	\$ 1,091
City manager	340,625	347,068	346,293	(775)
Elections	79,067	86,469	86,757	288
City finance	501,225	531,205	524,025	(7,180)
Independent audit	42,850	42,880	42,670	(210)
City assessor	421,592	427,130	411,366	(15,764)
Legal services	202,600	201,600	193,552	(8,048)
City clerk	302,382	302,640	291,490	(11,150)
Human resources	247,100	342,804	328,561	(14,243)
City treasurer	222,403	195,432	177,270	(18,162)
City hall and grounds	167,968	185,491	186,878	1,387
Cemetery	492,132	508,111	512,185	4,074
Volunteer services	7,521	8,406	6,969	(1,437)
Planning commission	169,295	160,438	141,571	(18,867)
Total general government	<u>3,379,873</u>	<u>3,591,571</u>	<u>3,502,575</u>	<u>(88,996)</u>
Public safety:				
Police	7,919,647	7,748,445	7,695,093	(53,352)
Fire	2,879,385	2,819,832	2,820,802	970
Environmental health/inspections	403,823	404,984	402,651	(2,333)
Construction inspections	619,055	632,868	615,224	(17,644)
Total public safety	<u>11,821,910</u>	<u>11,606,129</u>	<u>11,533,770</u>	<u>(72,359)</u>
Public works:				
Streets	1,000,843	1,031,450	1,009,490	(21,960)
Transportation management/engineering	214,400	163,507	165,412	1,905
Total public works	<u>1,215,243</u>	<u>1,194,957</u>	<u>1,174,902</u>	<u>(20,055)</u>
Welfare and social services:				
Housing and neighborhood	207,136	240,202	221,580	(18,622)
Economic development assistance	73,750	61,277	61,791	514
Human relations commission	159,089	156,358	133,135	(23,223)
Social services assistance	40,000	40,000	30,000	(10,000)
Total welfare and social services	<u>479,975</u>	<u>497,837</u>	<u>446,506</u>	<u>(51,331)</u>

continued...

CITY OF HOLLAND, MICHIGAN

Detailed Schedule of Expenditures

Budget and Actual - General Fund

For the Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Expenditures (concluded)				
<i>General fund expenditures (concluded)</i>				
Parks and recreation:				
Parks	\$ 1,686,264	\$ 1,623,741	\$ 1,631,502	\$ 7,761
Nature center	353,682	311,862	303,248	(8,614)
Cultural-recreational	109,200	108,950	108,814	(136)
Civic center	175,121	196,840	175,325	(21,515)
Recreation	973,110	1,052,448	1,049,455	(2,993)
Market	165,302	152,748	149,172	(3,576)
Parks and recreation administration	59,174	60,259	58,073	(2,186)
Total parks and recreation	<u>3,521,853</u>	<u>3,506,848</u>	<u>3,475,589</u>	<u>(31,259)</u>
Other:				
Insurance	80,000	87,808	87,808	-
Contingencies	493,800	17,919	-	(17,919)
Total other	<u>573,800</u>	<u>105,727</u>	<u>87,808</u>	<u>(17,919)</u>
Total general fund expenditures	20,992,654	20,503,069	20,221,150	(281,919)
<i>Budget stabilization fund expenditures</i>				
General government:				
Other services and charges	<u>50,000</u>	<u>50,000</u>	<u>47,286</u>	<u>(2,714)</u>
Total expenditures	<u>\$ 21,042,654</u>	<u>\$ 20,553,069</u>	<u>\$ 20,268,436</u>	<u>\$ (284,633)</u>

concluded

CITY OF HOLLAND, MICHIGAN

Detailed Schedule of Transfers

Budget and Actual - General Fund

For the Year Ended June 30, 2017

	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	11,000	15,000	14,938	(62)
Enterprise Funds:				
Electric Utility	5,195,000	5,195,000	5,195,000	-
Budget Stabilization Fund	-	200,000	200,000	-
Elimination	-	(200,000)	(200,000)	-
Total transfers in	\$ 5,321,000	\$ 5,325,000	\$ 5,324,938	\$ (62)
Transfers out				
Special Revenue Funds:				
Miscellaneous Government Functions:				
Dangerous Structures	\$ 1,000	\$ 8,750	\$ 10,304	\$ 1,554
Public Safety Grants:				
Anti-Drug Abuse Grants	-	239,620	243,256	3,636
Capital Projects Funds:				
Municipal Facilities/Land Improvement Projects	-	620,125	1,153,878	533,753
Enterprise Funds:				
Windmill Island	110,000	60,000	-	(60,000)
Internal Service Funds:				
Fire Vehicle/Equipment	100,000	100,000	100,000	-
Budget Stabilization Fund	-	200,000	200,000	-
Elimination	-	(200,000)	(200,000)	-
Total transfers out	\$ 211,000	\$ 1,028,495	\$ 1,507,438	\$ 478,943

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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, 2009 and 2016. 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. Department 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, 2017, 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. Department 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, 2017, of estimated revenues and appropriations are carried forward to the ensuing fiscal year.

Law Enforcement Block Grant Fund

The City is recipient to various pass-thru grants awarded and directly administered by the *U.S. Department 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, 2017, 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 State Police - Emergency Management Division (sub-grantor), and the Ottawa County Sheriffs Department - 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, 2017, 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.

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, 2017, 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, 2017, of estimated revenues and appropriations are carried forward to the ensuing fiscal year.

CITY OF HOLLAND, MICHIGAN

Nonmajor Governmental Funds

Special Revenue Funds (Concluded)

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, 2017, 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 and Human Services. Ottawa County Health Department* has entered into a contractual agreement with the City to implement the EBT Program at the Holland Farmer's Market. The designated purpose is to fund the wages paid to employees administering the EBT Programs allowing citizens to use their Bridge Cards to purchase fresh fruits and vegetables at the Holland Farmer's Market.

Private contributions supports the operations in this fund. Open budget balances at June 30, 2017 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.

CITY OF HOLLAND, MICHIGAN

Nonmajor Governmental Funds

Debt Service Funds (Continued)

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 2010 Building Authority Partial Refunding Bond Issue and 2016 Building Authority Refunding Bond Issue and to the City of Holland - Act 99 Debt Service Fund.
- 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.
- as "debt service payment" of annual principal and interest on a ten year pension obligation bond dated November 18, 2015 for paying down the Unfunded Liability on the closed defined benefit divisions.
- as "debt service payment" of annual principal and interest on a ten year Limited Tax Obligation bond dated December 8, 2016 for additions to snowmelt.
- as "debt service payment" of annual principal and interest on a twenty year Limited Tax Obligation bond dated December 8, 2016 for the Civic Center Place project.

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).

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 (Partial) Bonds, Series 2010
- Building Authority - Refunding Bonds, Series 2016

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.

Act 99 Debt Service Fund

This fund accounts for the scheduled debt service maturity payments on the Installment Purchase Agreement dated February 25, 2016. The revenues are derived from the 'rental payments' from the City of Holland - General Obligation Debt Service Fund (via property taxation).

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, 2017, of estimated revenues and appropriations are carried forward to the ensuing fiscal year.

CITY OF HOLLAND, MICHIGAN

Nonmajor Governmental Funds

Capital Projects Funds (Continued)

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 - Replace Fluid Cooler
- City Wide - Tree Planting
- Moran Park - Resurface Tennis Courts, Convert 3 courts to 10 pickleball courts
- Kollen Park - Paint Railings

Public Safety

- Police Station:
 - Enhancements to Booking Area
 - Evidence and Locker Rooms

All Other Municipal Projects & Programs

- City Hall:
 - Exterior Painting, Blinds for New Windows
- Sustainability:
 - Energy Upgrades to City Facilities
- Community and Neighborhood:
 - South Shore Village - Parking & Landscaping
 - Funding Assistance for Home Repairs/Replacements
- Planning:
 - Master Plan

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
- Central Avenue, 16th Street to State Street
- South Shore Drive Reconstruction
- 64th Street Realignment

Drain Projects:

- Major Drain System Project:
 - Watershed / Storm Water Regulation (MACC Project)
 - Alden Court
- Various Small Drain Projects

Sidewalk Projects:

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

Traffic Signal:

- 16th Street & Columbia

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.



CITY OF HOLLAND, MICHIGAN

Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2017

	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	\$ 331,853	\$ -	\$ 623,548	\$ 8,698	\$ 346,702
Receivables:					
Accounts	4,700	4,185	-	1,933	-
Taxes and special assessments	-	-	-	-	-
Notes	-	-	-	-	-
Due from other governmental units	481,596	134,083	-	-	-
Due from other funds	5,535	1,485	-	-	-
Prepaid items	-	-	-	-	-
Total assets	<u>\$ 823,684</u>	<u>\$ 139,753</u>	<u>\$ 623,548</u>	<u>\$ 10,631</u>	<u>\$ 346,702</u>
Liabilities					
Accounts payable	\$ 13,969	\$ 17,258	\$ -	\$ 2,315	\$ 2,709
Accrued payroll and benefits	5,417	9,695	-	-	-
Due to other funds	38,587	110,800	-	-	-
Unearned revenue	-	-	-	-	-
Total liabilities	<u>57,973</u>	<u>137,753</u>	<u>-</u>	<u>2,315</u>	<u>2,709</u>
Deferred inflows of resources					
Unavailable revenue:					
Special assessment receivable	-	-	-	-	-
Fund balances					
Nonspendable	-	-	-	-	-
Restricted	765,711	2,000	623,548	8,316	-
Committed	-	-	-	-	343,993
Total fund balances	<u>765,711</u>	<u>2,000</u>	<u>623,548</u>	<u>8,316</u>	<u>343,993</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 823,684</u>	<u>\$ 139,753</u>	<u>\$ 623,548</u>	<u>\$ 10,631</u>	<u>\$ 346,702</u>

Special Revenue Funds						
Downtown Operations			Miscellaneous Governmental Functions			
Public Parking System	Snowmelt Operating System	Principal Shopping District	CATV - (Public Access Channels)	Revolving Cash Assistance	Specified Donations	Dangerous Structures
\$ 301,502	\$ 107,300	\$ 51,823	\$ 300,445	\$ 186,750	\$ 529,999	\$ -
6,997	-	2,025	120,408	-	19,054	47,533
-	-	-	-	797,904	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	300	-	-	-	-
<u>\$ 308,499</u>	<u>\$ 107,300</u>	<u>\$ 54,148</u>	<u>\$ 420,853</u>	<u>\$ 984,654</u>	<u>\$ 549,053</u>	<u>\$ 47,533</u>
\$ 17	\$ -	\$ 724	\$ 2,174	\$ -	\$ 28,456	\$ 16,000
1,092	-	1,954	2,772	-	3,016	-
877	56,283	140	-	-	-	4,471
-	-	-	-	-	-	-
<u>1,986</u>	<u>56,283</u>	<u>2,818</u>	<u>4,946</u>	<u>-</u>	<u>31,472</u>	<u>20,471</u>
-	-	-	-	797,904	-	-
-	-	300	-	-	-	-
306,513	51,017	51,030	-	186,750	517,581	27,062
-	-	-	415,907	-	-	-
<u>306,513</u>	<u>51,017</u>	<u>51,330</u>	<u>415,907</u>	<u>186,750</u>	<u>517,581</u>	<u>27,062</u>
<u>\$ 308,499</u>	<u>\$ 107,300</u>	<u>\$ 54,148</u>	<u>\$ 420,853</u>	<u>\$ 984,654</u>	<u>\$ 549,053</u>	<u>\$ 47,533</u>

continued...

CITY OF HOLLAND, MICHIGAN

Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2017

	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	\$ 5,737	\$ 8,285	\$ -	\$ -	\$ -
Receivables:					
Accounts	-	-	-	-	-
Taxes and special assessments	-	-	-	-	-
Notes	-	-	-	-	-
Due from other governmental units	-	661	7,869	-	-
Due from other funds	-	-	-	-	-
Prepaid items	-	-	-	-	-
Total assets	<u>\$ 5,737</u>	<u>\$ 8,946</u>	<u>\$ 7,869</u>	<u>\$ -</u>	<u>\$ -</u>
Liabilities					
Accounts payable	\$ -	\$ 4,579	\$ -	\$ -	\$ -
Accrued payroll and benefits	-	4,367	-	-	-
Due to other funds	-	-	7,869	-	-
Unearned revenue	-	-	-	-	-
Total liabilities	<u>-</u>	<u>8,946</u>	<u>7,869</u>	<u>-</u>	<u>-</u>
Deferred inflows of resources					
Unavailable revenue:					
Special assessment receivable	-	-	-	-	-
Fund balances					
Nonspendable	-	-	-	-	-
Restricted	5,737	-	-	-	-
Committed	-	-	-	-	-
Total fund balances	<u>5,737</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 5,737</u>	<u>\$ 8,946</u>	<u>\$ 7,869</u>	<u>\$ -</u>	<u>\$ -</u>

Special Revenue Funds					
Public Safety	Culture and Community Improvement				
Michigan Rehabilitation Services Grant	District Library Taxation	Community Development Block Grant (CDBG)	Clean Energy Program	Stormwater Grant	Eat Healthy For Life - EBT Program
\$ -	\$ -	\$ 23,299	\$ 28,060	\$ 75,513	\$ 23,237
-	5,743	-	-	-	-
-	104	-	-	-	-
-	-	-	-	-	-
-	-	30,633	-	75,251	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ -</u>	<u>\$ 5,847</u>	<u>\$ 53,932</u>	<u>\$ 28,060</u>	<u>\$ 150,764</u>	<u>\$ 23,237</u>
\$ -	\$ 5,795	\$ 5,000	\$ -	\$ 24,698	\$ 730
-	-	952	-	1,038	-
-	52	25,180	-	-	-
-	-	-	-	-	14,493
-	5,847	31,132	-	25,736	15,223
-	-	-	-	-	-
-	-	-	-	-	-
-	-	22,800	28,060	125,028	8,014
-	-	-	-	-	-
-	-	22,800	28,060	125,028	8,014
<u>\$ -</u>	<u>\$ 5,847</u>	<u>\$ 53,932</u>	<u>\$ 28,060</u>	<u>\$ 150,764</u>	<u>\$ 23,237</u>

continued...

