

COMPREHENSIVE ANNUAL FINANCIAL REPORT

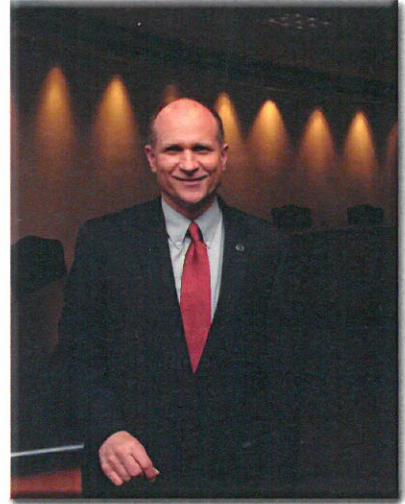
For the Fiscal Year Ended June 30, 2013



City of Holland, Michigan

New City Manager Ryan Cotton

On March 27, 2012 Ryan Cotton took the helm as the new City Manager for the City of Holland. Former City Manager Soren Wolff previously held this position for 23 years. A City Manager search committee began a rigorous review process, with the aid of an outside consulting firm, in July 2011. Mr. Cotton was interviewed originally in January along with three other candidates. Mr. Cotton brings with him a wealth of experience from a governmental management career spanning 31 years, of which the last 17 years were in West Michigan. Mr. Cotton considers financial stability, strategic planning, regional collaboration, public trust, public/private partnerships and executive staff development as the most critical areas he will be concentrating on.



Mr. Cotton had to hit the ground running when he started his position in later March to address the \$2 million dollar upcoming FY2013 budget shortfall. He was able to juggle two jobs simultaneously in order to participate in the critical earlier March budget preparation meetings. This put Mr. Cotton in a position to be able to develop an innovative approach to solve the budget crisis through a combination of budget cuts and tax increases which were presented to the City Council on schedule in early April.

The community welcomes Mr. Cotton and his wife Karen, who is a teaching assistant, to Holland. The Cottons also have three grown children.



DeZwaan Windmill

The 250 year old De Zwaan Windmill is the cornerstone of the City's Windmill Island Gardens venue. The Windmill recently had a major overhaul to replace the gallery and observation deck. The gallery was the original deck which was installed in the mid 1960's, when the Windmill was first brought to the City of Holland from the Netherlands.

The \$236,175 project included the use of hard, dense Azobe (Iron) wood and Bilenga wood for the railing from Brazil. The project was a collaboration between the skilled craftsmanship of the Dutch windmill design and construction firm of Verbij and the the local construction firm of Elzinga & Volkers, who served as construction manager. The project was completed just prior to Tulip Time 2012.

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

INTRODUCTORY SECTION

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CITY OF HOLLAND

HOLLAND, MICHIGAN

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2013

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, 2013

CITY COUNCIL

Kurt D. Dykstra
Mayor

Myron Trethewey
Ward 1

Jay Peters
Ward 2

Brian Burch
Ward 3

Robert Vande Vusse
Ward 4

Todd Whiteman
Ward 5

David Hoekstra
Ward 6

Nancy DeBoer
At-Large

Wayne Klomparens
At-Large

STAFF APPOINTED BY THE CITY COUNCIL

Ryan Cotton
City Manager

STAFF APPOINTED BY THE CITY MANAGER, SUBJECT TO COUNCIL APPROVAL

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

Anna Perales
Deputy City Clerk

Tim Vagle
City Director of Finance

Dave VanderHeide
City Assessor

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

Greg Robinson
Assistant City Manager

Matt Messer
Director of Public Safety

Philip Meyer
Director of Community & Neighborhood Services

Andy Kenyon
Interim Director of Parks & Recreation Services

Brian White
Interim Director of Transportation Services

Chanda Schab-Koryto
Director of Human Resources

STAFF OFFICIALS APPOINTED BY BOARDS OR COMMISSIONS

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

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

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

Telephone (616) 355-1370

FAX (616) 355-1470

December 12, 2013

TO CITY OF HOLLAND CITIZENS AND OTHER INTERESTED PERSONS:

The *Comprehensive Annual Financial Report of the City of Holland (CAFR)* for the fiscal year ended June 30, 2013, is hereby submitted. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with City management. To the best of our knowledge and belief, the data as presented is accurate in all material respects and reported in a manner that fairly sets forth the financial position and results of operations of the various funds of the City. All disclosures considered necessary to enable the reader to gain an understanding of the City's financial activities are included. We believe that internal control procedures and policies currently in place provide reasonable assurance for proper recording of financial transactions and asset accountability. While a rigorous system of internal controls has been implemented over the years, these controls are continually reviewed and enhanced due to the inherent limitations of any system.

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

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

The City of Holland maintained the property millage rate of 15.1085 levied in the prior fiscal year. Holland continues to levy property taxes well under the millage rates allowed by the City Charter in conformance with the established financial policy to maintain the lowest millage rate possible. Ending combined fund equity balances in the General Fund and the Budget Stabilization Fund, at 25.9% of the ensuing year's General Fund appropriations, exceed conformance with the City's financial policy to maintain a 7.5%-15% balance across both funds.

PROFILE OF THE GOVERNMENT

The City of Holland is located in the western portion of the state, five miles from Lake Michigan and approximately 90 miles north of the Michigan-Indiana border. The corporate boundaries of the City lie within portions of Ottawa County and Allegan County. The U.S. Census Bureau's estimated 2012 population of 33,279 with a median age of 31.7 years per the 2010 adjusted census. This is a 5% reduction in population since the high of 35,048 from the 2000 census. At June 30, 2013 the City included an area of 17.45 square miles, 148.7 miles of major and local streets and 11.20 miles of state trunkline highways. Holland is situated within the rapidly urbanizing metro tri-plex of Holland, greater Grand Rapids and Muskegon with a total combined population of over one million.

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

PROFILE OF THE GOVERNMENT

(Continued from Previous Page)

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

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

The City enjoys a well-diversified property tax base mix of residential (45.76%), commercial (22.25%), industrial (27.03%), and all other (4.96%). The industrial sector includes a diversification of manufacturing, including office systems & furniture, auto and truck parts, boats, aluminum extrusion, pickle & cucumber products, wind energy components, lithium-ion batteries and several other small industrial firms.

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

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

The City employment staff includes 384 full-time positions, and 58 part-time positions; at full-time equivalency (FTE). The full-time workforce is composed of a base of non-union plus three organized labor bargaining units as follows:

<u>Employee Group</u>	<u>Affiliation</u>	<u>Members</u>
Utility Workers	Service Employees International Union AFL-CIO, Local 568	91
Police Officers	Fraternal Order of Police, Holland Police Officers Division	52
Firefighters	International Association of Firefighters, Local 759	21
Non-Union	None	<u>220</u>
Total		384

THE FINANCIAL REPORTING ENTITY

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

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

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

The requirements of *GASB Statement No. 14*, and the further amendments to this statement made by *GASB Statement No. 39 and 61*, are addressed in this report. Component units that require discrete reporting presentation are the *Downtown Development Authority*, the *Economic Development Corporation (no activity in current year)*, the *Holland Historical Trust* and the *Brownfield Redevelopment Authority*. These four component units are legally separate organizations for which the Holland City Council is financially accountable; and/or for which the nature and significance of their relationship with the City are such that exclusion would cause the financial statements to be misleading or incomplete. The Holland Building Authority has been blended into the City's financial statements and is not presented discretely. The component units are further identified in Note 1 of the *Notes to Financial Statements*.

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

ECONOMIC CONDITIONS OF THE COMMUNITY

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

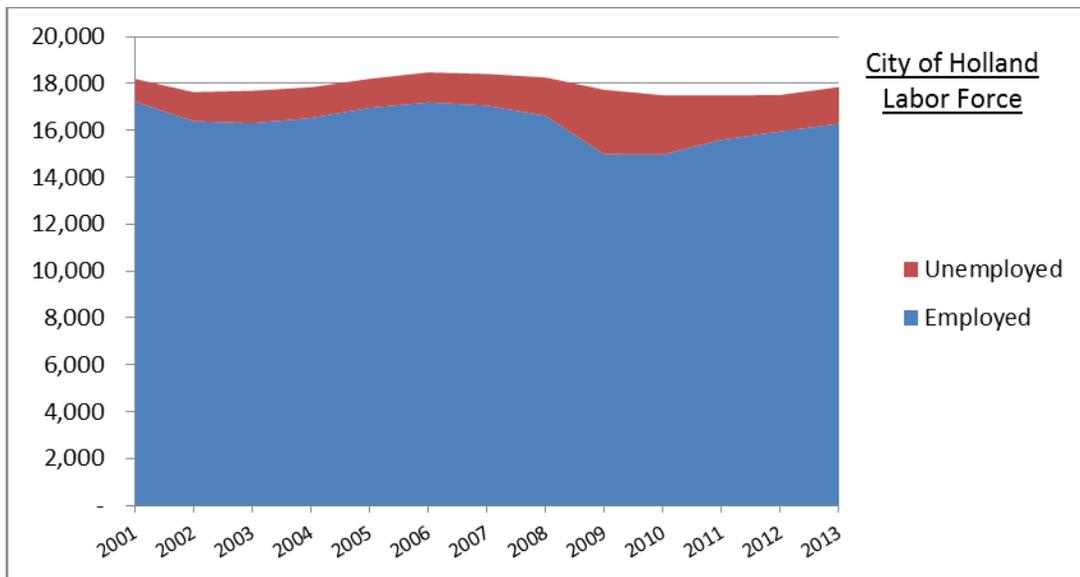
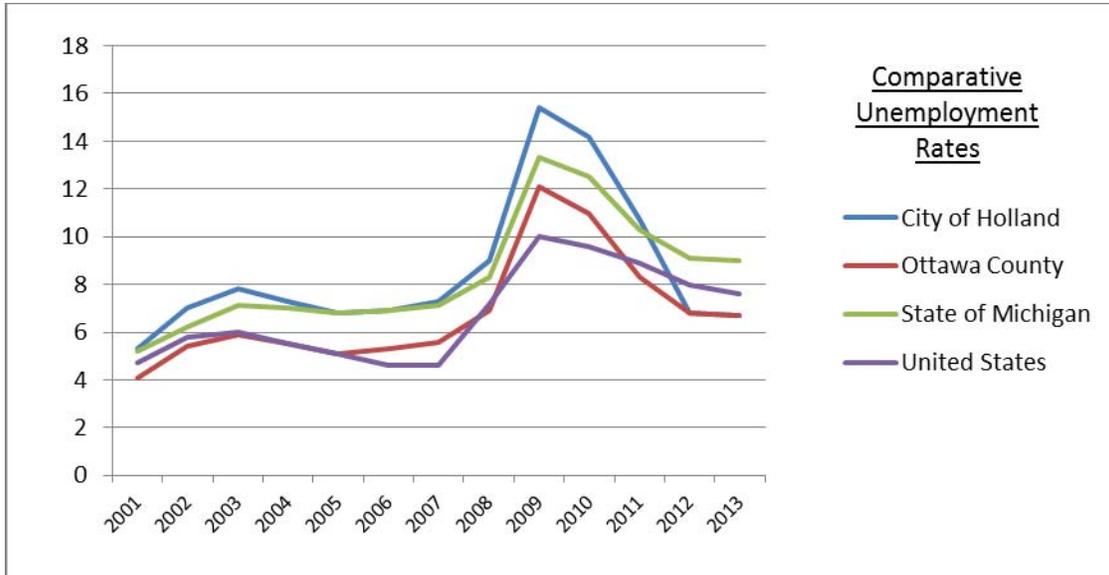
The local West Michigan area has been impacted by the national economic downturn which began in 2001. The following table of comparative unemployment rates paints a vivid picture reflecting 2003 as the first peak of the downturn and 2008-2009's second peak downturn following suit with national and state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

Comparative Unemployment Rates

<u>Annual Average</u>	<u>City of Holland</u>	<u>Holland/Grand Haven Metro Area</u>	<u>County of Ottawa</u>	<u>County of Allegan</u>	<u>State of Michigan</u>	<u>United States</u>
<u>2013 (Aug.31)</u>	<u>6.7</u>	<u>6.7</u>	<u>6.7</u>	<u>7.1</u>	<u>9.0</u>	<u>7.6</u>
2012	6.8	6.8	6.8	7.3	9.1	8.0
2011	10.7	8.3	8.3	8.7	10.3	8.9
2010	14.2	11.0	11.0	11.9	12.5	9.6
2009	15.4	12.1	12.1	12.5	13.3	10.0
2008	9.0	6.9	6.9	7.5	8.3	7.2
2007	7.3	5.6	5.6	6.2	7.1	4.6
2006	6.9	5.3	5.3	6.0	6.9	4.6
2005	6.8	5.1	5.1	6.2	6.8	5.1
2004	7.3	5.5	5.5	6.6	7.0	5.5
<u>2003</u>	<u>7.8</u>	<u>5.9</u>	<u>5.9</u>	<u>6.6</u>	<u>7.1</u>	<u>6.0</u>
2002	7.0	5.4	5.4	5.6	6.2	5.8
2001	5.3	4.1	4.1	4.2	5.2	4.7

ECONOMIC CONDITIONS OF THE COMMUNITY

(Continued from Previous Page)



The unemployment figures should be reviewed in tandem with the labor force figures which, prior to 2007, indicated positive growth since the low point in 2002. Ottawa County continues to experience a modest increase in population and diversified labor force and is one of the fastest growing counties in the Midwest. Between 2012 and April 2013 total employment in Ottawa County grew by 6,809 jobs overall.

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

The Macatawa Area Coordinating Council (MACC) population, made up of Holland, Zeeland and the surrounding seven townships, grew by 1.71% from 2010 to 2012. Between 2010 and 2012 Ottawa County's total population had a net increase nearly 5,300 residents, up to 263,801, for a growth rate of 2%.

ECONOMIC CONDITIONS OF THE COMMUNITY

(Continued from Previous Page)

	<u>Employed</u>	<u>Unemployed</u>	<u>Labor Force / % Change</u>	
2013 (Aug. 31)	16,290	1,565	17,855	+1.89%
2012	15,958	1,560	17,518	+0.14%
2011	15,597	1,897	17,494	-0.07%
2010	14,970	2,536	17,506	-1.29%
2009	14,984	2,751	17,735	-2.88%
2008	16,623	1,638	18,261	-0.82%
2007	17,063	1,349	18,412	-0.36%
2006	17,200	1,279	18,479	+1.52%
2005	16,963	1,240	18,203	+2.02%
2004	16,533	1,310	17,843	+0.84%
2003	16,312	1,382	17,694	+0.32%
2002	16,398	1,240	17,638	-3.11%
2001	17,232	972	18,204	

The W.E. Upjohn Institute for Employment Research Business Outlook for West Michigan June 2013 publication stated that “Total employment grew by nearly 1,000 jobs during the first quarter in Ottawa County. Employment gains were reported in all three of the area’s major sectors.” The local Manpower office reports they are currently at 1,057 placements, with 80 open jobs to fill. They continue to see strong growth in the job market. Many of their placements are leading to permanent employment.

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

- Johnson Control employs 3,434 people in the Holland Community. Johnson Controls has a technical center and several manufacturing locations in Holland that support the automotive industry. Employees at the technical center design and engineer automotive interior products including door panels, headliners, overhead consoles, visors, instrument panels, floor consoles, as well as electronics products including driver information systems, body electronics, infotainment and specialty products. The plants manufacture automotive interior and seat components. Their Power Solutions Meadowbrook Plant produces lithium-ion batteries for hybrid and electric vehicles.

ECONOMIC CONDITIONS OF THE COMMUNITY

(Continued from Previous Page)

- Construction was completed in September 2011 on the 650,000 square foot \$304 million LG Chem plant to manufacture lithium-ion cells in the City of Holland. Although the planned start of production was January 2013, the first battery was shipped in November 2013. LG Chem supplies the battery for the new GM Chevy Volt and has a new contract for the Ford Focus. In January 2011 LG Chem and Grand Rapids Community College approved a *Michigan New Jobs Training Program* Agreement under which the company could spend an estimated \$19.6 million to train more than 3,000 employees over the 20-year term of the deal. LG Chem Michigan business planning director Kee Eun recently said “We think Holland will become a hometown for advanced batteries on a global scale”.
- Globally, Haworth improves workplaces with award-winning furniture, interior architecture and technology solutions to help customers achieve business goals, transform culture as well as support collaboration and innovation. Research + design drive a deep understanding of agile workplace needs and are at the center of the company’s strategy. Haworth is committed to protecting and restoring the environment, creating economic value as well as supporting and strengthening its communities. Founded in 1948, Haworth remains family-owned and privately-held and serves markets in more than 120 countries through a global network of 600 dealers. The company had net sales of US \$1.31 billion in 2012. “We are satisfied with our 2012 results in what was a challenging economic environment for our industry in many parts of the world. We continue to aggressively drive key elements of our growth platforms while realizing value in creating new, strategic opportunities” said Franco Bianchi, Haworth President and CEO.
- Holland’s Energetx Composites was the first recipient of Governor Rick Snyder’s Reinventing Michigan award in May 2011. “Energetx Composites embodies the entrepreneurial spirit that once made Michigan the leader in job growth” Snyder said. The new company landed a major contract in 2012 and anticipates adding 70 employees to their current workforce of 40 within two years. Their technology includes design, engineering and manufacturing of wind turbine blades and parts for utility-scale turbines. A tax abatement for various and equipment valued in excess of \$5 million was approved by the City Council in May 2012.
- Holland Community Hospital increased staffing levels in 2012-13 by 4.5% and currently employees 1,531.43 full-time equivalent. Growing to meet the needs of the community bet sums up the past twelve months at Holland Hospital. A new, 24-bed Spine & Orthopedic unit opened in August 2013 to accommodate the growing number of hip, knee and spine surgical patients. At the same time, the hospital broke ground on campus for the single story medical office building which will be completed in May of 2014. Against the backdrop of construction, Holland Hospital was pleased to receive the 2013 Outstanding Patient Experience Award™ from HealthGrades.
- Holland Public Schools has nearly completed \$73 million construction and technology upgrade projects that impact its four K-7 schools and three secondary schools. In 2011-2012 school year, Holland High earned awards from both U.S. News & World Report and the Mackinac Center for academic performance. The tradition of success has continued as HHS theatre, orchestra, and forensics earned top state recognition. In athletics, Holland High (2011-2012) won conference championships in football, boys’ basketball, girls swimming, and boys swimming. In fact, the Holland High Girls Swimming Team was Division 2 state and national champions and repeated as state champions in 2013! The district wide construction projects will be completed in 2014. For the first time in a decade, student enrollment grew slightly, rather than declined. The most recent school year was great one for Holland Public Schools.

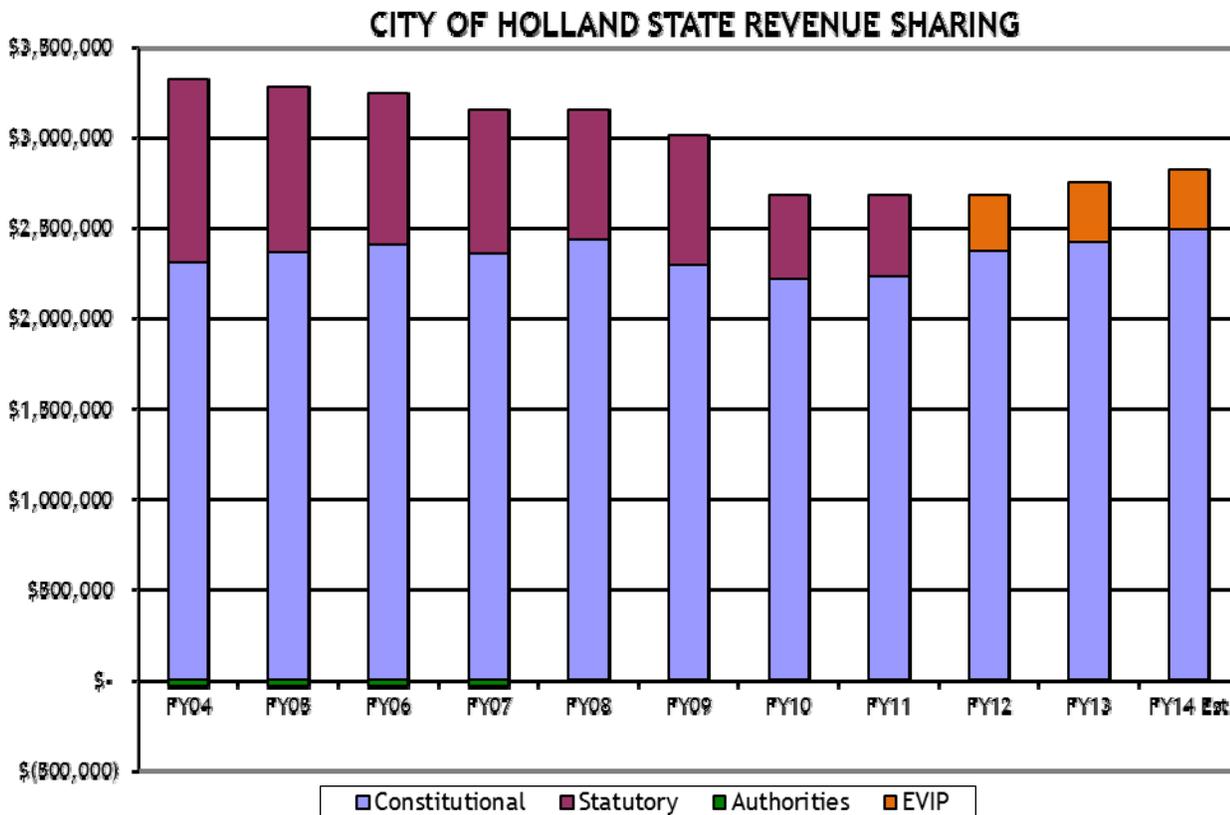
ECONOMIC CONDITIONS OF THE COMMUNITY

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

For the past three years, the State has adopted their annual budget in May/June, much earlier than prior years. After years of cuts and reductions in Revenue Sharing largely due to the poor performance of the Michigan economy, slight increases were received in FY2013 and are expected in 2014. The statutory portion of the Revenue Sharing formula in sales tax distributions to local governments was eliminated in FY2012 and replaced with a new revenue sharing program, known as the Economic Vitality Incentive Program (EVIP). The City met the requirements of this 3-tiered system in FY2012 and 2013, and expects the same in 2014. The amount of \$327,828 received in FY2013 compares to \$448,000 in the former formula. The constitutional portion, based on a specific percentage of the sales tax revenues, is expected to continue increasing as the State economy gains momentum.

What is of much more concern regarding revenues is recent legislation eliminating the Personal Property tax over a ten-year period, which raises more than \$1 billion a year for local governments and schools and \$2.4 million for the City of Holland. Full implementation of the law is contingent upon a statewide vote in August 2014. The law includes a provision for the City Council to approve an essential services special assessment to replace most of the lost revenue, yet much uncertainty clouds this issue until the outcome of the vote. Questions have been raised regarding the legality of the special assessment provisions as well. Management is carefully monitoring this issue and discussing it with state elected officials.



ECONOMIC CONDITIONS OF THE COMMUNITY

(Continued from Previous Page)

Based on 2013 PA198 industrial facilities and PA328 new personal property tax abatements granted by the City of Holland, 178 new jobs are anticipated to be created along with \$27.8 million of new related construction and machinery. In 2012, Ottawa County issued 72 PA198 tax abatement certificates and was fifth in the state in terms of private investment representing 7.1% statewide. For 2013 the City currently has 112 PA198 industrial facilities certificates active and 8 PA328's active.

The following table identifies the 2013 PA198 industrial tax abatements issued by the City. The value of PA198 abatements is up by \$5.5 million from 2012. The largest job creator and fourth largest investment came from L & W Engineering, which is an automotive metal stamping operation.

PA 198 Industrial Facilities Tax Abatements (IFT's) 2013

Company	Description of Services	Planned Investment	Projected Job Growth
BuhlerPrince Inc	Manufacture metal parts	\$ 5,123,303	3
L & W Engineering	Automotive metal stampings	3,421,179	100
Magna Mirrors	Manufacture automotive mirrors	5,987,111	24
Metal Standard Corp.	Metal fabrication	354,520	3
Paramount Tool	Designs and builds machinery	961,987	15
Power Manufacturing	Stamped and machine metal products	335,000	1
Profile Tool	Metal stampings	380,000	1
Techno-Coat	Industrial powder coating	2,296,000	6
Trans-matic Mfg Co. Inc.	Automotive metal stampings	9,000,000	25
		<hr/>	
		\$ 27,859,100	178

PA 328 New Personal Property Abatement 2013

No new PA 328's for 2013

-

Total PA 198 & PA328 Investment for 2013

\$ 27,859,100

ECONOMIC CONDITIONS OF THE COMMUNITY

(Continued from Previous Page)

With the completion of construction on the lithium-ion battery plants and major Holland Public School upgrades, building permit construction values decreased overall by 28% from FY2012 (\$80.9 million) to FY2013 (\$57.9 million). Institutional and municipal permits totaled \$31.4 million for FY2013. The largest permit value for FY2013 was for Holland Hospital (combined \$12.6 million). Other large permits included Holland Public Schools for \$5.5 million and Brooks Beverage for \$4 million.

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

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

It should also be noted that the Holland Aquatic Center, Herrick District Library and Evergreen Commons Senior Center facilities are considered top notch for a community of this size. The City maintains a high 49.7% demographic of households as married-couple families which compares very favorably to most other cities. The housing occupancy rate in 2010 was at 91%. Neighborhood improvement projects continue to be a top priority of the Holland City Council and \$457,283 in local and grant funds were expended in homeowner and neighborhood improvements in FY2013.

The metro tri-plex area in West Michigan is considered a mecca for the arts and the quality of life in the City of Holland is further enhanced by the presence of four institutions of higher learning. Hope College's centralized location, adjacent to Holland's downtown area, contributes to the wide range of activities, interaction and economic benefit offered to the community. Many Hope College graduates not originally from the area fall in love with West Michigan and locate here permanently citing the good work-life balance. It is estimated that in one year Hope College contributes \$213 million in economic impact to the surrounding community. Each year nearly 75,000 visitors come to Hope College spending over \$9 million in the region during their visits. Enrollment at Hope College is growing slightly despite a challenged national economy. Enrollment across all local colleges and universities are down by 109 from a year ago.

<u>Higher Education Institution</u>	<u>Enrollment (Degree Seeking)</u>
Hope College	3,296
Grand Valley State University (Meijer Campus)	200
Grand Rapids Community College (includes all local "Lakeshore" campuses within 10 miles)	1,057
Davenport University	<u>461</u>
Total	5,014

More than 200 students are enrolled at Grand Valley State University's Meijer Campus in Holland for Fall 2013. The Holland Campus hosts a variety of adult learning programs including Professional Development opportunities in the areas of Education, Social Work and Occupational Health and Safety year round. During the Spring/Summer 2013, Grand Valley served more than 120 professional development students. In addition to the academic and professional development programming at the Meijer Campus; Grand Valley continues to provide pathways for local community college students to matriculate into the university.

ECONOMIC CONDITIONS OF THE COMMUNITY

(Continued from Previous Page)

In the Western Gateway area of the downtown, the canopied 8th Street Market is considered one of Michigan’s premier twice-weekly open-air produce shopping events. The Market offers special programs such as a chef series, children’s activities and cooking contests. A current occupancy rate of 94.27% in the central business district reflects - in large part - the administrative efforts and promotional activities of the Downtown Development Authority (DDA) and Principal Shopping District (PSD). Several downtown sponsored marketing events, such as the street performer series, ice sculpting competition, “Girlfriends Weekend” and “Groove Walk” highlight the City as an entertainment destination. Budget Travel magazine featured a travel article on downtown Holland in a section devoted to girlfriend getaways.

The annual Tulip Time Festival held in May each year continues to draw tourists downtown and City-wide from across the nation and has grown in recent years into a ten-day event. Amtrak ridership at the downtown Holland depot stop puts Chicago within a 3 hour reach of Holland and the schedule is conducive for a day-only or weekend trip. Ridership was down comparing Fiscal Year 2012 to Fiscal Year 2013 by 4.4%.

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

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

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

GOVERNMENTAL - TYPE FUNDS - FUND BALANCES

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

	FUND BALANCES		
	@ June 30, 2012	@ June 30, 2013	Increase (Decrease)
General Fund - General	\$ 3,496,256	\$ 4,042,040	\$ 545,784
Gen. Fund - Budget Stabilization	720,877	917,936	197,059
Special Revenue	4,437,048	4,831,599	394,551
Debt Service Funds	506,975	252,747	(254,228)
Capital Projects Funds	644,685	1,750,867	1,106,182
Permanent Trust Funds	1,549,342	1,575,485	26,143
Totals	\$ 11,355,183	\$ 13,370,674	\$ 2,015,491

Additional Comments Concerning Certain Fund Balances

- > Prior to the end of FY2013 the budget was amended and an additional contribution of \$300,000 was made to the City’s defined benefit pension plan as an incremental step toward reducing the accrued actuarial liability. Looking forward from FY2013 the *General Fund - Fund Balance* of \$4,042,040 at June 30, 2013 may increase further due to health insurance premium costs coming in below the budgeted amounts. As a result of the \$545,784 increase in fund balance, and given the historically low interest yields on investments, consideration will be given to paying down debt in FY2014 utilizing a portion of the fund balance, reducing interest costs. All staff vacancies continue to be carefully scrutinized prior to filling them, but as property tax values stabilize, it appears that continuing staff reductions may no longer be necessary. Health Insurance premiums and pension contributions continue to increase.
- > The decrease in the *Fund Balance of the Debt Service Funds* in FY2013 was planned based on a buildup of Fund Balance in prior fiscal years in the *G.O. Debt Service Fund* allowing a more uniform millage rate across the fiscal years. The increase in the *Fund Balance of the Capital Projects Funds* resulted from selling of the Municipal Stadium and other property to Hope College, with proceeds placed into the Capital Improvement Fund for “legacy” type improvements.
- > The *General Fund - Budget Stabilization* portion ended the fiscal year with an *Undesignated Fund Balance* of \$917,936; intentionally increased after drawdowns in recent years to settle tax appeals and transfers to the General Fund. Most property tax appeals have been settled and this fund is expected to stabilize in the next years. Balances in this fund are more than adequate when combined with the General Fund, at 25.9% of the ensuing FY2013-14 General Fund budget.

GOVERNMENTAL-TYPE FUNDS - CAPITAL PROJECTS

Expenditures in the *Capital Projects Funds*, excluding interfund transfers, totaled \$5,671,837 for FY2013 as compared to \$8,311,523 for FY2012. More significant projects with expenditures exceeding \$100,000 during the fiscal year included:

INFRASTRUCTURE PROJECTS (Excluding Utility Fund Share)	
Lincoln Avenue, 16 th Street to 24 th Street	\$ 2,471,453
Geurink Boulevard	908,119
Resurfacing Program	620,202
Washington Avenue, Matt Urban to 32 nd Street	559,926
34 th St Drain Project, from Central to Pine	122,257
MUNICIPAL CAPITAL PROJECTS	
Stadium Turf (Hope College)	791,292
Land Purchase for New Park	135,218

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 GASB34 regarding capital assets. In February 2011 a full land and building appraisal was done by a professional appraisal firm.

INTERNAL SERVICES

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

<u>Internal Service Operation</u>	<u>Working Capital June 30, 2012</u>	<u>Working Capital June 30, 2013</u>
Technology Services	\$ 228,755	\$ 240,766
Equipment Services	2,995,609	2,552,403
Insurance Services	<u>2,403,357</u>	<u>2,712,499</u>
Totals	<u>\$ 5,627,721</u>	<u>\$ 5,505,668</u>

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

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

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

Relative to coverage for property damage or loss, an independent asset appraisal firm has been retained to provide annual appraisal updates of all capital assets for insurance coverage purposes. A complete insurance reappraisal of all assets was completed in the spring of 2011 and updated in 2013.

EMPLOYEES' RETIREMENT PLAN

MICHIGAN MUNICIPAL EMPLOYEES RETIREMENT SYSTEM - Defined Benefit Plan

The City is a participant member of the *Michigan Municipal Employees' Retirement System (MERS)* that covers all full-time employees and certain part-time employees whose employment position meets certain criteria. Total employer-paid premium for fiscal year 2012-13 was \$3,052,459.

The most recent actuarial valuation, dated December 31, 2012, indicates that the City's valuation assets (stated at market value) provide 70.0% funding (employer portion only), based upon actuarial determined accrued liabilities of \$115,731,070, valuation assets of \$80,567,872, and unfunded accrued liabilities of \$35,163,198.

MICHIGAN MUNICIPAL EMPLOYEES RETIREMENT SYSTEM - Defined Contribution Plan

The City implemented a defined contribution plan in July 2003 for all pension eligible non-union new hires. Existing non-union employees covered by the defined benefit plan were given the choice to convert to the defined contribution plan or stay with the defined benefit plan. There is a standard 6% City contribution with an optional 2% employee contribution along with an additional City match of 2% for all City and HBPW non-union employees and HBPW utility union employees. The total contribution paid by the employer for fiscal year 2012-13 was \$587,983 and by employees was \$158,707.

DEFERRED COMPENSATION

In addition to the MERS defined benefit plan, the City also makes three deferred compensation plans available that employees may voluntarily participate in, via payroll withholding up to the annual maximum of \$17,500. The plans are sponsored and administered by *International City Management Association (ICMA)*, *ITT Hartford* 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 0.256%, as compared to 0.742% for the previous fiscal year. If investments had not been valued at market the annualized average interest rate would have been 0.525%. The fiscal year adjustment for market write-down for the pool was \$70,984 and the overall ending market write-down balance was \$58,424. The City typically buys and holds long term investments to maturity so fiscal year end market adjustments are not actually realized. Over the fiscal year many long term investments have been called due to declining interest rates and in most cases reinvested at lower rates. The exhibit below also includes funds that do not participate in the pool.

Fund Type	INVESTMENTS EARNINGS			
	Fiscal Year		Year-to-Year Change	
	2011-2012	2012-2013	Amount	Percentage
General Fund	\$ 86,020	\$ 35,580	\$ (50,440)	-58.6%
Permanent	11,349	3,242	(8,107)	-71.4%
Special Revenue	33,849	8,501	(25,348)	-74.5%
Debt Service	9,226	3,726	(5,500)	-59.6%
Capital Projects	6,899	2,413	(4,486)	-65.0%
Enterprise	735,894	26,918	(708,976)	-96.3%
Internal Service	33,667	10,930	(22,737)	-67.5%
Component Units	1,223	73,127	71,904	5,879.3%
Total	\$918,127	\$ 164,437	\$ (753,690)	-82.1%

A W A R D S

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

<u>Award or Accreditation</u>	<u>Granting Agency</u>	<u>Department</u>
Airport Sponsor of the Year (2006)	Michigan Aeronautics Commission	Management & Administrative
City of Character for Discernment, Diligence, and Initiative (2001)	International Association of Character Cities	Management & Administrative
Municipal Achievement Award - Honorable Mention (1998)	Michigan Municipal League	Management & Administrative
Silver Telly Award (2009) (Marketing DVD)	Telly Awards	Management & Administrative
Certificate of Achievement for Excellence in Financial Reporting (since FY1992)	Government Finance Officers Association	Fiscal Services
Distinguished Budget Presentation Award (since FY2004)	Government Finance Officers Association	Fiscal Services
eCities 2013 Award - 4 Star Rating	University of Michigan	Fiscal Services
Silver Award - Employee Per Capita Giving (2009-2011)	Greater Holland United Way	Personnel - Human Resources
Tree City USA Award (since 1981)	National Arbor Day Foundation	Leisure & Cultural Services
Innovative Site Design/Park Resource (Kollen Park Boardwalk/Boatlaunch) (2009)	Michigan Recreation & Park Association	Leisure & Cultural Services
President's Award-Kollen Park Boardwalk (2009)	Keep Michigan Beautiful	Leisure & Cultural Services
President's Award-Holland in Bloom (2011)	Keep Michigan Beautiful	Leisure & Cultural Services
Population Category (25,000-50,000) (2011)	America in Bloom	Leisure & Cultural Services
Tidiness Criteria (2011)	America in Bloom	Leisure & Cultural Services
Civic Construction Award of Excellence (2005)	Assoc. Builders & Contractors Assoc. West Mich.	Public Safety - Police
Cover/Feature Story Regarding the Planning and Construction of the New Police Facility (2005)	International Association of Chiefs of Police	Public Safety - Police
Regional Challenge Award (2004)	Michigan Office of Highway Safety Planning	Public Safety - Police
Employment Social Justice Award (2001)	Human Relations Commission	Public Safety - Police
Batmobile Recipient (2001)	Michigan Office of Highway Safety Planning	Public Safety - Police
Outstanding Contributions to Traffic Safety (1999)	Michigan State Safety Commission	Public Safety - Police
1 st Place Award Traffic Safety Efforts (1998)	Michigan Association of Chiefs of Police	Public Safety - Police
Mothers Against Drunk Driving Lifesaver Award (1998)	Mothers Against Drunk Driving (MADD)	Public Safety - Police
Response to Computer Crime Award (2010)	International Association of Chiefs of Police	Public Safety - Police
Victim Services Unit of the Year (2011)	Michigan Sheriff's Association	Public Safety - Police
Employment Social Justice Award (2006)	City of Holland Human Relations Commission	Public Safety - Fire
Grand Valley Metropolitan Blue Print Award (2006)	Grand Valley Metropolitan Council	Community & Neighborhood Svcs.

<u>Award or Accreditation</u>	<u>Granting Agency</u>	<u>Department</u>
Annual National Night Out Award (1990-2009)	National Association of Town Watch	Community & Neighborhood Svcs.
Hispanic Advocate Award (2005)	State of Michigan Commission of Spanish Speaking Affairs	Community & Neighborhood Svcs.
Michigan Recycler of the Year (2005)	Michigan Recycling Coalition	Community & Neighborhood Svcs.
Special Tribute - Recycling and Trash Inspection Program (2003)	State of Michigan	Community & Neighborhood Svcs.
Dozen Distinctive Destinations Award (2002)	National Trust for Historic Preservation	Community & Neighborhood Svcs.
HUD Innovative Initiatives Award - Ourstreet Program (1999)	Grand Rapids Regional HUD (Housing & Urban Development)	Community & Neighborhood Svcs.
Neighborhood of the Year (1997)	Neighborhoods, USA	Community & Neighborhood Svcs.
Great American Main Street Award (1997)	National Main Street Center	Community & Neighborhood Svcs.
Certificate of Recognition - Neighborhood of the Year - Ourstreet Program (1996)	Neighborhoods, USA	Community & Neighborhood Svcs.
National Award Winner for Outstanding Participation in National Night Out (2008, 2011, & 2012)	National Association of Town Watch	Community & Neighborhood Svcs.
Excellence in Community Service for Hosting the 2007 MRPA/MML Youth Symposium (2007)	Michigan Recreation & Parks Association and the Michigan Municipal League	Community & Neighborhood Svcs.
All American City Award (1996)	National Civic League	Community & Neighborhood Svcs.
Governor's Award for Historic Preservation - Outstanding Historic Rehabilitation Project 168 West 13 th Street (2008)	Michigan Department of History, Arts and Libraries	Community & Neighborhood Svcs.
Social Justice Award (2011)	City of Holland Human Relations Commission	Community & Neighborhood Svcs.
"Special Tribute" for Recycling & Trash Inspection Program (2003)	State of Michigan	Community & Neighborhood Svcs.
"Finalist" in Green City Award Competition (2011)	National Residential Recycling Conference	Community & Neighborhood Svcs.
Gold Pinnacle Award (2009) Best Event Website, Best New Event, Best Children's Programming	International Festival and Events Association	Farmer's Market & Principal Shopping District (PSD)
Silver Pinnacle Award (2009) Best Promotional Poster, Best Event Photograph	International Festival and Events Association	Farmer's Market & Principal Shopping District (PSD)
Bronze Pinnacle Award (2009) Best Newspaper Insert/Supplement	International Festival and Events Association	Principal Shopping District (PSD)
Award of Excellence in Consumer Confidence Reporting (2008)	Michigan Section American Water Works Association (AWWA)	Utility Services
Operation & Maintenance Excellence Award, 1 st Place in Wastewater Water Pollution Control Pretreatment (2008)	Environmental Protection Agency (EPA) Region 5 (Michigan, Ohio, Indiana, Illinois, Wisconsin, Minnesota)	Utility Services
User Conference Special Achievement Award in GIS (2008)	Environmental Systems Research Institute (ESRI)	Utility Services
Pinnacle Award Finalist (2003)	Microsoft Business Solutions	Utility Services

<u>Award or Accreditation</u>	<u>Granting Agency</u>	<u>Department</u>
Reliable Public Power Provider (2010)	American Public Power Association	Utility Services
Neighborhood Environmental Partners Program (2011)	Michigan Department of Environmental Quality	Utility Services
Award of Excellence Digital Annual Report (2010 and 2011)	American Public Power Association	Utility Services
Gold ADDY Award - Judge's Choice for best overall interactive work. (2012)	West Michigan ADDY Awards	Utility Services
Water Utility of the Year (2012)	Michigan Rural Water Association	Utility Services
Reliable Public Power Provider (Diamond Level) (2013)	American Public Power Association	Utility Services

SIGNIFICANT INITIATIVES, EVENTS AND ACCOMPLISHMENTS

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

- Economic Development and Revitalization

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

- Infrastructure Projects:

- > It is the City's normal practice to complete an annual road resurfacing program including several streets. This fiscal year the City completed resurfacing of ten different streets at a cost of \$609,160. Another \$11,042 was spent in preparation for the next fiscal year resurfacing project.
- > Work was completed on Geurink Boulevard, the last TEDF project. The majority of funding for the reconstruction was funded by an MDOT TEDF Economic Development Grant and the West Michigan Airport Authority. This road reconstruction project included new storm sewer and the addition of curb and gutters. A boulevard was also constructed to enhance the aesthetic nature of the airport's primary entrance.
- > Improvements to the 34th Street storm sewer were completed. This was a unique project that included repairs to pipes installed in the late 1970's and digging through the backfill around the pipes to prevent sinkholes from forming.

> SIGNIFICANT INITIATIVES, EVENTS AND ACCOMPLISHMENTS

(Continued from Previous Page)

• Infrastructure Projects cont.

- > The \$1.7 million reconstruction project of Washington Avenue, between Matt Urban Drive and 32nd Street began during the fiscal year and will conclude in FY2014. The project consists of road reconstruction, curb and gutter work, sidewalk repairs and replacing of certain storm sewers, sanitary sewers and water mains. Money received for transferring jurisdiction of the Allegan County portion of US-31 business route to MDOT was used to help fund this project.
- > Major reconstruction and widening of Lincoln Avenue, 16th to 24th Street, begun prior to June 30, 2012 continued in FY2013. The project includes construction of a new roadway, sidewalks, curb and gutter, storm drainage and utility improvements. At fiscal year-end, \$2.9 million, of the \$3 million budget, was expended. The project will not be completed until FY2014.
- > FY2013 is the last of three years of Michigan Department of Transportation Economic Development Fund (TEDF) grant funding to support eleven road and bridge projects that improve accessibility to the two lithium-ion battery assembly plants described above. A three year construction total of \$11.96 million includes a suite of \$9.3 million in TEDF grant funding and local and MDOT matching funds of \$2.66 million making this one of the largest grants awarded by the Michigan Department of Transportation (MDOT) in recent memory. In FY2013, \$589,700 of TEDF grant funds were expended on projects. These grants provide funding for projects that improve accessibility to target industries as a catalyst for economic growth, support private initiatives that create or retain jobs, and encourage economic development and redevelopment efforts that will benefit Michigan citizens. The projects with activity in FY2013 include West 48th Street, from Lincoln to Regent; Geurink Boulevard and Lincoln Avenue & 64th Street.

• Electric Utility:

- > Production costs with the power plant were significantly reduced due to the market advantages of purchasing natural gas verses the use of coal.
- > The Holland Board of Public Works has entered into multiple contracts for renewable energy which are projected to be 16% of sales by 2015.
- > Completion of the Greenly Substation at a cost of \$5,055,257 has increased the reliability of service to our customers on the north side of Holland.
- > Improvements made to the Smart Grid (modernized electrical grid) enhance communication to gather information in response to electricity demand at a cost of \$638,619.
- > Received Diamond Level RP3 Award from the American Public Power Association which recognized the electric utility's reliability, innovation, safety, and employee development.

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

- Water Utility:

- > The Water Treatment Plant (WTP) established a new historic maximum day in Fiscal Year (FY) 2013 with 35,033,317 gallons pumped on July 7, 2012. The WTP also established a new record month of 865,832,616 gallons of water production for the month of July 2012. The previous maximum day and month was set in 2003 at 32,686,816 and 830,128,317 million gallons respectively. The newly established maximum day and month was largely due to a particularly hot and dry July.
- > The Holland/Wyoming Interconnect Project was completed in FY2013. The project included 4.5 miles of 30" pipe and a valve and metering station located on the Wyoming WTP site. The new finished water interconnect will increase both plants' reliability by allowing for exchange of water during emergency situations. A plan was developed, and implemented, for the exchange of water between the two communities to maintain water quality in the line.
- > The WTP had no recordable injuries for fiscal year 2013. The Plant staff has over 3,400 days without a recordable injury.
- > A fire at Spyglass Pump totally destroyed the pump station on April 7, 2012. The station was rebuilt during the past fiscal year with improved station monitoring. Prior to the fire a contact closure on a phone line alerted the WTP to a possible problem at the station. The operator on duty had no way to determine the cause of the problem. The new station uses radios to communicate with the plant and multiple parameters are monitored and communicated back to the plant's SCADA helping the operator to have a better understanding of what is occurring at the station.

- Wastewater Treatment Plant:

- > Numerous efforts were made to optimize performance and efficiency of the High Purity Oxygen Activated Sludge (HPOAS) system at the Holland Area Wastewater Treatment Plant (WWTP). These efforts were highly successful and resulted in a 10% reduction in the WWTP's total energy consumption versus FY12 levels.
- > WWTP operations staff discontinued polymer addition to the primary clarifiers based on results of testing that showed no notable improvement in clarifier performance when polymer was being fed. WWTP staff has monitored performance of the clarifiers since discontinuance of the polymer feed and has not noticed any loss of efficiency. In fact, removals have actually been slightly better as a result of modifications to the sludge pumping frequencies enacted by WWTP operators. Elimination of the polymer is expected to save approximately \$25,000 per year for the facility.
- > Staff purchased a new spectrophotometer for the laboratory that allows lab personnel to run phosphorus, ammonia and Chemical Oxygen Demand (COD) tests using Test N Tube (TNT) reagents. Usage of the spectrophotometer and associated TNT tubes has increased laboratory safety, efficiency and quality control.

- Municipal Capital Projects:

- > Several reconstruction projects began this fiscal year at Windmill Island Gardens, and will conclude in FY2014. The total cost is projected to reach \$850,000 and the work includes windmill repair, restoration to the Dutch organ and carousel, bridge upgrades, paving of roads and exterior repairs to the Post House. The majority of the work will be funded by grants and donations but the municipal capital improvement fund will contribute approximately \$125,000.
- > Property, currently used for certain recreational activities, was purchased from Holland Public Schools. The City's Five Year Capital Improvement Program details improvements to this site for recreational activities.

SIGNIFICANT INITIATIVES, EVENTS AND ACCOMPLISHMENTS

(Continued from Previous Page)

- Holland Municipal Stadium:
 - > After completion of a \$1.1 million artificial turf project, the Holland Municipal Stadium was sold to Hope College in January 2013 for \$953,341. The revenue will be used to fund future Municipal Capital Projects.

- Sustainability and Energy Conservation:
 - > Implementation of the Community Energy Plan continued through the work of seven (7) City Council appointed task forces. The Home Energy Retrofit task force made great strides by retaining Schneider Electric to prepare a comprehensive Home Energy Retrofit Pilot Program Plan. This task force continues to work on means to implement this program. The Building Energy Performance Labeling task force is also moving forward by retaining Schneider Electric to prepare an action plan that will roll out a pilot Energy Performance Labeling project for the community. Other task forces that include the Industrial Park Full-Service Utility Bundle, Electrical Generation, Citywide District Heating, Commercial and Institutional Energy Efficiency, and Community Education/Outreach all continue to make progress with the diligent work of many volunteers and City/HBPW staff.
 - > The City in partnership with the HBPW continued its program to improve the energy efficiency of its various facilities by completing a lighting project in Centennial Park that retrofitted all of the inefficient decorative pedestrian lights with highly efficient dimmable LED fixtures. This project reduced the electrical costs by over 50% for these lights while also improving the quality of lighting in the park. The dimmable feature also provides prospects for even higher use and cost savings in the future.
 - > City Council approved the conversion of the Holland Community Sustainability Committee from being an ad hoc to a full standing City Committee that reports directly to City Council and the Board of the Holland Board of Public Works.
 - > The City in partnership with the MACC, the Outdoor Discovery Center Macatawa Greenway and other local public and private community partners sponsored the Macatawa Water Festival that celebrated Lake Macatawa and provided opportunities for people to learn more about water quality issues within the Macatawa Watershed. Events included tours of agricultural, urban and wetland areas, educational workshops, documentary viewings, boat tours, and a community water festival.
 - > The City completed a first big step towards the development of an energy management system by contracting with Facility Dude to setup a utility tracking and monitoring program for every electric, natural gas and water meter in City owned facilities. This will allow the City to not only better discern individual building performance trends, but will also allow the City to better predict future utility use and costs, and therefore help the City prioritize additional energy efficiency and building improvement projects.
 - > The City continues to add on-street bike lanes to the street network and the latest ½ mile addition to the network comes with the recently completed Lincoln Avenue street project from 24th to 32nd Street.

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

- Budgetary Predictors:
 - > The economy has improved significantly since the Great Recession which placed severe stress on the City's budget, primarily due to losses in Property Values and Property Tax revenues which represent approximately 50% of the General Fund budget. Numerous steps were taken to address these losses including staff layoffs, reductions due to attrition and reductions in benefits. Property values have trended upward for the past year and appear to continue that direction, even though taxable values are limited by Michigan law to the rate of inflation (excluding property sales).
 - > The City's General Fund receives a transfer from the Electric Utility Fund consisting of 5.5% of sales. Electric sales continue to increase as a result of a strong manufacturing demand, resulting in increased payments to the General Fund.
 - > Pension costs will continue to increase until 2017 but the shift to a defined contribution plan in 2003 should result in a downward trend after that date for non-union employees. Public Safety union employee groups continue to have a large accrued actuarial liability.
 - > As revenues stabilize the most critical issue to be faced will be addressing the capital investment in infrastructure. A Capital Reinvestment Task Force has been assembled to address that issue, and strategies will be reviewed as part of the Fy2014-15 budget.
 - > The City Manager and Council addressed a "List of 50" potential cost savings measures in the past couple years to trim a nearly \$2 million structural deficit. Much progress has been made as nearly every service delivered by the City of Holland is undergoing careful evaluation, as evidenced by increases in General Fund Balance the past couple years.
 - > The Holland Board of Public Works, Electric Utility will be constructing a new natural gas-fired electric generation plant in the next few years and has begun acquiring property for the facility. This will have a long-term impact on the local economy as HBPW prepares for the continued demands for energy. A majority of the funding for the project estimated to cost \$250 million will come from the sale of bonds, although there has been a buildup of cash reserves in anticipation for this long-awaited project.

- Key Management Changes:
 - > The City of Holland filled the City Manager position on March 27, 2012, which was vacated by Soren Wolf who was City Manager for 23 years, with Ryan Cotton. Mr. Cotton has 31 years of government management experience, of which 17 years were in West Michigan. Mr. Cotton considers financial stability, strategic planning, regional collaboration, public trust, public/private partnerships, and executive staff development as the most critical areas he will be concentrating on. His impact on the organization has resulted in numerous operational and staffing changes.
 - > The Holland Board of Public Works filled its Utilities Director with an internal promotion on December 14, 2011, when Dave Koster was selected to fill the position formerly filled by Loren Howard. Dave has been with the HBPW for more than 20 years, bringing a wealth of experience to this challenging position. Construction of the new electric generation facility will be a major accomplishment in the coming years.

INDEPENDENT AUDIT REQUIREMENTS

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

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

CERTIFICATE OF ACHIEVEMENT

The *Government Finance Officers Association of the United States and Canada* (GFOA) awarded a *Certificate of Achievement for Excellence in Financial Reporting* to the City of Holland for its comprehensive annual financial report of the fiscal year ended June 30, 2012. This is considered a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

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

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

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

ACKNOWLEDGMENTS

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

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

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

Respectfully submitted,



Tim Vagle
Director of Finance/Treasurer



Government Finance Officers Association

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

Presented to

**City of Holland
Michigan**

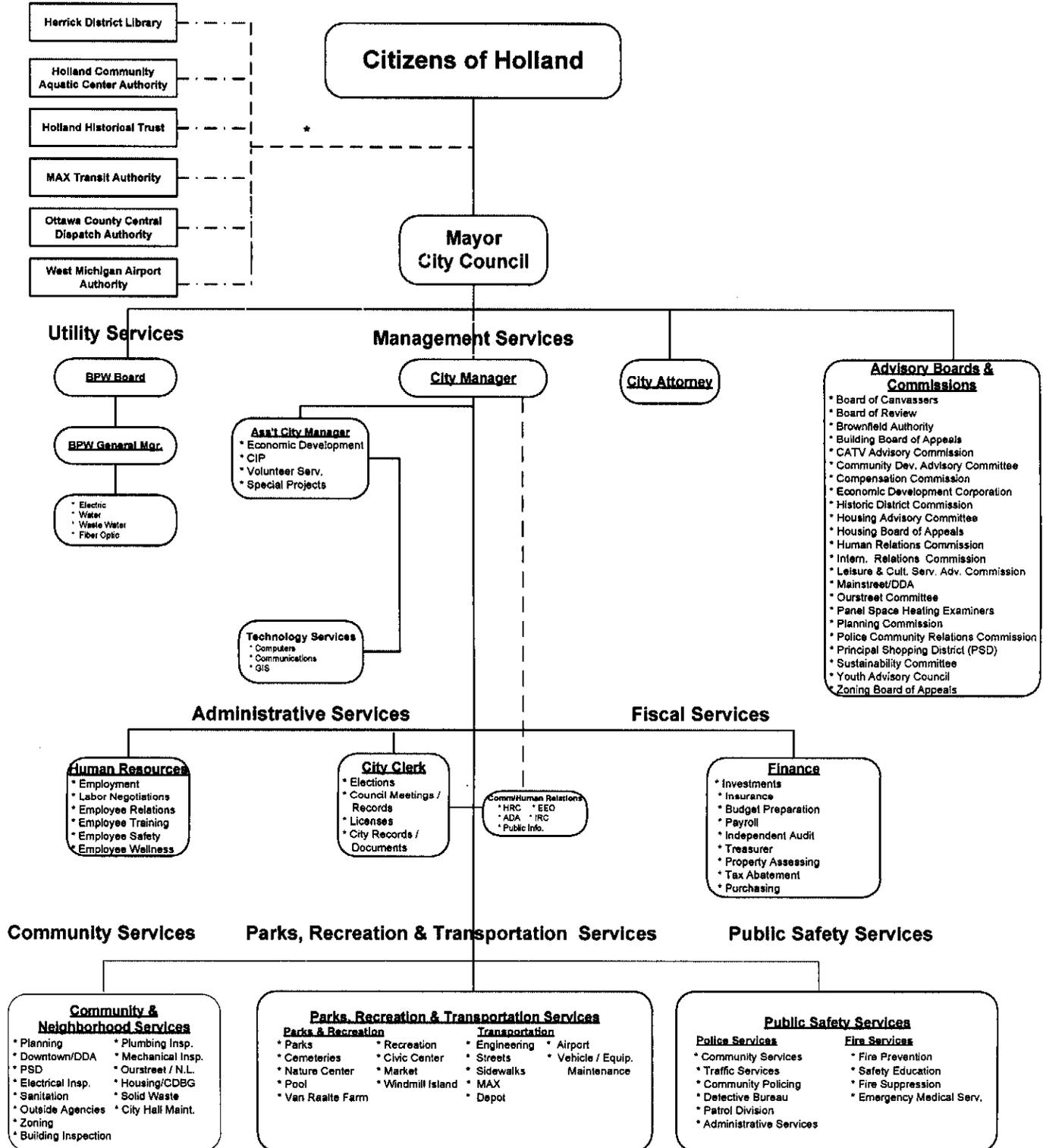
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2012

Executive Director/CEO

City of Holland

Organizational Chart



* The City Council makes appointments to these Districts and Authorities

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FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

December 12, 2013

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, 2013, 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, 2013, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund or the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual fund financial statements and schedules, and the introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on the information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued, under separate cover, our report dated December 12, 2013, 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.

Rehmann Lobson LLC

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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, 2013. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, the financial statements and notes to the financial statements.

Financial Highlights

The City had many capital investment projects in process including:

- Work began on a multi-year \$1.7 million Washington Avenue road reconstruction project.
- Work continued on a multi-year \$3.0 million road reconstruction and widening project on Lincoln Avenue, between 16th Street and 24th Street. As of June 30, 2013 \$2.9 million has been spent on this project.
- The City's utility funds expended a total of \$11,005,216 in capital purchases and projects.
- Construction was completed on the multi-year \$1,450,000 Matt Urban & 48th Street road reconstruction project.
- Work was completed on the last two of the eleven road and bridge projects budgeted at \$11.96 million in the industrial area which includes \$9.3 million in Transportation Economic Development Fund (TEDF) revenues and \$590,000 in Michigan Department of Transportation (MDOT) matching funding. Current year expenditures on the projects were \$960,000.

The assets and deferred outflows of resources of the City exceeded its liabilities at the close of the most recent fiscal year by \$414,769,775 (net position). Of this amount, \$167,270,866 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 \$16,937,525.

As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$13,370,674, a increase of \$2,002,534 in comparison with the prior year.

At the end of the current fiscal year, unassigned fund balance for the General Fund was \$4,931,652 or 25.9% of total General Fund expenditures (including transfers out).

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the City's assets, deferred outflows of resources and liabilities, with the difference being reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

CITY OF HOLLAND, MICHIGAN

Management's Discussion and Analysis

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., accrued interest on long-term debt).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, public works, cultural and recreation, and welfare and social services. The business-type activities of the City include electric, water, and wastewater.

The government-wide financial statements include not only the City itself (known as the primary government), but also a legally separate Downtown Development Authority, a legally separate Economic Development Corporation (no activity during the current year), a legally separate Holland Historical Trust, and a legally separate Brownfield Redevelopment Authority for which the City is financially accountable. Financial information for these component units is reported separately from the financial information presented for the primary government itself.

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City reports twenty-nine individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balances for the General Fund, which is considered to be a major fund. Data from the other twenty-eight governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

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

Proprietary Funds. The City maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for the electric, water, and wastewater as well as other operations. Internal service funds are used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its technology, equipment and insurance services. Because these services predominately benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

CITY OF HOLLAND, MICHIGAN

Management's Discussion and Analysis

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the enterprise operations of electric, water and wastewater, all of which are considered to be major funds of the City.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

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

Government-Wide Financial Analysis

As previously stated, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities by \$414,769,775 at the close of the most recent fiscal year.

	Net Position					
	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Current and other assets	\$ 27,076,332	\$ 26,948,797	\$ 174,026,697	\$ 158,734,619	\$ 201,103,029	\$ 185,683,416
Capital assets, net	124,226,655	125,114,119	151,236,938	152,125,556	275,463,593	277,239,675
Total assets	151,302,987	152,062,916	325,263,635	310,860,175	476,566,622	462,923,091
Deferred outflows of resources	474,331	549,851	587,925	725,019	1,062,256	1,274,870
Long-term liabilities	27,029,500	30,774,395	21,906,594	20,905,022	48,936,094	51,679,417
Other liabilities	3,748,967	4,858,203	10,174,042	9,828,091	13,923,009	14,686,294
Total liabilities	30,778,467	35,632,598	32,080,636	30,733,113	62,859,103	66,365,711
Net position:						
Net investment in capital assets	100,986,324	98,805,338	130,923,312	132,936,434	231,909,636	231,741,772
Restricted	5,290,226	5,038,121	10,299,047	15,130,725	15,589,273	20,168,846
Unrestricted	14,722,301	13,136,710	152,548,565	132,784,922	167,270,866	145,921,632
Total net position	\$ 120,998,851	\$ 116,980,169	\$ 293,770,924	\$ 280,852,081	\$ 414,769,775	\$ 397,832,250

A substantial portion of the City's net position, \$231,909,636 (55.9 percent), reflects its investment in capital assets (e.g., land, buildings, vehicles, equipment and infrastructure), less any related outstanding debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position of \$15,589,273 (3.8 percent) represents resources that are subject to external restrictions on how they may be used. The City may use the remaining balance of unrestricted net position of \$167,270,866 (40.3 percent) 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, both for the government as a whole, and for its separate governmental and business-type activities.

	Change in Net Position					
	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Revenues						
Program revenues:						
Charges for services	\$ 3,915,125	\$ 4,425,198	\$ 113,632,311	\$ 105,896,679	\$ 117,547,436	\$ 110,321,877
Operating grants	7,590,327	4,279,364	1,534,672	1,970,111	9,124,999	6,249,475
Capital grants	2,427,984	5,396,650	617,604	233,950	3,045,588	5,630,600
General revenues:						
Property taxes	15,305,039	15,345,237	97,572	103,438	15,402,611	15,448,675
Intergovernmental	2,771,987	2,700,327	-	-	2,771,987	2,700,327
Unrestricted investment earnings	48,935	126,645	26,918	735,825	75,853	862,470
Gain on sale of capital assets	603,794	-	-	-	603,794	-
Total revenues	32,663,191	32,273,421	115,909,077	108,940,003	148,572,268	141,213,424
Expenses						
General government	4,820,804	4,822,179	-	-	4,820,804	4,822,179
Public safety	12,316,027	12,099,607	-	-	12,316,027	12,099,607
Public works	8,716,017	11,348,751	-	-	8,716,017	11,348,751
Welfare and social services	908,229	1,019,891	-	-	908,229	1,019,891
Culture and recreation	5,290,515	4,837,537	-	-	5,290,515	4,837,537
Interest on long-term debt	1,015,138	1,115,515	-	-	1,015,138	1,115,515
Electric utility	-	-	79,504,798	76,116,440	79,504,798	76,116,440
Wastewater utility	-	-	8,419,218	8,391,778	8,419,218	8,391,778
Water utility	-	-	6,215,516	6,529,153	6,215,516	6,529,153
Other enterprise activities	-	-	4,428,481	3,037,469	4,428,481	3,037,469
Total expenses	33,066,730	35,243,480	98,568,013	94,074,840	131,634,743	129,318,320
Change in net position, before transfers	(403,539)	(2,970,059)	17,341,064	14,865,163	16,937,525	11,895,104
Transfers	4,422,221	3,868,986	(4,422,221)	(3,868,986)	-	-
Change in net position	4,018,682	898,927	12,918,843	10,996,177	16,937,525	11,895,104
Net position, beginning of year	116,980,169	116,081,242	280,852,081	269,855,904	397,832,250	385,937,146
Net position, end of year	\$ 120,998,851	\$ 116,980,169	\$ 293,770,924	\$ 280,852,081	\$ 414,769,775	\$ 397,832,250

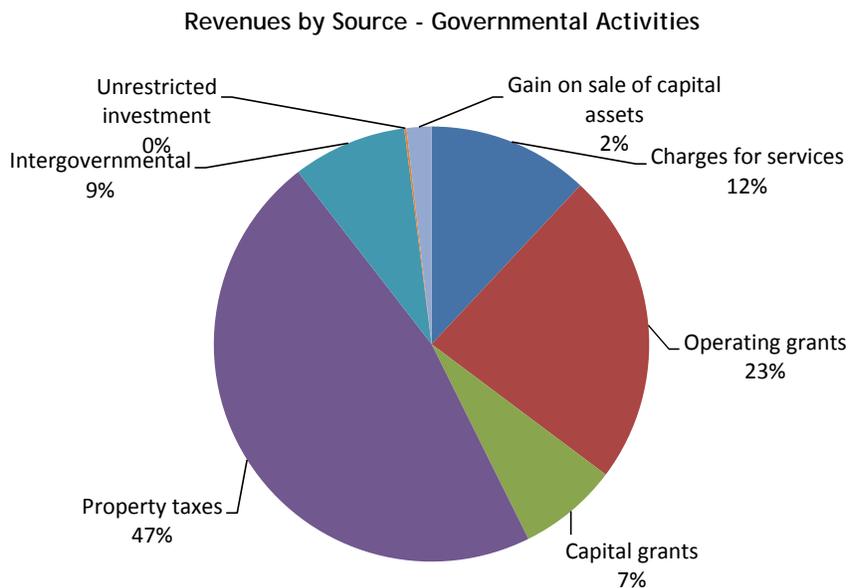
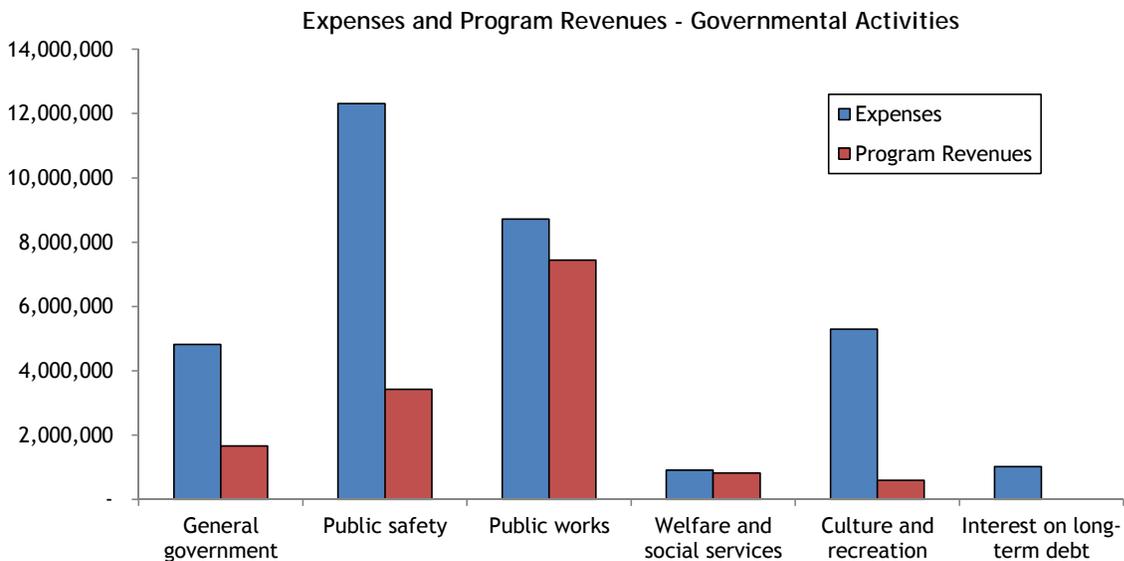
CITY OF HOLLAND, MICHIGAN

Management's Discussion and Analysis

The City's net position increased by \$16,937,525 during the current fiscal year. The primary reasons for the increase are the charges for services provided by business-type activities, proceeds from sale of capital assets, the level of funding received from the state and federal government and decreased expenses for the public works function.