CITY OF HOLLAND, MICHIGAN

Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2017

	Special Revenue Funds	Debt Service Funds			
	Culture and Community Improvement				
	Holland Energy	General Obligation Debt Service	Building Authority Debt Service	Special Assessment Debt Service	Act 99 Debt Service
Assets					
Cash and pooled investments	\$ 8,814	\$ 676,129	\$ 13,921	\$ 25	\$ -
Receivables:					
Accounts	2,107	-	-	-	-
Taxes and special assessments	-	281	-	22,501	-
Notes	245,673	-	-	-	-
Due from other governmental units	-	-	-	-	-
Due from other funds	2,297	-	-	-	-
Prepaid items	-	-	-	-	-
Total assets	<u>\$ 258,891</u>	<u>\$ 676,410</u>	<u>\$ 13,921</u>	<u>\$ 22,526</u>	<u>\$ -</u>
Liabilities					
Accounts payable	\$ 6,947	\$ 6,889	\$ -	\$ -	\$ -
Accrued payroll and benefits	-	-	-	-	-
Due to other funds	115,152	-	-	-	-
Unearned revenue	-	-	-	-	-
Total liabilities	<u>122,099</u>	<u>6,889</u>	<u>-</u>	<u>-</u>	<u>-</u>
Deferred inflows of resources					
Unavailable revenue:					
Special assessment receivable	-	-	-	22,501	-
Fund balances					
Nonspendable	-	-	-	-	-
Restricted	-	669,521	13,921	25	-
Committed	136,792	-	-	-	-
Total fund balances	<u>136,792</u>	<u>669,521</u>	<u>13,921</u>	<u>25</u>	<u>-</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 258,891</u>	<u>\$ 676,410</u>	<u>\$ 13,921</u>	<u>\$ 22,526</u>	<u>\$ -</u>



Capital Projects Funds	Permanent Fund	
Infrastructure Projects	Cemetery Perpetual Care	Total
\$ 302,246	\$ 1,684,148	\$ 5,638,034
80,597	1,500	296,782
-	-	820,790
-	-	245,673
-	-	730,093
689,994	-	699,311
-	-	300
<u>\$ 1,072,837</u>	<u>\$ 1,685,648</u>	<u>\$ 8,430,983</u>
\$ 269,791	\$ -	\$ 408,051
5,225	-	35,528
655,265	-	1,014,676
84,167	-	98,660
<u>1,014,448</u>	<u>-</u>	<u>1,556,915</u>
-	-	820,405
-	1,586,387	1,586,687
-	99,261	3,511,895
58,389	-	955,081
<u>58,389</u>	<u>1,685,648</u>	<u>6,053,663</u>
<u>\$ 1,072,837</u>	<u>\$ 1,685,648</u>	<u>\$ 8,430,983</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, 2017

	Special Revenue Funds				
	Street Maintenance and Improvements				
	Major Street	Local Street	Allegan County Road Tax	Ottawa County Road Tax	Street Improvements Reserve
Revenues					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 1,431,085
Special assessments	-	-	-	-	-
Intergovernmental	2,718,224	693,882	376,834	335,430	248,266
Charges for services	36,468	43,564	-	-	-
Fines and fees	-	-	-	-	-
Contributions from private sector	-	-	-	-	-
Interest and rents	(1,265)	450	1,661	(117)	52
Miscellaneous	-	-	-	-	7,875
Total revenues	2,753,427	737,896	378,495	335,313	1,687,278
Expenditures					
Current:					
General government	-	-	-	-	-
Public safety	-	-	-	-	-
Public works	1,452,195	1,295,050	-	1,371	-
Welfare and social services	-	-	-	-	-
Parks and recreation	-	-	-	-	-
Debt service:					
Principal retirement	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Bond issuance cost	-	-	-	-	-
Capital outlay	-	-	-	-	-
Total expenditures	1,452,195	1,295,050	-	1,371	-
Revenue over (under) expenditures	1,301,232	(557,154)	378,495	333,942	1,687,278
Other financing sources (uses)					
Issuance of refunding bonds	-	-	-	-	-
Payments to refunding bond escrow agent	-	-	-	-	-
Transfers in	-	557,154	-	-	658,934
Transfers out	(557,154)	-	(162,881)	(330,000)	(2,019,193)
Total other financing sources (uses)	(557,154)	557,154	(162,881)	(330,000)	(1,360,259)
Net changes in fund balances	744,078	-	215,614	3,942	327,019
Fund balances, beginning of year	21,633	2,000	407,934	4,374	16,974
Fund balances, end of year	\$ 765,711	\$ 2,000	\$ 623,548	\$ 8,316	\$ 343,993

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
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
206,290	270,188	180,762	-	621,920	-	-
-	-	-	-	-	-	-
25,317	-	52,261	4,801	-	-	73,663
-	-	-	480,177	-	-	-
-	-	33,275	-	-	272,643	-
1,352	652	(101)	2,008	19,490	-	-
-	-	-	170	-	-	-
<u>232,959</u>	<u>270,840</u>	<u>266,197</u>	<u>487,156</u>	<u>641,410</u>	<u>272,643</u>	<u>73,663</u>
-	-	-	217,873	-	207,633	56,905
-	-	-	-	-	-	-
178,696	229,357	-	-	-	-	-
-	-	-	-	-	-	-
-	-	241,932	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	19,075	-	6,350	-
<u>178,696</u>	<u>229,357</u>	<u>241,932</u>	<u>236,948</u>	<u>-</u>	<u>213,983</u>	<u>56,905</u>
<u>54,263</u>	<u>41,483</u>	<u>24,265</u>	<u>250,208</u>	<u>641,410</u>	<u>58,660</u>	<u>16,758</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	9,534	-	-	-	-	10,304
(9,534)	-	-	(235,000)	(659,434)	-	-
<u>(9,534)</u>	<u>9,534</u>	<u>-</u>	<u>(235,000)</u>	<u>(659,434)</u>	<u>-</u>	<u>10,304</u>
44,729	51,017	24,265	15,208	(18,024)	58,660	27,062
261,784	-	27,065	400,699	204,774	458,921	-
<u>\$ 306,513</u>	<u>\$ 51,017</u>	<u>\$ 51,330</u>	<u>\$ 415,907</u>	<u>\$ 186,750</u>	<u>\$ 517,581</u>	<u>\$ 27,062</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, 2017

	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					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Special assessments	-	-	-	-	-
Intergovernmental	10,274	52,402	19,744	3,025	368
Charges for services	-	-	-	-	-
Fines and fees	-	-	-	-	-
Contributions from private sector	-	-	-	-	-
Interest and rents	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total revenues	10,274	52,402	19,744	3,025	368
Expenditures					
Current:					
General government	-	-	-	-	-
Public safety	8,309	295,658	19,744	-	368
Public works	-	-	-	-	-
Welfare and social services	-	-	-	-	-
Parks and recreation	-	-	-	-	-
Debt service:					
Principal retirement	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Bond issuance cost	-	-	-	-	-
Capital outlay	-	-	-	3,025	-
Total expenditures	8,309	295,658	19,744	3,025	368
Revenue over (under) expenditures	1,965	(243,256)	-	-	-
Other financing sources (uses)					
Issuance of refunding bonds	-	-	-	-	-
Payments to refunding bond escrow agent	-	-	-	-	-
Transfers in	-	243,256	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	-	243,256	-	-	-
Net changes in fund balances	1,965	-	-	-	-
Fund balances, beginning of year	3,772	-	-	-	-
Fund balances, end of year	\$ 5,737	\$ -	\$ -	\$ -	\$ -

Special Revenue Funds					
Public Safety	Culture and Community Improvement				
Michigan Rehabilitation Services Grant	District Library Taxation	Community Development Block Grant (CDBG)	Clean Energy Program	Stormwater Grant	Eat Healthy For Life - EBT Program
\$ -	\$ 1,253,696	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
21,677	-	152,561	-	257,217	-
-	-	-	-	-	-
-	-	71,523	8,034	-	11,492
-	-	-	162	-	-
-	-	12,453	-	-	-
21,677	1,253,696	236,537	8,196	257,217	11,492
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	132,189	-
21,677	-	234,156	-	-	15,350
-	1,253,699	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
21,677	1,253,699	234,156	-	132,189	15,350
-	(3)	2,381	8,196	125,028	(3,858)
-	-	-	-	-	-
-	-	-	-	-	-
-	100	-	-	-	-
-	(97)	-	-	-	-
-	3	-	-	-	-
-	-	2,381	8,196	125,028	(3,858)
-	-	20,419	19,864	-	11,872
\$ -	\$ -	\$ 22,800	\$ 28,060	\$ 125,028	\$ 8,014

continued...

CITY OF HOLLAND, MICHIGAN

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds
For the Year Ended June 30, 2017

	Special Revenue Funds	Debt Service Funds			
	Culture and Community Improvement				
	Holland Energy	General Obligation Debt Service	Building Authority Debt Service	Special Assessment Debt Service	Act 99 Debt Service
Revenues					
Taxes	\$ -	\$ 3,749,722	\$ -	\$ -	\$ -
Special assessments	-	-	-	8,317	-
Intergovernmental	-	631,452	-	-	-
Charges for services	-	-	-	-	-
Fines and fees	-	-	-	-	-
Contributions from private sector	-	-	-	-	-
Interest and rents	4,225	8,924	448,080	1,553	-
Miscellaneous	-	278,690	-	-	-
Total revenues	4,225	4,668,788	448,080	9,870	-
Expenditures					
Current:					
General government	-	415	-	-	-
Public safety	-	-	-	-	-
Public works	263,662	-	-	-	-
Welfare and social services	-	-	-	-	-
Parks and recreation	-	-	-	-	-
Debt service:					
Principal retirement	-	1,747,810	1,815,000	50,000	271,459
Interest and fiscal charges	-	546,775	93,031	306	81,742
Bond issuance cost	-	-	50,518	-	-
Capital outlay	-	-	-	-	-
Total expenditures	263,662	2,295,000	1,958,549	50,306	353,201
Revenue over (under) expenditures	(259,437)	2,373,788	(1,510,469)	(40,436)	(353,201)
Other financing sources (uses)					
Issuance of refunding bonds	-	-	6,975,000	-	-
Payments to refunding bond escrow agent	-	-	(7,059,255)	-	-
Transfers in	330,000	-	1,595,606	500	353,201
Transfers out	-	(1,948,807)	-	-	-
Total other financing sources (uses)	330,000	(1,948,807)	1,511,351	500	353,201
Net changes in fund balances	70,563	424,981	882	(39,936)	-
Fund balances, beginning of year	66,229	244,540	13,039	39,961	-
Fund balances, end of year	\$ 136,792	\$ 669,521	\$ 13,921	\$ 25	\$ -

Capital Projects Funds	Permanent Fund	
Infrastructure Projects	Cemetery Perpetual Care	Total
\$ 50,104	\$ -	\$ 6,484,607
164	-	1,287,641
1,345,230	-	6,866,586
-	34,205	270,279
-	-	480,177
232,213	-	629,180
35	9,691	496,852
21,676	-	320,864
<u>1,649,422</u>	<u>43,896</u>	<u>16,836,186</u>
-	-	482,826
-	-	324,079
-	-	3,552,520
-	-	271,183
-	-	1,495,631
-	-	3,884,269
-	-	721,854
-	-	50,518
2,646,794	-	2,675,244
<u>2,646,794</u>	<u>-</u>	<u>13,458,124</u>
(997,372)	43,896	3,378,062
-	-	6,975,000
-	-	(7,059,255)
997,374	-	4,755,963
-	(14,938)	(5,937,038)
<u>997,374</u>	<u>(14,938)</u>	<u>(1,265,330)</u>
2	28,958	2,112,732
58,387	1,656,690	3,940,931
<u>\$ 58,389</u>	<u>\$ 1,685,648</u>	<u>\$ 6,053,663</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, 2017

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Intergovernmental	\$ 2,836,600	\$ 3,090,850	\$ 2,718,224	\$ (372,626)
Charges for services	25,000	30,000	36,468	6,468
Interest and rents	5,000	200	(1,265)	(1,465)
Total revenues	<u>2,866,600</u>	<u>3,121,050</u>	<u>2,753,427</u>	<u>(367,623)</u>
Expenditures				
Current:				
Public works:				
Personnel services	632,585	542,655	464,321	(78,334)
Other services and charges	910,450	890,050	987,874	97,824
Total expenditures	<u>1,543,035</u>	<u>1,432,705</u>	<u>1,452,195</u>	<u>19,490</u>
Revenues over (under) expenditures	1,323,565	1,688,345	1,301,232	(387,113)
Other financing uses				
Transfers out	(1,336,054)	(1,257,519)	(557,154)	(700,365)
Net changes in fund balances	(12,489)	430,826	744,078	313,252
Fund balances, beginning of year	21,633	21,633	21,633	-
Fund balances, end of year	<u>\$ 9,144</u>	<u>\$ 452,459</u>	<u>\$ 765,711</u>	<u>\$ 313,252</u>

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, 2017

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Intergovernmental	\$ 728,000	\$ 749,500	\$ 693,882	\$ (55,618)
Charges for services	40,000	45,000	43,564	(1,436)
Interest and rents	1,000	800	450	(350)
Total revenues	<u>769,000</u>	<u>795,300</u>	<u>737,896</u>	<u>(57,404)</u>
Expenditures				
Current:				
Public works:				
Personnel services	688,780	611,125	576,715	(34,410)
Other services and charges	780,200	784,950	718,335	(66,615)
Total expenditures	<u>1,468,980</u>	<u>1,396,075</u>	<u>1,295,050</u>	<u>(101,025)</u>
Revenues over (under) expenditures	(699,980)	(600,775)	(557,154)	43,621
Other financing sources				
Transfers in	699,980	600,775	557,154	(43,621)
Net changes in fund balances	-	-	-	-
Fund balances, beginning of year	<u>2,000</u>	<u>2,000</u>	<u>2,000</u>	<u>-</u>
Fund balances, end of year	<u>\$ 2,000</u>	<u>\$ 2,000</u>	<u>\$ 2,000</u>	<u>\$ -</u>

CITY OF HOLLAND, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balances
 Budget and Actual - Allegan County Road Tax Fund
 For the Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Intergovernmental	\$ 450,000	\$ 450,000	\$ 376,834	\$ (73,166)
Interest and rents	4,000	4,000	1,661	(2,339)
Total revenues	454,000	454,000	378,495	(75,505)
Other financing uses				
Transfers out	(375,000)	(178,651)	(162,881)	(15,770)
Net changes in fund balances	79,000	275,349	215,614	(59,735)
Fund balances, beginning of year	407,934	407,934	407,934	-
Fund balances, end of year	<u>\$ 486,934</u>	<u>\$ 683,283</u>	<u>\$ 623,548</u>	<u>\$ (59,735)</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, 2017

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Intergovernmental	\$ 330,000	\$ 347,600	\$ 335,430	\$ (12,170)
Interest and rents	1,000	500	(117)	(617)
Total revenues	331,000	348,100	335,313	(12,787)
Expenditures				
Current:				
Public works:				
Other services and charges	-	-	1,371	1,371
Revenues over (under) expenditures	331,000	348,100	333,942	(14,158)
Other financing uses				
Transfers out	(330,000)	(330,000)	(330,000)	-
Net changes in fund balances	1,000	18,100	3,942	(14,158)
Fund balances, beginning of year	4,374	4,374	4,374	-
Fund balances, end of year	\$ 5,374	\$ 22,474	\$ 8,316	\$ (14,158)

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, 2017

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Taxes	\$ 1,437,845	\$ 1,433,805	\$ 1,431,085	\$ (2,720)
Intergovernmental	289,047	248,266	248,266	-
Interest and rents	-	2,000	52	(1,948)
Miscellaneous	-	7,875	7,875	-
Total revenues	<u>1,726,892</u>	<u>1,691,946</u>	<u>1,687,278</u>	<u>(4,668)</u>
Other financing sources (uses)				
Transfers in	620,000	658,934	658,934	-
Transfers out	(2,245,744)	(2,350,749)	(2,019,193)	(331,556)
Total other financing sources (uses)	<u>(1,625,744)</u>	<u>(1,691,815)</u>	<u>(1,360,259)</u>	<u>(331,556)</u>
Net changes in fund balances	101,148	131	327,019	326,888
Fund balances, beginning of year	<u>16,974</u>	<u>16,974</u>	<u>16,974</u>	<u>-</u>
Fund balances, end of year	<u>\$ 118,122</u>	<u>\$ 17,105</u>	<u>\$ 343,993</u>	<u>\$ 326,888</u>