Governmental Activities. Governmental activities increased the City's net position by \$4,018,682 mainly due to fewer infrastructure projects; reducing public works expenses; delays in filling staff vacancies and the revenue received from the sale of the Municipal Stadium to Hope College. Key elements of capital grants are as follows.

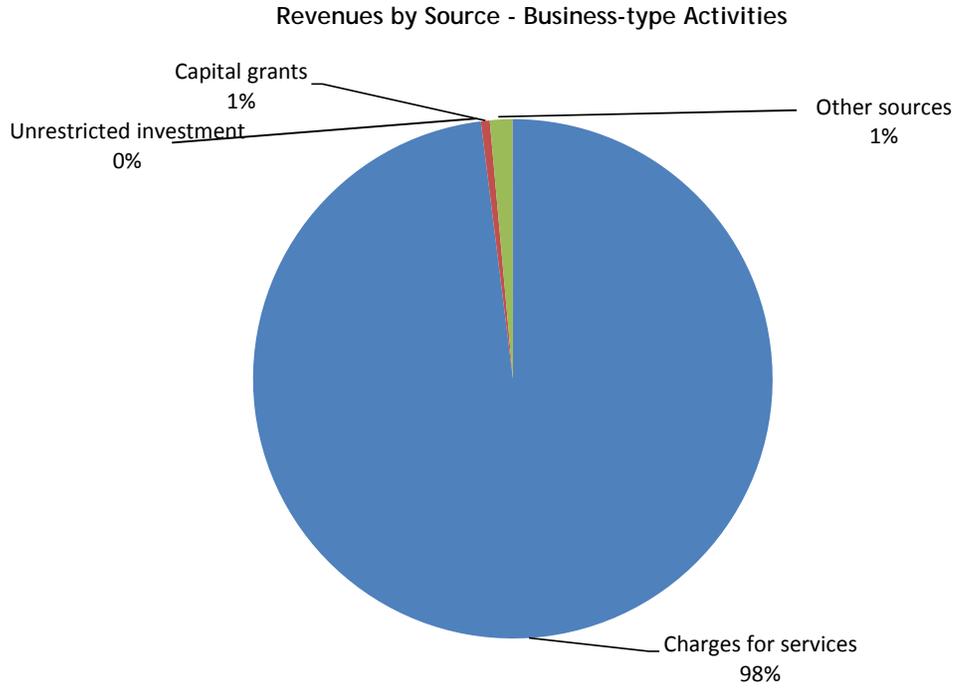
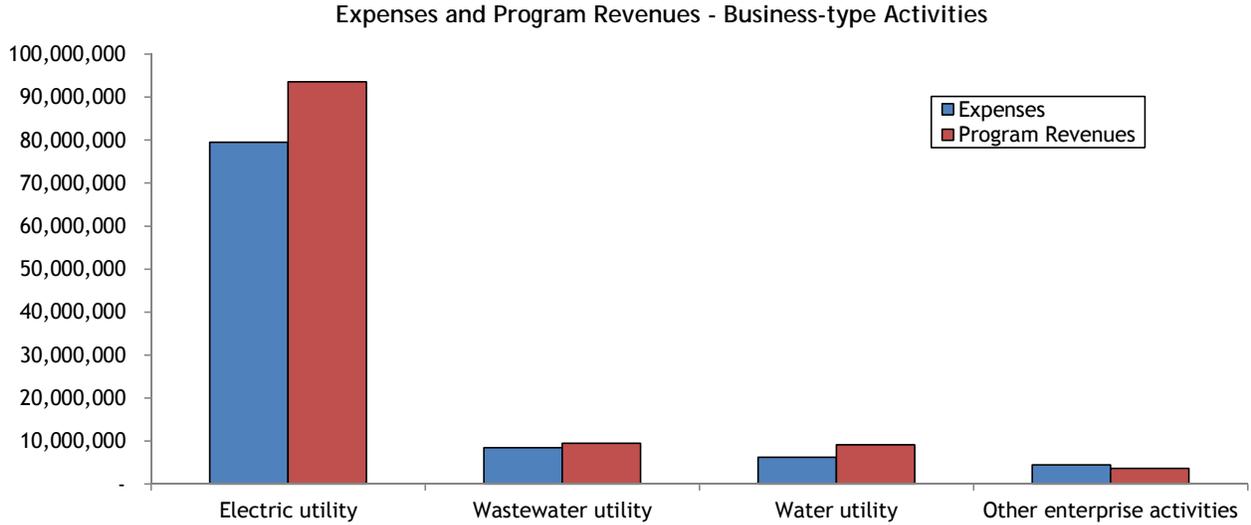
The increase in operating grants is related to additional funding for the Community Development Block Grant (CDBG) and various police grants; for overtime associated with special projects. Capital grant funding was reduced due to fewer infrastructure projects. Many of the projects related to the State Transportation Economic Development Fund (TEDF) capital grant were completed in prior fiscal years.



CITY OF HOLLAND, MICHIGAN

Management's Discussion and Analysis

Business-type Activities. Business-type activities increased the City of Holland's net position by \$12,918,843, mainly due to an approximate 3% raise in the electric utility rates on July 1, 2012. Additionally, expenses related to the electric utility were lower due to the market advantages of purchasing natural gas versus the use of coal, thereby reducing production costs.



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 \$742,843. Two key factors in this change are:

- A \$451,676 reduction in welfare & social services and culture & recreation expenditures, primarily as a result in the delay in filling of staff vacancies.
- A \$401,200 increase in the annual transfer of 5.5% of the electric utility fund budgeted revenues to the City.

This includes activity in the formerly reported budget stabilization fund, which has been combined with the general fund for external reporting purposes due to changes in generally accepted accounting principles that severely limit the circumstances in which a budget stabilization arrangement can be reported as a separate fund for the purposes of external financial reporting. A combining schedule is presented as supplementary information.

The general fund budgeted for a increase in fund balance of \$79,182 and the actual increase in fund balance was \$742,843. Significant changes in budgetary variances are as follows:

- Intergovernmental revenue had a positive budgetary variance of \$25,033. The majority of this relates to an increase in state funding.
- Expenditures had an overall positive budgetary variance of \$546,385, of which the greatest portions related to general government, (\$95,135), public safety (\$227,379), and culture and recreation (\$156,347). A major reason for the variance is the delay in filling staffing vacancies.

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 \$9,442,149 million increase in net position of which \$8.46 million was budgeted and planned. The remaining increase is due to decreased operating expenses. The nonmajor enterprise funds reported a decline of \$460,985 in net position.

General Fund Budgetary Highlights

The original revenue budget was \$15,339,002 and as amended was \$15,293,264 which represents an decrease of \$45,738. The original expenditure budget was \$19,258,035 and as amended was \$19,208,666 which represents a decrease of \$49,369.

Investment income projections continued to decrease due to an unfavorable interest rate environment and rental income was lower than estimated due to the sale of the Municipal Stadium. On the revenue side, variances were positive by \$67,082 due to increased state funding, more licenses & permits sold and services provided.

CITY OF HOLLAND, MICHIGAN

Management's Discussion and Analysis

Actual expenditures came in \$546,385 less than the amended budget. The positive variance increases to \$604,939 when transfers out are included. Throughout the fiscal year department managers were strongly encouraged to implement cost cutting measures where possible and hiring for vacant positions was delayed.

Capital Asset and Debt Administration

Capital Assets. The City's capital assets for its governmental and business-type activities as of June 30, 2013 amounted to \$275,463,593 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings, machinery and equipment, motor vehicles, and infrastructure. The total decrease in the City's investment in capital assets for the current fiscal year was a 0.7 percent decrease for governmental activities and a 0.6 percent decrease for business-type activities).

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

- General government infrastructure improvements totaling \$2,701,428.
- Sale of the Municipal Stadium for \$952,350 to Hope College.
- Replacement vehicles, police weapons, equipment and office furniture.

	Capital Assets (Net of Depreciation)					
	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land	\$ 16,339,146	\$ 16,137,649	\$ 13,344,916	\$ 13,289,894	\$ 29,684,062	\$ 29,427,543
Construction in progress	3,297,990	2,013,785	3,556,883	14,375,412	6,854,873	16,389,197
Buildings, equipment and infrastructure, net	104,589,519	106,962,685	134,335,139	124,460,250	238,924,658	231,422,935
Total capital assets, net	\$ 124,226,655	\$ 125,114,119	\$ 151,236,938	\$ 152,125,556	\$ 275,463,593	\$ 277,239,675

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	
	2013	2012	2013	2012	2013	2012
Bonds	\$ 24,815,000	\$ 27,345,000	\$ 20,199,064	\$ 19,129,151	\$ 45,014,064	\$ 46,474,151
Unamortized premium/discount on bonds payable	276,662	325,409	702,487	784,990	979,149	1,110,399
Other debt	403,000	1,443,223	-	-	403,000	1,443,223
Compensated absences	1,534,838	1,660,763	1,005,043	990,881	2,539,881	2,651,644
Total long-term debt	\$ 27,029,500	\$ 30,774,395	\$ 21,906,594	\$ 20,905,022	\$ 48,936,094	\$ 51,679,417

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

CITY OF HOLLAND, MICHIGAN

Management's Discussion and Analysis

State statutes limit the amount of general obligation debt a governmental entity may issue to 10% of the State Equalized Value. The current debt limitation for the City of Holland is \$107,192,648.

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

Economic Factors and Next Year's Budget and Rates

The economic outlook for the City's near future includes modest growth as capital projects, a continued road resurfacing program, airport upgrades, a vibrant downtown area and an expanded mass transit system increase the area's appeal to residents and businesses. The resurgence of the automotive industry, the rebounding furniture industry, an expanding major hospital, and numerous vibrant Brownfield Redevelopment and Renaissance Zone projects provide a positive economic outlook for the City. As of August 30, 2013, the unemployment rate within the City has dropped to 6.7%, from the 2009 high of 15.4%. The total labor force continues to experience modest growth.

Fiscal year 2014 experienced a 3.6% increase in taxable valuation base, although actual property tax revenue is projected to increase only 1.48%; as a result of economic development incentives. The City's five year budget projection includes a 2.5% increase on property values for the upcoming fiscal year 2015; however, a State of Michigan publication projects a 1.6% inflation rate. City management works very hard to avoid any property tax rate increases however investment income reductions in combination with increasing health insurance and pension cost will cause management to consider necessary cuts as it continues to operate on a reduced budget.

The overall tax rate for the City increased from 14.25 to 15.1085 mills for fiscal year 2013 but remains the same for 2014. The General Fund budget, excluding Budget Stabilization, for fiscal year 2014 projects a \$3,210 increase in fund balance to \$4,045,250 on June 30, 2014 or 19.9% of budgeted expenditures. Fiscal year 2014 current estimates indicate that negative factors such as increasing health insurance costs and unfunded pension liability will present future budgeting challenges.

Requests for Information

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



BASIC FINANCIAL STATEMENTS

CITY OF HOLLAND, MICHIGAN

Statement of Net Position
June 30, 2013

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and pooled investments	\$ 20,440,914	\$ 65,890,424	\$ 86,331,338	\$ 463,488
Investments	-	66,300,779	66,300,779	603,452
Receivables, net	5,199,532	16,825,661	22,025,193	161,055
Internal balances	41,097	(41,097)	-	-
Inventory	98,990	13,577,449	13,676,439	8,834
Prepaid items	34,125	310,334	344,459	200
Restricted assets:				
Cash and pooled investments	-	4,819,053	4,819,053	-
Investments	-	6,342,382	6,342,382	-
Accrued interest	-	1,712	1,712	-
Net pension asset	1,261,674	-	1,261,674	-
Capital assets:				
Land	16,339,146	13,344,916	29,684,062	40,000
Construction in progress	3,297,990	3,556,883	6,854,873	-
Being depreciated, net of depreciation	104,589,519	134,335,139	238,924,658	1,969,052
Total assets	151,302,987	325,263,635	476,566,622	3,246,081
Deferred outflows of resources				
Loss on advance bond refundings, net	474,331	587,925	1,062,256	-
Liabilities				
Payables	2,526,239	8,546,535	11,072,774	54,205
Unearned revenue	232,544	140,700	373,244	10,783
Deposits	36,031	377,436	413,467	500
Accrued interest payable from restricted assets	-	268,371	268,371	-
Landfill closure and postclosure cost	-	327,450	327,450	-
Long-term debt:				
Due within one year from restricted assets	-	1,260,074	1,260,074	-
Due within one year	4,042,747	1,687,543	5,730,290	-
Due in more than one year	22,986,753	18,958,977	41,945,730	-
Net other postemployment benefit obligation	954,153	513,550	1,467,703	-
Total liabilities	30,778,467	32,080,636	62,859,103	65,488
Net position				
Net investment in capital assets	100,986,324	130,923,312	231,909,636	2,009,052
Restricted:				
Nonexpendable:				
Cemetery endowment corpus	1,507,407	-	1,507,407	-
Expendable for:				
Cemetery maintenance	68,078	-	68,078	-
Street construction and maintenance	2,991,385	-	2,991,385	-
Debt service	25,370	-	25,370	-
Grant programs	24,564	-	24,564	-
Library	335	-	335	-
Capital projects and by agreement	673,087	10,299,047	10,972,134	501,865
Unrestricted	14,722,301	152,548,565	167,270,866	669,676
Total net position	\$ 120,998,851	\$ 293,770,924	\$ 414,769,775	\$ 3,180,593

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

CITY OF HOLLAND, MICHIGAN

Statement of Activities

For the Year Ended June 30, 2013

Functions / Programs	Expenses	Program Revenues			Net (Expenses) Revenues
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government					
Governmental activities:					
General government	\$ 4,820,804	\$ 1,340,368	\$ 272,639	\$ 43,551	\$ (3,164,246)
Public safety	12,316,027	1,148,691	2,261,322	10,766	(8,895,248)
Public works	8,716,017	709,414	4,360,652	2,373,667	(1,272,284)
Welfare and social services	908,229	170,787	648,239	-	(89,203)
Culture and recreation	5,290,515	545,865	47,475	-	(4,697,175)
Interest on long-term debt	1,015,138	-	-	-	(1,015,138)
Total governmental activities	33,066,730	3,915,125	7,590,327	2,427,984	(19,133,294)
Business-type activities:					
Electric utility	79,504,798	93,576,510	-	-	14,071,712
Wastewater utility	8,419,218	9,446,065	-	54,531	1,081,378
Water utility	6,215,516	8,506,464	-	560,780	2,851,728
Refuse and recycling pickup	1,564,918	1,565,246	-	-	328
Windmill Island	725,313	525,231	3,229	2,293	(194,560)
Airport facilities and management system	558,524	-	-	-	(558,524)
Other enterprise activities	1,579,726	12,795	1,531,443	-	(35,488)
Total business-type activities	98,568,013	113,632,311	1,534,672	617,604	17,216,574
Total primary government	\$ 131,634,743	\$ 117,547,436	\$ 9,124,999	\$ 3,045,588	\$ (1,916,720)
Component units					
Downtown Development Authority	\$ 199,492	\$ 3,435	\$ 601	\$ -	\$ (195,456)
Holland Historical Trust	923,784	118,586	897,619	-	92,421
Brownfield Redevelopment Authority	682,326	-	58,546	-	(623,780)
Total component units	\$ 1,805,602	\$ 122,021	\$ 956,766	\$ -	\$ (726,815)

continued...

CITY OF HOLLAND, MICHIGAN

Statement of Activities

For the Year Ended June 30, 2013

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Change in net position				
Net revenues (expenses)	\$ (19,133,294)	\$ 17,216,574	\$ (1,916,720)	\$ (726,815)
General revenues:				
Property taxes	15,305,039	97,572	15,402,611	818,071
State shared revenues	2,771,987	-	2,771,987	-
Unrestricted investment earnings	48,935	26,918	75,853	-
Gain on sale of capital assets	603,794	-	603,794	-
Transfers	4,422,221	(4,422,221)	-	-
Total general revenues and transfers	23,151,976	(4,297,731)	18,854,245	818,071
Change in net position	4,018,682	12,918,843	16,937,525	91,256
Net position, beginning of year, as restated	116,980,169	280,852,081	397,832,250	3,089,337
Net position, end of year	\$120,998,851	\$293,770,924	\$414,769,775	\$ 3,180,593

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, 2013

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets			
Cash and pooled investments	\$ 5,624,774	\$ 8,059,041	\$ 13,683,815
Receivables:			
Accounts	231,841	129,568	361,409
Taxes and special assessments	2,919	1,140,377	1,143,296
Interest	36,661	-	36,661
Leases	-	1,792,421	1,792,421
Due from other governmental units	464,349	827,558	1,291,907
Due from other funds	26,814	930,863	957,677
Prepaid items	10,909	300	11,209
Total assets	\$ 6,398,267	\$ 12,880,128	\$ 19,278,395
Liabilities			
Accounts payable	\$ 602,822	\$ 620,674	\$ 1,223,496
Accrued payroll and benefits	412,426	58,732	471,158
Due to other governmental units	164,910	11,629	176,539
Due to other funds	97,630	738,512	836,142
Deposits	36,031	-	36,031
Unearned revenue	124,472	108,072	232,544
Total liabilities	1,438,291	1,537,619	2,975,910
Deferred inflows of resources			
Unavailable revenue - special assessment receivable	-	1,139,390	1,139,390
Unavailable revenue - lease receivable	-	1,792,421	1,792,421
Total deferred inflows of resources	-	2,931,811	2,931,811
Fund balances			
Nonspendable	10,909	1,507,707	1,518,616
Restricted	-	3,997,308	3,997,308
Committed	17,415	3,270,785	3,288,200
Unassigned (deficit)	4,931,652	(365,102)	4,566,550
Total fund balances	4,959,976	8,410,698	13,370,674
Total liabilities, deferred inflows of resources and fund balances	\$ 6,398,267	\$ 12,880,128	\$ 19,278,395

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, 2013

Fund balances - total governmental funds \$ 13,370,674

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

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

Land	16,339,146
Construction in progress	3,297,990
Capital assets being depreciated, net	104,589,519
Less capital assets accounted for in the Internal Service Fund	(4,123,357)

Internal service funds are used by management to charge the costs of certain equipment usage and self-insurance to individual governmental funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.

Net position of governmental activities accounted for in the internal service funds 9,533,088

Some items are recorded as revenues and expenditures in the fund statements when paid or when received. These items are recorded on the government-wide statements when incurred in the case of expenditures and when revenues are earned.

Net pension asset 1,261,674

The focus of governmental funds is on short-term financing. Accordingly, some assets will not be available to pay for current-period expenditures. Those assets (such as certain receivables) are offset by deferred inflows of resources in the governmental funds, and thus are not included in fund balance.

Deferred inflows from special assessment receivables	1,139,390
Deferred inflows for Library lease receivable	1,792,421

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

Loss on advance bond refundings, net	474,331
Bonds and loans payable	(25,218,000)
Unamortized premium on bonds payable	(276,662)
Accrued interest on bonds payable	(227,210)
Net other postemployment benefit obligation	(954,153)

Net position of governmental activities \$ 120,998,851

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, 2013

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues			
Property taxes	\$ 10,033,821	\$ 5,271,218	\$ 15,305,039
Special assessments	-	738,263	738,263
Licenses and permits	484,785	-	484,785
Intergovernmental	2,848,473	6,342,394	9,190,867
Charges for services	1,490,366	277,473	1,767,839
Fines and fees	191,009	409,556	600,565
Contributions from private sector	-	1,458,342	1,458,342
Interest and rents	285,577	630,975	916,552
Miscellaneous	26,315	245,695	272,010
Total revenues	15,360,346	15,373,916	30,734,262
Expenditures			
Current:			
General government	3,704,121	241,904	3,946,025
Public safety	10,504,854	400,060	10,904,914
Public works	1,205,306	2,787,932	3,993,238
Welfare and social services	397,529	497,832	895,361
Culture and recreation	2,781,899	1,583,960	4,365,859
Other	68,572	-	68,572
Debt service:			
Principal retirement	-	3,218,223	3,218,223
Interest and fiscal charges	-	1,010,844	1,010,844
Capital outlay	-	5,982,162	5,982,162
Total expenditures	18,662,281	15,722,917	34,385,198
Revenues under expenditures	(3,301,935)	(349,001)	(3,650,936)
Other financing sources (uses)			
Proceeds on sale of capital assets	-	1,331,249	1,331,249
Transfers in	4,459,390	5,030,375	9,489,765
Transfers out	(414,612)	(4,752,932)	(5,167,544)
Total other financing sources (uses)	4,044,778	1,608,692	5,653,470
Net change in fund balances	742,843	1,259,691	2,002,534
Fund balances, beginning of year	4,217,133	7,151,007	11,368,140
Fund balances, end of year	\$ 4,959,976	\$ 8,410,698	\$ 13,370,674

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, 2013

Net change in fund balances - total governmental funds	\$ 2,002,534
Amounts reported for <i>governmental activities</i> in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Capital assets purchased/constructed	4,993,343
Depreciation expense	(4,828,945)
Proceeds on sale of capital assets	(1,331,249)
Gain on sale of capital assets	281,312
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	3,218,223
Forgiveness of land contract debt	352,000
Internal service funds are used by management to charge the costs of certain equipment usage to individual governmental funds. The net revenues (expenses) attributable to those funds is reported with governmental activities.	
Loss from governmental activities in internal service funds	(118,415)
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	(112,588)
Net change in Library lease receivable	(478,167)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.	
Amortization of deferred loss on refunding costs	(75,520)
Amortization of premium on long-term debt	48,747
Change in net pension asset	289,806
Change in accrued interest on bonds payable	22,479
Change in net other postemployment benefit obligation	(244,878)
Change in net position of governmental activities	<u>\$ 4,018,682</u>

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

CITY OF HOLLAND, MICHIGAN

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - General Fund

For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Property taxes	\$ 10,036,035	\$ 10,033,753	\$ 10,033,821	\$ 68
Licenses and permits	474,300	466,510	484,785	18,275
Intergovernmental	2,773,767	2,823,440	2,848,473	25,033
Charges for services	1,461,609	1,466,391	1,490,366	23,975
Fines and fees	207,100	181,300	191,009	9,709
Interest and rents	361,301	298,401	285,577	(12,824)
Miscellaneous	24,890	23,469	26,315	2,846
Total revenues	15,339,002	15,293,264	15,360,346	67,082
Expenditures				
Current:				
General government	3,513,922	3,799,256	3,704,121	(95,135)
Public safety	10,780,320	10,732,233	10,504,854	(227,379)
Public works	1,266,384	1,242,562	1,205,306	(37,256)
Welfare and social services	482,987	427,797	397,529	(30,268)
Culture and recreation	3,046,422	2,938,246	2,781,899	(156,347)
Other	168,000	68,572	68,572	-
Total expenditures	19,258,035	19,208,666	18,662,281	(546,385)
Revenues over (under) expenditures	(3,919,033)	(3,915,402)	(3,301,935)	613,467
Other financing sources (uses)				
Transfers in	4,771,070	4,767,750	4,459,390	(308,360)
Transfers out	(601,975)	(773,166)	(414,612)	358,554
Total other financing sources (uses)	4,169,095	3,994,584	4,044,778	50,194
Net change in fund balances	250,062	79,182	742,843	663,661
Fund balances, beginning of year	4,217,133	4,217,133	4,217,133	-
Fund balances, end of year	\$ 4,467,195	\$ 4,296,315	\$ 4,959,976	\$ 663,661

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

CITY OF HOLLAND, MICHIGAN

Statement of Net Position
 Proprietary Funds
 June 30, 2013

	Business-type Activities - Enterprise Funds					Governmental Activities
	Electric Utility	Wastewater Utility	Water Utility	Nonmajor Enterprise Funds	Total	Internal Service Funds
Assets						
Current assets:						
Cash and pooled investments	\$ 50,201,014	\$ 10,043,731	\$ 5,037,743	\$ 607,936	\$ 65,890,424	\$ 6,757,099
Investments	61,308,261	4,001,618	990,900	-	66,300,779	-
Receivables:						
Accounts	11,346,786	1,153,690	1,059,328	161,143	13,720,947	568,549
Taxes and special assessments	-	99,569	150,390	26	249,985	-
Interest	72,385	5,413	-	-	77,798	-
Deposit with others	-	-	-	-	-	5,289
Due from other funds	155,902	2,141	18,572	-	176,615	18,883
Inventories	13,343,021	47,832	186,596	-	13,577,449	98,990
Prepaid items	298,986	6,673	3,380	1,295	310,334	22,916
Total current assets	<u>136,726,355</u>	<u>15,360,667</u>	<u>7,446,909</u>	<u>770,400</u>	<u>160,304,331</u>	<u>7,471,726</u>
Noncurrent assets:						
Restricted assets:						
Cash and pooled investments	-	1,558,686	3,260,367	-	4,819,053	-
Investments	5,347,302	995,080	-	-	6,342,382	-
Accrued interest	-	1,712	-	-	1,712	-
Capital assets:						
Land	4,829,437	260,673	1,902,447	6,352,359	13,344,916	-
Construction in progress	1,573,941	1,242,477	618,529	121,936	3,556,883	2,455
Machinery and equipment	232,944,427	75,686,706	59,641,268	19,048,661	387,321,062	11,036,404
Accumulated depreciation	(176,056,484)	(42,184,401)	(22,991,084)	(11,753,954)	(252,985,923)	(6,915,502)
Due from City of Wyoming	-	-	2,776,931	-	2,776,931	-
Total noncurrent assets	<u>68,638,623</u>	<u>37,560,933</u>	<u>45,208,458</u>	<u>13,769,002</u>	<u>165,177,016</u>	<u>4,123,357</u>
Total assets	<u>205,364,978</u>	<u>52,921,600</u>	<u>52,655,367</u>	<u>14,539,402</u>	<u>325,481,347</u>	<u>11,595,083</u>
Deferred outflows of resources						
Loss on advance bond refundings, net	-	40,449	547,476	-	587,925	-
Liabilities						
Current liabilities:						
Accounts payable	6,748,020	715,305	392,081	131,363	7,986,769	231,000
Claims payable	-	-	-	-	-	164,312
Accrued payroll and benefits	459,666	38,776	35,788	24,384	558,614	32,524
Accrued interest payable	-	1,138	-	-	1,138	-
Due to other governmental units	-	-	-	14	14	-
Accrued interest payable from restricted assets	-	-	268,371	-	268,371	-
Due to other funds	9,151	66,790	140,145	1,626	217,712	99,321
Deposits	338,599	-	-	38,837	377,436	-
Unearned revenue	-	-	-	140,700	140,700	-
Accrued compensated absences - current	657,948	171,198	160,797	15,100	1,005,043	1,200,000
Bonds and lease purchases payable - current	-	682,500	-	-	682,500	-
Bonds payable from restricted assets - current	-	-	1,260,074	-	1,260,074	-
Total current liabilities	<u>8,213,384</u>	<u>1,675,707</u>	<u>2,257,256</u>	<u>352,024</u>	<u>12,498,371</u>	<u>1,727,157</u>
Noncurrent liabilities:						
Landfill closure and postclosure cost	327,450	-	-	-	327,450	-
Accrued compensated absences	-	-	-	-	-	334,838
Bonds payable and lease purchases payable	-	-	18,958,977	-	18,958,977	-
Net other postemployment benefit obligation	302,370	118,323	92,857	-	513,550	-
Total noncurrent liabilities	<u>629,820</u>	<u>118,323</u>	<u>19,051,834</u>	<u>-</u>	<u>19,799,977</u>	<u>334,838</u>
Total liabilities	<u>8,843,204</u>	<u>1,794,030</u>	<u>21,309,090</u>	<u>352,024</u>	<u>32,298,348</u>	<u>2,061,995</u>
Net position						
Net investment in capital assets	63,291,321	34,363,404	19,499,585	13,769,002	130,923,312	4,123,357
Restricted for capital projects and by agreement	5,347,302	1,784,880	3,166,865	-	10,299,047	-
Unrestricted	127,883,151	15,019,735	9,227,303	418,376	152,548,565	5,409,731
Total net position	<u>\$ 196,521,774</u>	<u>\$ 51,168,019</u>	<u>\$ 31,893,753</u>	<u>\$ 14,187,378</u>	<u>\$ 293,770,924</u>	<u>\$ 9,533,088</u>

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

CITY OF HOLLAND, MICHIGAN

Statement of Revenues, Expenses and Changes in Net Position
 Proprietary Funds
 For the Year Ended June 30, 2013

	Business-type Activities - Enterprise Funds					Governmental Activities
	Electric Utility	Wastewater Utility	Water Utility	Nonmajor Enterprise Funds	Total	Internal Service Funds
Operating revenues						
Usage fees and charges for services	\$ 93,576,510	\$ 9,446,065	\$ 8,506,464	\$ 1,623,021	\$ 113,152,060	\$ 3,044,287
Premiums	-	-	-	-	-	5,789,884
Admissions and fares	-	-	-	390,042	390,042	-
Rentals	-	-	-	90,209	90,209	1,615,713
Miscellaneous	-	-	-	-	-	201,159
Total operating revenues	93,576,510	9,446,065	8,506,464	2,103,272	113,632,311	10,651,043
Operating expenses						
Personal services	5,939,243	1,949,128	1,404,480	531,177	9,824,028	2,071,730
Other current expenses	67,313,468	4,457,369	2,733,694	1,765,821	76,270,352	10,035,914
Depreciation	6,248,066	1,859,744	1,405,833	601,280	10,114,923	648,186
Total operating expenses	79,500,777	8,266,241	5,544,007	2,898,278	96,209,303	12,755,830
Operating income (loss)	14,075,733	1,179,824	2,962,457	(795,006)	17,423,008	(2,104,787)
Nonoperating revenues (expenses)						
Property taxes	-	-	-	97,572	97,572	-
Investment earnings	21,637	21,478	(16,905)	708	26,918	10,930
Interest expense	(256)	(69,968)	(543,115)	-	(613,339)	-
Insurance recovery	-	-	-	-	-	1,904,660
Loss on disposal of capital assets	(3,765)	(83,009)	(128,394)	-	(215,168)	(29,518)
Total nonoperating revenues (expenses)	17,616	(131,499)	(688,414)	98,280	(704,017)	1,886,072
Income (loss) before contributions and transfers	14,093,349	1,048,325	2,274,043	(696,726)	16,718,991	(218,715)
Contributions and transfers						
Capital contributions	-	54,531	560,780	2,293	617,604	300
Federal and/or state grants	-	-	-	1,530,203	1,530,203	-
Federal awards passed-through to the Macatawa Area Express Transportation Authority	-	-	-	(1,530,203)	(1,530,203)	-
Other private donations	-	-	-	4,469	4,469	-
Transfers in	-	-	-	231,272	231,272	100,000
Transfers out	(4,651,200)	-	-	(2,293)	(4,653,493)	-
Net transfers and contributions	(4,651,200)	54,531	560,780	235,741	(3,800,148)	100,300
Change in net position	9,442,149	1,102,856	2,834,823	(460,985)	12,918,843	(118,415)
Net position, beginning of year, as restated	187,079,625	50,065,163	29,058,930	14,648,363	280,852,081	9,651,503
Net position, end of year	\$ 196,521,774	\$ 51,168,019	\$ 31,893,753	\$ 14,187,378	\$ 293,770,924	\$ 9,533,088

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

CITY OF HOLLAND, MICHIGAN

Statement of Cash Flows
 Proprietary Funds
 For the Year Ended June 30, 2013

	Business-type Activities - Enterprise Funds					Governmental Activities
	Electric Utility	Wastewater Utility	Water Utility	Nonmajor Enterprise Funds	Total	Internal Service Funds
Cash flows from operating activities						
Receipts from customers and users	\$ 93,602,270	\$ 9,463,411	\$ 8,505,843	\$ 2,247,224	\$ 113,818,748	\$ -
Receipts from internal services provided	-	-	-	-	-	10,712,456
Payments to suppliers	(68,439,564)	(4,225,852)	(3,967,418)	(1,734,588)	(78,367,422)	(10,065,447)
Payments to employees	(5,823,795)	(1,977,842)	(1,430,689)	(524,158)	(9,756,484)	(2,197,513)
Net cash provided by (used in) operating activities	19,338,911	3,259,717	3,107,736	(11,522)	25,694,842	(1,550,504)
Cash flows from noncapital financing activities						
Property taxes	-	-	-	97,685	97,685	-
Private donations	-	-	-	4,469	4,469	-
Insurance refunds	-	-	-	-	-	1,904,660
Intragovernmental receipts	-	-	-	228,603	228,603	100,000
Intragovernmental payments	(4,651,200)	-	-	(210)	(4,651,410)	-
Capital grant - State Drinking Water Revolving Fund - Wyoming portion	-	-	476,254	-	476,254	-
Purchase/construction of property, plant and equipment owned by the City of Wyoming	-	-	(2,355,323)	-	(2,355,323)	-
Net cash provided by (used in) noncapital financing activities	(4,651,200)	-	(1,879,069)	330,547	(6,199,722)	2,004,660
Cash flows from capital and related financing activities						
Federal and/or state grants	-	-	-	1,530,203	1,530,203	-
Federal awards passed-through to the Macatawa Area Express Transportation Authority	-	-	-	(1,530,203)	(1,530,203)	-
Principal paid on long-term debt	-	(665,000)	(1,141,500)	-	(1,806,500)	-
Interest paid on long-term debt	(256)	(26,950)	(422,040)	-	(449,246)	-
Proceeds from State Drinking Water Revolving Fund	-	-	2,876,413	-	2,876,413	-
Capital contributions	-	54,531	560,780	2,293	617,604	300
Proceeds from sales of capital assets	22,380	625	5,689	-	28,694	55,661
Purchase of capital assets	(8,888,916)	(884,386)	(1,231,915)	(138,280)	(11,143,497)	(731,440)
Net cash provided by (used in) capital and related financing activities	(8,866,792)	(1,521,180)	647,427	(135,987)	(9,876,532)	(675,479)
Cash flows from investing activities						
Proceeds from sales of investments	68,217,781	5,019,843	1,500,375	-	74,737,999	-
Purchase of investments	(66,933,971)	(5,019,843)	(1,030,130)	-	(72,983,944)	-
Investment earnings	308,387	39,875	24,079	708	373,049	10,930
Net cash provided by investing activities	1,592,197	39,875	494,324	708	2,127,104	10,930
Net increase (decrease) in cash and cash equivalents	7,413,116	1,778,412	2,370,418	183,746	11,745,692	(210,393)
Cash and cash equivalents, beginning of year	42,787,898	9,824,005	5,927,692	424,190	58,963,785	6,967,492
Cash and cash equivalents, end of year	\$ 50,201,014	\$ 11,602,417	\$ 8,298,110	\$ 607,936	\$ 70,709,477	\$ 6,757,099
Classified on the statement of net position as						
Current assets	\$ 50,201,014	\$ 10,043,731	\$ 5,037,743	\$ 607,936	\$ 65,890,424	\$ 6,757,099
Restricted assets	-	1,558,686	3,260,367	-	4,819,053	-
Total	\$ 50,201,014	\$ 11,602,417	\$ 8,298,110	\$ 607,936	\$ 70,709,477	\$ 6,757,099

continued...