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, 2017

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Special assessments	\$ 226,000	\$ 206,290	\$ 206,290	\$ -
Charges for services	19,150	25,050	25,317	267
Interest and rents	1,500	1,500	1,352	(148)
Total revenues	<u>246,650</u>	<u>232,840</u>	<u>232,959</u>	<u>119</u>
Expenditures				
Current:				
Public works:				
Personnel services	81,164	88,036	65,068	(22,968)
Other services and charges	155,325	141,538	113,628	(27,910)
Total expenditures	<u>236,489</u>	<u>229,574</u>	<u>178,696</u>	<u>(50,878)</u>
Revenues over expenditures	10,161	3,266	54,263	50,997
Other financing uses				
Transfers out	-	(9,534)	(9,534)	-
Net changes in fund balances	10,161	(6,268)	44,729	50,997
Fund balances, beginning of year	<u>261,784</u>	<u>261,784</u>	<u>261,784</u>	<u>-</u>
Fund balances, end of year	<u>\$ 271,945</u>	<u>\$ 255,516</u>	<u>\$ 306,513</u>	<u>\$ 50,997</u>

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, 2017

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Special assessments	\$ 297,750	\$ 244,115	\$ 270,188	\$ 26,073
Interest and rents	-	-	652	652
Total revenues	<u>297,750</u>	<u>244,115</u>	<u>270,840</u>	<u>26,725</u>
Expenditures				
Current:				
Public works:				
Other services and charges	<u>242,674</u>	<u>179,177</u>	<u>229,357</u>	<u>50,180</u>
Revenues over expenditures	55,076	64,938	41,483	(23,455)
Other financing sources				
Transfers in	<u>26,074</u>	<u>35,608</u>	<u>9,534</u>	<u>(26,074)</u>
Net changes in fund balances	81,150	100,546	51,017	(49,529)
Fund balances, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances, end of year	<u>\$ 81,150</u>	<u>\$ 100,546</u>	<u>\$ 51,017</u>	<u>\$ (49,529)</u>

CITY OF HOLLAND, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balances Budget and Actual - Principal Shopping District Fund For the Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Special assessments	\$ 180,000	\$ 180,762	\$ 180,762	\$ -
Charges for services	107,500	52,227	52,261	34
Contributions from private sector	53,000	33,250	33,275	25
Interest and rents	500	100	(101)	(201)
Total revenues	341,000	266,339	266,197	(142)
Expenditures				
Current:				
Parks and recreation:				
Personnel services	185,013	122,795	116,816	(5,979)
Other services and charges	128,850	125,129	125,116	(13)
Total expenditures	313,863	247,924	241,932	(5,992)
Net changes in fund balances	27,137	18,415	24,265	5,850
Fund balances, beginning of year	27,065	27,065	27,065	-
Fund balances, end of year	\$ 54,202	\$ 45,480	\$ 51,330	\$ 5,850

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, 2017

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Charges for services	\$ 6,000	\$ 3,200	\$ 4,801	\$ 1,601
Fines and fees	488,000	472,000	480,177	8,177
Interest and rents	3,000	3,000	2,008	(992)
Miscellaneous	500	300	170	(130)
Total revenues	497,500	478,500	487,156	8,656
Expenditures				
Current:				
General government:				
Personnel services	157,107	166,925	163,381	(3,544)
Other services and charges	46,200	64,400	54,492	(9,908)
Capital outlay	19,000	19,075	19,075	-
Total expenditures	222,307	250,400	236,948	(13,452)
Revenues over expenditures	275,193	228,100	250,208	22,108
Other financing uses				
Transfers out	(235,000)	(235,000)	(235,000)	-
Net changes in fund balances	40,193	(6,900)	15,208	22,108
Fund balances, beginning of year	400,699	400,699	400,699	-
Fund balances, end of year	\$ 440,892	\$ 393,799	\$ 415,907	\$ 22,108

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, 2017

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Special assessments	\$ 107,481	\$ 612,388	\$ 621,920	\$ 9,532
Interest and rents	16,967	17,651	19,490	1,839
Total revenues	124,448	630,039	641,410	11,371
Other financing uses				
Transfers out	-	(658,934)	(659,434)	500
Net changes in fund balances	124,448	(28,895)	(18,024)	10,871
Fund balances, beginning of year	204,774	204,774	204,774	-
Fund balances, end of year	<u>\$ 329,222</u>	<u>\$ 175,879</u>	<u>\$ 186,750</u>	<u>\$ 10,871</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, 2017

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Contributions from private sector	\$ 70,000	\$ 353,204	\$ 272,643	\$ (80,561)
Expenditures				
Current:				
General government:				
Personnel services	-	189,504	40,125	(149,379)
Other services and charges	-	311,924	167,508	(144,416)
Capital outlay	-	67,252	6,350	(60,902)
Total expenditures	-	568,680	213,983	(354,697)
Revenues over (under) expenditures	70,000	(215,476)	58,660	274,136
Other financing uses				
Transfers out	(145,000)	(210,277)	-	(210,277)
Net changes in fund balances	(75,000)	(425,753)	58,660	484,413
Fund balances, beginning of year	458,921	458,921	458,921	-
Fund balances, end of year	<u>\$ 383,921</u>	<u>\$ 33,168</u>	<u>\$ 517,581</u>	<u>\$ 484,413</u>

CITY OF HOLLAND, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balances Budget and Actual - Dangerous Structures Fund For the Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Charges for services	\$ 11,800	\$ 52,130	\$ 73,663	\$ 21,533
Expenditures				
Current:				
General government:				
Other services and charges	12,800	60,880	56,905	(3,975)
Revenues over (under) expenditures	(1,000)	(8,750)	16,758	25,508
Other financing sources				
Transfers in	1,000	-	10,304	10,304
Net changes in fund balances	-	(8,750)	27,062	35,812
Fund balances, beginning of year	-	-	-	-
Fund balances, end of year	<u>\$ -</u>	<u>\$ (8,750)</u>	<u>\$ 27,062</u>	<u>\$ 35,812</u>

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, 2017

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Intergovernmental	\$ 10,000	\$ 9,600	\$ 10,274	\$ 674
Expenditures				
Current:				
Public safety:				
Other services and charges	9,600	9,600	8,309	(1,291)
Net changes in fund balances	400	-	1,965	1,965
Fund balances, beginning of year	3,772	3,772	3,772	-
Fund balances, end of year	<u>\$ 4,172</u>	<u>\$ 3,772</u>	<u>\$ 5,737</u>	<u>\$ 1,965</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, 2017

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Intergovernmental	\$ -	\$ 52,403	\$ 52,402	\$ (1)
Expenditures				
Current:				
Public safety:				
Personal services	-	319,620	295,658	(23,962)
Revenues over (under) expenditures	-	(267,217)	(243,256)	23,961
Other financing sources				
Transfers in	-	267,217	243,256	(23,961)
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, 2017

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Intergovernmental	\$ -	\$ 27,477	\$ 19,744	\$ (7,733)
Expenditures				
Current:				
Public safety:				
Personal services	-	27,477	19,744	(7,733)
Net changes in fund balances	-	-	-	-
Fund balances, beginning of year	-	-	-	-
Fund balances, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF HOLLAND, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balances
 Budget and Actual - Law Enforcement Block Grant Fund
 For the Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Intergovernmental	\$ -	\$ 14,294	\$ 3,025	\$ (11,269)
Expenditures				
Capital outlay	-	14,294	3,025	(11,269)
Net changes in fund balances	-	-	-	-
Fund balances, beginning of year	-	-	-	-
Fund balances, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF HOLLAND, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balances Budget and Actual - Homeland Security Grant Fund For the Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Intergovernmental	\$ -	\$ -	\$ 368	\$ 368
Expenditures				
Current:				
Public safety:				
Other services and charges	-	-	368	368
Net changes in fund balances	-	-	-	-
Fund balances, beginning of year	-	-	-	-
Fund balances, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF HOLLAND, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balances
 Budget and Actual - Michigan Rehabilitation Services Grant Fund
 For the Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Intergovernmental	\$ -	\$ 21,677	\$ 21,677	\$ -
Expenditures				
Current:				
Welfare and social services:				
Other services and charges	-	21,677	21,677	-
Net changes in fund balances	-	-	-	-
Fund balances, beginning of year	-	-	-	-
Fund balances, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF HOLLAND, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balances Budget and Actual - District Library Taxation Fund For the Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Property taxes	\$ 1,253,100	\$ 1,250,305	\$ 1,253,696	\$ 3,391
Expenditures				
Current:				
Parks and recreation:				
Other services and charges	1,253,100	1,249,899	1,253,699	3,800
Revenues over (under) expenditures	-	406	(3)	(409)
Other financing sources (uses)				
Transfers in	-	-	100	100
Transfers out	-	(97)	(97)	-
Total other financing sources (uses)	-	(97)	3	100
Net changes in fund balances	-	309	-	(309)
Fund balances, beginning of year	-	-	-	-
Fund balances, end of year	\$ -	\$ 309	\$ -	\$ (309)

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, 2017

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Intergovernmental	\$ -	\$ 412,241	\$ 152,561	\$ (259,680)
Contributions from private sector	-	95,952	71,523	(24,429)
Miscellaneous	-	12,453	12,453	-
Total revenues	<u>-</u>	<u>520,646</u>	<u>236,537</u>	<u>(284,109)</u>
Expenditures				
Current:				
Welfare and social services:				
Personnel services	-	107,316	75,637	(31,679)
Other services and charges	-	413,330	158,519	(254,811)
Total expenditures	<u>-</u>	<u>520,646</u>	<u>234,156</u>	<u>(286,490)</u>
Net changes in fund balances	-	-	2,381	(2,381)
Fund balances, beginning of year	20,419	20,419	20,419	-
Fund balances, end of year	<u>\$ 20,419</u>	<u>\$ 20,419</u>	<u>\$ 22,800</u>	<u>\$ (2,381)</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, 2017

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Contributions from private sector	\$ -	\$ -	\$ 8,034	\$ 8,034
Interest and rents	-	-	162	162
	<hr/>	<hr/>	<hr/>	<hr/>
Net changes in fund balances	-	-	8,196	8,196
Fund balances, beginning of year	19,864	19,864	19,864	-
	<hr/>	<hr/>	<hr/>	<hr/>
Fund balances, end of year	<u>\$ 19,864</u>	<u>\$ 19,864</u>	<u>\$ 28,060</u>	<u>\$ 8,196</u>

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, 2017

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Intergovernmental	\$ -	\$ 401,206	\$ 257,217	\$ (143,989)
Expenditures				
Current:				
Public works:				
Personnel services	-	-	60,755	60,755
Other services and charges	-	401,206	71,434	(329,772)
Total expenditures	-	401,206	132,189	(269,017)
Net changes in fund balances	-	-	125,028	125,028
Fund balances, beginning of year	-	-	-	-
Fund balances, end of year	\$ -	\$ -	\$ 125,028	\$ 125,028

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, 2017

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Contributions from private sector	\$ -	\$ 14,000	\$ 11,492	\$ (2,508)
Expenditures				
Current:				
Welfare and social services:				
Other services and charges	-	25,786	15,350	(10,436)
Net changes in fund balances	-	(11,786)	(3,858)	7,928
Fund balances, beginning of year	11,872	11,872	11,872	-
Fund balances, end of year	<u>\$ 11,872</u>	<u>\$ 86</u>	<u>\$ 8,014</u>	<u>\$ 7,928</u>

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, 2017

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Interest and rents	\$ -	\$ -	\$ 4,225	\$ 4,225
Expenditures				
Current:				
Public works:				
Other services and charges	280,000	280,000	263,662	(16,338)
Revenues over (under) expenditures	(280,000)	(280,000)	(259,437)	20,563
Other financing sources				
Transfers in	280,000	280,000	330,000	50,000
Net changes in fund balances	-	-	70,563	70,563
Fund balances, beginning of year	66,229	66,229	66,229	-
Fund balances, end of year	<u>\$ 66,229</u>	<u>\$ 66,229</u>	<u>\$ 136,792</u>	<u>\$ 70,563</u>

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, 2017

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Charges for services	\$ 31,600	\$ 34,000	\$ 34,205	\$ 205
Interest and rents	11,000	11,000	9,691	(1,309)
Total revenues	42,600	45,000	43,896	(1,104)
Other financing uses				
Transfers out	(31,000)	(35,000)	(14,938)	(20,062)
Net changes in fund balances	11,600	10,000	28,958	18,958
Fund balances, beginning of year	1,656,690	1,656,690	1,656,690	-
Fund balances, end of year	<u>\$ 1,668,290</u>	<u>\$ 1,666,690</u>	<u>\$ 1,685,648</u>	<u>\$ 18,958</u>

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.

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.

CITY OF HOLLAND, MICHIGAN

Enterprise Funds

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, 2017, 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.

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.

CITY OF HOLLAND, MICHIGAN

Enterprise Funds

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. 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.

CITY OF HOLLAND, MICHIGAN

Enterprise Funds

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.

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.