CITY OF HOLLAND, MICHIGAN

Statement of Cash Flows
 Proprietary Funds
 For the Year Ended June 30, 2013

	Business-type Activities - Enterprise Funds					Governmental Activities
	Electric Utility	Wastewater Utility	Water Utility	Nonmajor Enterprise Funds	Total	Internal Service Funds
Cash flows from operating activities						
Operating income (loss)	\$ 14,075,733	\$ 1,179,824	\$ 2,962,457	\$ (795,006)	\$ 17,423,008	\$ (2,104,787)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:						
Depreciation expense	6,248,066	1,859,744	1,405,833	601,280	10,114,923	648,186
Prior year construction in progress costs charged to operating expense due to termination of project	658,911	62,155	112,620	-	833,686	-
Change in:						
Receivables	40,107	17,403	(24,948)	6,815	39,377	(102,935)
Deposits held with others	-	-	-	-	-	104,281
Due from other funds	(15,927)	(57)	24,327	-	8,343	147,454
Inventories	(3,038,359)	8,911	19,896	-	(3,009,552)	(14,936)
Prepaid items	33,854	3,905	(536)	1,200	38,423	754
Accounts payable	1,228,221	80,283	(1,498,724)	30,033	(160,187)	(93,741)
Claims payable	-	-	-	-	-	(25,891)
Accrued payroll and benefits	115,448	(28,714)	(26,209)	3,160	63,685	142
Due to other funds	(125,406)	41,279	105,652	-	21,525	16,894
Unearned revenue	-	-	-	137,137	137,137	-
Accrued compensated absences	-	-	-	3,859	3,859	(125,925)
Deposits	1,580	-	-	-	1,580	-
Net other postemployment benefits obligation	116,683	34,984	27,368	-	179,035	-
Net cash provided by (used in) operating activities	\$ 19,338,911	\$ 3,259,717	\$ 3,107,736	\$ (11,522)	\$ 25,694,842	\$ (1,550,504)

concluded

Non-cash transactions

The Water Utility fund transferred prior year capital asset additions of \$839,644 from capital assets to receivable Due from the City of Wyoming

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

CITY OF HOLLAND, MICHIGAN

Statement of Fiduciary Assets and Liabilities

Fiduciary Funds

June 30, 2013

Assets

Cash and pooled investments	\$ 1,118,726
Accounts receivable	305

Total assets	<u>\$ 1,119,031</u>
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Liabilities

Accounts payable	\$ 59,846
Due to other governmental units	1,044,013
Other liabilities and deposits	15,172

Total liabilities	<u>\$ 1,119,031</u>
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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, 2013

	Downtown Development Authority	Holland Historical Trust	Brownfield Redevelopment Authority	Total
Assets				
Cash and pooled investments	\$ 136,974	\$ 278,012	\$ 48,502	\$ 463,488
Investments	-	603,452	-	603,452
Receivables, net	55	161,000	-	161,055
Inventories	-	8,834	-	8,834
Prepaid items	200	-	-	200
Capital assets:				
Land	-	40,000	-	40,000
Being depreciated, net of depreciation	238,434	1,730,618	-	1,969,052
Total assets	375,663	2,821,916	48,502	3,246,081
Liabilities				
Accounts payable	2,538	34,420	-	36,958
Accrued payroll and benefits	2,662	14,585	-	17,247
Unearned revenue	-	10,783	-	10,783
Deposits	-	500	-	500
Total liabilities	5,200	60,288	-	65,488
Net position				
Net investment in capital assets	238,434	1,770,618	-	2,009,052
Restricted by agreement	-	501,865	-	501,865
Unrestricted	132,029	489,145	48,502	669,676
Total net position	\$ 370,463	\$ 2,761,628	\$ 48,502	\$ 3,180,593

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, 2013

	Downtown Development Authority	Holland Historical Trust	Brownfield Redevelopment Authority	Total
Expenses				
Downtown Development Authority	\$ 199,492	\$ -	\$ -	\$ 199,492
Holland Historical Trust	-	923,784	-	923,784
Brownfield Redevelopment Authority	-	-	682,326	682,326
Total expenses	199,492	923,784	682,326	1,805,602
Program revenues				
Charges for services	3,435	118,586	-	122,021
Operating grants and contributions	601	897,619	58,546	956,766
Total program revenues	4,036	1,016,205	58,546	1,078,787
Net revenues (expenses)	195,456	(92,421)	623,780	726,815
General revenues				
Property taxes	178,090	-	639,981	818,071
Change in net position	(17,366)	92,421	16,201	91,256
Net position, beginning of year	387,829	2,669,207	32,301	3,089,337
Net position, end of year	\$ 370,463	\$ 2,761,628	\$ 48,502	\$ 3,180,593

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

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NOTES TO FINANCIAL STATEMENTS

CITY OF HOLLAND, MICHIGAN

Notes to Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The Reporting Entity

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

Blended Component Unit

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

Discretely Presented Component Units

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

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

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

CITY OF HOLLAND, MICHIGAN

Notes to Financial Statements

Economic Development Corporation (the "EDC") - The EDC was created to provide means and methods for the encouragement and assistance of industrial and commercial enterprises in relocating, purchasing, constructing, improving or expanding within the City so as to provide needed services and facilities of such enterprises to the residents of the City. In certain situations, members of the Board of Directors may be removed by a majority of the Holland City Council. Separate financial statements are not prepared for this entity.

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

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

CITY OF HOLLAND, MICHIGAN

Notes to Financial Statements

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

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

The City reports the following major governmental fund:

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

The City reports the following major enterprise funds:

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

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

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

Additionally, the City reports the following fund types:

Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects that comprise, or are expected to comprise a substantial portion of the fund's total reported inflows.

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

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

CITY OF HOLLAND, MICHIGAN

Notes to Financial Statements

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

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

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

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

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

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

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

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

Cash and Pooled Investments

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

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

CITY OF HOLLAND, MICHIGAN

Notes to Financial Statements

State statutes authorize the City to invest in:

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

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

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

Bankers' acceptances of United States banks.

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

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

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

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

Receivables

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

Due To/From Other Funds

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

Due To/From Other Governmental Units

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

Prepaid Items

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

CITY OF HOLLAND, MICHIGAN

Notes to Financial Statements

Inventories

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

Capital Assets and Depreciation

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exists. Donated capital assets are valued at their estimated fair market value on the date received. The amount reported for infrastructure includes easements added since 1980 and other infrastructure dating back to 1959.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

No interest expense has been capitalized on capital assets reported in proprietary funds.

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

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

Restricted Assets

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

CITY OF HOLLAND, MICHIGAN

Notes to Financial Statements

Deferred Outflows of Resources

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

Bond Discounts, Premiums and Deferred Refunding Costs

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources.

Unearned Revenue

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

	Governmental Activities	Business-type Activities	Component Units
Grant drawdowns in excess of amounts expended:			
Culture and community improvement	\$ 23,905	\$ -	\$ -
Infrastructure projects	84,167	-	-
Fees collected in excess of amounts earned	124,472	140,700	10,783
Total unearned revenue	\$ 232,544	\$ 140,700	\$ 10,783

Property Taxes

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

CITY OF HOLLAND, MICHIGAN

Notes to Financial Statements

The taxable value at December 31, 2012 was \$1,071,926,482, which provides a City-wide valuation equivalency that allows for a uniform millage rate across all taxable properties, including tax-abated properties. The tax levy was based on the following rates:

	Millage Rate Used	Authorized Millage Rate	Authorized By
General operating	9.6585		
Street development and improvement	1.0000		
Sidewalk development and improvement	0.0500		
Municipal capital projects	0.1343		
Debt service general obligation	2.8936		
	<u>13.7364</u>	16.1346	1
		17.5000	City Charter
Library support / debt service	1.2721	1.3086	1
		1.5000	2
West Michigan Airport Authority	0.1000	0.1000	1 & 3

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

Interfund Transactions

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

Electric Utility Fund Transfer to the General Fund

The City Charter authorizes an annual transfer from the electric utility fund to the general purposes of the City. The current formula for determining this transfer is based upon 5.5 percent of electric utility fund budgeted revenues of the same fiscal year. For fiscal year 2013, a total transfer of \$4,651,200 was made. A \$4,351,200 transfer was made to the general fund and a \$300,000 transfer was made to the Municipal Facilities and Land Improvements Project Fund.

Compensated Absences

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

CITY OF HOLLAND, MICHIGAN

Notes to Financial Statements

Vacation hours are credited to each public safety bargaining unit employee on the anniversary date of hire. The number of hours is dependent upon years of service. Sick leave hours are credited to each employee as earned during a calendar year up to a maximum of 104 hours for police bargaining union and 145.60 for fire bargaining union. Police bargaining employees are compensated for one half, or one quarter, respectively, of total accumulated sick leave hours in excess of 720 hours for the year ended June 30, 2013. Fire bargaining employees receive no pay out upon termination for accumulated sick leave hours.

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

Deferred Inflows of Resources

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

Fund Equity

Governmental funds report nonspendable fund balance for amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. Restricted fund balance is reported when externally imposed constraints are placed on the use of resources by grantors, contributors, or laws or regulations of other governments. Committed fund balance is reported for amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City Council (the government's highest level of decision-making authority). A formal resolution of the City Council is required to establish, modify, or rescind a fund balance commitment. The City reports assigned fund balance for amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. Unassigned fund balance is the residual classification for the General Fund.

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

CITY OF HOLLAND, MICHIGAN

Notes to Financial Statements

2. BUDGETARY INFORMATION

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

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

CITY OF HOLLAND, MICHIGAN

Notes to Financial Statements

3. COMPLIANCE

Budgetary Compliance

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

For the year ended June 30, 2013, 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 - legal services	\$ 206,150	\$ 211,221	\$ 5,071
General government - human resources	471,368	479,396	8,028
General government - city treasurer	195,608	199,707	4,099
General government - city hall and grounds	201,672	204,436	2,764
Public works - transportation management/ engineering	159,178	160,099	921
Culture and recreation - municipal stadium	5,327	5,676	349
Snowmelt Operating System Fund	187,647	187,808	161
Homeland Security Grant Fund	80,101	112,365	32,264
District Library Taxation Fund	1,245,134	1,246,757	1,623

Compliance with Single Audit Act

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

Deficit fund balance

The revolving cash assistance special revenue fund reported a fund deficit of \$365,102 at June 30, 2013. Management expects this deficit to be eliminated over time as special assessments are collected.

CITY OF HOLLAND, MICHIGAN

Notes to Financial Statements

4. DEPOSITS AND INVESTMENTS

The City's reporting entity deposits and investments as of June 30, 2013 are included on the statement of net position under the following classifications:

	Governmental Activities	Business-type Activities	Component Units	Agency Funds	Total
Cash and pooled investments	\$ 20,440,914	\$ 65,890,424	\$ 463,488	\$ 1,118,726	\$ 87,913,552
Investments	-	66,300,779	603,452	-	66,904,231
Restricted assets					
Cash and pooled investments	-	4,819,053	-	-	4,819,053
Investments	-	6,342,382	-	-	6,342,382
Total	\$ 20,440,914	\$ 143,352,638	\$ 1,066,940	\$ 1,118,726	\$ 165,979,218

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

Petty cash	\$ 11,987
Deposits (checking/savings accounts)	15,085,704
Certificate of deposit (due within one year)	12,479,462
Certificate of deposit (due within one to five years)	4,000,000
Investments	134,402,065
	<u>\$ 165,979,218</u>

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

Investment	Fair Market Value	Interest Rate	Maturity Date	Rating	Callable
Primary Government					
City of Holland					
Federal Home Loan Bank	\$ 960,978	1.050%	11/20/2018	S&P AA+	Quarterly
Howell Township, MI					
Municipal Bond	471,466	4.000%	05/01/2018	S&P A	n/a
Commercial Paper	999,990	0.500%	07/02/2013	S&P A-	n/a
Commercial Paper	1,007,940	0.500%	07/16/2013	S&P A-	n/a
Commercial Paper	1,501,820	0.680%	07/23/2013	S&P A-	n/a
Money market funds	1,453,446	0.042-1.000%	n/a	S&P AAA/m & AA-	n/a
Total City of Holland	<u>6,395,640</u>				

CITY OF HOLLAND, MICHIGAN

Notes to Financial Statements

Investment	Fair Market Value	Interest Rate	Maturity Date	Rating	Callable
Holland Board of Public Works					
Federal Home Loan Bank	\$ 2,008,306	1.000%	12/27/2013	S&P AAA	Bullet
Federal Home Loan Bank	2,008,408	1.000%	12/30/2013	S&P AAA	Bullet
Federal Farm Credit	1,993,277	0.440%	10/16/2015	S&P AA+	01/16/2013
Federal Farm Credit	1,987,696	0.420%	12/10/2015	S&P AA+	12/10/2013
Federal Farm Credit Bank	1,987,778	0.390%	12/17/2015	S&P AA+	12/17/2013
Federal Home Loan Bank	1,990,539	0.410%	12/21/2015	S&P AA+	03/21/2013
Federal Farm Credit Bank	1,990,170	0.500%	02/25/2016	S&P AA+	02/25/2014
Federal Farm Credit Bank	1,986,570	0.450%	03/07/2016	S&P AA+	03/07/2014
Federal Farm Credit Bank	1,987,640	0.470%	03/18/2016	S&P AA+	06/18/2013
Federal Farm Credit Bank	1,980,200	0.450%	07/12/2016	S&P AA+	07/12/2013
Federal Farm Credit	1,993,640	0.320%	06/18/2015	S&P AA+	03/18/2013
Federal Farm Credit Bank	1,992,740	0.420%	10/09/2015	S&P AA+	01/09/2013
Federal Farm Credit Bank	1,989,260	0.490%	02/22/2015	S&P AA+	05/22/2013
Federal Home Loan Bank	1,980,740	0.700%	12/27/2016	S&P AA+	06/27/2014
Federal Farm Credit	493,930	0.640%	11/29/2016	S&P AA+	11/29/2013
Federal Farm Credit Bank	488,415	0.770%	06/05/2017	S&P AA+	03/05/2013
Federal Home Loan Bank	489,910	1.030%	11/21/2017	S&P AA+	11/21/2012
Federal Farm Credit	2,000,640	0.520%	08/01/2013	S&P AAA	Bullet
Federal Home Loan Bank	2,001,140	0.500%	08/28/2013	S&P AAA	Bullet
Federal Home Loan Bank	2,008,400	1.000%	12/30/2013	S&P AAA	Bullet
Federal Home Loan Bank	2,001,160	0.300%	02/13/2014	S&P AA+	Bullet
Federal Home Loan Bank	2,003,360	0.400%	06/27/2014	S&P AA+	Bullet
Federal Home Loan Bank	2,004,000	0.430%	08/28/2014	S&P AA+	Bullet
Federal Farm Credit Bank	2,008,700	0.650%	12/09/2014	S&P AA+	Bullet
Federal Farm Credit	1,994,580	0.480%	09/07/2015	S&P AA+	08/17/2013
Federal Farm Credit Bank	1,988,660	0.500%	02/22/2016	S&P AA+	08/22/2013
Federal Farm Credit	1,990,160	0.500%	02/25/2016	S&P AA+	02/25/2014
Federal Home Loan Bank	1,987,840	0.450%	03/18/2016	S&P AA+	Bullet
Federal Home Loan Bank	1,974,860	0.500%	10/28/2016	S&P AA+	10/30/2015
Federal Home Loan Bank	1,981,800	0.750%	12/19/2016	S&P AA+	06/19/2013
Federal Home Loan Bank	1,980,740	0.700%	12/27/2016	S&P AA+	06/27/2014
Federal Farm Credit	1,998,260	0.300%	12/24/2014	S&P AA-	12/24/2012
Federal Farm Credit	1,992,740	0.420%	10/09/2015	S&P AA+	01/09/2013
Federal Farm Credit	1,991,660	4.100%	10/22/2015	S&P AA+	10/22/2013
Michigan State Taxable					
Refunding Bonds	501,855	1.772%	11/01/2013	S&P AA-	Non-Callable
Michigan State Taxable					
Refunding Bonds	508,340	2.302%	11/01/2014	S&P AA-	Non-Callable
MPPA Investment	5,347,302	N/A	Various	S&P AAA	N/A
Repurchase agreements *	57,787,557	N/A	n/a	Not rated	N/A
Total Holland Board of Public Works	<u>127,402,973</u>				
Total Primary Government	<u>133,798,613</u>				

CITY OF HOLLAND, MICHIGAN

Notes to Financial Statements

Investment	Fair Market Value	Interest Rate	Maturity Date	Rating	Callable
Component Units					
Holland Historical Trust					
Bond Mutual Funds	\$ 133,188	n/a	n/a	Various	n/a
Equity Mutual Funds	343,998	n/a	n/a	n/a	n/a
Other Mutual Funds	86,506	n/a	n/a	n/a	n/a
Corporate Equities, Domestic	<u>39,760</u>	n/a	n/a	n/a	n/a
Total Component Units	<u>603,452</u>				
Total Reporting Entity	<u>\$ 134,402,065</u>				

* Investments are collateralized by US government securities

Investment and Deposit Risk

Primary Government

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

Credit Risk. State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers’ acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified above. The City’s investment policy does not have specific limits in excess of state law pertaining to investment credit risk. The ratings for each investment are identified above for significant investments held at year-end.

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the City’s deposits may not be returned. State law does not require and the City’s investment policy does not have specific limits in excess of state law pertaining to custodial credit risk. As of year-end, \$21,113,584 of the bank balance of \$31,991,411 was exposed to custodial credit risk because it was uninsured and uncollateralized.

CITY OF HOLLAND, MICHIGAN

Notes to Financial Statements

Custodial Credit Risk - Investments. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. State law does not require and the City does not have a specific policy pertaining to investment custodial credit risk which is more restrictive than state law. Of the above \$133,798,613 of investments held at year-end, the City has a custodial credit risk exposure of \$57,787,557 because the related securities are uninsured, unregistered and held by the government's brokerage firm which is also the counterparty for these particular securities. The City is not exposed to custodial credit risk on the repurchase agreements as the investments are held in an overnight sweep account which is collateralized by US government securities. Custodial credit risk for the mutual funds and MPPA Trust Pool cannot be determined as these investments are not evidenced by specifically identifiable securities.

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

Component Unit - Holland Historical Trust

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

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

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the HHT's deposits may not be returned. The HHT's investment policy does not have specific limits pertaining to custodial credit risk. As of year-end, \$100,251 of the bank balance of \$279,857 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.

CITY OF HOLLAND, MICHIGAN

Notes to Financial Statements

5. RECEIVABLES

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

	Governmental Activities	Business-type Activities	Component Units
Accounts	\$ 930,958	\$ 13,810,509	\$ -
Allowance for uncollectible receivables	(1,000)	(89,562)	-
Taxes and special assessments	1,194,036	250,297	451
Allowance for uncollectible taxes and special assessments	(50,740)	(312)	(396)
Interest	36,661	77,798	-
Leases	1,792,421	-	-
Pledges receivable	-	-	161,000
Due from other governmental units	1,291,907	2,776,931	-
Deposit with others	5,289	-	-
	<u>\$ 5,199,532</u>	<u>\$ 16,825,661</u>	<u>\$ 161,055</u>

Of the governmental activities amounts reported for receivables above, leases receivable in the amount of \$1,325,000 and special assessments receivable in the amount of \$467,389 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 \$2,776,931 is not expected to be collected within one year.

CITY OF HOLLAND, MICHIGAN

Notes to Financial Statements

6. CAPITAL ASSETS

Primary government

Capital asset activity for the primary government for the year ended June 30, 2013, was as follows:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Governmental Activities					
Capital assets, not being depreciated:					
Land	\$ 16,137,649	\$ 378,616	\$ (177,119)	\$ -	\$ 16,339,146
Construction in progress	2,013,785	2,700,626	(371,502)	(1,044,919)	3,297,990
	<u>18,151,434</u>	<u>3,079,242</u>	<u>(548,621)</u>	<u>(1,044,919)</u>	<u>19,637,136</u>
Capital assets, being depreciated:					
Land improvements	20,348,167	43,521	(882,014)	37,553	19,547,227
Buildings	37,090,065	-	(176,405)	-	36,913,660
Machinery and equipment	8,558,191	334,166	(202,386)	-	8,689,971
Vehicles	6,769,479	570,817	(262,767)	2,975	7,080,504
Infrastructure	99,267,794	1,697,037	(712,999)	1,004,391	101,256,223
	<u>172,033,696</u>	<u>2,645,541</u>	<u>(2,236,571)</u>	<u>1,044,919</u>	<u>173,487,585</u>
Less accumulated depreciation for:					
Land improvements	(9,995,367)	(911,379)	849,826	-	(10,056,920)
Buildings	(11,991,352)	(1,025,050)	122,181	-	(12,894,221)
Machinery and equipment	(5,290,083)	(473,916)	130,680	-	(5,633,319)
Vehicles	(4,147,452)	(406,545)	221,435	-	(4,332,562)
Infrastructure	(33,646,757)	(2,660,241)	325,954	-	(35,981,044)
	<u>(65,071,011)</u>	<u>(5,477,131)</u>	<u>1,650,076</u>	<u>-</u>	<u>(68,898,066)</u>
Total capital assets being depreciated, net	<u>106,962,685</u>	<u>(2,831,590)</u>	<u>(586,495)</u>	<u>1,044,919</u>	<u>104,589,519</u>
Governmental activities capital assets, net	<u>\$ 125,114,119</u>	<u>\$ 247,652</u>	<u>\$ (1,135,116)</u>	<u>\$ -</u>	<u>\$ 124,226,655</u>

CITY OF HOLLAND, MICHIGAN

Notes to Financial Statements

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Business-type Activities					
Capital assets, not being depreciated:					
Land	\$ 13,289,894	\$ 55,022	\$ -	\$ -	\$ 13,344,916
Construction in progress	14,375,412	5,627,681	(1,673,330)	(14,772,880)	3,556,883
	<u>27,665,306</u>	<u>5,682,703</u>	<u>(1,673,330)</u>	<u>(14,772,880)</u>	<u>16,901,799</u>
Capital assets, being depreciated:					
Land improvements	14,265,985	-	-	-	14,265,985
Buildings	3,816,202	-	-	-	3,816,202
Machinery and equipment	347,635,525	5,002,812	(1,052,604)	14,772,880	366,358,613
Office equipment / furniture	35,757	-	-	-	35,757
Vehicles	2,625,658	457,982	(239,135)	-	2,844,505
	<u>368,379,127</u>	<u>5,460,794</u>	<u>(1,291,739)</u>	<u>14,772,880</u>	<u>387,321,062</u>
Less accumulated depreciation for:					
Land improvements	(8,422,376)	(443,059)	-	-	(8,865,435)
Buildings	(2,328,003)	(77,330)	-	-	(2,405,333)
Machinery and equipment	(231,158,864)	(9,422,197)	808,742	-	(239,772,319)
Office equipment / furniture	(35,758)	-	-	-	(35,758)
Vehicles	(1,973,876)	(172,337)	239,135	-	(1,907,078)
	<u>(243,918,877)</u>	<u>(10,114,923)</u>	<u>1,047,877</u>	<u>-</u>	<u>(252,985,923)</u>
Total capital assets being depreciated, net	<u>124,460,250</u>	<u>(4,654,129)</u>	<u>(243,862)</u>	<u>14,772,880</u>	<u>134,335,139</u>
Business-type activities capital assets, net	<u>\$ 152,125,556</u>	<u>\$ 1,028,574</u>	<u>\$ (1,917,192)</u>	<u>\$ -</u>	<u>\$ 151,236,938</u>

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

Depreciation of governmental activities by function

General government	\$ 236,230
Public safety	547,591
Public works	3,129,065
Cultural and recreation	779,095
Economic development	136,964
Internal service funds	648,186
	<u>\$ 5,477,131</u>

CITY OF HOLLAND, MICHIGAN

Notes to Financial Statements

Depreciation of business-type activities by function	
Electric utility	\$ 6,248,066
Wastewater utility	1,859,744
Water utility	1,405,833
Windmill island	103,825
Depot operations	24,739
Airport facilities and management system	461,005
Public transit facilities and management system	11,711
	\$ 10,114,923

Discretely presented component units

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Component Unit -					
Downtown Development Authority					
Capital assets, being depreciated:					
Land Improvements	\$ 395,051	\$ -	\$ -	\$ -	\$ 395,051
Less accumulated depreciation for:					
Land Improvements	(136,726)	(19,891)	-	-	(156,617)
Downtown Development Authority					
capital assets, net	\$ 258,325	\$ (19,891)	\$ -	\$ -	\$ 238,434
Component Unit -					
Holland Historical Trust					
Capital assets, not being depreciated:					
Land	\$ 40,000	\$ -	\$ -	\$ -	\$ 40,000
Capital assets, being depreciated:					
Buildings and improvements	3,006,704	-	-	-	3,006,704
Furniture and equipment	35,943	-	-	-	35,943
	3,042,647	-	-	-	3,042,647
Less accumulated depreciation for:					
Buildings and improvements	(1,134,380)	(146,086)	-	-	(1,280,466)
Furniture and equipment	(28,987)	(2,576)	-	-	(31,563)
	(1,163,367)	(148,662)	-	-	(1,312,029)
Total capital assets being depreciated, net	1,879,280	(148,662)	-	-	1,730,618
Holland Historical Trust capital assets, net	\$ 1,919,280	\$ (148,662)	\$ -	\$ -	\$ 1,770,618

CITY OF HOLLAND, MICHIGAN

Notes to Financial Statements

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Payables are comprised of the following at year-end:

	Governmental Activities	Business-type Activities	Component Units
Accounts	\$ 1,454,496	\$ 7,986,769	\$ 36,958
Accrued payroll and benefits	503,682	558,614	17,247
Claims payable	164,312	-	-
Accrued interest payable	227,210	1,138	-
Due to other governmental units	176,539	14	-
	<u>\$ 2,526,239</u>	<u>\$ 8,546,535</u>	<u>\$ 54,205</u>

8. LINE OF CREDIT

Holland Historical Trust (HHT) has available a \$100,000 line of credit with interest at 0.625% under the bank's prime rate, limited to a minimum rate of 4.5% (effective rate of 4.5% at June 30, 2013). The line expires on January 25, 2014. There were not any outstanding borrowings on the line as of June 30, 2013. As a condition of granting of credit line, HHT pledges to maintain deposit accounts with the creditor bank.

9. LONG-TERM DEBT

Long-term debt at June 30, 2013, 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	\$ 27,345,000	\$ -	\$ (2,530,000)	\$ 24,815,000	\$ 2,635,000
Special assessment bonds	1,078,723	-	(675,723)	403,000	159,000
Land contracts	364,500	-	(364,500)	-	-
Total installment debt	28,788,223	-	(3,570,223)	25,218,000	2,794,000
Premium on bonds payable	325,409	-	(48,747)	276,662	48,747
Compensated absences	1,660,763	1,073,673	(1,199,598)	1,534,838	1,200,000
Totals governmental activities	<u>\$ 30,774,395</u>	<u>\$ 1,073,673</u>	<u>\$ (4,818,568)</u>	<u>\$ 27,029,500</u>	<u>\$ 4,042,747</u>

CITY OF HOLLAND, MICHIGAN

Notes to Financial Statements

General obligation bonds

\$5,400,000 2004 Library Improvement Refunding Bonds, due in annual installments of \$55,000 to \$475,000, plus interest ranging from 2.0 to 4.35%, payable semi-annually, through May 1, 2017.	\$ 1,780,000
\$4,170,000 2004 City Hall Improvement Refunding Bonds, due in annual installments of \$50,000 to \$475,000, plus interest ranging from 2.0 to 4.35%, payable semi-annually, through May 1, 2016.	1,375,000
\$7,255,000 2006 Building Authority Refunding Bonds, (partial refunding of the 2002 Police and Transportation Facilities Improvement Bonds) due in annual installments of \$25,000 to \$1,880,000 plus interest ranging from 3.5% to 4.0%, payable semi-annually, through April 1, 2022.	7,055,000
\$4,000,000 2008 Capital Improvement Parking Bonds, due in annual installments of \$45,000 to \$290,000 plus interest ranging from 3.25 to 5.0%, payable semi-annually, through November 1, 2033.	3,760,000
\$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.	4,440,000
\$7,425,000 2010 Police Improvement Refunding Bonds, (partial refunding of the 2002 Police and Transportation Facilities Improvement Bonds) due in annual installments of \$35,000 to \$1,460,000, plus interest ranging from 2.0% to 4.5%, payable semi-annually, through October 1, 2018.	<u>6,405,000</u>
Total general obligation bonds	<u>\$ 24,815,000</u>

Special assessment bonds

\$350,000 2001 Special Assessment Bonds, due in annual installments of \$25,000 plus interest at 5.8%, payable semi-annually, through June 1, 2014.	\$ 25,000
\$800,000 2002A Public Improvement Bonds, due in annual installments of \$30,000 to \$60,000, plus interest ranging from 4.0 to 7.0%, payable semi-annually, through June 1, 2016.	170,000
\$155,000 2006 Special Assessment Bonds, due in annual installments of \$10,000 to \$15,000 plus interest at 5.06%, payable semi-annually, through June 1, 2020.	80,000
\$170,000 2010 Drain Improvements Bonds, due in annual installments of \$34,000 plus interest at 4.38%, payable annually, through April 15, 2015.	68,000
\$150,000 2010 Drain Improvements Bonds, due in annual installments of \$30,000 plus interest at 4.38%, payable annually, through April 15, 2015.	<u>60,000</u>
Total special assessment bonds	<u>\$ 403,000</u>

CITY OF HOLLAND, MICHIGAN

Notes to Financial Statements

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Business-type activities					
Revenue bonds	\$ 19,129,151	\$ 2,876,413	\$ (1,806,500)	\$ 20,199,064	\$ 1,857,500
Discount on bonds payable	(14,597)	-	11,111	(3,486)	(1,339)
Premium on bonds payable	799,587	-	(93,614)	705,973	86,413
Compensated absences	990,881	1,024,339	(1,010,177)	1,005,043	1,005,043
Total business-type activities	<u>\$ 20,905,022</u>	<u>\$ 3,900,752</u>	<u>\$ (2,899,180)</u>	<u>\$ 21,906,594</u>	<u>\$ 2,947,617</u>

Revenue bonds

\$7,635,000 2005A Water Supply Revenue Refunding Bonds, due in annual installments of \$635,000 to \$915,000 plus interest ranging from 3.0% to 4.0%, payable semi-annually, through July 1, 2017.	\$ 4,195,000
\$330,000 2005B Water Supply Revenue Refunding Bonds, due in one annual installment of \$165,000 plus interest at 3.5% on July 1, 2013.	165,000
\$2,054,500 2011 Ottawa Co. Refunded Sewage Bonds (City assumed 70% of total 2011 Ottawa County disposal Bond issue), due in annual installments of \$52,500 to \$682,500 plus interest at 2.0%, payable semi-annually, through June 1, 2014.	682,500
\$5,653,064 2011A Drinking Water Revolving Bonds, due in annual installments of \$236,500 to \$375,000 plus interest at 2.5%, payable semi-annually, through April 1, 2032.	5,416,564
\$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.	<u>9,740,000</u>
Total revenue bonds	<u><u>\$ 20,199,064</u></u>

The City owns and maintains a landfill for fly ash and wastewater treatment bio solids. In accordance with Michigan Department of Environmental Quality requirements, funding for closure cost estimates of \$111,000 and post-closure cost estimates of \$216,450 have been assured with a \$100,000 letter of credit and \$10,269 held in trust at June 30, 2013. The City has recognized a liability for landfill closure and post-closure cost of \$327,450 in the Electric Utility enterprise fund based on the percentage of landfill capacity used to date. The landfill is expected to have a remaining life of at least 50 years with approximately 67% of the landfill's capacity currently utilized. These estimates are expected to fluctuate based on inflation, deflation, changes in technology, applicable laws and regulations. There was no change in the liability during the current year.