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CITY OF HOLLAND, MICHIGAN

Combining Statement of Net Position

Nonmajor Enterprise Funds

June 30, 2017

	Refuse and Recycling Pickup	Windmill Island	Depot Operations	Airport Facilities and Management System
Assets				
Current assets:				
Cash and pooled investments	\$ 1,007,162	\$ 433,471	\$ 9	\$ 4,008
Receivables:				
Accounts	476,734	15,217	-	-
Taxes and special assessments	-	-	-	8
Total current assets	1,483,896	448,688	9	4,016
Noncurrent assets:				
Capital assets:				
Land	-	99,809	291,300	6,053,250
Construction in progress	-	324,646	-	-
Machinery and equipment	-	3,492,488	1,655,532	14,043,709
Accumulated depreciation	-	(1,898,767)	(1,198,398)	(10,672,311)
Total noncurrent assets	-	2,018,176	748,434	9,424,648
Total assets	1,483,896	2,466,864	748,443	9,428,664
Liabilities				
Current liabilities:				
Accounts payable	29,034	14,723	-	-
Accrued payroll and benefits	1,286	13,326	-	617
Due to other funds	-	1,605	-	-
Deposits	-	70,675	-	-
Unearned revenue	324,953	-	-	-
Current portion of long-term debt	3,946	16,024	-	-
Total liabilities (all current)	359,219	116,353	-	617
Net position				
Investment in capital assets	-	2,018,176	748,434	9,424,648
Unrestricted	1,124,677	332,335	9	3,399
Total net position	\$ 1,124,677	\$ 2,350,511	\$ 748,443	\$ 9,428,047

Public Transit Facilities and Management System	Employee Benefit Fund	Total
\$ 1,678	\$ 10,313	\$ 1,456,641
-	-	491,951
-	-	8
<u>1,678</u>	<u>10,313</u>	<u>1,948,600</u>
-	-	6,444,359
-	-	324,646
-	-	19,191,729
-	-	(13,769,476)
-	-	<u>12,191,258</u>
<u>1,678</u>	<u>10,313</u>	<u>14,139,858</u>
-	587	44,344
-	-	15,229
-	-	1,605
-	-	70,675
-	-	324,953
-	-	<u>19,970</u>
-	<u>587</u>	<u>476,776</u>
-	-	12,191,258
<u>1,678</u>	<u>9,726</u>	<u>1,471,824</u>
<u>\$ 1,678</u>	<u>\$ 9,726</u>	<u>\$ 13,663,082</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, 2017

	Refuse and Recycling Pickup	Windmill Island	Depot Operations	Airport Facilities and Management System
Operating revenues				
Usage fees and charges for services	\$ 2,009,650	\$ 96,109	\$ -	\$ 25,047
Admissions and fares	-	807,252	-	-
Rentals	-	106,700	1	-
Total operating revenues	2,009,650	1,010,061	1	25,047
Operating expenses				
Personal services	92,233	584,545	-	24,978
Other current expenses	1,341,169	248,885	-	97,877
Depreciation	-	102,598	24,539	444,724
Total operating expenses	1,433,402	936,028	24,539	567,579
Operating income (loss)	576,248	74,033	(24,538)	(542,532)
Nonoperating revenues				
Property taxes	-	-	-	98,937
Other private donations	-	350	-	-
Investment earnings	2,277	1,012	-	-
Loss on disposal of capital assets	-	(7,475)	-	-
Total nonoperating revenues	2,277	(6,113)	-	98,937
Income (loss) before contributions	578,525	67,920	(24,538)	(443,595)
Contributions				
Capital contributions	-	75,186	-	-
Changes in net position	578,525	143,106	(24,538)	(443,595)
Net position, beginning of year	546,152	2,207,405	772,981	9,871,642
Net position, end of year	\$ 1,124,677	\$ 2,350,511	\$ 748,443	\$ 9,428,047

Public Transit Facilities and Management System	Employee Benefit Fund	Total
\$ -	\$ 7,789	\$ 2,138,595
-	-	807,252
-	-	106,701
-	7,789	3,052,548
-	-	701,756
-	10,019	1,697,950
2,936	-	574,797
2,936	10,019	2,974,503
(2,936)	(2,230)	78,045
-	-	98,937
-	325	675
-	66	3,355
(228,348)	-	(235,823)
(228,348)	391	(132,856)
(231,284)	(1,839)	(54,811)
-	-	75,186
(231,284)	(1,839)	20,375
232,962	11,565	13,642,707
\$ 1,678	\$ 9,726	\$ 13,663,082

CITY OF HOLLAND, MICHIGAN

Combining Statement of Cash Flows Nonmajor Enterprise Funds For the Year Ended June 30, 2017

	Refuse and Recycling Pickup	Windmill Island	Depot Operations	Airport Facilities and Management System
Cash flows from operating activities				
Receipts from customers and users	\$ 1,747,564	\$ 1,016,726	\$ 1	\$ 25,047
Payments to suppliers	(1,353,845)	(242,523)	-	(97,877)
Payments to employees	(90,673)	(569,001)	-	(24,568)
Net cash provided by (used in) operating activities	303,046	205,202	1	(97,398)
Cash flows from noncapital financing activities				
Property taxes	-	-	-	98,938
Private donations	-	-	-	-
Net cash provided by noncapital financing activities	-	-	-	98,938
Cash flows from capital and related financing activities				
Capital contributions	-	75,536	-	-
Intragovernmental payments	-	(664)	-	-
Purchase / construction of capital assets	-	(174,608)	-	-
Net cash used in capital and related financing activities	-	(99,736)	-	-
Cash flows from investing activities				
Investment earnings	2,277	1,012	-	-
Net increase (decrease) in cash and pooled investments	305,323	106,478	1	1,540
Cash and pooled investments, beginning of year	701,839	326,993	8	2,468
Cash and pooled investments, end of year	\$ 1,007,162	\$ 433,471	\$ 9	\$ 4,008
Cash flows from operating activities				
Operating income (loss)	\$ 576,248	\$ 74,033	\$ (24,538)	\$ (542,532)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	-	102,598	24,539	444,724
Change in:				
Accounts receivable	(202,617)	2,203	-	-
Accounts payable	(12,676)	6,362	-	410
Accrued payroll and benefits	356	3,474	-	-
Unearned revenue	(59,469)	4,462	-	-
Accrued compensated absences	1,204	12,070	-	-
Net cash provided by (used in) operating activities	\$ 303,046	\$ 205,202	\$ 1	\$ (97,398)

Public Transit Facilities and Management System	Employee Benefit Fund	Total
\$ 126	\$ 7,789	\$ 2,797,253
-	(9,678)	(1,703,923)
-	-	(684,242)
<u>126</u>	<u>(1,889)</u>	<u>409,088</u>
-	-	98,938
-	325	325
-	325	99,263
-	-	75,536
-	-	(664)
-	-	(174,608)
-	-	(99,736)
-	66	3,355
126	(1,498)	411,970
1,552	11,811	1,044,671
<u>\$ 1,678</u>	<u>\$ 10,313</u>	<u>\$ 1,456,641</u>
\$ (2,936)	\$ (2,230)	\$ 78,045
2,936	-	574,797
126	-	(200,288)
-	341	(5,563)
-	-	3,830
-	-	(55,007)
-	-	13,274
<u>\$ 126</u>	<u>\$ (1,889)</u>	<u>\$ 409,088</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

Telephony 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 \$1,500), but only after the employee's accumulated sick leave balance is exhausted and a minimum of 14 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, paid time off, 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, 2017

	Technology Services			Equipment Services		
	Computer Services	Postage Services	Telephony Services	Fuel Dispensing	Centralized Vehicle / Equipment	Fire Vehicle / Equipment
Assets						
Current assets:						
Cash and pooled investments	\$ 243,595	\$ 2,376	\$ 16,725	\$ 36,802	\$ 1,432,921	\$ 272,046
Accounts receivable	-	-	-	67,286	23,435	-
Due from other funds	-	-	-	6,570	182	-
Inventories	-	5,535	-	28,333	48,738	-
Prepaid items	522	350	-	-	-	-
Total current assets	244,117	8,261	16,725	138,991	1,505,276	272,046
Noncurrent assets:						
Capital assets:						
Construction in progress	-	-	-	-	73,442	-
Machinery and equipment	949,711	-	94,949	311,392	8,880,889	2,535,628
Accumulated depreciation	(669,072)	-	(32,119)	(29,725)	(5,424,796)	(1,366,316)
Total noncurrent assets	280,639	-	62,830	281,667	3,529,535	1,169,312
Total assets	524,756	8,261	79,555	420,658	5,034,811	1,441,358
Liabilities						
Current liabilities:						
Accounts payable	20,892	419	17	22,398	69,955	-
Claims payable	-	-	-	-	-	-
Accrued payroll and benefits	5,015	-	-	-	9,206	-
Due to other funds	410	-	-	97,590	81	-
Current portion of long-term debt	-	-	-	-	-	-
Total current liabilities	26,317	419	17	119,988	79,242	-
Noncurrent liabilities:						
Long term debt, net of current portion	20,319	-	-	-	81,321	-
Total liabilities	46,636	419	17	119,988	160,563	-
Net position						
Investment in capital assets	280,639	-	62,830	281,667	3,529,535	1,169,312
Unrestricted	197,481	7,842	16,708	19,003	1,344,713	272,046
Total net position	\$ 478,120	\$ 7,842	\$ 79,538	\$ 300,670	\$ 4,874,248	\$ 1,441,358

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
\$ 539,867	\$ 115,343	\$ 2,725,185	\$ 288,875	\$ 381,195	\$ 207,421	\$ 1,734,549	\$ 7,996,900
12,785	-	60,741	-	-	-	-	164,247
-	-	-	-	-	-	-	6,752
-	-	-	-	-	-	-	82,606
13,496	-	90,015	-	-	15,000	-	119,383
<u>566,148</u>	<u>115,343</u>	<u>2,875,941</u>	<u>288,875</u>	<u>381,195</u>	<u>222,421</u>	<u>1,734,549</u>	<u>8,369,888</u>
-	-	-	-	-	-	-	73,442
-	-	-	-	-	-	-	12,772,569
-	-	-	-	-	-	-	(7,522,028)
-	-	-	-	-	-	-	<u>5,323,983</u>
<u>566,148</u>	<u>115,343</u>	<u>2,875,941</u>	<u>288,875</u>	<u>381,195</u>	<u>222,421</u>	<u>1,734,549</u>	<u>13,693,871</u>
1,661	-	9,486	324	-	-	-	125,152
-	-	280,727	-	-	-	-	280,727
1,649	-	-	-	-	-	-	15,870
-	1,347	200	-	-	-	-	99,628
-	-	-	-	-	-	1,142,000	1,142,000
<u>3,310</u>	<u>1,347</u>	<u>290,413</u>	<u>324</u>	<u>-</u>	<u>-</u>	<u>1,142,000</u>	<u>1,663,377</u>
-	-	-	-	-	-	592,549	694,189
<u>3,310</u>	<u>1,347</u>	<u>290,413</u>	<u>324</u>	<u>-</u>	<u>-</u>	<u>1,734,549</u>	<u>2,357,566</u>
-	-	-	-	-	-	-	5,323,983
<u>562,838</u>	<u>113,996</u>	<u>2,585,528</u>	<u>288,551</u>	<u>381,195</u>	<u>222,421</u>	<u>-</u>	<u>6,012,322</u>
<u>\$ 562,838</u>	<u>\$ 113,996</u>	<u>\$ 2,585,528</u>	<u>\$ 288,551</u>	<u>\$ 381,195</u>	<u>\$ 222,421</u>	<u>\$ -</u>	<u>\$ 11,336,305</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, 2017

	Technology Services			Equipment Services		
	Computer Services	Postage Services	Telephony Services	Fuel Dispensing	Centralized Vehicle / Equipment	Fire Vehicle / Equipment
Operating revenues						
Charges for services	\$ 715,146	\$ 20,024	\$ 121,688	\$ 572,836	\$ 309,204	\$ -
Premiums	-	-	-	-	-	-
Rentals	-	-	-	-	1,814,451	-
Miscellaneous	-	-	-	-	-	-
Total operating revenues	715,146	20,024	121,688	572,836	2,123,655	-
Operating expenses						
Personnel services	405,989	-	-	6,673	619,773	-
Other current expenses	297,763	19,902	127,900	524,829	972,282	-
Depreciation	98,251	-	17,298	15,575	491,078	90,447
Total operating expenses	802,003	19,902	145,198	547,077	2,083,133	90,447
Operating income (loss)	(86,857)	122	(23,510)	25,759	40,522	(90,447)
Nonoperating revenues						
Investment earnings	655	31	122	(267)	7,140	1,263
Insurance recovery	-	-	-	-	-	-
Gain on disposal of capital assets	-	-	-	-	49,126	-
Total nonoperating revenues	655	31	122	(267)	56,266	1,263
Income (loss) before contributions and transfers	(86,202)	153	(23,388)	25,492	96,788	(89,184)
Contributions and transfers						
Capital contributions	-	-	-	-	47	-
Transfers in	120,000	-	-	-	200,097	100,000
Transfers out	-	-	-	(22,100)	(100)	-
Net contributions and transfers	120,000	-	-	(22,100)	200,044	100,000
Changes in net position	33,798	153	(23,388)	3,392	296,832	10,816
Net position, beginning of year	444,322	7,689	102,926	297,278	4,577,416	1,430,542
Net position, end of year	\$ 478,120	\$ 7,842	\$ 79,538	\$ 300,670	\$ 4,874,248	\$ 1,441,358

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
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,122,236	\$ 2,861,134
334,651	113,338	5,296,737	92,329	23,589	122,308	-	5,982,952
-	-	-	-	-	-	-	1,814,451
40,718	-	-	-	650	-	-	41,368
375,369	113,338	5,296,737	92,329	24,239	122,308	1,122,236	10,699,905
-	2,394	73	-	-	-	1,122,236	2,157,138
375,048	142,014	5,412,723	75,892	33,164	128,082	-	8,109,599
-	-	-	-	-	-	-	712,649
375,048	144,408	5,412,796	75,892	33,164	128,082	1,122,236	10,979,386
321	(31,070)	(116,059)	16,437	(8,925)	(5,774)	-	(279,481)
2,542	819	13,488	1,211	2,144	561	-	29,709
-	-	80,648	-	-	-	-	80,648
-	-	-	-	-	-	-	49,126
2,542	819	94,136	1,211	2,144	561	-	159,483
2,863	(30,251)	(21,923)	17,648	(6,781)	(5,213)	-	(119,998)
-	-	-	-	-	-	-	47
-	-	-	-	-	-	-	420,097
-	-	-	-	-	-	-	(22,200)
-	-	-	-	-	-	-	397,944
2,863	(30,251)	(21,923)	17,648	(6,781)	(5,213)	-	277,946
559,975	144,247	2,607,451	270,903	387,976	227,634	-	11,058,359
\$ 562,838	\$ 113,996	\$ 2,585,528	\$ 288,551	\$ 381,195	\$ 222,421	\$ -	\$ 11,336,305

CITY OF HOLLAND, MICHIGAN

Combining Statement of Cash Flows

Internal Service Funds

For the Year Ended June 30, 2017

	Technology Services			Equipment Services		
	Computer Services	Postage Services	Telephony Services	Fuel Dispensing	Centralized Vehicle / Equipment	Fire Vehicle / Equipment
Cash flows from operating activities						
Receipts from interfund services provided	\$ 707,796	\$ 20,024	\$ 121,688	\$ 577,848	\$ 2,121,518	\$ 18,560
Payments to suppliers	(271,998)	(22,369)	(127,947)	(534,106)	(970,571)	-
Payments to employees	(410,535)	-	-	(6,673)	(625,108)	-
Net cash provided by (used in) operating activities	<u>25,263</u>	<u>(2,345)</u>	<u>(6,259)</u>	<u>37,069</u>	<u>525,839</u>	<u>18,560</u>
Cash flows from noncapital financing activities						
Insurance refunds	-	-	-	-	-	-
Transfers in	120,000	-	-	-	200,097	100,000
Transfers out	-	-	-	(22,100)	(100)	-
Net cash provided by (used in) noncapital financing activities	<u>120,000</u>	<u>-</u>	<u>-</u>	<u>(22,100)</u>	<u>199,997</u>	<u>100,000</u>
Cash flows from capital and related financing activities						
Capital contributions	-	-	-	-	47	-
Proceeds from sale of capital assets	-	-	-	-	100,027	-
Purchase of capital assets	(111,410)	-	-	-	(739,509)	(24,547)
Net cash used in capital and related financing activities	<u>(111,410)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(639,435)</u>	<u>(24,547)</u>
Cash flows from investing activities						
Investment earnings	655	31	122	(267)	7,140	1,263
Net increase (decrease) in cash and pooled investments	<u>34,508</u>	<u>(2,314)</u>	<u>(6,137)</u>	<u>14,702</u>	<u>93,541</u>	<u>95,276</u>
Cash and pooled investments, beginning of year	209,087	4,690	22,862	22,100	1,339,380	176,770
Cash and pooled investments, end of year	<u>\$ 243,595</u>	<u>\$ 2,376</u>	<u>\$ 16,725</u>	<u>\$ 36,802</u>	<u>\$ 1,432,921</u>	<u>\$ 272,046</u>
Cash flows from operating activities						
Operating income (loss)	\$ (86,857)	\$ 122	\$ (23,510)	\$ 25,759	\$ 40,522	\$ (90,447)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:						
Depreciation	98,251	-	17,298	15,575	491,078	90,447
Change in:						
Accounts receivable	2,650	-	-	(34,489)	(2,822)	18,560
Due from other funds	-	-	-	500	685	-
Inventories	-	(2,467)	-	(3,553)	(3,986)	-
Prepaid items	8,645	-	-	-	-	-
Accounts payable	17,120	-	(47)	(5,724)	5,697	-
Claims payable	-	-	-	-	-	-
Accrued payroll and benefits	1,527	-	-	-	1,917	-
Due to other funds	(10,000)	-	-	39,001	-	-
Accrued compensated absences	(6,073)	-	-	-	(7,252)	-
Net cash provided by (used in) operating activities	<u>\$ 25,263</u>	<u>\$ (2,345)</u>	<u>\$ (6,259)</u>	<u>\$ 37,069</u>	<u>\$ 525,839</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
\$ 372,462	\$ 112,396	\$ 5,281,608	\$ 92,329	\$ 24,239	\$ 122,350	\$ 1,122,236	\$ 10,695,054
(374,335)	(142,014)	(5,202,825)	(75,568)	(33,164)	(132,080)	-	(7,886,977)
-	(2,394)	(73)	-	-	-	(1,063,903)	(2,108,686)
(1,873)	(32,012)	78,710	16,761	(8,925)	(9,730)	58,333	699,391
-	-	80,648	-	-	-	-	80,648
-	-	-	-	-	-	-	420,097
-	-	-	-	-	-	-	(22,200)
-	-	80,648	-	-	-	-	478,545
-	-	-	-	-	-	-	47
-	-	-	-	-	-	-	100,027
-	-	-	-	-	-	-	(875,466)
-	-	-	-	-	-	-	(775,392)
2,542	819	13,488	1,211	2,144	561	-	29,709
669	(31,193)	172,846	17,972	(6,781)	(9,169)	58,333	432,253
539,198	146,536	2,552,339	270,903	387,976	216,590	1,676,216	7,564,647
\$ 539,867	\$ 115,343	\$ 2,725,185	\$ 288,875	\$ 381,195	\$ 207,421	\$ 1,734,549	\$ 7,996,900
\$ 321	\$ (31,070)	\$ (116,059)	\$ 16,437	\$ (8,925)	\$ (5,774)	\$ -	\$ (279,481)
-	-	-	-	-	-	-	712,649
(2,907)	-	(15,229)	-	-	-	-	(34,237)
-	-	-	-	-	42	-	1,227
-	-	-	-	-	-	-	(10,006)
(498)	-	82,871	-	-	(442)	-	90,576
(341)	-	4,813	324	-	(3,556)	-	18,286
1,552	-	122,214	-	-	-	-	123,766
-	-	-	-	-	-	-	3,444
-	(942)	100	-	-	-	-	28,159
-	-	-	-	-	-	58,333	45,008
\$ (1,873)	\$ (32,012)	\$ 78,710	\$ 16,761	\$ (8,925)	\$ (9,730)	\$ 58,333	\$ 699,391

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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.

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).

CITY OF HOLLAND, MICHIGAN

Agency Funds

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, 2017

	Current Tax Collections	Outside Agency Collections	Employees' Flexible Spending Plan	Imprest Payroll
Assets				
Cash and pooled investments	\$ -	\$ 4,060	\$ 10,020	\$ 108,300
Accounts receivable	-	-	239	-
Total assets	\$ -	\$ 4,060	\$ 10,259	\$ 108,300
Liabilities				
Accounts payable	\$ -	\$ 3,820	\$ 238	\$ 50,750
Due to other governmental units	-	240	-	57,550
Other liabilities and deposits	-	-	10,021	-
Total liabilities	\$ -	\$ 4,060	\$ 10,259	\$ 108,300



WMAA Pooled Cash fund	Total
\$ 789,881	\$ 912,261
-	239
<u>\$ 789,881</u>	<u>\$ 912,500</u>
\$ -	\$ 54,808
789,881	847,671
-	10,021
<u>\$ 789,881</u>	<u>\$ 912,500</u>

CITY OF HOLLAND, MICHIGAN

Combining Statement of Changes in Fiduciary Assets and Liabilities

Agency Funds

For the Year Ended June 30, 2017

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
<i>Current Tax Collection Fund</i>				
Assets				
Cash and pooled investments	\$ -	\$ 52,453,099	\$ 52,453,099	\$ -
Accounts receivable	-	334,006	334,006	-
Total assets	\$ -	\$ 52,787,105	\$ 52,787,105	\$ -
Liabilities				
Accounts payable	\$ -	\$ 33,601,670	\$ 33,601,670	\$ -
Due to other governmental units	-	19,185,435	19,185,435	-
Total liabilities	\$ -	\$ 52,787,105	\$ 52,787,105	\$ -
<i>Outside Agency Collection Fund</i>				
Assets				
Cash and pooled investments	\$ 1,781	\$ 164,674	\$ 162,395	\$ 4,060
Accounts receivable	30	-	30	-
Other assets	-	153,927	153,927	-
Total assets	\$ 1,811	\$ 318,601	\$ 316,352	\$ 4,060
Liabilities				
Accounts payable	\$ 1,511	\$ 165,124	\$ 162,815	\$ 3,820
Due to other governmental units	300	153,477	153,537	240
Total liabilities	\$ 1,811	\$ 318,601	\$ 316,352	\$ 4,060
<i>Employees' Flexible Spending Plan</i>				
Assets				
Cash and pooled investments	\$ 3,681	\$ 162,034	\$ 155,695	\$ 10,020
Accounts receivable	693	5,160	5,614	239
Total assets	\$ 4,374	\$ 167,194	\$ 161,309	\$ 10,259
Liabilities				
Accounts payable	\$ 693	\$ 2,807	\$ 3,262	\$ 238
Other liabilities and deposits	3,681	164,387	158,047	10,021
Total liabilities	\$ 4,374	\$ 167,194	\$ 161,309	\$ 10,259

continued...

CITY OF HOLLAND, MICHIGAN

Combining Statement of Changes in Fiduciary Assets and Liabilities

Agency Funds

For the Year Ended June 30, 2017

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
<i>Imprest Payroll Fund</i>				
Assets				
Cash and pooled investments	\$ 225,065	\$ 6,949,470	\$ 7,066,235	\$ 108,300
Accounts receivable	-	74,579	74,579	-
Total assets	\$ 225,065	\$ 7,024,049	\$ 7,140,814	\$ 108,300
Liabilities				
Accounts payable	\$ 63,783	\$ 1,482,752	\$ 1,495,785	\$ 50,750
Due to other governmental units	161,282	5,541,297	5,645,029	57,550
Total liabilities	\$ 225,065	\$ 7,024,049	\$ 7,140,814	\$ 108,300
<i>WMAA Pooled Cash Fund</i>				
Assets				
Cash and pooled investments	\$ 754,181	\$ 760,251	\$ 724,551	\$ 789,881
Liabilities				
Due to other governmental units	\$ 754,181	\$ 760,251	\$ 724,551	\$ 789,881
<i>Total All Agency Funds</i>				
Assets				
Cash and pooled investments	\$ 984,708	\$ 60,489,528	\$ 60,561,975	\$ 912,261
Accounts receivable	723	413,745	414,229	239
Other assets	-	153,927	153,927	-
Total assets	\$ 985,431	\$ 61,057,200	\$ 61,130,131	\$ 912,500
Liabilities				
Accounts payable	\$ 65,987	\$ 35,252,353	\$ 35,263,532	\$ 54,808
Due to other governmental units	915,763	25,640,460	25,708,552	847,671
Other liabilities and deposits	3,681	164,387	158,047	10,021
Total liabilities	\$ 985,431	\$ 61,057,200	\$ 61,130,131	\$ 912,500

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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, 2017 seventeen 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) [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.]	2004	Completed
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
154 E. 15th St. (Minit Mart)	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.

Smartzone LFDA

The Holland Local Development Finance Authority (LDFA) was created in October 2014, pursuant to State of Michigan P.A. 281 of 1986. The board consists of four City of Holland appointees, three Holland Charter Township appointees, one Ottawa County appointee, two West Ottawa Schools appointees, two Holland Public Schools appointees and six Ex-Officio members. The operating purpose is to eliminate the causes of unemployment, underemployment, joblessness, recruitment, retention and to promote economic growth in Holland, through the capture of certain taxes in the SmartZone area.

CITY OF HOLLAND, MICHIGAN

Balance Sheet

Downtown Development Authority Component Unit
June 30, 2017

Assets

Current assets:

Cash and pooled investments	\$	153,654
Accounts receivable		315
Taxes receivable		112
Prepaid items		200

Total assets

\$ 154,281

Liabilities

Current liabilities:

Accounts payable	\$	18,987
Accrued payroll and benefits		1,106

Total liabilities

20,093

Fund balances

Nonspendable		200
Unassigned		133,988

Total fund balances

134,188

Total liabilities and fund balances

\$ 154,281

CITY OF HOLLAND, MICHIGAN

Reconciliation

Fund Balance for the Governmental Fund
to Net Position of Component Unit
Downtown Development Authority Component Unit
June 30, 2017

Fund balance - total governmental fund	\$	134,188
--	----	---------

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>192,177</u>
---------------------	--	----------------

Net position of component unit	\$	<u><u>326,365</u></u>
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CITY OF HOLLAND, MICHIGAN

Statement of Revenues, Expenditures and Changes in Fund Balance

Downtown Development Authority Component Unit

For the Year Ended June 30, 2017

Revenues	
Property taxes	\$ 196,665
Charges for services	7,140
Investment earnings	1,559
Other revenue	<u>1,500</u>
Total revenue	<u>206,864</u>
Expenditures	
Current:	
Economic development:	
Personnel services	70,307
Current operating expenditures	<u>152,742</u>
Total expenditures	<u>223,049</u>
Net changes in fund balance	(16,185)
Fund balance, beginning of year	<u>150,373</u>
Fund balance, end of year	<u>\$ 134,188</u>

CITY OF HOLLAND, MICHIGAN

Reconciliation

Net Changes in Fund Balance of the Governmental Fund
to Change in Net Position of Component Unit
Downtown Development Authority Component Unit
For the Year Ended June 30, 2017

Net changes in fund balance - total governmental fund \$ (16,185)

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

Governmental funds report capital outlays as expenditures. However, in the
statement of activities, the cost of those assets is allocated over their estimated
useful lives and reported as depreciation expense.

Purchases of capital assets	32,206
Depreciation expense	(20,344)
	<hr/>

Changes in net position of component unit \$ (4,323)

CITY OF HOLLAND, MICHIGAN

Balance Sheet

Brownfield Redevelopment Authority Component Unit
June 30, 2017

Assets

Current assets:

Cash and pooled investments

\$ 461,196

Fund balance

Unassigned

\$ 461,196

CITY OF HOLLAND, MICHIGAN

Statement of Revenues, Expenditures and Changes in Fund Balance

Brownfield Redevelopment Authority Component Unit

For the Year Ended June 30, 2017

Revenues	
Property taxes	\$ 1,237,195
Intergovernmental	15,092
Contributions	84,500
Investment earnings	<u>5,480</u>
Total revenues	1,342,267
Expenditures	
Current:	
Economic development	<u>1,136,763</u>
Net changes in fund balance	205,504
Fund balance, beginning of year	<u>255,692</u>
Fund balance, end of year	<u><u>\$ 461,196</u></u>

CITY OF HOLLAND, MICHIGAN

Balance Sheet

SmartZone Component Unit
June 30, 2017

Assets

Current assets:

Cash and pooled investments	\$ 18,962
-----------------------------	-----------

Fund balance

Unassigned	\$ 18,962
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CITY OF HOLLAND, MICHIGAN

Statement of Revenues, Expenditures and Changes in Fund Balance

SmartZone Component Unit

For the Year Ended June 30, 2017

Revenues	
Contributions	\$ 18,986
Investment earnings	80
	<hr/>
Total revenues	19,066
Expenditures	
Current:	
Economic development	104
	<hr/>
Net changes in fund balance	18,962
Fund balance, beginning of year	-
	<hr/>
Fund balance, end of year	<u><u>\$ 18,962</u></u>

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OTHER INFORMATION (UNAUDITED)

CITY OF HOLLAND, MICHIGAN

Essential Services Resource Trend (Unaudited)

Last Five Fiscal Years

	Year Ending June 30,				
	2017	2016	2015	2014	2013
Essential services expense ⁽¹⁾					
Police	\$ 7,695,093	\$ 7,754,936	\$ 7,835,153	\$ 7,658,619	\$ 7,244,857
Fire	2,820,802	2,845,200	2,698,560	2,537,967	2,460,729
Change in government-wide liabilities attributed to the police and fire functions:					
Net other postemployment benefits obligation	94,145	36,673	136,431	113,380	123,640
Total essential services expense	\$ 10,610,040	\$ 10,636,809	\$ 10,670,144	\$ 10,309,966	\$ 9,829,226
General fund operating property tax revenue	\$ 9,036,247	\$ 10,913,743	\$ 10,131,445	\$ 10,179,160	\$ 10,033,821
Percentage utilized for essential services	117.4%	97.5%	105.3%	101.3%	98.0%

⁽¹⁾ Includes funding of pensions for personnel providing services

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.	222
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.	232
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.	238
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.	248
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.	250

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			
	2017	2016	2015	2014
Governmental activities				
Net investment in capital assets	\$ 106,647,631	\$ 107,920,320	\$ 101,785,238	\$ 101,283,878
Restricted	5,552,677	3,986,636	6,339,594	7,274,432
Unrestricted (deficit)	(13,506,025)	(16,316,283)	(13,905,867)	13,779,260
Total governmental activities net position	\$ 98,694,283	\$ 95,590,673	\$ 94,218,965	\$ 122,337,570
Business-type activities				
Net investment in capital assets	\$ 243,038,572	\$ 227,299,822	\$ 164,628,976	\$ 109,000,184
Restricted	32,305,746	26,103,060	24,300,021	23,063,654
Unrestricted	100,980,789	93,263,171	125,351,237	174,756,386
Total business-type activities net position	\$ 376,325,107	\$ 346,666,053	\$ 314,280,234	\$ 306,820,224
Primary government				
Net investment in capital assets	\$ 349,686,203	\$ 335,220,142	\$ 266,414,214	\$ 210,284,062
Restricted	37,858,423	30,089,696	30,639,615	30,338,086
Unrestricted	87,474,764	76,946,888	111,445,370	188,535,646
Total primary government net position	\$ 475,019,390	\$ 442,256,726	\$ 408,499,199	\$ 429,157,794