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

CITY OF HOLLAND, MICHIGAN

Notes to Financial Statements

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

The special assessment bonds represent the financing of public improvements that benefit specific districts; these districts are specially assessed, at least in part, for the cost of the improvements. At June 30, 2013, the City has cash and investments of \$117,479 available in Debt Service Funds for repayment of these bonds. In addition, there is \$204,765 of special assessments receivable in the future. Under Michigan law, the City is secondarily liable for payment of these bonds.

The annual requirements to pay principal and interest on long-term obligations outstanding at June 30, 2013, excluding unamortized premium/discount, are as follows:

Year Ended June 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2014	\$ 2,794,000	\$ 913,843	\$ 1,857,500	\$ 627,774
2015	2,904,000	818,991	1,245,000	552,426
2016	2,975,000	715,475	1,280,000	511,576
2017	2,580,000	596,347	1,325,000	467,201
2018	2,300,000	503,227	1,370,000	421,101
2019-2023	9,160,000	1,286,614	7,610,000	1,569,308
2024-2028	1,080,000	483,115	4,430,000	387,846
2029-2033	1,425,000	207,000	1,081,564	27,617
	<u>\$ 25,218,000</u>	<u>\$ 5,524,612</u>	<u>\$ 20,199,064</u>	<u>\$ 4,564,849</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.

Defeased Debt

As of June 30, 2013, a total of \$13,255,000 of bonded debt is considered defeased.

Compensated Absences - Business-type Activities

Because of the balance of earned compensated absences at June 30, 2013 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.

CITY OF HOLLAND, MICHIGAN

Notes to Financial Statements

10. JOINT VENTURES

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

Under 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, 2013, the Board recognized expenses totaling \$18,682,887 under the terms of the contracts which represented \$1,369,645 for fixed operating costs, \$5,372,363 for debt service and \$11,940,879 for the purchase of power. Accounts payable to MPPA totaled \$1,949,262 at June 30, 2013. Under the terms of its contracts, the Board must make minimum annual payments equal to its share of debt service and its share of the fixed operating costs of Detroit Edison's Belle River No. 1, Consumers Energy's Campbell Unit No. 3 and American Municipal Power's AMP Fremont Energy Center Project (AFEC). The estimated required payments presented below assume no early calls or refinancing of existing revenue bonds and 3.0% annual inflation of fixed operating costs.

CITY OF HOLLAND, MICHIGAN

Notes to Financial Statements

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

Year Ended June 30,	Belle River		Campbell		Fremont (AFEC)		Total
	Debt Service	Fixed Operating	Debt Service	Fixed Operating	Debt Service	Fixed Operating	
2014	\$ 4,305,960	\$ 976,476	\$ 909,075	\$ 343,930	\$ 278,688	\$ 90,288	\$ 6,904,417
2015	4,305,533	1,005,771	869,550	354,289	278,177	92,996	6,906,316
2016	4,305,335	1,035,944	830,025	364,918	278,317	95,786	6,910,325
2017	4,305,656	1,067,022	-	-	278,691	98,660	5,750,029
2018	4,305,962	1,099,033	-	-	278,264	101,619	5,784,878
2019-2023	-	-	-	-	1,391,811	555,697	1,947,508
2024-2028	-	-	-	-	1,391,711	644,204	2,035,915
2029-2033	-	-	-	-	1,392,038	746,810	2,138,848
2034-2038	-	-	-	-	1,391,204	865,756	2,256,960
2039-2043	-	-	-	-	1,391,404	1,003,649	2,395,053
	<u>\$21,528,446</u>	<u>\$ 5,184,246</u>	<u>\$ 2,608,650</u>	<u>\$ 1,063,137</u>	<u>\$ 8,350,305</u>	<u>\$ 4,295,465</u>	<u>\$43,030,249</u>

Debt Service requirements expire in the years 2018, 2016 and 2043 for the Belle River, Campbell and Fremont projects, respectively. The above amounts include estimated fixed operating costs for the same period as the debt service. The contracts for the Board's commitment for fixed operating costs to extend beyond these dates is dependent upon the use of the facilities.

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

CITY OF HOLLAND, MICHIGAN

Notes to Financial Statements

11. INTERFUND RECEIVABLES AND PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2013, was as follows:

	Due from Other Funds						Total
	General Fund	Nonmajor Governmental Funds	Electric Utility	Wastewater Utility	Water Utility	Internal Service Funds	
Due to Other Funds							
General fund	\$ -	\$ -	\$ 86,180	\$ 1,184	\$ 10,266	\$ -	\$ 97,630
Nonmajor governmental funds	-	662,476	67,119	921	7,996	-	738,512
Electric utility	1,135	7,216	-	-	-	800	9,151
Wastewater utility	8,288	52,665	-	-	-	5,837	66,790
Water utility	17,391	110,508	-	-	-	12,246	140,145
Nonmajor enterprise funds	-	-	1,435	20	171	-	1,626
Internal service funds	-	97,998	1,168	16	139	-	99,321
	<u>\$ 26,814</u>	<u>\$ 930,863</u>	<u>\$ 155,902</u>	<u>\$ 2,141</u>	<u>\$ 18,572</u>	<u>\$ 18,883</u>	<u>\$ 1,153,175</u>

For the year ended June 30, 2013, interfund transfers consisted of the following:

	Transfers in				Total
	General Fund	Nonmajor Governmental Funds	Nonmajor Enterprise Funds	Internal Service Funds	
Transfers out					
General fund	\$ -	\$ 298,257	\$ 116,355	\$ -	\$ 414,612
Nonmajor governmental funds	108,190	4,429,825	114,917	100,000	4,752,932
Electric utility	4,351,200	300,000	-	-	4,651,200
Nonmajor enterprise funds	-	2,293	-	-	2,293
	<u>\$ 4,459,390</u>	<u>\$ 5,030,375</u>	<u>\$ 231,272</u>	<u>\$ 100,000</u>	<u>\$ 9,821,037</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, 2013, was as follows:

	Governmental Activities	Business-type Activities	Component Units
Capital assets:			
Land	\$ 16,339,146	\$ 13,344,916	\$ 40,000
Construction in progress	3,297,990	3,556,883	-
Capital assets being depreciated, net	104,589,519	134,335,139	1,969,052
	<u>124,226,655</u>	<u>151,236,938</u>	<u>2,009,052</u>
Related debt:			
Total bonds and notes payable	25,218,000	20,199,064	-
Net bond premium/discount	276,662	702,487	-
Deferred loss on advance refunding	(474,331)	(587,925)	-
Less: bonds payable related to capital leases	(1,780,000)	-	-
	<u>23,240,331</u>	<u>20,313,626</u>	<u>-</u>
Net investment in capital assets	<u>\$ 100,986,324</u>	<u>\$ 130,923,312</u>	<u>\$ 2,009,052</u>

13. FUND BALANCES - GOVERNMENTAL FUNDS

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

	General Fund	Nonmajor Governmental Funds	Total
Nonspendable:			
Prepaid items	\$ 10,909	\$ 300	\$ 11,209
Cemetery endowment corpus	-	1,507,407	1,507,407
Total nonspendable	<u>10,909</u>	<u>1,507,707</u>	<u>1,518,616</u>
Restricted for:			
Street construction and maintenance	-	2,991,385	2,991,385
Cemetery maintenance and improvements	-	68,078	68,078
Debt service	-	240,159	240,159
Capital improvements	-	8,653	8,653
Parking system and maintenance	-	185,805	185,805
Snowmelt system and maintenance	-	104,654	104,654
Downtown promotion	-	204,015	204,015
Grant and support programs	-	24,899	24,899
Specified donations	-	169,660	169,660
Total restricted	<u>-</u>	<u>3,997,308</u>	<u>3,997,308</u>

CITY OF HOLLAND, MICHIGAN

Notes to Financial Statements

	General Fund	Nonmajor Governmental Funds	Total
Committed for:			
Debt service	\$ -	\$ 12,588	\$ 12,588
Infrastructure construction and maintenance	-	1,187,657	1,187,657
Public access television	-	328,326	328,326
Grant and support programs	17,415	-	17,415
Capital improvements	-	1,742,214	1,742,214
Total committed	<u>17,415</u>	<u>3,270,785</u>	<u>3,288,200</u>
Unassigned (deficit)	<u>4,931,652</u>	<u>(365,102)</u>	<u>4,566,550</u>
Total fund balances - governmental funds	<u>\$ 4,959,976</u>	<u>\$ 8,410,698</u>	<u>\$ 13,370,674</u>

14. PENSION PLANS

Defined Benefit Plan

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

The City is required to contribute at an actuarially determined rate; the current rate varies by bargaining unit as a percentage of annual covered payroll from 18.95% to 22.45% for Police and Fire union employees. For other union and all non-union employees, the City is required to contribute a flat rate as listed below.

Employment Division	Amount
General (non-union)	\$ 50,653
Police (non-union)	13,206
Fire (non-union)	1,720
General (local 214)	6,369
Public works (local 586)	65,296
Public Works (non-union)	35,329
Clerical	5,743

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

CITY OF HOLLAND, MICHIGAN

Notes to Financial Statements

For the year ended June 30, 2013, the City's required contribution for MERS was \$3,052,459. The required contribution was determined as part of the December 31, 2010 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included: (a) a rate of return on the investment of present and future assets of 8.0%; (b) projected salary increases of 4.5% per year compounded annually, attributable to inflation; (c) additional projected salary increases of 0.0% to 13.0% per year, depending on age, attributable to merit, longevity, and promotional pay increases; and (d) post-retirement benefits will increase based on City Council resolution. The actuarial value of MERS assets was determined on the basis of a valuation method that assumes the fund earns the expected rate of return and includes an adjustment to reflect fair value. The City's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2012, the date of the latest actuarial valuation, was 26 years. The City voluntarily contributed an additional \$300,000 during the year.

Three-Year Trend Information			
Years Ended June 30,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (Asset)
2011	\$ 2,775,157	99%	\$ (991,497)
2012	2,848,999	99%	(971,868)
2013	3,062,653	109%	(1,261,674)

Funded Status and Funding Progress. As of December 31, 2012, the most recent actuarial valuation date, the Plan was 70 percent funded. The actuarial accrued liability for benefits was \$115,731,070, and the actuarial value of assets was \$80,567,872, resulting in an unfunded actuarial accrued liability (UAAL) of \$35,163,198. The covered payroll (annual payroll of active employees covered by the Plan) was \$13,842,617, and the ratio of the UAAL to the covered payroll was 254 percent.

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

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

Annual required contribution	\$ 3,052,459
Interest on net pension asset	(77,749)
Adjustment to annual required contribution	<u>87,943</u>
Annual pension cost	3,062,653
Contributions made	<u>3,352,459</u>
Increase (decrease) in net pension asset	289,806
Net pension asset, beginning of the year	<u>971,868</u>
Net pension asset, end of the year	<u><u>\$ 1,261,674</u></u>

CITY OF HOLLAND, MICHIGAN

Notes to Financial Statements

Defined Contribution Pension Plan

The City participates in a defined contribution retirement plan which is administered by the MERS for nonbargaining employees. The defined contribution provisions of the plan require the City to contribute 6% to 8% of covered employee payroll and to match employee contributions up to 0% to 2%. The participants direct their investments under defined contribution provisions. The City contributed \$587,983 and employees contributed \$158,707 to the defined contribution plan.

15. OTHER POSTEMPLOYMENT BENEFITS

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

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

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

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

Contributions. The contribution requirements of Plan members and the City are established and may be amended by the City Council. The required contribution is based on projected pay-as-you-go financing requirements. For the year ended June 30, 2013, the City contributed \$491,080 including cash contributions of \$379,513 and an implicit rate subsidy (which did not require cash) of \$111,567.

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	\$ 936,036
Interest on net OPEB obligation	41,752
Adjustment to annual required contribution	<u>(62,795)</u>
Net OPEB cost (expense)	914,993
Contributions made	<u>(491,080)</u>
Increase in net OPEB obligation	423,913
Net OPEB obligation, beginning of year	<u>1,043,790</u>
Net OPEB obligation, end of year	<u><u>\$ 1,467,703</u></u>

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

Three-Year Trend Information			
Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2011	\$ 701,014	80%	\$ 779,247
2012	861,630	70%	1,043,790
2013	914,993	54%	1,467,703

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

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

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

CITY OF HOLLAND, MICHIGAN

Notes to Financial Statements

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

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

16. CONTINGENT LIABILITIES

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

17. RISK MANAGEMENT

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

	Health and Dental	Vehicle Insurance	Property and Liability	Workers' Compensation	Income Protection	Total
Estimated liability, June 30, 2011	\$ 371,049	\$ -	\$ 12,000	\$ -	\$ -	\$ 383,049
Estimated claims incurred	5,660,275	127,360	266,513	363,687	222,941	6,640,776
Claim payments	(5,754,729)	(127,360)	(278,513)	(363,687)	(222,941)	(6,747,230)
Estimated liability, June 30, 2012	276,595	-	-	-	-	276,595
Estimated claims incurred	6,669,789	110,561	212,268	433,103	106,234	7,531,955
Claim payments	(6,679,485)	(110,561)	(212,268)	(433,103)	(106,234)	(7,541,651)
Estimated liability, June 30, 2013	<u>\$ 266,899</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 266,899</u>

CITY OF HOLLAND, MICHIGAN

Notes to Financial Statements

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

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

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

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

18. COMMITMENTS

At June 30, 2013, the City had the following outstanding commitments:

- \$81,095 for various drain projects
- \$164,176 for capital projects
- \$2,023,332 for road construction and related infrastructure projects
- \$447,833 for sidewalk construction
- \$4,923,000 for various electric utility projects
- \$819,000 for various water utility projects
- \$947,000 for various wastewater utility projects
- \$1,270,000 for various administrative utility projects

CITY OF HOLLAND, MICHIGAN

■ Notes to Financial Statements

19. RESTATEMENT

The City adopted the provisions of GASB Statements No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and No. 65, *Items Previously Reported as Assets and Liabilities*, in the current year. In addition to the revised classification of certain financial elements in the financial statements, the implementation of GASB Statement No. 65 resulted in the elimination of bond issuance costs as an asset. As a result of this change, beginning net position of governmental activities, Wastewater Utility Enterprise Fund, Water Utility Enterprise Fund and business-type activities decreased by \$343,409, \$17,770, \$223,279 and \$241,049, respectively.

20. SUBSEQUENT EVENT

On July 10, 2013, the Board of Public Works issued Water Supply System Revenue Refunding Bonds in the amount of \$3,550,000 to refund Water Supply System Revenue Bond Issue 2005A.



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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF HOLLAND, MICHIGAN

Required Supplementary Information

Schedule of Funding Progress
MERS Defined Benefit Pension Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a) / c)
12/31/2007	\$ 80,995,093	\$ 100,127,029	\$ 19,131,936	80.9%	\$ 16,702,204	114.5%
12/31/2008	81,209,288	104,627,785	23,418,497	77.6%	16,628,349	140.8%
12/31/2009	80,611,429	106,034,780	25,423,351	76.0%	16,199,198	156.9%
12/31/2010	80,894,618	110,089,180	29,194,562	73.5%	15,525,358	188.0%
12/31/2011	81,003,748	114,040,624	33,036,876	71.0%	14,669,619	225.2%
12/31/2012	80,567,872	115,731,070	35,163,198	69.6%	13,842,617	254.0%

Schedule of Employer Contributions
MERS Defined Benefit Pension Plan

Year Ended June 30,	Annual Required Contributions	Percentage Contributed
2008	\$ 2,169,602	100%
2009	2,236,726	100%
2010	2,288,612	100%
2011	2,755,133	100%
2012	2,829,370	100%
2013	3,052,459	110%

CITY OF HOLLAND, MICHIGAN

Required Supplementary Information

Schedule of Funding Progress
Other Postemployment Benefits Plan

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

Schedule of Employer Contributions
Other Postemployment Benefits Plan

Year Ended June 30,	Annual Required Contributions	Percentage Contributed
2011	\$ 712,285	78%
2012	876,345	70%
2013	936,036	52%

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

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CITY OF HOLLAND, MICHIGAN

General Fund

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

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

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

Budget Stabilization (Rainy Day) Fund

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

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

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

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

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

CITY OF HOLLAND, MICHIGAN

Combing Balance Sheet

General Fund - By Activity

June 30, 2013

	General	Budget Stabilization	Total General Fund
Assets			
Cash and pooled investments	\$ 4,706,331	\$ 918,443	\$ 5,624,774
Receivables, net:			
Accounts	231,841	-	231,841
Property taxes	2,919	-	2,919
Interest	36,661	-	36,661
Other governmental units	464,349	-	464,349
Due from other funds	26,814	-	26,814
Prepaid items	10,909	-	10,909
Total assets	\$ 5,479,824	\$ 918,443	\$ 6,398,267
Liabilities			
Accounts payable	\$ 602,315	\$ 507	\$ 602,822
Accrued payroll and benefits	412,426	-	412,426
Due to other governmental units	164,910	-	164,910
Due to other funds	97,630	-	97,630
Deposits for:			
Fire escrow	14,985	-	14,985
Rocky mountain tour	20,626	-	20,626
Other	420	-	420
Unearned revenue	124,472	-	124,472
Total liabilities	1,437,784	507	1,438,291
Fund balances			
Nonspendable	10,909	-	10,909
Committed	17,415	-	17,415
Unassigned	4,013,716	917,936	4,931,652
Total fund balances	4,042,040	917,936	4,959,976
Total liabilities and fund balances	\$ 5,479,824	\$ 918,443	\$ 6,398,267

CITY OF HOLLAND, MICHIGAN

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

General Fund - By Activity

For the Year Ended June 30, 2013

	General	Budget Stabilization	Elimination	Total General Fund
Revenues				
Property taxes	\$ 10,033,821	\$ -	\$ -	\$ 10,033,821
Licenses and permits	484,785	-	-	484,785
Intergovernmental	2,848,473	-	-	2,848,473
Charges for services	1,490,366	-	-	1,490,366
Fines and fees	191,009	-	-	191,009
Interest and rents	285,577	-	-	285,577
Miscellaneous	26,315	-	-	26,315
Total revenues	15,360,346	-	-	15,360,346
Expenditures				
Current:				
General government	3,601,180	-	-	3,601,180
Public safety	10,504,854	-	-	10,504,854
Public works	1,205,306	-	-	1,205,306
Welfare and social services	397,529	-	-	397,529
Culture and recreation	2,781,899	-	-	2,781,899
Other	68,572	102,941	-	171,513
Total expenditures	18,559,340	102,941	-	18,662,281
Revenue under expenditures	(3,198,994)	(102,941)	-	(3,301,935)
Other financing sources (uses)				
Transfers in	4,459,390	300,000	(300,000)	4,459,390
Transfers out	(714,612)	-	300,000	(414,612)
Total other financing sources (uses)	3,744,778	300,000	-	4,044,778
Net change in fund balances	545,784	197,059	-	742,843
Fund balances, beginning of year	3,496,256	720,877	-	4,217,133
Fund balances, end of year	\$ 4,042,040	\$ 917,936	\$ -	\$ 4,959,976

CITY OF HOLLAND, MICHIGAN

Detailed Schedule of Revenues Budget and Actual - General Fund For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Taxes:				
Property	\$ 9,424,635	\$ 9,424,128	\$ 9,421,754	\$ (2,374)
Penalties and interest on delinquent taxes	90,000	85,000	84,081	(919)
Administration fee	481,000	486,225	486,122	(103)
Public service charge in lieu of property tax	39,000	37,000	40,451	3,451
Other miscellaneous tax revenue	1,400	1,400	1,413	13
Total taxes	<u>10,036,035</u>	<u>10,033,753</u>	<u>10,033,821</u>	<u>68</u>
Licenses and permits:				
Business	36,100	24,600	30,260	5,660
Nonbusiness	438,200	441,910	454,525	12,615
Total licenses and permits	<u>474,300</u>	<u>466,510</u>	<u>484,785</u>	<u>18,275</u>
Intergovernmental:				
State	2,712,417	2,741,780	2,771,987	30,207
Federal	13,350	36,280	35,241	(1,039)
Other	48,000	45,380	41,245	(4,135)
Total intergovernmental	<u>2,773,767</u>	<u>2,823,440</u>	<u>2,848,473</u>	<u>25,033</u>
Charges for services:				
Fees	672,926	680,443	703,030	22,587
Services rendered	688,783	686,533	677,634	(8,899)
Sales	99,900	99,415	109,702	10,287
Total charges for services	<u>1,461,609</u>	<u>1,466,391</u>	<u>1,490,366</u>	<u>23,975</u>
Fines and fees	<u>207,100</u>	<u>181,300</u>	<u>191,009</u>	<u>9,709</u>
Interest and rents:				
Investment earnings	96,901	57,401	35,580	(21,821)
Rents	264,400	241,000	249,997	8,997
Total interest and rents	<u>361,301</u>	<u>298,401</u>	<u>285,577</u>	<u>(12,824)</u>
Miscellaneous	<u>24,890</u>	<u>23,469</u>	<u>26,315</u>	<u>2,846</u>
Total revenues	<u>\$ 15,339,002</u>	<u>\$ 15,293,264</u>	<u>\$ 15,360,346</u>	<u>\$ 67,082</u>

CITY OF HOLLAND, MICHIGAN

Detailed Schedule of Expenditures

Budget and Actual - General Fund

For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Expenditures				
<i>General fund expenditures</i>				
General government:				
City council	\$ 187,529	\$ 185,227	\$ 178,690	\$ (6,537)
City manager	308,360	321,557	313,265	(8,292)
Elections	55,772	58,236	55,792	(2,444)
City finance	549,207	515,516	489,394	(26,122)
Independent audit	47,450	47,250	46,702	(548)
City assessor	572,057	527,977	498,500	(29,477)
Legal services	201,150	206,150	211,221	5,071
City clerk	168,576	177,225	174,966	(2,259)
Human resources	171,388	471,368	479,396	8,028
City treasurer	194,172	195,608	199,707	4,099
City hall and grounds	199,975	201,672	204,436	2,764
Cemetery	477,881	473,651	455,558	(18,093)
Volunteer services	8,382	7,882	6,942	(940)
Planning commission	322,023	299,937	286,611	(13,326)
Total general government	<u>3,463,922</u>	<u>3,689,256</u>	<u>3,601,180</u>	<u>(88,076)</u>
Public safety:				
Police	7,477,530	7,387,771	7,244,857	(142,914)
Fire	2,479,669	2,518,415	2,460,729	(57,686)
Environmental health/inspections	419,624	422,046	398,228	(23,818)
Construction inspections	403,497	404,001	401,040	(2,961)
Total public safety	<u>10,780,320</u>	<u>10,732,233</u>	<u>10,504,854</u>	<u>(227,379)</u>
Public works:				
Streets	1,113,010	1,083,384	1,045,207	(38,177)
Transportation management/engineering	153,374	159,178	160,099	921
Total public works	<u>1,266,384</u>	<u>1,242,562</u>	<u>1,205,306</u>	<u>(37,256)</u>
Welfare and social services:				
Social services	4,190	-	-	-
Ourstreet program	149,390	140,010	123,355	(16,655)
Economic development assistance	203,373	183,734	175,305	(8,429)
Human relations commission	126,034	104,053	98,869	(5,184)
Total welfare and social services	<u>482,987</u>	<u>427,797</u>	<u>397,529</u>	<u>(30,268)</u>

continued...

CITY OF HOLLAND, MICHIGAN

Detailed Schedule of Expenditures

Budget and Actual - General Fund

For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Expenditures (continued)				
<i>General fund expenditures (continued)</i>				
Culture and recreation:				
Parks	\$ 1,380,785	\$ 1,312,609	\$ 1,267,430	\$ (45,179)
Municipal stadium	62,720	5,327	5,676	349
Nature center	254,847	242,096	238,275	(3,821)
Cultural-recreational	124,700	126,245	126,229	(16)
Civic center	230,734	224,759	211,323	(13,436)
Recreation	852,783	861,035	775,365	(85,670)
Market	108,045	128,538	121,624	(6,914)
Leisure services administration	31,808	37,637	35,977	(1,660)
Total culture and recreation	<u>3,046,422</u>	<u>2,938,246</u>	<u>2,781,899</u>	<u>(156,347)</u>
Other appropriations:				
Insurance	68,000	68,572	68,572	-
Contingencies	100,000	-	-	-
Total other appropriations	<u>168,000</u>	<u>68,572</u>	<u>68,572</u>	<u>-</u>
Total general fund expenditures	<u>19,208,035</u>	<u>19,098,666</u>	<u>18,559,340</u>	<u>(539,326)</u>
<i>Budget stabilization fund expenditures</i>				
General government:				
Other services and charges	<u>50,000</u>	<u>110,000</u>	<u>102,941</u>	<u>(7,059)</u>
Total expenditures	<u>\$ 19,258,035</u>	<u>\$ 19,208,666</u>	<u>\$ 18,662,281</u>	<u>\$ (546,385)</u>

concluded

CITY OF HOLLAND, MICHIGAN

Detailed Schedule of Transfers Budget and Actual - General Fund For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Transfers in				
Permanent Fund:				
Cemetery Trust	\$ 13,420	\$ 8,000	\$ 3,240	\$ (4,760)
Special Revenue Fund:				
Culture and Community Improvement:				
MSHDA Grant	5,200	7,300	3,700	(3,600)
Miscellaneous Government Functions:				
CATV - (Public Access Channels)	101,250	101,250	101,250	-
Enterprise Funds:				
Electric Utility	4,351,200	4,351,200	4,351,200	-
Budget Stabilization Fund	300,000	300,000	300,000	-
Elimination	-	-	(300,000)	(300,000)
Total transfers in	\$ 4,771,070	\$ 4,767,750	\$ 4,459,390	\$ (8,360)
Transfers out				
Special Revenue Funds:				
Street Maintenance and Improvements:				
Street Improvements Reserve	\$ -	\$ 100,000	\$ 100,000	\$ -
Miscellaneous Government Functions:				
Dangerous Structures	-	2,975	1,504	(1,471)
Public Safety Grants:				
Anti-Drug Abuse WEMET Grants	155,245	192,900	194,473	1,573
Office of Highway Safety Planning (OHSP) Grant	-	-	1	1
Capital Projects Funds:				
Municipal Facilities/Land Improvement Projects	-	6,029	2,279	(3,750)
Enterprise Funds:				
Windmill Island	146,730	171,262	116,355	(54,907)
Elimination	300,000	300,000	-	(300,000)
Total transfers out	\$ 601,975	\$ 773,166	\$ 414,612	\$ (358,554)

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

Motor Vehicle Highway Local Street Fund

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

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

Allegan County Road Tax Fund

The Allegan 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.

CITY OF HOLLAND, MICHIGAN

■ Nonmajor Governmental Funds

Special Revenue Funds (Continued)

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

Street Improvements Reserve Fund

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

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

Downtown Operations Public Parking System Fund

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

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

Downtown Operations Snowmelt Operating System Fund

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

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

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.

CITY OF HOLLAND, MICHIGAN

Nonmajor Governmental Funds

Special Revenue Funds (Continued)

Specified Donations Fund

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

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

Dangerous Structures Fund

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

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

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.

CITY OF HOLLAND, MICHIGAN

Nonmajor Governmental Funds

Special Revenue Funds (Continued)

Anti-Drug Abuse Grant Funds

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

These funds support multi-year revenues and expenditures spanning inception to completion of the grant. However, for annual financial reporting purposes, revenues and expenditures are also recognized by fiscal year. Open budget balances at June 30, 2013, of Estimated Revenues and Appropriations are carried forward to the ensuing fiscal year.

Office of Highway Safety Planning (OHSP) Grant Fund

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

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, 2013, of estimated revenues and appropriations are carried forward to the ensuing fiscal year.

Law Enforcement Block Grant

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

These funds support multi-year revenues and expenditures spanning inception to completion of the grant. However, for annual financial reporting purposes, revenues and expenditures are also recognized by fiscal year. Open budget balances at June 30, 2013, of estimated revenues and appropriations are carried forward to the ensuing fiscal year.

CITY OF HOLLAND, MICHIGAN

Nonmajor Governmental Funds

Special Revenue Funds (Continued)

Homeland Security Grant Fund

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

This fund supports multi-year revenues and expenditures spanning inception to completion of the grant period. However, for annual financial reporting purposes, revenues and expenditures are also recognized by fiscal year. Open budget balances at June 30, 2013, of estimated revenues and appropriations are carried forward to the ensuing fiscal year.

F.E.M.A. Grant Fund

The City of Holland is recipient to federal grant funding from the Federal Emergency Management Agency (FEMA) under the Assistance of Firefighters Grant Program - Fire Prevention and Safety Grants. Designated purposes include fire personal protective equipment and self-contained breathing apparatus.

Michigan Rehabilitation Services Grant Fund

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

Organized Crime Enforcement Fund

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

This fund supports multi-year revenues and expenditures from inception to completion of the project. For financial reporting purposes, revenues and expenditures are also recognized by fiscal year. Open budget balances at June 30, 2013 are carried forward to the ensuing fiscal year.

CITY OF HOLLAND, MICHIGAN

Nonmajor Governmental Funds

Special Revenue Funds (Continued)

District Library Taxation Fund

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

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

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

MSHDA Grant Fund

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

This fund supports multi-year revenues and expenditures spanning inception to completion of the grant. However, for annual financial reporting purposes, revenues and expenditures are also recognized by fiscal year. Open budget balances at June 30, 2013, of estimated revenues and appropriations are carried forward to the ensuing fiscal year.

Community Development Block Grant (CDBG) Entitlement Fund

The City of Holland is recipient to grant funding made available pursuant to provisions of the Entitlement Category of *Title I of the Housing and Community Development Act of 1974* as amended; and administered by the *U.S. Department of Housing and Urban Development*. The City of Holland's program includes activities that will primarily benefit low-to-moderate income persons, or assist in the prevention or elimination of slums and blight, as required by the *Housing and Urban Rural Recovery Act of 1983*.

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, 2013, of estimated revenues and appropriations are carried forward to the ensuing fiscal year.

CITY OF HOLLAND, MICHIGAN

■ Nonmajor Governmental Funds

Special Revenue Funds (Concluded)

Eating Health For Life Fund

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

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

CITY OF HOLLAND, MICHIGAN

Nonmajor Governmental Funds

Debt Service Funds

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

General Obligation Debt Service Fund

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

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

Building Authority Debt Service Fund

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

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

The outstanding Building Authority bond issues include:

- Building Authority - Refunding Bonds, Series 2004 **
- Building Authority - Refunding (Partial) Bonds, Series 2006 ***
- Building Authority - Refunding (Partial) Bonds, Series 2010 ***

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

CITY OF HOLLAND, MICHIGAN

■ Nonmajor Governmental Funds

Debt Service Funds (Continued)

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

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

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

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

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

Special Assessment Debt Service Fund

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

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

CITY OF HOLLAND, MICHIGAN

■ Nonmajor Governmental Funds

Capital Projects Funds

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

Capital Projects Fund

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

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

Each capital project fund supports multi-year revenues and expenditures spanning inception to completion. However, for annual financial reporting purposes, revenues and expenditures are also recognized by fiscal year. Open budget balances at June 30, 2013, of estimated revenues and appropriations are carried forward to the ensuing fiscal year.