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					
2013	2012	2011	2010	2009	2008
\$ 100,986,324	\$ 98,805,338	\$ 97,982,454	\$ 91,848,117	\$ 96,236,210	\$ 94,586,185
5,290,226	5,038,121	5,007,295	8,273,750	4,739,586	5,726,977
14,722,301	13,480,119	13,469,116	12,635,427	11,443,984	13,044,127
<u>\$ 120,998,851</u>	<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>
\$ 130,923,312	\$ 132,936,434	\$ 130,752,723	\$ 125,755,686	\$ 129,330,134	\$ 133,094,822
10,299,047	15,130,725	12,841,230	11,605,553	11,591,211	13,532,257
152,548,565	133,025,971	126,288,993	122,779,775	111,446,733	101,113,510
<u>\$ 293,770,924</u>	<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>
\$ 231,909,636	\$ 231,741,772	\$ 228,735,177	\$ 217,603,803	\$ 225,566,344	\$ 227,681,007
15,589,273	20,168,846	17,848,525	19,879,303	16,330,797	19,259,234
167,270,866	146,506,090	139,758,109	135,415,202	122,890,717	114,157,637
<u>\$ 414,769,775</u>	<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>

CITY OF HOLLAND, MICHIGAN

Changes in Net Position

Last Ten Fiscal Years

	Fiscal Year			
	2017	2016	2015	2014
Expenses				
Governmental activities:				
General government	\$ 3,201,781	\$ 4,903,394	\$ 5,465,655	\$ 5,242,181
Public safety	14,190,015	13,985,570	12,903,945	12,534,364
Public works	13,472,462	10,443,197	9,312,839	8,172,879
Welfare and social services	733,058	979,963	901,870	1,133,724
Parks and recreation	4,112,906	5,289,399	5,339,569	5,048,229
Interest on debt	1,123,331	942,486	787,260	911,559
Total governmental activities expenses	<u>36,833,553</u>	<u>36,544,009</u>	<u>34,711,138</u>	<u>33,042,936</u>
Business-type activities:				
Electric utility	79,772,187	80,103,538	80,847,034	84,346,528
Wastewater utility	9,857,338	9,672,514	8,773,098	8,512,074
Water utility	6,844,228	6,540,960	6,248,425	6,282,005
Other enterprise activities	2,981,978	3,124,822	3,104,234	2,805,066
Total business-type activities expenses	<u>99,455,731</u>	<u>99,441,834</u>	<u>98,972,791</u>	<u>101,945,673</u>
Total primary government expenses	<u>136,289,284</u>	<u>135,985,843</u>	<u>133,683,929</u>	<u>134,988,609</u>
Program revenues				
Governmental activities:				
Charges for services:				
General government	1,397,974	1,400,401	1,357,140	1,293,631
Public safety	1,435,896	1,156,746	1,366,794	1,331,259
Parks and recreation	679,877	652,440	607,673	611,146
Other activities	1,551,928	1,181,296	783,711	752,482
Operating grants and contributions	5,802,887	6,009,124	5,489,592	7,521,923
Capital grants and contributions	1,756,505	2,006,264	793,387	49,739
Total governmental activities program revenues	<u>12,625,067</u>	<u>12,406,271</u>	<u>10,398,297</u>	<u>11,560,180</u>
Business-type activities:				
Charges for services:				
Electric utility	111,706,239	106,199,176	100,816,653	97,539,619
Wastewater utility	11,384,632	10,856,173	10,305,015	10,107,589
Water utility	10,009,506	9,338,887	8,694,022	8,835,889
Other enterprise activities	3,052,548	2,669,132	2,307,355	2,140,867
Operating grants and contributions	1,440,753	1,977,470	1,107,948	779,632
Capital grants and contributions	876,078	7,544,349	2,339,301	272,815
Total business-type activities program revenues	<u>138,469,756</u>	<u>138,585,187</u>	<u>125,570,294</u>	<u>119,676,411</u>
Total primary government program revenues	<u>151,094,823</u>	<u>150,991,458</u>	<u>135,968,591</u>	<u>131,236,591</u>
Net (expenses) revenues				
Governmental activities	(24,208,486)	(24,137,738)	(24,312,841)	(21,482,756)
Business-type activities	<u>39,014,025</u>	<u>39,143,353</u>	<u>26,597,503</u>	<u>17,730,738</u>
Total primary government net (expenses) revenues	<u>14,805,539</u>	<u>15,005,615</u>	<u>2,284,662</u>	<u>(3,752,018)</u>

Fiscal Year					
2013	2012	2011	2010	2009	2008
\$ 4,820,804	\$ 4,822,179	\$ 4,746,330	\$ 4,486,867	\$ 7,087,290	\$ 6,606,201
12,316,027	12,099,607	12,078,156	12,220,723	12,845,443	11,782,618
8,716,017	11,382,965	7,821,063	7,966,875	9,420,191	7,270,495
908,229	1,019,891	1,332,557	1,473,119	1,495,708	1,093,507
5,290,515	4,837,537	5,244,382	5,293,696	6,048,286	5,457,951
1,015,138	1,115,515	968,108	1,143,337	1,253,379	1,193,155
<u>33,066,730</u>	<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>
79,504,798	76,116,440	73,286,291	68,510,184	67,823,832	71,198,426
8,419,218	8,401,050	8,230,946	7,926,053	8,185,044	8,006,723
6,215,516	6,305,874	6,293,924	6,020,005	6,181,007	5,558,454
4,428,481	3,037,469	3,176,910	3,296,369	3,409,153	4,471,485
<u>98,568,013</u>	<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>131,634,743</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>
1,340,368	1,461,558	1,380,752	1,271,066	3,040,152	2,514,224
1,148,691	1,091,868	1,002,070	811,487	798,688	867,229
545,865	521,717	510,063	495,074	495,556	1,162,829
880,201	1,350,055	928,157	607,705	982,413	618,367
7,590,327	4,279,364	4,905,759	4,833,063	4,807,025	4,156,784
2,427,984	5,396,650	4,372,059	906,356	2,534,159	1,858,530
<u>13,933,436</u>	<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>
93,576,510	88,066,208	84,411,319	78,536,430	75,466,722	79,166,950
9,446,065	8,619,974	8,854,094	7,874,856	6,879,454	6,997,724
8,506,464	7,346,263	7,133,417	6,331,397	5,881,210	5,715,370
2,103,272	1,864,234	1,905,362	2,042,509	2,032,514	1,997,363
1,534,672	1,970,111	157,859	59,954	89,035	1,605,962
617,604	233,950	639,163	544,493	1,670,442	1,465,771
<u>115,784,587</u>	<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>129,718,023</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>
(19,133,294)	(21,176,482)	(19,091,736)	(23,659,866)	(25,492,304)	(22,225,964)
<u>17,216,574</u>	<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>(1,916,720)</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>

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CITY OF HOLLAND, MICHIGAN

Changes in Net Position

Last Ten Fiscal Years

	Fiscal Year			
	2017	2016	2015	2014
General revenues and other changes in net position				
Governmental activities:				
Property taxes	\$ 15,837,255	\$ 16,862,893	\$ 15,694,176	\$ 15,531,647
State shared revenue	3,051,775	2,893,597	2,895,971	2,843,918
Grants and contributions not restricted to specific programs	2,396,125	-	-	-
Investment earnings - unrestricted	176,941	231,995	138,303	154,894
Miscellaneous	-	-	-	-
Gain on sale of capital assets	-	-	-	-
Transfers - internal activities	5,850,000	5,520,961	5,165,762	4,291,016
Total governmental activities	27,312,096	25,509,446	23,894,212	22,821,475
Business-type activities:				
Property taxes	98,937	104,432	99,983	98,858
Investment earnings - unrestricted	-	-	-	-
Miscellaneous	-	-	-	31,135
Transfers - internal activities	(5,850,000)	(5,520,961)	(5,165,762)	(4,291,016)
Special item:				
Coal revaluation	-	(1,341,005)	-	-
Transfer of assets to transportation authority	-	-	-	-
Transfer of assets to airport authority	-	-	-	-
Extraordinary item	(3,603,908)	-	-	(520,415)
Total business-type activities	(9,354,971)	(6,757,534)	(5,065,779)	(4,681,438)
Total primary government general revenues, transfers, special and extraordinary items	17,957,125	18,751,912	18,828,433	18,140,037
Change in net position				
Governmental activities	3,103,610	1,371,708	(418,629)	1,338,719
Business-type activities	29,659,054	32,385,819	21,531,724	13,049,300
Total primary government change in net position	\$ 32,762,664	\$ 33,757,527	\$ 21,113,095	\$ 14,388,019

Fiscal Year						
2013	2012	2011	2010	2009	2008	
\$ 15,305,039	\$ 15,345,237	\$ 16,121,528	\$ 17,251,755	\$ 17,089,338	\$ 17,313,526	
2,771,987	2,700,327	2,697,917	2,698,103	3,041,193	3,168,205	
-	-	-	-	-	-	
48,935	126,645	197,270	455,666	635,831	1,254,996	
-	-	482,588	-	-	-	
603,794	-	-	-	-	-	
4,422,221	3,868,986	3,294,004	3,600,531	3,788,433	2,940,314	
<u>23,151,976</u>	<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>	
97,572	103,438	108,734	118,962	117,952	19	
26,918	735,825	814,059	1,608,802	2,296,887	4,213,060	
-	-	-	-	-	-	
(4,422,221)	(3,868,986)	(3,294,004)	(3,600,531)	(3,788,433)	(2,940,314)	
-	-	-	-	-	-	
-	-	-	-	-	(2,542,464)	
-	-	-	-	(419,258)	-	
-	-	-	-	-	-	
<u>(4,297,731)</u>	<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>	
18,854,245	19,011,472	20,422,096	22,133,288	22,761,943	23,407,342	
4,018,682	864,713	3,701,571	346,189	(937,509)	2,451,077	
12,918,843	11,210,184	9,741,932	7,764,261	4,627,489	6,444,353	
<u>\$ 16,937,525</u>	<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>	

concluded

CITY OF HOLLAND, MICHIGAN

Fund Balances, Governmental Funds

Last Ten Fiscal Years

	Fiscal Year			
	2017	2016	2015	2014
General fund				
Reserved	\$ -	\$ -	\$ -	\$ -
Unreserved	-	-	-	-
Nonspendable	60,057	12,483	20,736	14,808
Committed	5,667	5,667	12,915	12,915
Unassigned	4,755,738	4,650,598	4,948,792	4,672,551
Total general fund	\$ 4,821,462	\$ 4,668,748	\$ 4,982,443	\$ 4,700,274
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	1,586,687	1,554,387	1,530,737
Restricted	11,853,782	3,890,895	4,959,854	5,743,695
Committed	7,841,778	4,827,247	3,009,413	2,678,973
Unassigned (deficit)	-	-	-	(151,746)
Total all other governmental funds	\$ 21,282,247	\$ 10,304,829	\$ 9,523,654	\$ 9,801,659

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, 2008 to 2010.

Fiscal Year					
2013	2012	2011	2010	2009	2008
\$ -	\$ -	\$ -	\$ 5,010	\$ 2,144	\$ 6,863
-	-	-	3,229,998	2,563,468	2,329,183
10,909	7,028	300	-	-	-
17,415	27,090	66,490	-	-	-
4,931,652	4,183,015	4,065,072	-	-	-
<u>\$ 4,959,976</u>	<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>
\$ -	\$ -	\$ -	\$ 300	\$ 300	\$ 50,169
-	-	-	-	20,000	-
-	-	-	1,441,142	1,411,567	1,385,867
-	-	-	52,068	127,130	220,112
-	-	-	6,587,493	3,396,437	3,883,960
-	-	-	804,641	753,755	826,450
-	-	-	1,291,149	834,822	1,348,069
1,507,707	1,488,822	1,465,142	-	-	-
3,997,308	3,783,400	4,932,209	-	-	-
3,270,785	2,118,169	1,593,998	-	-	-
(365,102)	(239,384)	-	-	-	-
<u>\$ 8,410,698</u>	<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>

CITY OF HOLLAND, MICHIGAN

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

	Fiscal Year			
	2017	2016	2015	2014
Revenues				
Taxes	\$ 15,837,255	\$ 16,862,893	\$ 15,694,176	\$ 15,531,647
Special assessments	1,287,641	773,449	747,753	773,740
Licenses and permits	783,080	535,824	694,822	627,716
Intergovernmental	11,622,410	8,134,798	8,019,895	8,090,257
Charges for services	1,928,243	1,830,609	1,774,682	1,765,726
Fines and fees	622,228	628,994	640,851	629,639
Contributions from private sector	1,003,182	2,279,761	658,219	852,417
Interest and rents	901,379	994,305	945,998	1,005,386
Miscellaneous	391,202	309,061	297,550	287,829
Total revenues	34,376,620	32,349,694	29,473,946	29,564,357
Expenditures				
Current:				
General government	4,032,687	3,805,834	3,814,393	3,537,050
Public safety	11,857,849	11,936,561	11,819,699	11,376,342
Public works	4,727,422	4,337,160	4,400,212	4,627,841
Welfare and social services	717,689	961,655	899,556	1,142,307
Parks and recreation	4,971,220	5,111,051	5,053,039	4,510,490
Other	87,808	11,115,067	92,809	77,581
Debt service:				
Principal retirement	3,884,269	2,445,000	2,389,000	3,839,000
Interest and fiscal charges	721,854	696,684	779,254	912,384
Bond issuance costs	198,843	-	-	-
Capital outlay	11,035,036	10,994,683	5,195,929	2,336,346
Total expenditures	42,234,677	51,403,695	34,443,891	32,359,341
Revenues under expenditures	(7,858,057)	(19,054,001)	(4,969,945)	(2,794,984)
Other financing sources (uses)				
Issuance of long-term debt	13,310,000	13,910,000	-	-
Premium on issuance of long-term debt	293,266	-	-	-
Issuance of refunding bonds	6,975,000	-	-	-
Payment to refunded bond escrow agent	(7,059,255)	-	-	-
Proceeds from sale of capital assets	17,075	224,281	4,282	-
Transfers in	13,226,579	19,322,548	11,671,851	11,473,850
Transfers out	(7,774,476)	(13,935,348)	(6,702,024)	(7,547,607)
Total other financing sources (uses)	18,988,189	19,521,481	4,974,109	3,926,243
Net changes in fund balances	\$ 11,130,132	\$ 467,480	\$ 4,164	\$ 1,131,259
Debt service as a percentage of noncapital expenditures	15.2%	7.4%	10.4%	15.8%