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

CAPITAL PROJECTS DETAIL LISTING MUNICIPAL FACILITIES AND LAND IMPROVEMENTS

Parks, Recreation, Cultural and Leisure Services

- Centennial Park - Lighting
- Land Purchase

Public Safety

Fire Stations:

- Waverly Station - Driveway Approaches
- Kollen & Waverly Stations - Carpet and Flooring Covering
- Kollen Station - Repair Overhead Door Trim
- Kollen Station - Hose Tower Window Replacement

CITY OF HOLLAND, MICHIGAN

■ Nonmajor Governmental Funds

All Other Municipal Projects & Programs

City Hall:

Replace Boiler

Sustainability:

Study and Public Workshop

Home Energy Retrofits

Ourstreet Program and Central Neighborhoods Restoration:

Funding Assistance for Home Repairs/Replacements in Central City Area

Property:

Hope college Property Exchange

Foreclosed Property Acquisition

Obsolete Building Demolitions

Planning:

Waterfront Redevelopment

Street Development and/or Redevelopment Projects

Annual Resurfacing Program of Various Streets, includes residual crack sealing

Matt Urban & 48th, Washington to City Limits, street reconstruction and enhancements

Lincoln Avenue, 16th Street to 24th Street,

street reconstruction, sidewalks and enhancements, to include utilities

Geurink Boulevard, street reconstruction and enhancements

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

Lincoln Avenue, 64th Street to M-40, street reconstruction and enhancements

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

South Washington Avenue Tunnel, replace lights

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

Drain Projects

Major Drain System Project:

Watershed / Storm Water Regulation (MACC Project)

Azalea Storm Outlet

East End Drive culvert

34th Street, Central to Pine

Studies:

City Wide Drainage Master Plan

Tulip Intercounty Drain

Traffic Signalization Projects:

Pine Avenue Signal Evaluation

Sidewalk Projects:

Sidewalk Repair / Replacement; designated areas for removal and replacement

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



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CITY OF HOLLAND, MICHIGAN

Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2013

	Special Revenue Funds				
	Street Maintenance and Improvements				Downtown Operations
	Major Street	Local Street	Allegan County Road Tax	Street Improvements Reserve	Public Parking System
Assets					
Cash and pooled investments	\$ 2,484,753	\$ -	\$ 269,557	\$ 1,187,757	\$ 187,868
Receivables:					
Accounts	249	3,687	-	-	342
Taxes and special assessments	-	-	-	-	-
Leases receivable	-	-	-	-	-
Due from other governmental units	322,580	89,790	-	-	-
Due from other funds	75	1,930	-	-	-
Prepaid items	-	-	-	-	-
Total assets	<u>\$ 2,807,657</u>	<u>\$ 95,407</u>	<u>\$ 269,557</u>	<u>\$ 1,187,757</u>	<u>\$ 188,210</u>
Liabilities					
Accounts payable	\$ 54,451	\$ 15,404	\$ -	\$ 100	\$ 969
Accrued payroll and benefits	13,949	17,137	-	-	711
Due to other funds	19,429	60,866	-	-	725
Unearned revenue	-	-	-	-	-
Total liabilities	<u>87,829</u>	<u>93,407</u>	<u>-</u>	<u>100</u>	<u>2,405</u>
Deferred inflows of resources					
Unavailable revenue - special assessment receivable	-	-	-	-	-
Unavailable revenue - lease receivable	-	-	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances					
Nonspendable	-	-	-	-	-
Restricted	2,719,828	2,000	269,557	-	185,805
Committed	-	-	-	1,187,657	-
Unassigned (deficit)	-	-	-	-	-
Total fund balances	<u>2,719,828</u>	<u>2,000</u>	<u>269,557</u>	<u>1,187,657</u>	<u>185,805</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 2,807,657</u>	<u>\$ 95,407</u>	<u>\$ 269,557</u>	<u>\$ 1,187,757</u>	<u>\$ 188,210</u>

Special Revenue Funds				
Downtown Operations		Miscellaneous Governmental Functions		
Snowmelt Operating System	Principal Shopping District	CATV - (Public Access Channels)	Revolving Cash Assistance	Specified Donations
\$ 158,477	\$ 210,518	\$ 222,892	\$ -	\$ 187,202
-	550	107,967	-	6,348
-	-	-	933,969	-
-	-	-	-	-
-	-	-	-	-
-	300	-	-	-
<u>\$ 158,477</u>	<u>\$ 211,368</u>	<u>\$ 330,859</u>	<u>\$ 933,969</u>	<u>\$ 193,550</u>
\$ 14	\$ 2,095	\$ 334	\$ -	\$ 20,785
-	4,819	2,199	-	3,105
53,809	139	-	365,102	-
-	-	-	-	-
<u>53,823</u>	<u>7,053</u>	<u>2,533</u>	<u>365,102</u>	<u>23,890</u>
-	-	-	933,969	-
-	-	-	-	-
-	-	-	933,969	-
-	300	-	-	-
104,654	204,015	-	-	169,660
-	-	328,326	-	-
-	-	-	(365,102)	-
<u>104,654</u>	<u>204,315</u>	<u>328,326</u>	<u>(365,102)</u>	<u>169,660</u>
<u>\$ 158,477</u>	<u>\$ 211,368</u>	<u>\$ 330,859</u>	<u>\$ 933,969</u>	<u>\$ 193,550</u>

continued...

CITY OF HOLLAND, MICHIGAN

Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2013

	Special Revenue Funds				
	Miscellaneous Governmental Functions	Public Safety			
	Dangerous Structures	Police Criminal Justice Training	Anti-Drug Abuse Grants	Office of Highway Safety Planning (OHSP) Grant	Law Enforcement Block Grant
Assets					
Cash and pooled investments	\$ -	\$ 847	\$ 6,900	\$ -	\$ -
Receivables:					
Accounts	-	-	-	-	-
Taxes and special assessments	-	-	-	-	-
Leases receivable	-	-	-	-	-
Due from other governmental units	-	-	3,480	22,433	1,668
Due from other funds	-	-	-	-	-
Prepaid items	-	-	-	-	-
Total assets	<u>\$ -</u>	<u>\$ 847</u>	<u>\$ 10,380</u>	<u>\$ 22,433</u>	<u>\$ 1,668</u>
Liabilities					
Accounts payable	\$ -	\$ 230	\$ 2,541	\$ -	\$ 1,058
Accrued payroll and benefits	-	-	7,258	2,551	-
Due to other funds	-	-	581	8,253	610
Unearned revenue	-	-	-	-	-
Total liabilities	<u>-</u>	<u>230</u>	<u>10,380</u>	<u>22,433</u>	<u>1,668</u>
Deferred inflows of resources					
Unavailable revenue - special assessment receivable	-	-	-	-	-
Unavailable revenue - lease receivable	-	-	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances					
Nonspendable	-	-	-	-	-
Restricted	-	617	-	-	-
Committed	-	-	-	-	-
Unassigned (deficit)	-	-	-	-	-
Total fund balances	<u>-</u>	<u>617</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ -</u>	<u>\$ 847</u>	<u>\$ 10,380</u>	<u>\$ 22,433</u>	<u>\$ 1,668</u>

Special Revenue Funds							
Public Safety				Culture and Community Improvement			
Homeland Security Grant	FEMA Grant	Michigan Rehabilitation Services Grant	Organized Crime Enforcement	District Library Taxation	M.S.H.D.A. Grant	Community Development Block Grant (CDBG)	Eat Healthy For Life - EBT Program
\$ -	\$ -	\$ -	\$ -	\$ 533	\$ -	\$ 21,523	\$ 20,174
-	-	-	-	175	-	2,750	5,500
-	-	-	-	332	-	-	-
-	-	-	-	-	-	-	-
-	-	-	2,351	-	13,050	128,000	734
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,351</u>	<u>\$ 1,040</u>	<u>\$ 13,050</u>	<u>\$ 152,273</u>	<u>\$ 26,408</u>
\$ -	\$ -	\$ -	\$ -	\$ 705	\$ -	\$ 24,258	\$ 58
-	-	-	-	-	-	1,956	584
-	-	-	2,351	-	13,050	103,605	368
-	-	-	-	-	-	22,454	1,451
-	-	-	2,351	705	13,050	152,273	2,461
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	335	-	-	23,947
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	335	-	-	23,947
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,351</u>	<u>\$ 1,040</u>	<u>\$ 13,050</u>	<u>\$ 152,273</u>	<u>\$ 26,408</u>

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CITY OF HOLLAND, MICHIGAN

Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2013

	Debt Service Funds			Capital Projects Funds	
	General Obligation Debt Service	Building Authority Debt Service	Special Assessment Debt Service	Infrastructure Projects	Municipal Facilities/Land Improvements Projects
Assets					
Cash and pooled investments	\$ 122,315	\$ 12,588	\$ 117,479	\$ 365,101	\$ 907,182
Receivables:					
Accounts	-	-	-	-	1,890
Taxes and special assessments	655	-	204,765	656	-
Leases receivable	-	1,792,421	-	-	-
Due from other governmental units	-	-	-	243,472	-
Due from other funds	-	-	-	166,459	762,399
Prepaid items	-	-	-	-	-
Total assets	<u>\$ 122,970</u>	<u>\$ 1,805,009</u>	<u>\$ 322,244</u>	<u>\$ 775,688</u>	<u>\$ 1,671,471</u>
Liabilities					
Accounts payable	\$ 290	\$ -	\$ -	\$ 469,948	\$ 27,434
Accrued payroll and benefits	-	-	-	4,463	-
Due to other funds	-	-	-	109,624	-
Unearned revenue	-	-	-	84,167	-
Total liabilities	<u>290</u>	<u>-</u>	<u>-</u>	<u>668,202</u>	<u>27,434</u>
Deferred inflows of resources					
Unavailable revenue - special assessment receivable	-	-	204,765	656	-
Unavailable revenue - lease receivable	-	1,792,421	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>1,792,421</u>	<u>204,765</u>	<u>656</u>	<u>-</u>
Fund balances					
Nonspendable	-	-	-	-	-
Restricted	122,680	-	117,479	8,653	-
Committed	-	12,588	-	98,177	1,644,037
Unassigned (deficit)	-	-	-	-	-
Total fund balances	<u>122,680</u>	<u>12,588</u>	<u>117,479</u>	<u>106,830</u>	<u>1,644,037</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 122,970</u>	<u>\$ 1,805,009</u>	<u>\$ 322,244</u>	<u>\$ 775,688</u>	<u>\$ 1,671,471</u>



Permanent Fund	
Cemetery Perpetual Care	Total

\$ 1,575,375	\$ 8,059,041
110	129,568
-	1,140,377
-	1,792,421
-	827,558
-	930,863
-	300
<u>\$ 1,575,485</u>	<u>\$ 12,880,128</u>

\$ -	\$ 620,674
-	58,732
-	738,512
-	108,072
-	<u>1,537,619</u>

-	1,139,390
-	<u>1,792,421</u>
-	<u>2,931,811</u>

1,507,407	1,507,707
68,078	3,997,308
-	3,270,785
-	<u>(365,102)</u>
<u>1,575,485</u>	<u>8,410,698</u>

<u>\$ 1,575,485</u>	<u>\$ 12,880,128</u>
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concluded

CITY OF HOLLAND, MICHIGAN

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds
For the Year Ended June 30, 2013

	Special Revenue Funds				
	Street Maintenance and Improvements				Downtown Operations
	Major Street	Local Street	Allegan County Road Tax	Street Improvements Reserve	Public Parking System
Revenues					
Property taxes	\$ -	\$ -	\$ -	\$ 975,668	\$ -
Special assessments	-	-	-	-	181,249
Intergovernmental	2,150,381	542,295	411,523	-	-
Charges for services	37,237	45,972	-	-	19,082
Fines and fees	-	-	-	-	-
Contributions from private sector	-	-	-	-	-
Interest and rents	4,095	392	(855)	4,178	244
Miscellaneous	1,712	-	-	-	-
Total revenues	2,193,425	588,659	410,668	979,846	200,575
Expenditures					
Current:					
General government	-	-	-	-	-
Public safety	-	-	-	-	-
Public works	1,247,087	1,178,899	-	-	174,138
Welfare and social services	-	-	-	-	-
Culture and recreation	-	-	-	-	-
Debt service:					
Principal retirement	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	2
Capital outlay	-	-	-	-	-
Total expenditures	1,247,087	1,178,899	-	-	174,140
Revenue over (under) expenditures	946,338	(590,240)	410,668	979,846	26,435
Other financing sources (uses)					
Proceeds on sale of capital assets	-	-	-	-	-
Transfers in	-	590,240	-	184,000	-
Transfers out	(609,940)	-	(163,111)	(1,221,982)	(9,031)
Total other financing sources (uses)	(609,940)	590,240	(163,111)	(1,037,982)	(9,031)
Net changes in fund balances	336,398	-	247,557	(58,136)	17,404
Fund balances (deficit), beginning of year	2,383,430	2,000	22,000	1,245,793	168,401
Fund balances (deficit), end of year	\$ 2,719,828	\$ 2,000	\$ 269,557	\$ 1,187,657	\$ 185,805

Special Revenue Funds				
Downtown Operations		Miscellaneous Governmental Functions		
Snowmelt Operating System	Principal Shopping District	CATV - (Public Access Channels)	Revolving Cash Assistance	Specified Donations
\$ -	\$ -	\$ -	\$ -	\$ -
123,886	181,080	-	182,841	-
-	-	-	-	-
-	146,272	3,700	-	-
-	-	409,556	-	-
-	19,263	-	-	203,735
274	225	872	28,623	9
-	63	83	-	-
<u>124,160</u>	<u>346,903</u>	<u>414,211</u>	<u>211,464</u>	<u>203,744</u>
-	-	125,742	-	111,074
-	-	-	-	-
187,808	-	-	-	-
-	-	-	-	-
-	337,203	-	-	-
-	-	-	-	-
-	-	-	-	-
-	439	167,642	-	13,911
<u>187,808</u>	<u>337,642</u>	<u>293,384</u>	<u>-</u>	<u>124,985</u>
<u>(63,648)</u>	<u>9,261</u>	<u>120,827</u>	<u>211,464</u>	<u>78,759</u>
-	-	-	-	-
27,800	-	-	-	2,293
-	-	(201,250)	(337,182)	(12,043)
<u>27,800</u>	<u>-</u>	<u>(201,250)</u>	<u>(337,182)</u>	<u>(9,750)</u>
(35,848)	9,261	(80,423)	(125,718)	69,009
<u>140,502</u>	<u>195,054</u>	<u>408,749</u>	<u>(239,384)</u>	<u>100,651</u>
<u>\$ 104,654</u>	<u>\$ 204,315</u>	<u>\$ 328,326</u>	<u>\$ (365,102)</u>	<u>\$ 169,660</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, 2013

	Special Revenue Funds				
	Miscellaneous Governmental Functions	Public Safety			
	Dangerous Structures	Police Criminal Justice Training	Anti-Drug Abuse Grants	Office of Highway Safety Planning (OHSP) Grant	Law Enforcement Block Grant
Revenues					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Special assessments	-	-	-	-	-
Intergovernmental	-	10,098	66,021	83,803	15,816
Charges for services	-	-	-	-	-
Fines and fees	-	-	-	-	-
Contributions from private sector	-	-	-	-	-
Interest and rents	-	-	-	-	1
Miscellaneous	-	-	-	-	-
Total revenues	-	10,098	66,021	83,803	15,817
Expenditures					
Current:					
General government	1,504	-	-	-	-
Public safety	-	10,744	260,494	83,804	2,037
Public works	-	-	-	-	-
Welfare and social services	-	-	-	-	-
Culture and recreation	-	-	-	-	-
Debt service:					
Principal retirement	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Capital outlay	-	-	-	-	15,968
Total expenditures	1,504	10,744	260,494	83,804	18,005
Revenue over (under) expenditures	(1,504)	(646)	(194,473)	(1)	(2,188)
Other financing sources (uses)					
Proceeds on sale of capital assets	-	-	-	-	-
Transfers in	1,504	-	194,473	-	301
Transfers out	-	-	-	1	-
Total other financing sources (uses)	1,504	-	194,473	1	301
Net change in fund balances	-	(646)	-	-	(1,887)
Fund balances, beginning of year	-	1,263	-	-	1,887
Fund balances, end of year	\$ -	\$ 617	\$ -	\$ -	\$ -

Special Revenue Funds							
Public Safety				Culture and Community Improvement			
Homeland Security Grant	FEMA Grant	Michigan Rehabilitation Services Grant	Organized Crime Enforcement	District Library Taxation	M.S.H.D.A. Grant	Community Development Block Grant (CDBG)	Eat Healthy For Life - EBT Program
\$ -	\$ -	\$ -	\$ -	\$ 1,245,500	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
112,365	5,665	51,825	37,316	-	36,779	309,740	5,186
-	-	-	-	-	-	-	-
-	-	-	-	-	-	93,697	31,883
-	-	-	-	-	-	-	-
-	-	-	-	-	-	1,497	-
<u>112,365</u>	<u>5,665</u>	<u>51,825</u>	<u>37,316</u>	<u>1,245,500</u>	<u>36,779</u>	<u>404,934</u>	<u>37,069</u>
-	-	-	-	-	-	-	-
-	5,665	-	37,316	-	-	-	-
-	-	-	-	-	-	-	-
-	-	51,825	-	-	33,079	394,696	18,232
-	-	-	-	1,246,757	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>112,365</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>112,365</u>	<u>5,665</u>	<u>51,825</u>	<u>37,316</u>	<u>1,246,757</u>	<u>33,079</u>	<u>394,696</u>	<u>18,232</u>
-	-	-	-	(1,257)	3,700	10,238	18,837
-	-	-	-	-	-	-	-
-	-	-	-	-	-	15,869	-
-	-	-	-	-	(3,700)	(26,107)	-
-	-	-	-	-	(3,700)	(10,238)	-
-	-	-	-	(1,257)	-	-	18,837
-	-	-	-	1,592	-	-	5,110
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 335</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 23,947</u>

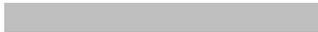
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CITY OF HOLLAND, MICHIGAN

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds
For the Year Ended June 30, 2013

	Debt Service Funds			Capital Projects Funds	
	General Obligation Debt Service	Building Authority Debt Service	Special Assessment Debt Service	Infrastructure Projects	Municipal Facilities/Land Improvements Projects
Revenues					
Property taxes	\$ 2,870,315	\$ -	\$ -	\$ 48,751	\$ 130,984
Special assessments	-	-	68,594	613	-
Intergovernmental	-	-	-	2,503,581	-
Charges for services	-	-	-	-	-
Fines and fees	-	-	-	-	-
Contributions from private sector	-	-	-	314,160	795,604
Interest and rents	3,070	568,669	14,593	618	2,725
Miscellaneous	241,815	-	-	-	525
Total revenues	3,115,200	568,669	83,187	2,867,723	929,838
Expenditures					
Current:					
General government	3,584	-	-	-	-
Public safety	-	-	-	-	-
Public works	-	-	-	-	-
Welfare and social services	-	-	-	-	-
Culture and recreation	-	-	-	-	-
Debt service:					
Principal retirement	691,500	1,915,000	611,723	-	-
Interest and fiscal charges	300,555	679,927	30,360	-	-
Capital outlay	-	-	-	4,493,059	1,178,778
Total expenditures	995,639	2,594,927	642,083	4,493,059	1,178,778
Revenue over (under) expenditures	2,119,561	(2,026,258)	(558,896)	(1,625,336)	(248,940)
Other financing sources (uses)					
Proceeds on sale of capital assets	-	-	-	-	1,331,249
Transfers in	-	2,025,889	198,408	1,443,580	345,087
Transfers out	(2,025,889)	-	-	(3,713)	(135,745)
Total other financing sources (uses)	(2,025,889)	2,025,889	198,408	1,439,867	1,540,591
Net change in fund balances	93,672	(369)	(360,488)	(185,469)	1,291,651
Fund balances, beginning of year	29,008	12,957	477,967	292,299	352,386
Fund balances, end of year	\$ 122,680	\$ 12,588	\$ 117,479	\$ 106,830	\$ 1,644,037



Permanent Fund	
Cemetery Perpetual Care	Total

\$ -	\$ 5,271,218
-	738,263
-	6,342,394
25,210	277,473
-	409,556
-	1,458,342
3,242	630,975
-	245,695
<u>28,452</u>	<u>15,373,916</u>

-	241,904
-	400,060
-	2,787,932
-	497,832
-	1,583,960
-	3,218,223
-	1,010,844
-	5,982,162
-	<u>15,722,917</u>
<u>28,452</u>	<u>(349,001)</u>

-	1,331,249
931	5,030,375
<u>(3,240)</u>	<u>(4,752,932)</u>
<u>(2,309)</u>	<u>1,608,692</u>
26,143	1,259,691
<u>1,549,342</u>	<u>7,151,007</u>
<u>\$ 1,575,485</u>	<u>\$ 8,410,698</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, 2013

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Intergovernmental	\$ 2,043,300	\$ 2,127,000	\$ 2,150,381	\$ 23,381
Charges for services	31,000	35,000	37,237	2,237
Interest and rents	14,910	10,000	4,095	(5,905)
Miscellaneous	-	-	1,712	1,712
Total revenues	<u>2,089,210</u>	<u>2,172,000</u>	<u>2,193,425</u>	<u>21,425</u>
Expenditures				
Current:				
Public works:				
Personnel services	537,681	496,381	490,693	(5,688)
Other services and charges	1,004,675	875,310	756,394	(118,916)
Total expenditures	<u>1,542,356</u>	<u>1,371,691</u>	<u>1,247,087</u>	<u>(124,604)</u>
Revenues over (under) expenditures	546,854	800,309	946,338	146,029
Other financing uses				
Transfers out	(810,739)	(714,298)	(609,940)	(104,358)
Net changes in fund balances	<u>(263,885)</u>	<u>86,011</u>	<u>336,398</u>	<u>(250,387)</u>
Fund balances, beginning of year	<u>2,383,430</u>	<u>2,383,430</u>	<u>2,383,430</u>	<u>-</u>
Fund balances, end of year	<u>\$ 2,119,545</u>	<u>\$ 2,469,441</u>	<u>\$ 2,719,828</u>	<u>\$ (250,387)</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, 2013

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Intergovernmental	\$ 507,500	\$ 535,000	\$ 542,295	\$ 7,295
Charges for services	45,000	35,000	45,972	10,972
Interest and rents	1,490	1,000	392	(608)
Total revenues	553,990	571,000	588,659	17,659
Expenditures				
Current:				
Public works:				
Personnel services	593,129	534,375	533,341	(1,034)
Other services and charges	751,900	757,888	645,558	(112,330)
Total expenditures	1,345,029	1,292,263	1,178,899	(113,364)
Revenues over (under) expenditures	(791,039)	(721,263)	(590,240)	131,023
Other financing sources				
Transfers in	791,039	685,533	590,240	(95,293)
Net changes in fund balances	-	(35,730)	-	35,730
Fund balances, beginning of year	2,000	2,000	2,000	-
Fund balances, end of year	\$ 2,000	\$ (33,730)	\$ 2,000	\$ 35,730

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, 2013

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Intergovernmental	\$ 364,600	\$ 364,600	\$ 411,523	\$ 46,923
Interest and rents	199	200	(855)	(1,055)
	<u>364,799</u>	<u>364,800</u>	<u>410,668</u>	<u>45,868</u>
Total revenues				
Other financing uses				
Transfers out	<u>(386,500)</u>	<u>(209,351)</u>	<u>(163,111)</u>	<u>(46,240)</u>
Net changes in fund balances	(21,701)	155,449	247,557	(92,108)
Fund balances, beginning of year	<u>22,000</u>	<u>22,000</u>	<u>22,000</u>	<u>-</u>
Fund balances, end of year	<u>\$ 299</u>	<u>\$ 177,449</u>	<u>\$ 269,557</u>	<u>\$ (92,108)</u>

CITY OF HOLLAND, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balances
 Budget and Actual - Street Improvements Reserve Fund
 For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Property taxes	\$ 975,994	\$ 975,935	\$ 975,668	\$ (267)
Interest and rents	4,875	6,500	4,178	(2,322)
Total revenues	980,869	982,435	979,846	(2,589)
Other financing sources (uses)				
Transfers in	84,000	184,000	184,000	-
Transfers out	(1,629,339)	(1,622,000)	(1,221,982)	(400,018)
Total other financing sources (uses)	(1,545,339)	(1,438,000)	(1,037,982)	(400,018)
Net changes in fund balances	(564,470)	(455,565)	(58,136)	(397,429)
Fund balances, beginning of year	1,245,793	1,245,793	1,245,793	-
Fund balances, end of year	\$ 681,323	\$ 790,228	\$ 1,187,657	\$ (397,429)

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, 2013

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Special assessments	\$ 181,100	\$ 181,248	\$ 181,249	\$ 1
Charges for services	16,950	16,250	19,082	2,832
Interest and rents	694	700	244	(456)
Total revenues	198,744	198,198	200,575	2,377
Expenditures				
Current:				
Public works:				
Personnel services	70,618	69,361	45,015	(24,346)
Other services and charges	121,275	133,553	129,123	(4,430)
Debt service:				
Interest and fiscal charges	6	2	2	-
Total expenditures	191,899	202,916	174,140	(28,776)
Revenues over (under) expenditures	6,845	(4,718)	26,435	31,153
Other financing sources uses				
Transfers out	(9,031)	(9,031)	(9,031)	-
Net changes in fund balances	(2,186)	(13,749)	17,404	(31,153)
Fund balances, beginning of year	168,401	168,401	168,401	-
Fund balances, end of year	\$ 166,215	\$ 154,652	\$ 185,805	\$ (31,153)

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, 2013

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Special assessments	\$ 123,800	\$ 123,886	\$ 123,886	\$ -
Interest and rents	990	600	274	(326)
	<u>124,790</u>	<u>124,486</u>	<u>124,160</u>	<u>(326)</u>
Total revenues				
Expenditures				
Current:				
Public works:				
Other services and charges	<u>187,617</u>	<u>187,647</u>	<u>187,808</u>	<u>161</u>
Revenues over (under) expenditures	(62,827)	(63,161)	(63,648)	(487)
Other financing sources				
Transfers in	<u>27,800</u>	<u>27,800</u>	<u>27,800</u>	<u>-</u>
Net changes in fund balances	(35,027)	(35,361)	(35,848)	(487)
Fund balances, beginning of year	<u>140,502</u>	<u>140,502</u>	<u>140,502</u>	<u>-</u>
Fund balances, end of year	<u>\$ 105,475</u>	<u>\$ 105,141</u>	<u>\$ 104,654</u>	<u>\$ (487)</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, 2013

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Special assessments	\$ 181,100	\$ 181,080	\$ 181,080	\$ -
Charges for services	147,600	162,335	146,272	(16,063)
Contributions from private sector	24,000	24,900	19,263	(5,637)
Interest and rents	990	387	225	(162)
Miscellaneous	-	63	63	-
Total revenues	353,690	368,765	346,903	(21,862)
Expenditures				
Current:				
Culture and recreation:				
Personnel services	153,586	173,313	136,843	(36,470)
Other services and charges	216,350	217,445	200,360	(17,085)
Capital outlay	-	500	439	(61)
Total expenditures	369,936	391,258	337,642	(53,616)
Net changes in fund balances	(16,246)	(22,493)	9,261	31,754
Fund balances, beginning of year	195,054	195,054	195,054	-
Fund balances, end of year	\$ 178,808	\$ 172,561	\$ 204,315	\$ 31,754

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, 2013

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Charges for services	\$ -	\$ 4,500	\$ 3,700	\$ (800)
Fines and fees	346,000	362,100	409,556	47,456
Interest and rents	2,980	2,000	872	(1,128)
Miscellaneous	-	300	83	(217)
Total revenues	<u>348,980</u>	<u>368,900</u>	<u>414,211</u>	<u>45,311</u>
Expenditures				
Current:				
General government:				
Personnel services	2,300	87,683	86,727	(956)
Other services and charges	104,600	39,700	39,015	(685)
Capital outlay	125,000	190,000	167,642	(22,358)
Total expenditures	<u>231,900</u>	<u>317,383</u>	<u>293,384</u>	<u>(23,999)</u>
Revenues over (under) expenditures	117,080	51,517	120,827	69,310
Other financing uses				
Transfers out	(201,250)	(201,250)	(201,250)	-
Net changes in fund balances	<u>(84,170)</u>	<u>(149,733)</u>	<u>(80,423)</u>	<u>69,310</u>
Fund balances, beginning of year	<u>408,749</u>	<u>408,749</u>	<u>408,749</u>	<u>-</u>
Fund balances, end of year	<u>\$ 324,579</u>	<u>\$ 259,016</u>	<u>\$ 328,326</u>	<u>\$ 69,310</u>

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, 2013

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Special assessments	\$ 79,800	\$ 157,637	\$ 182,841	\$ 25,204
Interest and rents	13,550	27,423	28,623	1,200
Total revenues	93,350	185,060	211,464	26,404
Other financing uses				
Transfers out	(138,774)	(337,182)	(337,182)	-
Net changes in fund balances	(45,424)	(152,122)	(125,718)	26,404
Fund balances (deficit), beginning of year	(239,384)	(239,384)	(239,384)	-
Fund balances (deficit), end of year	\$ (284,808)	\$ (391,506)	\$ (365,102)	\$ 26,404

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, 2013

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Contributions from private sector	\$ -	\$ 207,989	\$ 203,735	\$ (4,254)
Interest and rents	35	35	9	(26)
Total revenues	35	208,024	203,744	(4,280)
Expenditures				
Current:				
General government:				
Personnel services	-	12,850	3,455	(9,395)
Other services and charges	-	213,798	107,619	(106,179)
Capital outlay	-	65,332	13,911	(51,421)
Total expenditures	-	291,980	124,985	(166,995)
Revenues over (under) expenditures	35	(83,956)	78,759	162,715
Other financing sources (uses)				
Transfers in	-	-	2,293	2,293
Transfers out	-	(13,061)	(12,043)	(1,018)
Total other financing sources (uses)	-	(13,061)	(9,750)	1,275
Net changes in fund balances	35	(97,017)	69,009	(166,026)
Fund balances, beginning of year	100,651	100,651	100,651	-
Fund balances, end of year	\$ 100,686	\$ 3,634	\$ 169,660	\$ (166,026)

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, 2013

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Charges for services	\$ 10,450	\$ (175)	\$ -	\$ 175
Expenditures				
Current:				
General government:				
Other services and charges	10,450	2,800	1,504	(1,296)
Revenues over (under) expenditures	-	(2,975)	(1,504)	1,471
Other financing sources				
Transfers in	-	2,975	1,504	(1,471)
Net changes in fund balances	-	-	-	-
Fund balances, beginning of year	-	-	-	-
Fund balances, end of year	\$ -	\$ -	\$ -	\$ -

CITY OF HOLLAND, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balances
 Budget and Actual - Police Criminal Justice Training Fund
 For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Intergovernmental	\$ 11,000	\$ 11,000	\$ 10,098	\$ (902)
Expenditures				
Current:				
Public safety:				
Other services and charges	11,000	11,000	10,744	(256)
Net changes in fund balances	-	-	(646)	(646)
Fund balances, beginning of year	1,263	1,263	1,263	-
Fund balances, end of year	<u>\$ 1,263</u>	<u>\$ 1,263</u>	<u>\$ 617</u>	<u>\$ (646)</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, 2013

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Intergovernmental	\$ -	\$ 66,022	\$ 66,021	\$ (1)
Expenditures				
Current:				
Public safety:				
Personal services	579	260,495	260,494	(1)
Capital outlay	-	-	-	-
Total expenditures	579	260,495	260,494	(1)
Revenues over (under) expenditures	(579)	(194,473)	(194,473)	-
Other financing sources				
Transfers in	579	194,473	194,473	-
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, 2013

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Intergovernmental	\$ 61,542	\$ 153,518	\$ 83,803	\$ (69,715)
Expenditures				
Current:				
Public safety:				
Personal services	34,542	99,518	58,662	(40,856)
Other services and charges	-	27,000	25,142	(1,858)
Capital outlay	27,000	27,000	-	(27,000)
Total expenditures	61,542	153,518	83,804	(69,714)
Revenues over (under) expenditures	-	-	(1)	(1)
Other financing sources				
Transfers in	-	-	1	1
Net changes in fund balances	-	-	-	-
Fund balances, beginning of year	-	-	-	-
Fund balances, end of year	\$ -	\$ -	\$ -	\$ -

CITY OF HOLLAND, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balances
 Budget and Actual - Law Enforcement Block Grant Fund
 For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Intergovernmental	\$ 6,520	\$ 19,349	\$ 15,816	\$ (3,533)
Interest and rents	-	-	1	1
Total revenues	6,520	19,349	15,817	(3,532)
Expenditures				
Current:				
Public safety:				
Other services and charges	3,807	5,570	2,037	(3,533)
Capital outlay	5,202	15,968	15,968	-
Total expenditures	9,009	21,538	18,005	(3,533)
Revenues over (under) expenditures	(2,489)	(2,189)	(2,188)	1
Other financing sources				
Transfers in	-	301	301	-
Net changes in fund balances	(2,489)	(1,888)	(1,887)	(1)
Fund balances, beginning of year	1,887	1,887	1,887	-
Fund balances, end of year	<u>\$ (602)</u>	<u>\$ (1)</u>	<u>\$ -</u>	<u>\$ (1)</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, 2013