Fiscal Year					
2013	2012	2011	2010	2009	2008
\$ 15,305,039	\$ 15,345,237	\$ 16,121,528	\$ 17,251,755	\$ 17,089,338	\$ 17,313,526
738,263	814,214	721,343	695,621	659,329	624,352
484,785	497,102	551,740	378,613	331,941	428,256
9,190,867	11,513,296	11,048,271	7,682,981	8,148,604	8,977,468
1,767,839	1,727,647	1,544,669	1,408,254	1,360,268	1,201,777
600,565	558,518	549,498	495,531	474,462	460,144
1,458,342	570,496	586,279	386,717	408,948	375,206
916,552	1,026,240	1,103,409	1,294,685	3,702,781	4,078,215
272,010	346,334	256,580	260,585	419,427	15,666
<u>30,734,262</u>	<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>
3,946,025	4,045,535	3,893,107	3,708,153	6,014,901	6,115,337
10,904,914	10,947,361	11,212,040	11,095,227	11,336,176	11,353,454
3,993,238	3,890,213	3,951,785	3,850,331	4,273,397	4,005,177
895,361	1,003,258	1,326,664	1,451,323	1,289,774	1,112,074
4,365,859	4,771,718	4,986,686	5,122,991	5,134,093	5,408,323
68,572	64,781	69,432	75,282	85,705	81,242
3,218,223	2,631,963	1,981,964	1,807,961	2,567,963	2,427,963
1,010,844	1,108,456	1,047,485	1,181,812	1,230,937	1,195,690
-	-	114,289	62,973	151,980	-
<u>5,982,162</u>	<u>8,396,066</u>	<u>8,214,505</u>	<u>5,970,223</u>	<u>9,538,667</u>	<u>6,455,022</u>
<u>34,385,198</u>	<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>(3,650,936)</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>
-	-	7,425,000	5,820,000	4,000,000	-
-	-	385,976	-	34,490	-
-	-	-	-	-	-
-	-	(7,852,210)	-	-	-
1,331,249	-	-	-	-	-
9,489,765	9,647,680	10,616,583	11,403,402	12,243,923	10,118,589
<u>(5,167,544)</u>	<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>5,653,470</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>\$ 2,002,534</u>	<u>\$ (755,071)</u>	<u>\$ (1,279,915)</u>	<u>\$ 4,302,178</u>	<u>\$ (941,050)</u>	<u>\$ (1,621,513)</u>
14.4%	11.9%	10.6%	10.3%	11.8%	11.5%

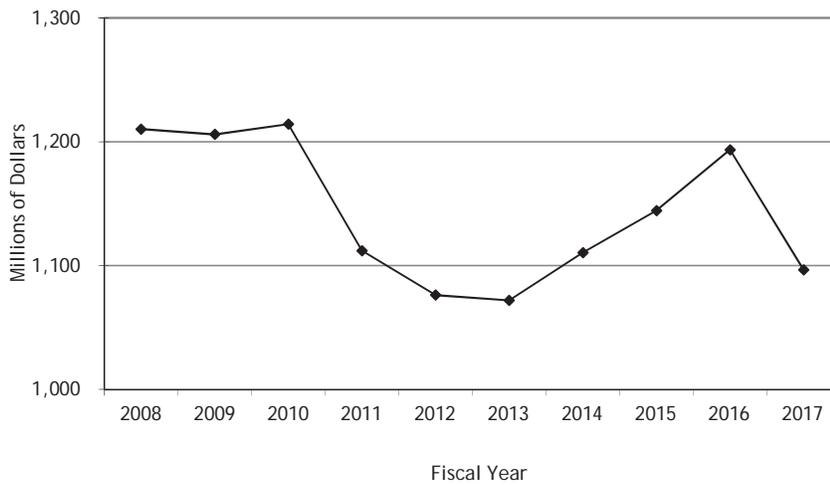
Actual Value of Taxable Property
For the Last Ten Fiscal Years

Fiscal Year	Residential Property	Commercial Property	Industrial Property	Other Property*	Less: Tax-Exempt Property	Total Taxable Value	Total Direct Tax Rate
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
2017	566,196,788	295,309,609	244,013,235	9,176,418	18,259,830	1,096,436,220	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
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
2017	8.3494	3.6290	1.7923	1.2393	-	0.0985	15.1085	6.0000	0.3969

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.

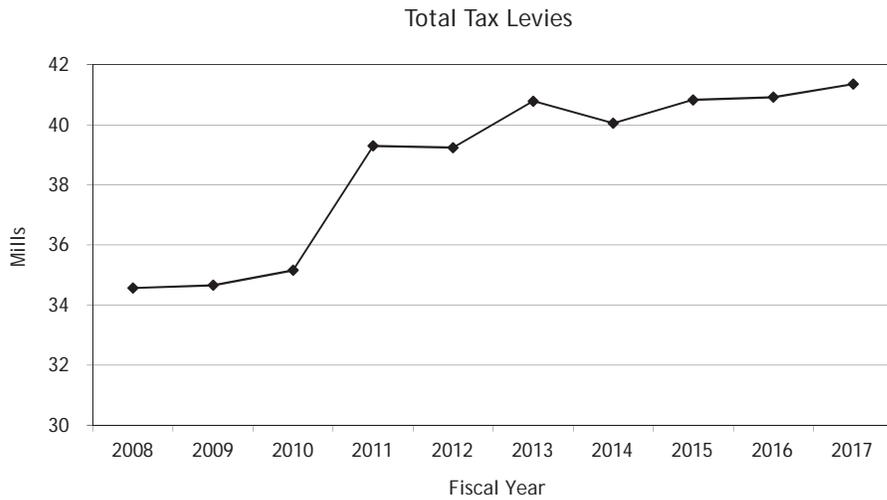
* Overlapping rates:

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								
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
5.4970	1.6703	5.1483	6.0839	7.5373	25.4419	4.5000	22.5000	8.5600	26.5600



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

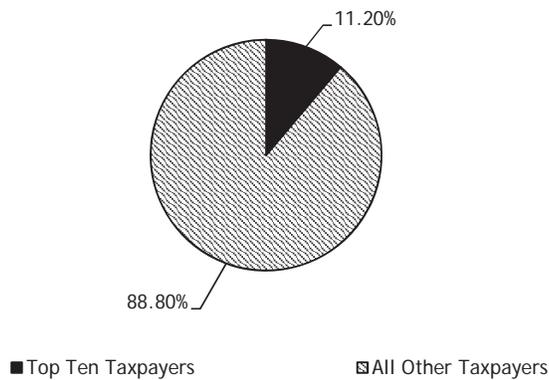
Principal Property Taxpayers
For the Current Fiscal Year and Nine Years Ago

Taxpayer	2017			2008		
	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	\$ 33,148,364	1	3.02 %	\$ 19,600,967	2	1.62 %
Haworth, Inc	17,572,987	2	1.60	37,474,600	1	3.10
Lumir LLC	14,488,159	3	1.32	10,010,490	7	0.83
Johnson Controls Interiors	13,483,433	4	1.23	18,405,663	3	1.52
YenFang Global	11,583,100	5	1.06	-----		----
Challenge MFG Company	7,949,418	6	0.73	-----		----
H.J. Heinz Co	6,598,029	7	0.60	11,298,494	4	0.93
Semco Energy	6,522,600	8	0.59	-----		----
JCIM US LLC	5,815,129	9	0.53	-----		----
Hotel Holdings Holland DTW LLC	5,687,346	10	0.52	-----		----
Hydro Automotive Structures	-----		----	10,730,000	5	0.89
American Bottling Co	-----		----	10,663,100	6	0.88
Meijer Realty Co	-----		----	6,568,943	8	0.54
Magna Donnelly	-----		----	5,718,563	9	0.47
Holland Hitch	-----		----	5,713,601	10	0.47
	<u>\$122,848,565</u>		<u>11.20</u>	<u>\$136,184,421</u>		<u>11.25</u>

Source: City of Holland Assessor's Office

2017 Total Taxable Value is \$1,096,436,220, which includes IFT's at equivalency valuation.

Concentration of 2017 Taxpayers



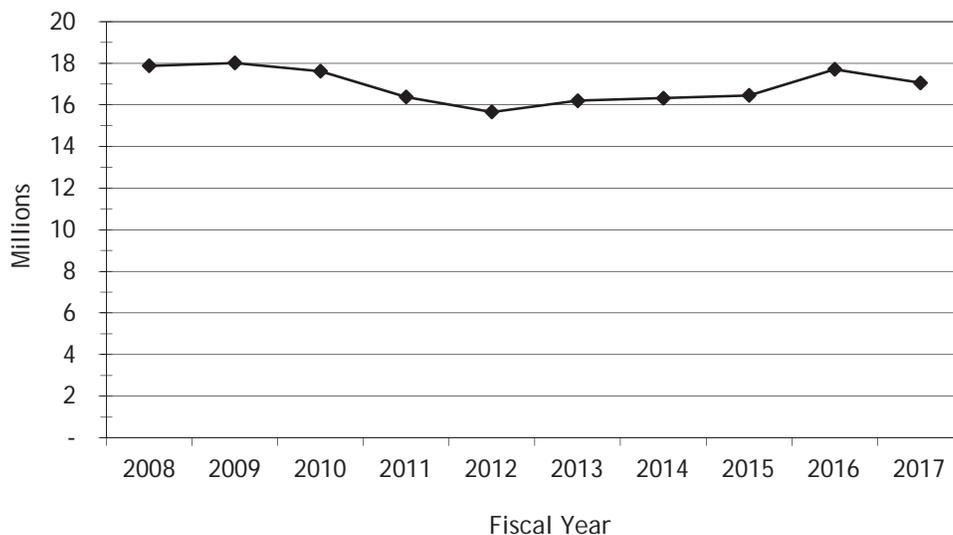
Property Tax Levies and Collections
For the Last Ten Fiscal Years

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
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	4,063	17,708,788	99.97
2017	17,070,599	17,060,635	99.94	-	17,060,635	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
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
2017	-	22,119,116	-	-	-	5,535,000	9,917,190	2,728,541	40,299,847

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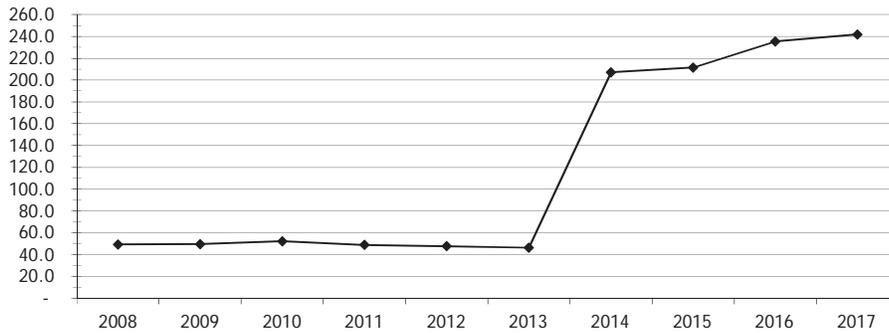
Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

** 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**
\$ 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
-	-	14,034,454	165,493,246	12,807,811	9,112,500	201,448,011	241,747,858	33.76	7,207

concluded

PRIMARY GOVERNMENT DEBT



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

Fiscal Year	General Bonded Debt Outstanding					Percentage of Actual Taxable Value* of Property	Per Capita**
	General Obligation Bonds	Building Authority Bonds	Capital Improvement Bonds	Pension Obligation Bonds	Total		
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	3.80	1,234
2017	-	22,119,116	5,535,000	22,725,001	50,379,117	4.59	1,502

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, 2017

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable*	Estimated Share of Overlapping Debt
Debt repaid with property taxes			
Ottawa Area Intermediate School District	\$ 2,483,365	9.18%	\$ 227,973
Hamilton School District	35,722,495	21.49%	7,676,764
Holland School District	76,855,407	76.07%	58,463,908
Zeeland School District	105,825,754	0.00%	-
Allegan County	43,456,351	8.64%	3,754,629
Ottawa County	167,581,099	6.68%	11,194,417
Holland Area Community Swimming Pool Authority	1,155,000	76.07%	878,609
Subtotal, overlapping debt			82,196,300
City direct debt			<u>40,299,847</u>
Total direct and overlapping debt			<u>\$ 122,496,147</u>

Sources: Assessed value data used to estimate applicable percentages provided by the 2016 Allegan and 2016 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

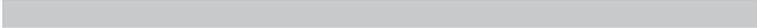
Legal Debt Margin Information
For the Last Ten Fiscal Years

Legal Debt Margin Calculation for Fiscal Year 2017

Assessed value	\$1,096,436,220
Debt limit (10% of assessed value)	109,643,622
Debt applicable to limit:	
Building authority bonds	22,119,116
Capital improvement bonds	5,535,000
Pension obligation bonds	22,725,001
Note payable	2,728,541
Less: Amount set aside for repayment of debt	<u>(683,442)</u>
Total net debt applicable to limit	<u>52,424,216</u>
Legal debt margin	<u>\$ 57,219,406</u>

	Fiscal Year				
	2017	2016	2015	2014	2013
Debt Limit	\$ 109,643,622	\$ 119,348,148	\$ 114,436,011	\$ 111,048,237	\$ 107,192,648
Total net debt applicable to limit	<u>52,424,216</u>	<u>43,938,017</u>	<u>18,046,699</u>	<u>19,965,860</u>	<u>23,582,232</u>
Legal debt margin	<u>\$ 57,219,406</u>	<u>\$ 75,410,131</u>	<u>\$ 96,389,312</u>	<u>\$ 91,082,377</u>	<u>\$ 83,610,416</u>
Total net debt applicable to the limit as a percentage of debt limit	91.62%	58.27%	18.72%	21.92%	28.20%

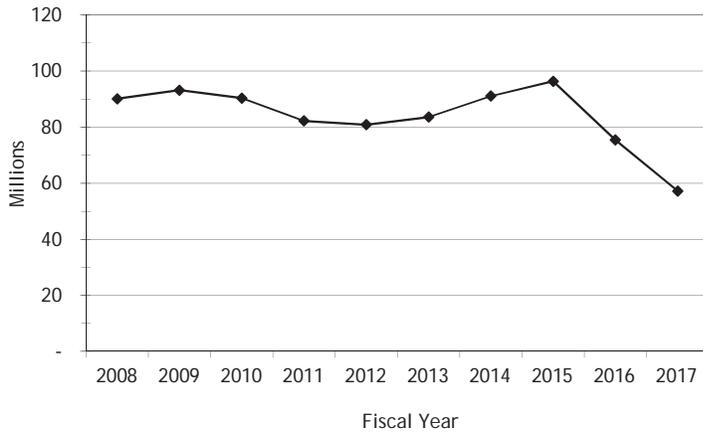
Under state finance law, the City's outstanding general obligation debt should not exceed 10% of total assessed property value.