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Intergovernmental	\$ -	\$ 80,101	\$ 112,365	\$ 32,264
Expenditures				
Current:				
Capital outlay	-	80,101	112,365	32,264
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 - FEMA Grant
 For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Intergovernmental	\$ -	\$ 5,665	\$ 5,665	\$ -
Expenditures				
Current:				
Public safety:				
Other services and charges	-	5,665	5,665	-
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
 For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Intergovernmental	\$ -	\$ 51,825	\$ 51,825	\$ -
Expenditures				
Current:				
Welfare and social services:				
Other services and charges	-	51,825	51,825	-
Net changes in fund balances	-	-	-	-
Fund balances, beginning of year	-	-	-	-
Fund balances, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF HOLLAND, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balances
 Budget and Actual - Organized Crime Enforcement
 For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Intergovernmental	\$ -	\$ 47,052	\$ 37,316	\$ (9,736)
Expenditures				
Current:				
Public safety:				
Personnel services	-	47,052	37,316	(9,736)
Net changes in fund balances	-	-	-	-
Fund balances, beginning of year	-	-	-	-
Fund balances, end of year	\$ -	\$ -	\$ -	\$ -

CITY OF HOLLAND, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balances
 Budget and Actual - District Library Taxation Fund
 For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Property taxes	\$ 1,244,377	\$ 1,245,376	\$ 1,245,500	\$ 124
Expenditures				
Current:				
Culture and recreation:				
Other services and charges	1,244,377	1,245,134	1,246,757	1,623
Net changes in fund balances	-	242	(1,257)	(1,499)
Fund balances, beginning of year	1,592	1,592	1,592	-
Fund balances, end of year	\$ 1,592	\$ 1,834	\$ 335	\$ (1,499)

CITY OF HOLLAND, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balances
 Budget and Actual - MSHDA Grant Fund
 For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Intergovernmental	\$ 150,000	\$ 150,000	\$ 36,779	\$ (113,221)
Expenditures				
Current:				
Welfare and social services:				
Other services and charges	150,000	150,000	33,079	(116,921)
Revenues over (under) expenditures	-	-	3,700	3,700
Other financing uses				
Transfers out	-	-	(3,700)	3,700
Net changes in fund balances	-	-	-	-
Fund balances, beginning of year	-	-	-	-
Fund balances, end of year	\$ -	\$ -	\$ -	\$ -

CITY OF HOLLAND, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balances Budget and Actual - Community Development Block Grant Fund For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Intergovernmental	\$ 517,039	\$ 517,039	\$ 309,740	\$ (207,299)
Contributions from private sector	8,241	116,157	93,697	(22,460)
Miscellaneous	-	-	1,497	1,497
Total revenues	525,280	633,196	404,934	(228,262)
Expenditures				
Current:				
Welfare and social services:				
Personnel services	92,785	88,036	77,974	(10,062)
Other services and charges	413,173	534,922	316,722	(218,200)
Total expenditures	505,958	622,958	394,696	(228,262)
Revenues over (under) expenditures	19,322	10,238	10,238	-
Other financing sources (uses)				
Transfers in	2,709	15,869	15,869	-
Transfers out	(22,031)	(26,107)	(26,107)	-
Total other financing sources (uses)	(19,322)	(10,238)	(10,238)	-
Net changes in fund balances	-	-	-	-
Fund balances, beginning of year	-	-	-	-
Fund balances, end of year	\$ -	\$ -	\$ -	\$ -

CITY OF HOLLAND, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balances
 Budget and Actual - Eat Healthy For Life Fund
 For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Intergovernmental	\$ 5,412	\$ 11,319	\$ 5,186	\$ (6,133)
Contributions from private sector	-	31,500	31,883	383
Total revenues	5,412	42,819	37,069	(5,750)
Expenditures				
Current:				
Welfare and social services:				
Personnel services	5,412	13,869	5,851	(8,018)
Other services and charges	-	35,954	12,381	(23,573)
Total expenditures	5,412	49,823	18,232	(31,591)
Net changes in fund balances	-	(7,004)	18,837	(25,841)
Fund balances, beginning of year	5,110	5,110	5,110	-
Fund balances, end of year	<u>\$ 5,110</u>	<u>\$ (1,894)</u>	<u>\$ 23,947</u>	<u>\$ (25,841)</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, 2013

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Charges for services	\$ 29,300	\$ 29,600	\$ 25,210	\$ (4,390)
Interest and rents	13,426	8,202	3,242	(4,960)
Total revenues	42,726	37,802	28,452	(9,350)
Other financing sources (uses)				
Transfers in	931	931	931	-
Transfers out	(13,420)	(20,132)	(3,240)	(16,892)
Total other financing sources (uses)	(12,489)	(19,201)	(2,309)	(16,892)
Net changes in fund balances	30,237	18,601	26,143	(7,542)
Fund balances, beginning of year	1,549,342	1,549,342	1,549,342	-
Fund balances, end of year	\$ 1,579,579	\$ 1,567,943	\$ 1,575,485	\$ (7,542)

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CITY OF HOLLAND, MICHIGAN

Enterprise Funds

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

Electric Utility Fund

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

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

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

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

Wastewater Utility Fund

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

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

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

CITY OF HOLLAND, MICHIGAN

Enterprise Funds

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

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

Water Utility Fund

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

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

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

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

Refuse and Recycling Pickup Fund

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

At June 30, 2013, the residential customer count for this service is:

- Single-family residences and multi-family housing developments of up to 4-family units = 8,908
- Multi-family housing developments of greater than 4-family units = 6

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

CITY OF HOLLAND, MICHIGAN

Enterprise Funds

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

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

Windmill Island Fund

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

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

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

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

Depot Operations Fund

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

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

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

CITY OF HOLLAND, MICHIGAN

Enterprise Funds

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

Airport Facilities and Management System Fund

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

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

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

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

Public Transit Facilities and Management System Fund

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

CITY OF HOLLAND, MICHIGAN

Enterprise Funds

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

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

Employee Benefit Fund

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

CITY OF HOLLAND, MICHIGAN

Combining Statement of Net Position

Nonmajor Enterprise Funds

June 30, 2013

	Refuse and Recycling Pickup	Windmill Island	Depot Operations	Airport Facilities and Management System
Assets				
Current assets:				
Cash and pooled investments	\$ 533,073	\$ 61,940	\$ 5	\$ 133
Receivables:				
Accounts	146,523	14,408	-	-
Taxes and special assessments	-	-	-	26
Prepaid items	-	1,295	-	-
Total current assets	679,596	77,643	5	159
Noncurrent assets:				
Capital assets:				
Land	-	99,809	291,300	5,961,250
Construction in progress	-	121,936	-	-
Machinery and equipment	-	2,829,499	1,667,199	14,043,709
Accumulated depreciation	-	(1,544,295)	(1,111,908)	(8,856,038)
Total noncurrent assets	-	1,506,949	846,591	11,148,921
Total assets	679,596	1,584,592	846,596	11,149,080
Liabilities				
Current liabilities:				
Accounts payable	126,435	4,291	-	-
Accrued payroll and benefits	1,970	22,414	-	-
Due to other governmental units	-	-	-	14
Due to other funds	-	1,626	-	-
Deposits	-	38,837	-	-
Unearned revenue	140,700	-	-	-
Accrued compensated absences - current	4,625	10,475	-	-
Total liabilities	273,730	77,643	-	14
Net position				
Net investment in capital assets	-	1,506,949	846,591	11,148,921
Unrestricted	405,866	-	5	145
Total net position	\$ 405,866	\$ 1,506,949	\$ 846,596	\$ 11,149,066

Public Transit Facilities and Management System	Employee Benefit Fund	Total
\$ 1,487	\$ 11,298	\$ 607,936
137	75	161,143
-	-	26
-	-	1,295
<u>1,624</u>	<u>11,373</u>	<u>770,400</u>
-	-	6,352,359
-	-	121,936
508,254	-	19,048,661
(241,713)	-	(11,753,954)
<u>266,541</u>	<u>-</u>	<u>13,769,002</u>
<u>268,165</u>	<u>11,373</u>	<u>14,539,402</u>
-	637	131,363
-	-	24,384
-	-	14
-	-	1,626
-	-	38,837
-	-	140,700
-	-	15,100
<u>-</u>	<u>637</u>	<u>352,024</u>
266,541	-	13,769,002
<u>1,624</u>	<u>10,736</u>	<u>418,376</u>
<u>\$ 268,165</u>	<u>\$ 10,736</u>	<u>\$ 14,187,378</u>

CITY OF HOLLAND, MICHIGAN

Combining Statement of Revenues, Expenses and Changes in Net Position

Nonmajor Enterprise Funds
For the Year Ended June 30, 2013

	Refuse and Recycling Pickup	Windmill Island	Depot Operations	Airport Facilities and Management System
Operating revenues				
Usage fees and charges for services	\$ 1,565,246	\$ 44,981	\$ -	\$ -
Admissions and fares	-	390,042	-	-
Rentals	-	90,208	1	-
Total operating revenues	<u>1,565,246</u>	<u>525,231</u>	<u>1</u>	<u>-</u>
Operating expenses				
Personal services	118,138	409,977	-	-
Other current expenses	1,446,780	211,511	-	97,519
Depreciation	-	103,825	24,739	461,005
Total operating expenses	<u>1,564,918</u>	<u>725,313</u>	<u>24,739</u>	<u>558,524</u>
Operating income (loss)	<u>328</u>	<u>(200,082)</u>	<u>(24,738)</u>	<u>(558,524)</u>
Nonoperating revenues				
Property taxes	-	-	-	97,572
Investment earnings	653	36	-	-
Total nonoperating revenues	<u>653</u>	<u>36</u>	<u>-</u>	<u>97,572</u>
Income (loss) before contributions and transfers	<u>981</u>	<u>(200,046)</u>	<u>(24,738)</u>	<u>(460,952)</u>
Capital contributions and transfers				
Capital contributions	-	2,293	-	-
Federal and/or state grants	-	-	-	-
Federal awards passed-through to the Macatawa Area Express Transportation Authority	-	-	-	-
Other private donations	-	3,229	-	-
Transfers in	-	231,272	-	-
Transfers out	-	(2,293)	-	-
Total capital contributions and transfers	<u>-</u>	<u>234,501</u>	<u>-</u>	<u>-</u>
Change in net position	<u>981</u>	<u>34,455</u>	<u>(24,738)</u>	<u>(460,952)</u>
Net position, beginning of year	<u>404,885</u>	<u>1,472,494</u>	<u>871,334</u>	<u>11,610,018</u>
Net position, end of year	<u>\$ 405,866</u>	<u>\$ 1,506,949</u>	<u>\$ 846,596</u>	<u>\$ 11,149,066</u>

Public Transit Facilities and Management System	Employee Benefit Fund	Total
\$ 3,803	\$ 8,991	\$ 1,623,021
-	-	390,042
-	-	90,209
<u>3,803</u>	<u>8,991</u>	<u>2,103,272</u>
3,062	-	531,177
740	9,271	1,765,821
11,711	-	601,280
<u>15,513</u>	<u>9,271</u>	<u>2,898,278</u>
<u>(11,710)</u>	<u>(280)</u>	<u>(795,006)</u>
-	-	97,572
-	19	708
-	19	98,280
<u>(11,710)</u>	<u>(261)</u>	<u>(696,726)</u>
-	-	2,293
1,530,203	-	1,530,203
(1,530,203)	-	(1,530,203)
-	1,240	4,469
-	-	231,272
-	-	(2,293)
-	1,240	235,741
<u>(11,710)</u>	<u>979</u>	<u>(460,985)</u>
<u>279,875</u>	<u>9,757</u>	<u>14,648,363</u>
<u>\$ 268,165</u>	<u>\$ 10,736</u>	<u>\$ 14,187,378</u>

CITY OF HOLLAND, MICHIGAN

Combining Statement of Cash Flows

Nonmajor Enterprise Funds

For the Year Ended June 30, 2013

	Refuse and Recycling Pickup	Windmill Island	Depot Operations	Airport Facilities and Management System
Cash flows from operating activities				
Receipts from customers and users	\$ 1,713,345	\$ 519,277	\$ 1	\$ -
Payments to suppliers	(1,412,945)	(214,392)	-	(97,519)
Payments to employees	(112,843)	(408,114)	-	-
Net cash provided by (used in) operating activities	187,557	(103,229)	1	(97,519)
Cash flows from noncapital financing activities				
Property taxes	-	-	-	97,685
Other private donations	-	3,229	-	-
Intragovernmental receipts	-	228,603	-	-
Intragovernmental payments	-	-	-	(33)
Net cash provided by (used in) noncapital financing activities	-	231,832	-	97,652
Cash flows from capital and related financing activities				
Federal and/or state grants	-	-	-	-
Federal awards pass-through to the Macatawa Area Express Transportation Authority	-	-	-	-
Capital contributions	-	2,293	-	-
Purchase of capital assets	-	(138,280)	-	-
Net cash used in capital and related financing activities	-	(135,987)	-	-
Cash flows from investing activities				
Investment earnings	653	36	-	-
Net increase (decrease) in cash and cash equivalents	188,210	(7,348)	1	133
Cash and pooled investments, beginning of year	344,863	69,288	4	-
Cash and pooled investments, end of year	\$ 533,073	\$ 61,940	\$ 5	\$ 133

Public Transit Facilities and Management System	Employee Benefit Fund	Total
\$ 5,605	\$ 8,996	\$ 2,247,224
(740)	(8,992)	(1,734,588)
(3,201)	-	(524,158)
<u>1,664</u>	<u>4</u>	<u>(11,522)</u>
-	-	97,685
-	1,240	4,469
-	-	228,603
<u>(177)</u>	<u>-</u>	<u>(210)</u>
<u>(177)</u>	<u>1,240</u>	<u>330,547</u>
1,530,203	-	1,530,203
(1,530,203)	-	(1,530,203)
-	-	2,293
<u>-</u>	<u>-</u>	<u>(138,280)</u>
<u>-</u>	<u>-</u>	<u>(135,987)</u>
<u>-</u>	<u>19</u>	<u>708</u>
1,487	1,263	183,746
-	10,035	424,190
<u>\$ 1,487</u>	<u>\$ 11,298</u>	<u>\$ 607,936</u>

continued...

CITY OF HOLLAND, MICHIGAN

Combining Statement of Cash Flows

Nonmajor Enterprise Funds

For the Year Ended June 30, 2013

	Refuse and Recycling Pickup	Windmill Island	Depot Operations	Airport Facilities and Management System
Cash flows from operating activities				
Operating income (loss)	\$ 328	\$ (200,082)	\$ (24,738)	\$ (558,524)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation expense	-	103,825	24,739	461,005
Change in:				
Receivable	7,399	(2,391)	-	-
Prepaid items	-	1,200	-	-
Accounts payable	33,835	(4,081)	-	-
Accrued payroll and benefits	670	2,629	-	-
Accrued compensated absences	4,625	(766)	-	-
Unearned revenue	140,700	(3,563)	-	-
Net cash provided by (used in) operating activities	<u>\$ 187,557</u>	<u>\$ (103,229)</u>	<u>\$ 1</u>	<u>\$ (97,519)</u>

Public Transit Facilities and Management System	Employee Benefit Fund	Total
\$ (11,710)	\$ (280)	\$ (795,006)
11,711	-	601,280
1,802	5	6,815
-	-	1,200
-	279	30,033
(139)	-	3,160
-	-	3,859
-	-	137,137
<u>\$ 1,664</u>	<u>\$ 4</u>	<u>\$ (11,522)</u>

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CITY OF HOLLAND, MICHIGAN

Internal Service Funds

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

Computer Services Fund

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

Basic functions of the Technology Services Department include:

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

Established user fee charges to departments include the following elements:

- number of active directories
- number of computers
- in-house staff time that is responsible to:
 - maintain a multiple server system and network system
 - maintain sufficient storage capability on the City's network system to accommodate all City users
 - maintain and service PC's located at individual workstations throughout the City departments
 - maintain functionality of various proprietary software programs loaded on computer center servers
 - develop & maintain an Internet capability, to include the City's website
 - develop & maintain a G.I.S. system
- in-house staff time that is responsible to:
- annual surcharges (assessed to all user departments) for the purpose of maintaining reserves for future new and/or replacement acquisitions.

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

Established user fee charges to departments include the following elements:

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

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

CITY OF HOLLAND, MICHIGAN

Internal Service Funds

Postage Services Fund

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

Established user fee charges to departments include the following elements:

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

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

Communication Services Fund

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

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

Established user fee charges to departments include the following elements:

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

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

Fuel Dispension Fund

By formal agreement, the City of Holland and Holland Public School District (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, as defined in Governmental Accounting Standards Board (GASB) - Statement No. 14. The Macatawa Area Express Transportation Authority participates as a customer in the shared fuel dispensing system.

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

Centralized Vehicle/Equipment Fund

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

General Vehicle & Equipment Pool

- All vehicles & equipment assigned to this pool are capital assets (minus depreciation) of this fund.
- Several departments are provided with specifically assigned vehicles and/or equipment. Detailed accounting is maintained for each such vehicle or equipment item. Also included in this pool are a certain number of unassigned vehicles made available for sign-out by any department with a mileage fee assessed. An annual flat-fee 'rental and use charge' is assessed to respective departments for each individual vehicle or equipment item.
 - Vehicles and equipment assigned to this pool (other than signout cars) are assessed an annual flat-fee for:
 - > recovery of fuel costs
 - > recovery of overhead costs for vehicle/equipment maintenance and upkeep
 - > surcharge to accumulate reserve for future replacements of vehicles/equipment.

Streets Vehicle & Equipment Pool

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

CITY OF HOLLAND, MICHIGAN

Internal Service Funds

Central Maintenance Activity

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

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

Fire Vehicle/Equipment Fund

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

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

Workers Compensation Fund

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

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

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

CITY OF HOLLAND, MICHIGAN

Internal Service Funds

Employee Disability Income Protection Fund

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

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

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

Employee & Retiree Health/Dental Fund

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

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

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

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

Property Damage Fund

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

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

General & Professional Liability Fund

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

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

CITY OF HOLLAND, MICHIGAN

Internal Service Funds

Compensated Absences Fund

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

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

CITY OF HOLLAND, MICHIGAN

Combining Statement of Net Position
Internal Service Funds
June 30, 2013

	Technology Services			Equipment Services		
	Computer Services	Postage Services	Communication Services	Fuel Dispensing	Centralized Vehicle / Equipment	Fire Vehicle / Equipment
Assets						
Current assets:						
Cash and pooled investments	\$ 233,763	\$ 4,404	\$ 12,674	\$ 159,126	\$ 1,931,259	\$ 468,695
Accounts receivable	2,651	-	-	43,041	14,505	-
Deposit with others	-	-	-	-	-	-
Due from other funds	-	-	-	11,030	85	-
Inventories	-	2,021	-	48,244	48,725	-
Prepaid items	-	350	-	-	-	-
Total current assets	<u>236,414</u>	<u>6,775</u>	<u>12,674</u>	<u>261,441</u>	<u>1,994,574</u>	<u>468,695</u>
Noncurrent assets:						
Capital assets:						
Construction in progress	-	-	-	-	2,455	-
Machinery and equipment	1,014,507	-	122,261	51,678	7,672,658	2,175,300
Accumulated depreciation	(719,076)	-	(112,106)	(35,938)	(4,836,109)	(1,212,273)
Total noncurrent assets	<u>295,431</u>	<u>-</u>	<u>10,155</u>	<u>15,740</u>	<u>2,839,004</u>	<u>963,027</u>
Total assets	<u>531,845</u>	<u>6,775</u>	<u>22,829</u>	<u>277,181</u>	<u>4,833,578</u>	<u>1,431,722</u>
Liabilities						
Current liabilities:						
Accounts payable	5,057	-	359	62,203	51,741	-
Claims payable	-	-	-	-	-	-
Accrued payroll and benefits	9,261	-	-	-	18,176	-
Due to other funds	420	-	-	40,112	75	-
Accrued compensated absences, current	-	-	-	-	-	-
Total current liabilities	<u>14,738</u>	<u>-</u>	<u>359</u>	<u>102,315</u>	<u>69,992</u>	<u>-</u>
Noncurrent liabilities, net of current portion:						
Accrued compensated absences	<u>22,908</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>73,029</u>	<u>-</u>
Total liabilities	<u>37,646</u>	<u>-</u>	<u>359</u>	<u>102,315</u>	<u>143,021</u>	<u>-</u>
Net position						
Net investment in capital assets	295,431	-	10,155	15,740	2,839,004	963,027
Unrestricted	<u>198,768</u>	<u>6,775</u>	<u>12,315</u>	<u>159,126</u>	<u>1,851,553</u>	<u>468,695</u>
Total net position	<u>\$ 494,199</u>	<u>\$ 6,775</u>	<u>\$ 22,470</u>	<u>\$ 174,866</u>	<u>\$ 4,690,557</u>	<u>\$ 1,431,722</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
\$ 392,419	\$ 86,787	\$ 1,398,641	\$ 243,651	\$ 386,779	\$ -	\$ 1,438,901	\$ 6,757,099
141,428	-	30,305	-	-	336,619	-	568,549
-	-	5,289	-	-	-	-	5,289
-	-	-	-	-	7,768	-	18,883
-	-	-	-	-	-	-	98,990
11,940	-	-	-	-	10,626	-	22,916
<u>545,787</u>	<u>86,787</u>	<u>1,434,235</u>	<u>243,651</u>	<u>386,779</u>	<u>355,013</u>	<u>1,438,901</u>	<u>7,471,726</u>
-	-	-	-	-	-	-	2,455
-	-	-	-	-	-	-	11,036,404
-	-	-	-	-	-	-	(6,915,502)
-	-	-	-	-	-	-	<u>4,123,357</u>
<u>545,787</u>	<u>86,787</u>	<u>1,434,235</u>	<u>243,651</u>	<u>386,779</u>	<u>355,013</u>	<u>1,438,901</u>	<u>11,595,083</u>
3,060	-	87,374	-	1,300	19,906	-	231,000
-	-	164,312	-	-	-	-	164,312
2,229	2,858	-	-	-	-	-	32,524
-	-	350	-	-	58,364	-	99,321
-	-	-	-	-	-	1,200,000	1,200,000
<u>5,289</u>	<u>2,858</u>	<u>252,036</u>	<u>-</u>	<u>1,300</u>	<u>78,270</u>	<u>1,200,000</u>	<u>1,727,157</u>
-	-	-	-	-	-	238,901	334,838
<u>5,289</u>	<u>2,858</u>	<u>252,036</u>	<u>-</u>	<u>1,300</u>	<u>78,270</u>	<u>1,438,901</u>	<u>2,061,995</u>
-	-	-	-	-	-	-	4,123,357
<u>540,498</u>	<u>83,929</u>	<u>1,182,199</u>	<u>243,651</u>	<u>385,479</u>	<u>276,743</u>	<u>-</u>	<u>5,409,731</u>
<u>\$ 540,498</u>	<u>\$ 83,929</u>	<u>\$ 1,182,199</u>	<u>\$ 243,651</u>	<u>\$ 385,479</u>	<u>\$ 276,743</u>	<u>\$ -</u>	<u>\$ 9,533,088</u>

CITY OF HOLLAND, MICHIGAN

Combining Statement of Revenues, Expenses and Changes in Net Position
Internal Service Funds
For the Year Ended June 30, 2013

	Technology Services			Equipment Services		
	Computer Services	Postage Services	Communication Services	Fuel Dispensing	Centralized Vehicle / Equipment	Fire Vehicle / Equipment
Operating revenues						
Charges for services	\$ 525,852	\$ 16,586	\$ 108,880	\$ 1,034,372	\$ 270,632	\$ -
Premiums	-	-	-	-	-	-
Rentals	-	-	-	-	1,615,713	-
Miscellaneous	-	-	-	-	-	-
Total operating revenues	525,852	16,586	108,880	1,034,372	1,886,345	-
Operating expenses						
Personnel services	330,131	-	-	6,091	637,793	-
Other current expenses	236,363	16,825	107,132	992,124	1,102,028	-
Depreciation expense	77,046	-	1,697	2,567	475,656	91,220
Total operating expenses	643,540	16,825	108,829	1,000,782	2,215,477	91,220
Operating income (loss)	(117,688)	(239)	51	33,590	(329,132)	(91,220)
Nonoperating revenues (expenses)						
Investment earnings	326	-	(20)	(8)	5,022	979
Insurance recovery	-	-	-	-	-	-
Loss on disposal of capital assets	(1,212)	-	-	(1,048)	(27,258)	-
Total nonoperating revenues (expenses)	(886)	-	(20)	(1,056)	(22,236)	979
Income (loss) before transfers and contributions	(118,574)	(239)	31	32,534	(351,368)	(90,241)
Transfers and contributions						
Capital contributions	-	-	-	-	300	-
Transfers in	100,000	-	-	-	-	-
Net transfers and contributions	100,000	-	-	-	300	-
Change in net position	(18,574)	(239)	31	32,534	(351,068)	(90,241)
Net position, beginning of year	512,773	7,014	22,439	142,332	5,041,625	1,521,963
Net position, end of year	\$ 494,199	\$ 6,775	\$ 22,470	\$ 174,866	\$ 4,690,557	\$ 1,431,722

Insurance Services							
Workers Compensation	Employee Disability Income Protection	Employee and Retiree Health / Dental	Vehicle Damage and Liability	Property Damage	General and Professional Liability	Compensated Absences	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,087,965	\$ 3,044,287
233,189	109,174	5,179,262	127,998	27,703	112,558	-	5,789,884
-	-	-	-	-	-	-	1,615,713
200,899	-	-	-	260	-	-	201,159
434,088	109,174	5,179,262	127,998	27,963	112,558	1,087,965	10,651,043
-	3,872	64	-	5,814	-	1,087,965	2,071,730
433,102	102,362	6,728,541	110,559	46,684	160,194	-	10,035,914
-	-	-	-	-	-	-	648,186
433,102	106,234	6,728,605	110,559	52,498	160,194	1,087,965	12,755,830
986	2,940	(1,549,343)	17,439	(24,535)	(47,636)	-	(2,104,787)
1,165	139	2,089	209	801	228	-	10,930
-	-	1,863,069	-	-	41,591	-	1,904,660
-	-	-	-	-	-	-	(29,518)
1,165	139	1,865,158	209	801	41,819	-	1,886,072
2,151	3,079	315,815	17,648	(23,734)	(5,817)	-	(218,715)
-	-	-	-	-	-	-	300
-	-	-	-	-	-	-	100,000
-	-	-	-	-	-	-	100,300
2,151	3,079	315,815	17,648	(23,734)	(5,817)	-	(118,415)
538,347	80,850	866,384	226,003	409,213	282,560	-	9,651,503
\$ 540,498	\$ 83,929	\$ 1,182,199	\$ 243,651	\$ 385,479	\$ 276,743	\$ -	\$ 9,533,088

CITY OF HOLLAND, MICHIGAN

Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2013

	Technology Services			Equipment Services		
	Computer Services	Postage Services	Communication Services	Fuel Dispensing	Centralized Vehicle / Equipment	Fire Vehicle / Equipment
Cash flows from operating activities						
Receipts from interfund services provided	\$ 536,999	\$ 16,586	\$ 108,880	\$ 1,021,401	\$ 1,898,403	\$ -
Payments to suppliers	(234,263)	(15,441)	(106,773)	(979,153)	(1,094,248)	-
Payments to employees	(336,965)	-	-	(6,091)	(639,238)	-
Net cash provided by (used in) operating activities	(34,229)	1,145	2,107	36,157	164,917	-
Cash flows from noncapital financing activities						
Insurance refunds	-	-	-	-	-	-
Intragovernmental receipts	100,000	-	-	-	-	-
Net cash provided by noncapital financing activities	100,000	-	-	-	-	-
Cash flows from capital and related financing activities						
Capital contributions	-	-	-	-	300	-
Proceeds from sale of capital assets	-	-	-	-	55,661	-
Purchase of capital assets	(44,646)	-	-	(16,155)	(670,639)	-
Net cash used in capital and related financing activities	(44,646)	-	-	(16,155)	(614,678)	-
Cash flows from investing activities						
Investment earnings	326	-	(20)	(8)	5,022	979
Net increase (decrease) in cash and pooled investments	21,451	1,145	2,087	19,994	(444,739)	979
Cash and pooled investments, beginning of year	212,312	3,259	10,587	139,132	2,375,998	467,716
Cash and pooled investments, end of year	\$ 233,763	\$ 4,404	\$ 12,674	\$ 159,126	\$ 1,931,259	\$ 468,695
Cash flows from operating activities						
Operating income (loss)	\$ (117,688)	\$ (239)	\$ 51	\$ 33,590	\$ (329,132)	\$ (91,220)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:						
Depreciation expense	77,046	-	1,697	2,567	475,656	91,220
Change in:						
Accounts receivable	11,147	-	-	(588)	12,044	-
Deposits held with others	-	-	-	-	-	-
Due from other funds	-	-	-	(1,757)	14	-
Inventories	-	1,384	-	(15,394)	(926)	-
Prepaid items	-	-	-	-	-	-
Accounts payable	2,100	-	359	28,365	8,706	-
Claims payable	-	-	-	-	-	-
Accrued payroll and benefits	(2,318)	-	-	-	(398)	-
Due to other funds	-	-	-	(10,626)	-	-
Accrued compensated absences	(4,516)	-	-	-	(1,047)	-
Net cash provided by (used in) operating activities	\$ (34,229)	\$ 1,145	\$ 2,107	\$ 36,157	\$ 164,917	\$ -

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
\$ 334,094	\$ 102,948	\$ 5,344,411	\$ 128,112	\$ 27,963	\$ 104,694	\$ 1,087,965	\$ 10,712,456
(449,788)	(102,362)	(6,778,987)	(110,559)	(47,360)	(146,513)	-	(10,065,447)
-	(1,014)	(64)	-	(5,814)	-	(1,208,327)	(2,197,513)
(115,694)	(428)	(1,434,640)	17,553	(25,211)	(41,819)	(120,362)	(1,550,504)
-	-	1,863,069	-	-	41,591	-	1,904,660
-	-	-	-	-	-	-	100,000
-	-	1,863,069	-	-	41,591	-	2,004,660
-	-	-	-	-	-	-	300
-	-	-	-	-	-	-	55,661
-	-	-	-	-	-	-	(731,440)
-	-	-	-	-	-	-	(675,479)
1,165	139	2,089	209	801	228	-	10,930
(114,529)	(289)	430,518	17,762	(24,410)	-	(120,362)	(210,393)
506,948	87,076	968,123	225,889	411,189	-	1,559,263	6,967,492
\$ 392,419	\$ 86,787	\$ 1,398,641	\$ 243,651	\$ 386,779	\$ -	\$ 1,438,901	\$ 6,757,099
\$ 986	\$ 2,940	\$ (1,549,343)	\$ 17,439	\$ (24,535)	\$ (47,636)	\$ -	\$ (2,104,787)
-	-	-	-	-	-	-	648,186
(99,994)	-	12,542	114	-	(38,200)	-	(102,935)
-	-	104,281	-	-	-	-	104,281
-	2,969	152,257	-	-	(6,029)	-	147,454
-	-	-	-	-	-	-	(14,936)
(8,620)	-	-	-	-	9,374	-	754
(8,066)	-	(140,836)	-	(676)	16,307	-	(93,741)
-	-	(13,891)	-	-	(12,000)	-	(25,891)
-	2,858	-	-	-	-	-	142
-	(9,195)	350	-	-	36,365	-	16,894
-	-	-	-	-	-	(120,362)	(125,925)
\$ (115,694)	\$ (428)	\$ (1,434,640)	\$ 17,553	\$ (25,211)	\$ (41,819)	\$ (120,362)	\$ (1,550,504)

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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 of Holland tax roll.

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

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

Outside Agencies Collections Fund (an Agency Fund)

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

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

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

Employees' Flexible Spending Plan Fund (an Agency Fund)

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

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

CITY OF HOLLAND, MICHIGAN

Agency Funds

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

Imprest Payroll Fund (an Agency Fund)

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

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

Disbursements out of the fund include:

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

WMAA Pooled Cash Fund

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

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CITY OF HOLLAND, MICHIGAN

Combining Statement of Fiduciary Assets and Liabilities

Agency Funds
June 30, 2013

	Current Tax Collections	Outside Agency Collections	Employees' Flexible Spending Plan	Imprest Payroll
Assets				
Cash and pooled investments	\$ -	\$ 12,999	\$ 14,846	\$ 86,776
Accounts receivable	-	-	305	-
Total assets	\$ -	\$ 12,999	\$ 15,151	\$ 86,776
Liabilities				
Accounts payable	\$ -	\$ 12,968	\$ 317	\$ 46,561
Due to other governmental units	-	31	-	39,877
Other liabilities and deposits	-	-	14,834	338
Total liabilities	\$ -	\$ 12,999	\$ 15,151	\$ 86,776



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

\$ 1,004,105	\$ 1,118,726
-	305

<u>\$ 1,004,105</u>	<u>\$ 1,119,031</u>
---------------------	---------------------

\$ -	\$ 59,846
1,004,105	1,044,013
-	15,172

<u>\$ 1,004,105</u>	<u>\$ 1,119,031</u>
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CITY OF HOLLAND, MICHIGAN

Combining Statement of Changes in Fiduciary Assets and Liabilities

Agency Funds

For the Year Ended June 30, 2013

	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013
<i>Current Tax Collection Fund</i>				
Assets				
Cash and pooled investments	\$ -	\$ 48,842,323	\$ 48,842,323	\$ -
Accounts receivable	-	363,697	363,697	-
Total assets	\$ -	\$ 49,206,020	\$ 49,206,020	\$ -
Liabilities				
Accounts payable	\$ -	\$ 31,720,371	\$ 31,720,371	\$ -
Due to other governmental units	-	17,485,649	17,485,649	-
Total liabilities	\$ -	\$ 49,206,020	\$ 49,206,020	\$ -
<i>Outside Agency Collection Fund</i>				
Assets				
Cash and pooled investments	\$ 38,183	\$ 350,557	\$ 375,741	\$ 12,999
Accounts receivable	-	95,086	95,086	-
Other assets	-	310,570	310,570	-
Total assets	\$ 38,183	\$ 756,213	\$ 781,397	\$ 12,999
Liabilities				
Accounts payable	\$ 37,464	\$ 551,680	\$ 576,176	\$ 12,968
Due to other governmental units	719	204,533	205,221	31
Total liabilities	\$ 38,183	\$ 756,213	\$ 781,397	\$ 12,999
<i>Employees' Flexible Spending Plan</i>				
Assets				
Cash and pooled investments	\$ 10,695	\$ 202,379	\$ 198,228	\$ 14,846
Accounts receivable	385	117,369	117,449	305
Total assets	\$ 11,080	\$ 319,748	\$ 315,677	\$ 15,151
Liabilities				
Accounts payable	\$ 372	\$ 5,675	\$ 5,730	\$ 317
Other liabilities and deposits	10,708	314,073	309,947	14,834
Total liabilities	\$ 11,080	\$ 319,748	\$ 315,677	\$ 15,151

continued...