Fiscal Year				
2012	2011	2010	2009	2008
\$ 107,612,788	\$ 111,202,723	\$ 121,415,479	\$ 120,588,930	\$ 117,120,687
<u>26,760,035</u>	<u>28,956,240</u>	<u>31,046,415</u>	<u>27,390,212</u>	<u>26,998,987</u>
<u>\$ 80,852,753</u>	<u>\$ 82,246,483</u>	<u>\$ 90,369,064</u>	<u>\$ 93,198,718</u>	<u>\$ 90,121,700</u>

33.10% 35.21% 34.36% 29.39% 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	
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
2017	10,009,506	4,542,246	5,467,260	1,305,000	438,890	3.14

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	
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
2017	111,706,239	71,377,353	40,328,886	-	3,310,703	12.18

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	
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
2017	11,384,632	7,032,959	4,351,673	387,500	232,182	7.02

Pledged-Revenue Coverage
For the Last Ten Fiscal Years

Fiscal Year	Special Assessment Bonds				Coverage
	Special Assessment Collections	Debt Service			
		Principal	Interest		
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	
2017	656,785	50,000	2,530	12.50	

concluded

Demographic and Economic Statistics

For the Last Ten Calendar Years

Year	Estimated Population (1)	Personal Income (thousands of dollars)	Per Capita Personal Income (2)	Unemployment Rate (3)
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%
2016	33,543	716,143	21,350	3.4%

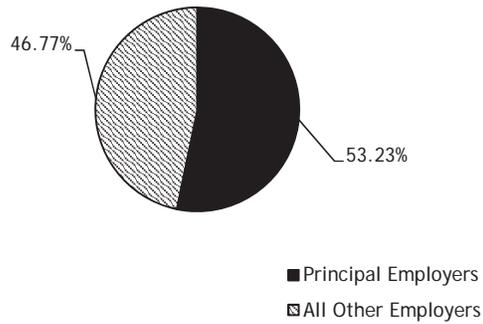
Sources:

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

Principal Employers
Current Year and Nine Years Ago

Employer	2017			2008		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Haworth Inc	1,995	1	11.22 %	1,854	2	11.10 %
Johnson Controls Interiors	1,950	2	10.97	1,869	1	11.19
Holland Community Hospital	1,828	3	10.28	1,750	3	10.48
Challenge Mfg Company	790	4	4.44	850	4	5.09
Hope College	636	5	3.58	770	6	4.61
Holland Public Schools	525	6	2.95	575	7	3.44
LG Chem Michigan Inc	457	7	2.57	-	-	-
Benteler & Hydro Automotive	440	8	2.47	-	-	-
Herman Miller	463	9	2.60	-	-	-
City of Holland / BPW	382	10	2.15	410	8	2.46
Tiara Yachts	-	-	-	781	5	4.68
ARC Holland Real Estate	-	-	-	401	9	2.40
USF Holland Inc	-	-	-	353	10	2.11
	<u>9,466</u>		<u>53.23</u>	<u>9,613</u>		<u>57.56</u>

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



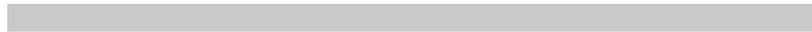
CITY OF HOLLAND, MICHIGAN

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

Function	Full-time Equivalent Employees as of June 30				
	2017	2016	2015	2014	2013
General government					
Management services	2.35	3.35	2.60	2.70	2.85
Fiscal services	11.90	12.90	12.95	13.00	12.15
City clerk	2.00	2.00	2.00	2.00	2.00
Human resources	1.60	1.60	1.60	1.25	1.25
Building	0.60	0.60	1.00	1.00	1.00
Cemetery	2.35	2.35	2.85	2.85	2.90
Planning	1.60	1.40	1.90	1.90	2.40
Technology	6.80	5.80	4.00	4.00	4.00
Public safety					
Police	62.00	65.00	65.00	65.00	65.00
Fire	51.00	51.00	51.00	51.00	51.00
Environmental health & inspections	10.65	9.65	8.90	7.90	8.35
Public works					
Streets	16.65	15.65	15.65	15.65	16.15
Engineering	3.35	3.35	2.35	2.35	2.60
Transit	0.00	0.00	0.00	0.00	0.00
Centralized vehicle maintenance	7.00	7.00	7.00	7.15	7.80
Welfare and social services					
Ourstreet / Human relations	3.95	2.90	1.95	1.95	2.10
Economic development assistance	0.10	0.10	0.85	1.10	1.90
Downtown development	3.15	3.15	3.30	3.30	3.15
Parks and recreation					
Recreation	4.50	4.00	4.00	4.15	3.75
Parks	14.00	13.50	11.85	11.60	11.95
Civic Center	1.45	1.45	1.45	1.30	1.40
Board of Public Works Utilities	<u>175.00</u>	<u>178.00</u>	<u>171.00</u>	<u>178.00</u>	<u>177.00</u>
Total	<u><u>382.00</u></u>	<u><u>384.75</u></u>	<u><u>373.20</u></u>	<u><u>379.15</u></u>	<u><u>380.70</u></u>

Source: City of Holland Finance Office Fiscal Year 2017 Budget (Approved Positions)

Exhibit L-1 - Unaudited



Full-time Equivalent Employees as of June 30				
2012	2011	2010	2009	2008
2.85	2.85	3.33	3.20	3.20
13.15	13.15	13.35	14.30	14.35
2.25	2.25	2.25	2.25	3.25
2.25	2.25	2.25	2.25	2.25
1.00	1.00	1.00	1.00	1.00
2.90	2.40	3.15	4.15	4.15
2.60	2.67	3.20	3.20	3.10
4.00	4.00	4.00	4.00	4.00
65.00	69.00	71.00	73.50	74.50
55.00	55.00	56.00	57.00	58.00
8.85	8.85	10.15	10.20	10.20
18.15	17.90	19.90	19.91	19.82
2.60	2.90	3.00	3.00	2.90
0.00	0.00	2.75	2.75	2.75
7.80	7.75	8.44	9.95	8.93
2.80	2.80	3.80	3.80	3.80
2.20	2.13	1.84	1.95	2.00
3.20	3.20	2.20	2.20	2.15
4.75	4.60	4.60	4.60	4.60
12.95	13.40	13.75	14.65	14.65
1.40	1.60	1.50	1.60	1.65
<u>179.00</u>	<u>182.00</u>	<u>183.00</u>	<u>186.00</u>	<u>185.00</u>
<u><u>394.70</u></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>

CITY OF HOLLAND, MICHIGAN

Operating Indicators by Function For the Last Ten Fiscal Years

Function	Fiscal Year				
	2017	2016	2015	2014	2013
Cemetery					
Burials	234	270	222	225	244
Police					
Physical arrests	1,333	1,498	1,901	2,055	2,031
Parking violations	4,161	4,010	3,783	3,984	7,591
Traffic violations	3,034	3,209	4,373	3,661	3,494
Fire					
Emergency responses	3,083	3,457	3,268	3,101	2,944
Fires	83	105	91	93	96
Medical Emergencies	1,965	2,238	2,160	2,079	1,957
Inspections	113	224	263	249	194
Public works					
Street resurfacing (miles)	6.9	7.0	4.6	3.8	4.0
Working in the ROW permits	350	323	340	343	330
Community & neighborhood services					
Number of construction permits:					
Industrial & commercial	96	69	99	102	95
Residential	427	499	530	497	438
Institutional & municipal	21	20	16	24	21
Value of construction permits (millions of dollars)					
Industrial & commercial	37.70	12.10	36.27	22.57	18.92
Residential	24.90	15.00	28.23	14.45	7.64
Institutional & municipal	15.10	23.70	8.85	38.95	31.40
Parks and recreation					
Program participants	22,931	22,285	21,427	19,480	19,329
Pool attendance	13,338	17,500	11,700	11,068	15,051
Water					
Service connections	13,600	13,500	13,405	13,375	12,957
Average daily consumption (thousands of gallons)	13,073	13,332	11,200	11,690	11,790
Wastewater					
Service connections	12,524	12,400	12,335	12,320	12,308
Average daily consumption (thousands of gallons)	8,036	9,683	9,025	9,144	9,490

Source: Various city departments

Exhibit L-2 - Unaudited

Fiscal Year				
2012	2011	2010	2009	2008
229	266	245	262	213
2,241	2,281	3,339	3,237	3,496
5,040	4,589	4,832	4,551	5,533
4,006	3,769	2,924	6,383	6,762
2,768	2,709	2,799	2,994	2,913
86	86	94	89	146
1,944	1,858	1,909	2,112	1,959
132	116	145	96	109
8.7	4.9	5.5	11.2	11.4
282	302	337	346	336
78	86	70	68	96
508	440	43	459	552
26	23	29	16	27
24.80	52.48	6.15	6.55	15.12
8.60	10.21	6.67	7.01	8.75
47.00	16.06	13.81	7.25	27.18
18,594	16,965	30,782	35,450	28,115
18,790	17,224	16,969	9,047	10,998
13,028	13,284	13,261	13,414	13,155
11,666	10,211	10,088	10,689	12,459
12,272	12,202	12,184	12,397	12,169
7,501	7,370	7,274	7,538	7,448

CITY OF HOLLAND, MICHIGAN

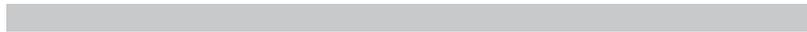
Capital Asset Statistics by Function For the Last Ten Fiscal Years

Function	Fiscal Year				
	2017	2016	2015	2014	2013
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	149	149	149	149
Streetlights	2,535	2,615	2,598	2,595	2,593
Parks and recreation					
Park acreage	403	403	403	403	403
Parks	22	22	22	22	22
Baseball/softball diamonds	10	10	10	10	10
Soccer fields	11	11	11	10	10
Swimming pools	1	1	1	1	1
Tennis courts	11	14	14	14	14
Pickleball courts	10	-	-	-	-
Stadiums	-	-	-	-	-
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)	249	252	248	248	246
Fire hydrants	2,395	2,395	2,363	2,363	2,353
Maximum daily capacity of plant (thousands of gallons)	38,500	38,500	38,500	38,500	38,500
Wastewater					
Sanitary sewers (miles)	183.55	185.00	183.00	182.77	182.76
Storm sewers (miles)	152.0	152.0	151.5	151.5	159.0
Maximum daily capacity of plant (thousands of gallons)	14,400	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				
2012	2011	2010	2009	2008
2	2	2	2	2
1	1	1	1	1
19	19	19	19	19
3	3	3	3	3
149	149	149	149	149
2,504	2,534	2,581	2,520	4,742
508	508	509	509	460
23	23	24	24	24
10	10	9	9	9
10	10	9	9	9
1	1	1	1	1
14	14	21	21	21
-	-	-	-	-
1	1	1	1	1
1	1	1	1	1
1	1	1	1	1
1	1	1	1	1
241	240	237	237	233
2,345	2,342	2,320	2,321	2,250
38,500	38,500	38,500	38,500	38,500
182.94	183.73	183.21	185.84	182.81
159.0	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 7, 2017

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, 2017, 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 7, 2017.

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.

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. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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*.

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 Lobson LLC". The signature is written in a cursive, flowing style.

INDEPENDENT AUDITORS' COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

December 7, 2017

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, 2017, and have issued our report thereon dated December 7, 2017. 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 July 24, 2017, 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 7, 2017. In addition, we noted a certain other matter which is 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 October 9, 2017.

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.

During the year, the City's Electric Utility reported extraordinary items related to pollution remediation costs in connection with the closure of the existing power plant, to record asset impairments related to the power plant, to write off obsolete spare parts inventory, and to reflect the decline in market value of its coal inventory. The notes to the financial statements contain a more complete description of these transactions. 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 valuation 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. None of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

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 cursive script that reads "Lehmann Johnson LLC". The signature is written in black ink and is positioned below the "Very truly yours," text.

CITY OF HOLLAND, MICHIGAN

Attachment A - Comments and Recommendations

For the June 30, 2017 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 7, 2017, issued in accordance with *Government Auditing Standards*. This memorandum does not affect that report or our report dated December 7, 2017, on the financial statements of the City of Holland.

Compliance with the Uniform Budgeting Manual

In adopting the amended budgets for the year, the City budgeted for a special revenue fund's expenditures to exceed revenue and fund balance reserve. The Uniform Budget Manual does not allow for budgeted fund deficits. We recommend the City review budgeted expenditures and revenues for accuracy and consider the need for transfers in from other funds to avoid budgeted deficits. We also recommend that the City include the beginning and projected ending fund balance in the budget document in order to fully comply with the Uniform Budget Manual.



CITY OF HOLLAND, MICHIGAN

Attachment B - Upcoming Changes in Accounting Standards / Regulations

For the June 30, 2017 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 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 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.

GASB 83 ■ Certain Asset Retirement Obligations

Effective 06/15/2019 (your FY 2019)

This standard addresses accounting and financial reporting for certain asset retirement obligations--legally enforceable liabilities associated with the retirement of a tangible capital asset. We do not expect this standard to have any significant effect on the City.

GASB 84 ■ Fiduciary Activities

Effective 12/15/2019 (your FY 2020)

This standard establishes new criteria for determining how to report fiduciary activities in governmental financial statements. The focus is on whether the government is controlling the assets, and who the beneficiaries are. Under this revised standard, certain activities previously reported in agency funds may be reclassified in future periods. Due to the number of specific factors to consider, we will continue to assess the degree to which this standard may impact the City.

GASB 85 ■ Omnibus 2017

Effective 06/15/2018 (your FY 2018)

This standard includes a variety of small technical revisions to previously issued GASB statements. 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, 2017 Audit

GASB 86 ■ Certain Debt Extinguishment Issues

Effective 06/15/2018 (your FY 2018)

This standard provides guidance for reporting the in-substance defeasance of outstanding debt obligations using existing resources. Qualifying transactions will remove both the assets placed into trust and the related debt obligation from the government's statement of net position. We do not expect this standard to have any significant effect on the City.

GASB 87 ■ Leases

Effective 12/15/2020 (your FY 2021)

This standard establishes a single model for reporting all leases (including those previously classified as operating and capital). Lessees will now report offsetting intangible lease assets and lease liabilities equal to the present value of future lease payments. Lessors will report offsetting lease receivables and deferred inflows of resources.



CITY OF HOLLAND, MICHIGAN

Attachment C - Management Representations

For the June 30, 2017 Audit

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

December 7, 2017

Rehmann Robson
2330 East Paris Avenue 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, 2017, 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 7, 2017:

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated July 24, 2017, 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 all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP.
9. 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.
10. All component units, as well as joint ventures with an equity interest, are included and other joint ventures and related organizations are properly disclosed.
11. All funds and activities are properly classified.
12. 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.
13. All components of net position and fund balance classifications have been properly reported.
14. 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.
15. 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.
16. All interfund and intra-entity transactions and balances have been properly classified and reported.
17. Special items and extraordinary items have been properly classified and reported.
18. Deposit and investment risks have been properly and fully disclosed.
19. Capital assets, including infrastructure assets, are properly capitalized, reported, and if applicable, depreciated.
20. All required supplementary information is measured and presented within the prescribed guidelines.
21. We believe that the actuarial assumptions and methods used to measure other postemployment benefit liabilities and costs for financial accounting purposes are appropriate in the circumstances.
22. 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

23. 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.
24. All transactions have been recorded in the accounting records and are reflected in the financial statements.
25. 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.
26. 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.
27. 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.
28. We are not aware of any pending or threatened litigation and claims whose effects should be considered when preparing the financial statements.
29. 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.
30. There have been no communications from regulatory agencies concerning noncompliance with or deficiencies in accounting, internal control, or financial reporting practices.
31. The government has no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.
32. We have disclosed to you all guarantees, whether written or oral, under which the government is contingently liable.
33. 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.
34. 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.
35. 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.
36. 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.
37. 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

38. With respect to the supplementary information accompanying the financial statements:
- a. We acknowledge our responsibility for the presentation of the supplementary information in accordance with accounting principles generally accepted in the United States of America.
 - b. 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.
 - c. The methods of measurement or presentation have not changed from those used in the prior period.
 - d. 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

39. With respect to the required supplementary information accompanying the financial statements:
- a. 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.
 - b. 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.
 - c. The methods of measurement or presentation have not changed from those used in the prior period.
 - d. 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.


Michelle Price, Assistant Finance Director


Tim Vagle, Finance Director