CITY OF HOLLAND, MICHIGAN

Combining Statement of Changes in Fiduciary Assets and Liabilities

Agency Funds

For the Year Ended June 30, 2013

	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013
<i>Imprest Payroll Fund</i>				
Assets				
Cash and pooled investments	\$ 69,702	\$ 6,054,253	\$ 6,037,179	\$ 86,776
Accounts receivable	-	50,086	50,086	-
Total assets	<u>\$ 69,702</u>	<u>\$ 6,104,339</u>	<u>\$ 6,087,265</u>	<u>\$ 86,776</u>
Liabilities				
Accounts payable	\$ 33,403	\$ 1,127,940	\$ 1,114,782	\$ 46,561
Due to other governmental units	36,299	2,782,849	2,779,271	39,877
Other liabilities and deposits	-	2,193,550	2,193,212	338
Total liabilities	<u>\$ 69,702</u>	<u>\$ 6,104,339</u>	<u>\$ 6,087,265</u>	<u>\$ 86,776</u>
<i>WMAA Pooled Cash Fund</i>				
Assets				
Cash and pooled investments	\$ 639,908	\$ 746,527	\$ 382,330	\$ 1,004,105
Liabilities				
Due to other governmental units	\$ 639,908	\$ 746,527	\$ 382,330	\$ 1,004,105
<i>Total All Agency Funds</i>				
Assets				
Cash and pooled investments	\$ 758,488	\$ 56,196,039	\$ 55,835,801	\$ 1,118,726
Accounts receivable	385	626,238	626,318	305
Other assets	-	310,570	310,570	-
Total assets	<u>\$ 758,873</u>	<u>\$ 57,132,847</u>	<u>\$ 56,772,689</u>	<u>\$ 1,119,031</u>
Liabilities				
Accounts payable	\$ 71,239	\$ 33,405,666	\$ 33,417,059	\$ 59,846
Due to other governmental units	676,926	21,219,558	20,852,471	1,044,013
Other liabilities and deposits	10,708	2,507,623	2,503,159	15,172
Total liabilities	<u>\$ 758,873</u>	<u>\$ 57,132,847</u>	<u>\$ 56,772,689</u>	<u>\$ 1,119,031</u>

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CITY OF HOLLAND, MICHIGAN

Component Units

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

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

Brownfield Redevelopment Authority Funds

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

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

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

As of the fiscal year ending June 30, 2013 fourteen individual Brownfield Redevelopment Projects have been approved, with the current status of each project delineated as follows:

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

CITY OF HOLLAND, MICHIGAN

Component Units

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

141 East 8 th St. (former muffler shop location, new Macatawa Bank)	2005	Completed/TIF Done
96 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	In Progress
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	Not Started
1130 Lincoln Ave (former house, new convenience store)	2011	In Progress

Downtown Development Authority Fund

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

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

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

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

CITY OF HOLLAND, MICHIGAN

Component Units

Holland Historical Trust

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

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

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

CITY OF HOLLAND, MICHIGAN

Balance Sheet

Downtown Development Authority Component Unit
June 30, 2013

Assets

Current assets:

Cash and pooled investments	\$ 136,974
Taxes receivable	55
Prepaid items	<u>200</u>

Total assets \$ 137,229

Liabilities

Current liabilities:

Accounts payable	\$ 2,538
Accrued payroll and fringe benefits	<u>2,662</u>

Total liabilities 5,200

Fund balances

Nonspendable	200
Unassigned	<u>131,829</u>

Total fund balances 132,029

Total liabilities and fund balances \$ 137,229

CITY OF HOLLAND, MICHIGAN

Reconciliation

Fund Balance for the Governmental Fund
to Net Position of Component Unit
Downtown Development Authority Component Unit
June 30, 2013

Fund balance - total governmental fund	\$	132,029
--	----	---------

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>238,434</u>
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Net position of component unit	\$	<u><u>370,463</u></u>
--------------------------------	----	-----------------------

CITY OF HOLLAND, MICHIGAN

Statement of Revenues, Expenditures and Changes in Fund Balance

Downtown Development Authority Component Unit

For the Year Ended June 30, 2013

Revenues	
Property taxes	\$ 178,090
Charges for services	3,435
Investment earnings	<u>601</u>
Total revenue	<u>182,126</u>
Expenditures	
Economic development:	
Personal services	102,174
Current operating expenditures	74,475
Capital outlay	<u>2,952</u>
Total expenditures	<u>179,601</u>
Net changes in fund balance	2,525
Fund balance, beginning of year	<u>129,504</u>
Fund balance, end of year	<u><u>\$ 132,029</u></u>

CITY OF HOLLAND, MICHIGAN

Reconciliation

Net Changes in Fund Balance of the Governmental Fund
to Change in Net Position of Component Units
Downtown Development Authority Component Unit
For the Year Ended June 30, 2013

Net change in fund balance - total governmental fund	\$	2,525
--	----	-------

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

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

Depreciation expense		<u>(19,891)</u>
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Change in net position of component unit	\$	<u><u>(17,366)</u></u>
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CITY OF HOLLAND, MICHIGAN

Detailed Schedule of Revenues, Expenditures and Changes in Fund Balance Budget and Actual - Downtown Development Authority Component Unit For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Property taxes	\$ 178,280	\$ 178,098	\$ 178,090	\$ (8)
Charges for services	1,500	2,413	3,435	1,022
Investment earnings	1,890	1,000	601	(399)
Total revenues	181,670	181,511	182,126	615
Expenditures				
Economic development:				
Personal services	114,363	126,189	102,174	(24,015)
Other services and charges	83,250	78,921	74,475	(4,446)
Capital outlay	-	2,952	2,952	-
Total expenditures	197,613	208,062	179,601	(28,461)
Net changes in fund balance	(15,943)	(26,551)	2,525	29,076
Fund balance, beginning of year	129,504	129,504	129,504	-
Fund balance, end of year	\$ 113,561	\$ 102,953	\$ 132,029	\$ 29,076

CITY OF HOLLAND, MICHIGAN

Balance Sheet

Brownfield Redevelopment Authority Component Unit
June 30, 2013

Assets

Current assets:

Cash and pooled investments	<u>\$ 48,502</u>
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Fund balance

Unassigned	<u>\$ 48,502</u>
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CITY OF HOLLAND, MICHIGAN

Statement of Revenues, Expenditures and Changes in Fund Balance

Brownfield Redevelopment Authority Component Unit

For the Year Ended June 30, 2013

Revenues	
Property taxes	\$ 639,981
Contributions	57,301
Investment earnings	<u>1,245</u>
Total revenues	698,527
Expenditures	
Economic development	<u>682,326</u>
Net changes in fund balance	16,201
Fund balance, beginning of year	<u>32,301</u>
Fund balance, end of year	<u><u>\$ 48,502</u></u>

CITY OF HOLLAND, MICHIGAN

Detailed Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual - Brownfield Redevelopment Authority Component Unit
 For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Property taxes	\$ 635,855	\$ 639,978	\$ 639,981	\$ 3
Contributions	57,253	57,302	57,301	(1)
Investment earnings	-	987	1,245	258
Total revenues	693,108	698,267	698,527	260
Expenditures				
Economic development	680,131	682,332	682,326	(6)
Net changes in fund balance	12,977	15,935	16,201	266
Fund balance, beginning of year	32,301	32,301	32,301	-
Fund balance, end of year	\$ 45,278	\$ 48,236	\$ 48,502	\$ 266

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STATISTICAL SECTION

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CITY OF HOLLAND, MICHIGAN

Statistical Section Table of Contents

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

		<u>Page</u>
Financial Trends	These schedules contain trend information to help the reader understand and evaluate how the City's financial condition, performance and well-being have changed over time.	218
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.	228
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.	234
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.	243
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.	246

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			
	2013	2012	2011	2010
Governmental activities				
Net investment in capital assets	\$ 100,986,324	\$ 98,805,338	\$ 97,982,454	\$ 91,848,117
Restricted	5,290,226	5,038,121	5,007,295	8,273,750
Unrestricted	14,722,301	13,480,119	13,469,116	12,635,427
Total governmental activities net position	\$ 120,998,851	\$ 117,323,578	\$ 116,458,865	\$ 112,757,294
Business-type activities				
Net investment in capital assets	\$ 130,923,312	\$ 132,936,434	\$ 130,752,723	\$ 125,755,686
Restricted	10,299,047	15,130,725	12,841,230	11,605,553
Unrestricted	152,548,565	133,025,971	126,288,993	122,779,775
Total business-type activities net position	\$ 293,770,924	\$ 281,093,130	\$ 269,882,946	\$ 260,141,014
Primary government				
Net investment in capital assets	\$ 231,909,636	\$ 231,741,772	\$ 228,735,177	\$ 217,603,803
Restricted	15,589,273	20,168,846	17,848,525	19,879,303
Unrestricted	167,270,866	146,506,090	139,758,109	135,415,202
Total primary government net position	\$ 414,769,775	\$ 398,416,708	\$ 386,341,811	\$ 372,898,308

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

Fiscal Year					
2009	2008	2007	2006	2005	2004
\$ 96,236,210	\$ 94,586,185	\$ 85,215,206	\$ 77,018,752	\$ 41,668,796	\$ 27,487,076
4,739,586	5,726,977	6,836,980	8,068,218	11,469,701	3,412,885
11,443,984	13,044,127	18,854,026	22,673,963	21,156,010	30,711,466
<u>\$ 112,419,780</u>	<u>\$ 113,357,289</u>	<u>\$ 110,906,212</u>	<u>\$ 107,760,933</u>	<u>\$ 74,294,507</u>	<u>\$ 61,611,427</u>
\$ 129,330,134	\$ 133,094,822	\$ 134,418,954	\$ 137,313,844	\$ 146,437,083	\$ 142,754,355
11,591,211	13,532,257	14,296,104	6,770,323	6,402,803	10,712,670
111,446,733	101,113,510	92,581,178	86,838,111	74,394,903	70,573,561
<u>\$ 252,368,078</u>	<u>\$ 247,740,589</u>	<u>\$ 241,296,236</u>	<u>\$ 230,922,278</u>	<u>\$ 227,234,789</u>	<u>\$ 224,040,586</u>
\$ 225,566,344	\$ 227,681,007	\$ 219,634,160	\$ 214,332,596	\$ 188,105,879	\$ 170,241,431
16,330,797	19,259,234	21,133,084	14,838,541	17,872,504	14,125,555
122,890,717	114,157,637	111,435,204	109,512,074	95,550,913	101,285,027
<u>\$ 364,787,858</u>	<u>\$ 361,097,878</u>	<u>\$ 352,202,448</u>	<u>\$ 338,683,211</u>	<u>\$ 301,529,296</u>	<u>\$ 285,652,013</u>

CITY OF HOLLAND, MICHIGAN

Changes in Net Position

Last Ten Fiscal Years

	Fiscal Year			
	2013	2012	2011	2010
Expenses				
Governmental activities:				
General government	\$ 4,820,804	\$ 4,822,179	\$ 4,746,330	\$ 4,486,867
Public safety	12,316,027	12,099,607	12,078,156	12,220,723
Public works	8,716,017	11,382,965	7,821,063	7,966,875
Culture and recreation	5,290,515	4,837,537	5,244,382	5,293,696
Welfare and social services	908,229	1,019,891	1,332,557	1,473,119
Interest on debt	1,015,138	1,115,515	968,108	1,143,337
Total governmental activities expenses	<u>33,066,730</u>	<u>35,277,694</u>	<u>32,190,596</u>	<u>32,584,617</u>
Business-type activities:				
Electric utility	79,504,798	76,116,440	73,286,291	68,510,184
Wastewater utility	8,419,218	8,401,050	8,230,946	7,926,053
Water utility	6,215,516	6,305,874	6,293,924	6,020,005
Other enterprise activities	4,428,481	3,037,469	3,176,910	3,296,369
Total business-type activities expenses	<u>98,568,013</u>	<u>93,860,833</u>	<u>90,988,071</u>	<u>85,752,611</u>
Total primary government expenses	<u>\$ 131,634,743</u>	<u>\$ 129,138,527</u>	<u>\$ 123,178,667</u>	<u>\$ 118,337,228</u>
Program revenues				
Governmental activities:				
Charges for services:				
General government	\$ 1,340,368	\$ 1,461,558	\$ 1,380,752	\$ 1,271,066
Public safety	1,148,691	1,091,868	1,002,070	811,487
Culture and recreation	545,865	521,717	510,063	495,074
Other activities	880,201	1,350,055	928,157	607,705
Operating grants and contributions	7,590,327	4,279,364	4,905,759	4,833,063
Capital grants and contributions	2,427,984	5,396,650	4,372,059	906,356
Total governmental activities program revenues	<u>13,933,436</u>	<u>14,101,212</u>	<u>13,098,860</u>	<u>8,924,751</u>
Business-type activities:				
Charges for services:				
Electric utility	93,576,510	88,066,208	84,411,319	78,536,430
Wastewater utility	9,446,065	8,619,974	8,854,094	7,874,856
Water utility	8,506,464	7,346,263	7,133,417	6,331,397
Other enterprise activities	2,103,272	1,864,234	1,905,362	2,042,509
Operating grants and contributions	1,534,672	1,970,111	157,859	59,954
Capital grants and contributions	617,604	233,950	639,163	544,493
Total business-type activities program revenues	<u>115,784,587</u>	<u>108,100,740</u>	<u>103,101,214</u>	<u>95,389,639</u>
Total primary government program revenues	<u>\$ 129,718,023</u>	<u>\$ 122,201,952</u>	<u>\$ 116,200,074</u>	<u>\$ 104,314,390</u>
Net (Expenses) Revenues				
Governmental activities	\$ (19,133,294)	\$ (21,176,482)	\$ (19,091,736)	\$ (23,659,866)
Business-type activities	<u>17,216,574</u>	<u>14,239,907</u>	<u>12,113,143</u>	<u>9,637,028</u>
Total primary government net (expenses) revenue	<u>\$ (1,916,720)</u>	<u>\$ (6,936,575)</u>	<u>\$ (6,978,593)</u>	<u>\$ (14,022,838)</u>

Fiscal Year					
2009	2008	2007	2006	2005	2004
\$ 7,087,290	\$ 6,606,201	\$ 6,249,186	\$ 8,643,952	\$ 6,376,009	\$ 6,055,106
12,845,443	11,782,618	11,584,857	10,738,962	10,544,833	9,787,165
9,420,191	7,270,495	6,996,667	4,382,884	5,324,083	3,330,034
6,048,286	5,457,951	5,818,508	6,060,666	6,013,457	5,725,045
1,495,708	1,093,507	1,310,221	1,372,729	1,310,458	1,371,551
1,253,379	1,193,155	1,277,812	1,394,338	1,498,919	2,150,038
<u>38,150,297</u>	<u>33,403,927</u>	<u>33,237,251</u>	<u>32,593,531</u>	<u>31,067,759</u>	<u>28,418,939</u>
67,823,832	71,198,426	70,982,822	76,883,149	65,698,626	59,519,913
8,185,044	8,006,723	7,692,405	7,708,629	7,235,531	7,068,457
6,181,007	5,558,454	5,662,012	5,542,208	4,858,304	4,927,953
3,409,153	4,471,485	5,940,049	5,533,235	5,086,577	4,793,862
<u>85,599,036</u>	<u>89,235,088</u>	<u>90,277,288</u>	<u>95,667,221</u>	<u>82,879,038</u>	<u>76,310,185</u>
<u>\$ 123,749,333</u>	<u>\$ 122,639,015</u>	<u>\$ 123,514,539</u>	<u>\$ 128,260,752</u>	<u>\$ 113,946,797</u>	<u>\$ 104,729,124</u>
\$ 3,040,152	\$ 2,514,224	\$ 2,475,575	\$ 2,450,074	\$ 2,418,923	\$ 2,639,966
798,688	867,229	988,690	928,337	952,885	893,450
495,556	1,162,829	1,122,695	987,705	968,203	904,771
982,413	618,367	691,541	917,065	651,398	520,492
4,807,025	4,156,784	1,471,960	1,727,564	1,961,673	1,813,765
2,534,159	1,858,530	5,969,801	7,028,471	14,868,097	13,085,189
<u>12,657,993</u>	<u>11,177,963</u>	<u>12,720,262</u>	<u>14,039,216</u>	<u>21,821,179</u>	<u>19,857,633</u>
75,466,722	79,166,950	81,276,323	78,272,801	67,001,967	64,819,973
6,879,454	6,997,724	7,315,443	7,219,855	6,634,140	6,912,837
5,881,210	5,715,370	5,668,249	5,859,601	5,213,380	5,251,241
2,032,514	1,997,363	2,273,950	2,103,966	2,158,971	1,731,232
89,035	1,605,962	2,075,992	2,172,593	1,701,262	1,829,910
1,670,442	1,465,771	834,580	3,513,337	3,484,614	1,136,306
<u>92,019,377</u>	<u>96,949,140</u>	<u>99,444,537</u>	<u>99,142,153</u>	<u>86,194,334</u>	<u>81,681,499</u>
<u>\$ 104,677,370</u>	<u>\$ 108,127,103</u>	<u>\$ 112,164,799</u>	<u>\$ 113,181,369</u>	<u>\$ 108,015,513</u>	<u>\$ 101,539,132</u>
\$ (25,492,304)	\$ (22,225,964)	\$ (20,516,989)	\$ (18,554,315)	\$ (9,246,580)	\$ (8,561,306)
6,420,341	7,714,052	9,167,249	3,474,932	3,315,296	5,371,314
<u>\$ (19,071,963)</u>	<u>\$ (14,511,912)</u>	<u>\$ (11,349,740)</u>	<u>\$ (15,079,383)</u>	<u>\$ (5,931,284)</u>	<u>\$ (3,189,992)</u>

CITY OF HOLLAND, MICHIGAN

Changes in Net Position Last Ten Fiscal Years

	Fiscal Year			
	2013	2012	2011	2010
General revenues and other changes in net position				
Governmental Activities:				
Property taxes	\$ 15,305,039	\$ 15,345,237	\$ 16,121,528	\$ 17,251,755
State shared revenue	2,771,987	2,700,327	2,697,917	2,698,103
Investment earnings - unrestricted	48,935	126,645	197,270	455,666
Miscellaneous	-	-	482,588	-
Gain on sale of capital assets	603,794	-	-	-
Transfers - internal activities	4,422,221	3,868,986	3,294,004	3,600,531
Total governmental activities	<u>23,151,976</u>	<u>22,041,195</u>	<u>22,793,307</u>	<u>24,006,055</u>
Business-type activities:				
Property taxes	97,572	103,438	108,734	118,962
Investment earnings - unrestricted	26,918	735,825	814,059	1,608,802
Miscellaneous	-	-	-	-
Transfers - internal activities	(4,422,221)	(3,868,986)	(3,294,004)	(3,600,531)
Special item:				
Transfer of assets to transportation authority	-	-	-	-
Transfer of assets to airport authority	-	-	-	-
Total business-type activities	<u>(4,297,731)</u>	<u>(3,029,723)</u>	<u>(2,371,211)</u>	<u>(1,872,767)</u>
Total primary government general revenues	<u>\$ 18,854,245</u>	<u>\$ 19,011,472</u>	<u>\$ 20,422,096</u>	<u>\$ 22,133,288</u>
Change in net position				
Governmental activities	\$ 4,018,682	\$ 864,713	\$ 3,701,571	\$ 346,189
Business-type activities	<u>12,918,843</u>	<u>11,210,184</u>	<u>9,741,932</u>	<u>7,764,261</u>
Total primary government change in net position	<u>\$ 16,937,525</u>	<u>\$ 12,074,897</u>	<u>\$ 13,443,503</u>	<u>\$ 8,110,450</u>

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

Fiscal Year						
2009	2008	2007	2006	2005	2004	
\$ 17,089,338	\$ 17,313,526	\$ 16,771,182	\$ 16,368,318	\$ 16,033,637	\$ 15,286,387	
3,041,193	3,168,205	3,133,796	3,229,886	3,265,596	3,412,306	
635,831	1,254,996	1,222,007	909,619	611,338	479,191	
-	-	-	-	-	-	
-	-	-	-	-	-	
3,788,433	2,940,314	2,535,283	2,041,365	2,019,089	2,110,785	
<u>24,554,795</u>	<u>24,677,041</u>	<u>23,662,268</u>	<u>22,549,188</u>	<u>21,929,660</u>	<u>21,288,669</u>	
117,952	19	171,058	113,079	111,020	217,306	
2,296,887	4,213,060	3,953,403	2,138,700	1,786,976	235,927	
-	-	(382,469)	2,143	-	-	
(3,788,433)	(2,940,314)	(2,535,283)	(2,041,365)	(2,019,089)	(2,110,785)	
-	(2,542,464)	-	-	-	-	
(419,258)	-	-	-	-	-	
<u>(1,792,852)</u>	<u>(1,269,699)</u>	<u>1,206,709</u>	<u>212,557</u>	<u>(121,093)</u>	<u>(1,657,552)</u>	
<u>\$ 22,761,943</u>	<u>\$ 23,407,342</u>	<u>\$ 24,868,977</u>	<u>\$ 22,761,745</u>	<u>\$ 21,808,567</u>	<u>\$ 19,631,117</u>	
\$ (937,509)	\$ 2,451,077	\$ 3,145,279	\$ 3,994,873	\$ 12,683,080	\$ 12,727,363	
4,627,489	6,444,353	10,373,958	3,687,489	3,194,203	3,713,762	
<u>\$ 3,689,980</u>	<u>\$ 8,895,430</u>	<u>\$ 13,519,237</u>	<u>\$ 7,682,362</u>	<u>\$ 15,877,283</u>	<u>\$ 16,441,125</u>	

CITY OF HOLLAND, MICHIGAN

Fund Balances for Governmental Funds

Last Ten Fiscal Years

	Fiscal Year			
	2013	2012	2011	2010
General fund				
Reserved	\$ -	\$ -	\$ -	\$ 5,010
Unreserved	-	-	-	3,229,998
Nonspendable	10,909	7,028	300	-
Committed	17,415	27,090	66,490	-
Unassigned	4,931,652	4,183,015	4,065,072	-
Total general fund	\$ 4,959,976	\$ 4,217,133	\$ 4,131,862	\$ 3,235,008
All other governmental funds				
Reserved:				
Prepaid Items	\$ -	\$ -	\$ -	\$ 300
Assets held for resale	-	-	-	-
Special revenue funds	-	-	-	-
Capital projects funds	-	-	-	-
Debt service funds	-	-	-	-
Permanent trust funds	-	-	-	-
Permanent fund corpus	-	-	-	1,441,142
Permanent fund expendable	-	-	-	52,068
Unreserved, reported in:				
Special revenue funds	-	-	-	6,587,493
Debt service funds	-	-	-	804,641
Capital projects funds	-	-	-	1,291,149
Other funds	-	-	-	-
Nonspendable	1,507,707	1,488,822	1,465,142	-
Restricted	3,997,308	3,783,400	4,932,209	-
Committed	3,270,785	2,118,169	1,593,998	-
Unassigned (deficit)	(365,102)	(239,384)	-	-
Total all other governmental funds	\$ 8,410,698	\$ 7,151,007	\$ 7,991,349	\$ 10,176,793

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

Fiscal Year					
2009	2008	2007	2006	2005	2004
\$ 2,144	\$ 6,863	\$ 10,874	\$ 14,360	\$ -	\$ -
2,563,468	2,329,183	2,575,413	2,528,264	2,543,921	2,551,853
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 2,565,612</u>	<u>\$ 2,336,046</u>	<u>\$ 2,586,287</u>	<u>\$ 2,542,624</u>	<u>\$ 2,543,921</u>	<u>\$ 2,551,853</u>
\$ 300	\$ 50,169	\$ 1,241	\$ 41,525	\$ -	\$ -
20,000	-	-	-	-	-
-	-	-	-	-	3,700,089
-	-	-	-	5,142,821	-
-	-	-	-	907,645	-
-	-	-	-	-	1,827,723
1,411,567	1,385,867	1,365,692	1,339,292	1,236,292	-
127,130	220,112	267,434	287,653	584,311	-
3,396,437	3,883,960	4,803,171	4,749,558	6,815,229	4,402,875
753,755	826,450	905,740	941,569	-	937,873
834,822	1,348,069	1,742,621	1,517,035	-	-
-	-	-	-	-	5,119,179
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 6,544,011</u>	<u>\$ 7,714,627</u>	<u>\$ 9,085,899</u>	<u>\$ 8,876,632</u>	<u>\$ 14,686,298</u>	<u>\$ 15,987,739</u>

CITY OF HOLLAND, MICHIGAN

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

	Fiscal Year			
	2013	2012	2011	2010
Revenues				
Property taxes	\$ 15,305,039	\$ 15,345,237	\$ 16,121,528	\$ 17,251,755
Special assessments	738,263	814,214	721,343	695,621
Licenses, fees and permits	484,785	497,102	551,740	378,613
Intergovernmental	9,190,867	11,513,296	11,048,271	7,682,981
Charges for services	1,767,839	1,727,647	1,544,669	1,408,254
Fines and penalties	600,565	558,518	549,498	495,531
Contributions from private sector	1,458,342	570,496	586,279	386,717
Interest and rents	916,552	1,026,240	1,103,409	1,294,685
Other revenues	272,010	346,334	256,580	260,585
Total revenues	30,734,262	32,399,084	32,483,317	29,854,742
Expenditures				
Current:				
General government	3,946,025	4,045,535	3,893,107	3,708,153
Public safety	10,904,914	10,947,361	11,212,040	11,095,227
Public works	3,993,238	3,890,213	3,951,785	3,850,331
Welfare and social services	895,361	1,003,258	1,326,664	1,451,323
Culture and recreation	4,365,859	4,771,718	4,986,686	5,122,991
Other	68,572	64,781	69,432	75,282
Debt service:				
Principal	3,218,223	2,631,963	1,981,964	1,807,961
Interest	1,010,844	1,108,456	1,047,485	1,181,812
Bond issuance costs	-	-	114,289	62,973
Capital outlay	5,982,162	8,396,066	8,214,505	5,970,223
Total expenditures	34,385,198	36,859,351	36,797,957	34,326,276
Revenues under expenditures	(3,650,936)	(4,460,267)	(4,314,640)	(4,471,534)
Other Financing Sources (Uses)				
Bond issue and land contract	-	-	7,425,000	5,820,000
Bond premium	-	-	385,976	-
Payment to escrow agent	-	-	(7,852,210)	-
Proceeds on sale of capital assets	1,331,249	-	-	-
Transfers in	9,489,765	9,647,680	10,616,583	11,403,402
Transfers out	(5,167,544)	(5,942,484)	(7,540,624)	(8,449,690)
Total other financing sources (uses)	5,653,470	3,705,196	3,034,725	8,773,712
Net changes in fund balances	\$ 2,002,534	\$ (755,071)	\$ (1,279,915)	\$ 4,302,178
Debt service as a percentage of noncapital expenditures	14.4%	11.9%	10.6%	10.3%

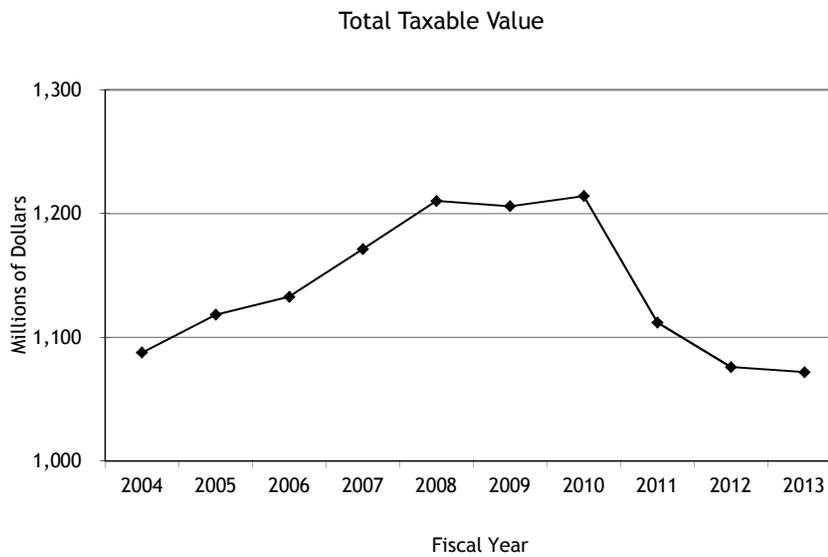
Fiscal Year					
2009	2008	2007	2006	2005	2004
\$ 17,089,338	\$ 17,313,526	\$ 16,771,182	\$ 16,368,318	\$ 16,033,637	\$ 15,633,888
659,329	624,352	682,982	728,498	583,084	609,316
331,941	428,256	556,324	517,223	510,922	482,360
8,148,604	8,977,468	10,402,819	11,650,263	19,848,219	17,815,507
1,360,268	1,201,777	1,174,439	1,176,727	1,118,339	1,032,832
474,462	460,144	445,206	423,176	450,799	434,164
408,948	375,206	408,474	542,430	456,891	811,369
3,702,781	4,078,215	4,009,704	3,660,418	3,317,548	3,161,838
419,427	15,666	10,384	41,169	125,155	24,538
<u>32,595,098</u>	<u>33,474,610</u>	<u>34,461,514</u>	<u>35,108,222</u>	<u>42,444,594</u>	<u>40,005,812</u>
6,014,901	6,115,337	5,793,527	5,713,523	5,748,867	5,566,723
11,336,176	11,353,454	11,274,392	10,301,845	10,438,435	9,529,234
4,273,397	4,005,177	3,760,112	3,290,658	3,043,671	3,024,687
1,289,774	1,112,074	1,304,323	1,399,094	1,369,692	582,131
5,134,093	5,408,323	5,156,184	5,439,768	5,196,498	5,844,799
85,705	81,242	151,255	115,681	147,246	144,212
2,567,963	2,427,963	2,322,963	2,292,963	2,079,475	1,829,475
1,230,937	1,195,690	1,273,710	1,534,371	1,489,744	2,266,535
151,980	-	-	-	-	-
<u>9,538,667</u>	<u>6,455,022</u>	<u>6,056,550</u>	<u>13,185,288</u>	<u>16,301,232</u>	<u>26,310,205</u>
<u>41,623,593</u>	<u>38,154,282</u>	<u>37,093,016</u>	<u>43,273,191</u>	<u>45,814,860</u>	<u>55,098,001</u>
<u>(9,028,495)</u>	<u>(4,679,672)</u>	<u>(2,631,502)</u>	<u>(8,164,969)</u>	<u>(3,370,266)</u>	<u>(15,092,189)</u>
4,000,000	-	-	7,410,000	-	480,000
34,490	-	-	1,676	-	-
-	-	-	(7,137,158)	-	-
-	-	-	-	-	-
12,243,923	10,118,589	8,866,486	10,033,423	8,919,203	7,835,073
<u>(8,190,968)</u>	<u>(7,060,430)</u>	<u>(5,982,054)</u>	<u>(7,953,935)</u>	<u>(6,858,314)</u>	<u>(5,811,547)</u>
<u>8,087,445</u>	<u>3,058,159</u>	<u>2,884,432</u>	<u>2,354,006</u>	<u>2,060,889</u>	<u>2,503,526</u>
<u>\$ (941,050)</u>	<u>\$ (1,621,513)</u>	<u>\$ 252,930</u>	<u>\$ (5,810,963)</u>	<u>\$ (1,309,377)</u>	<u>\$ (12,588,663)</u>
11.8%	11.5%	11.3%	11.8%	11.3%	14.2%

Actual Value of Taxable Property
For the Last Ten Fiscal Years

Fiscal Year	Residential Property	Commercial Property	Industrial Property	Other Property*	Less: Tax-Exempt Property	Total Taxable Value	Total Direct Tax Rate
2004	\$496,712,932	\$258,448,815	\$394,638,205	\$ 7,505,158	\$ 69,610,550	\$ 1,087,694,560	14.0000
2005	524,341,222	262,986,849	393,924,363	6,434,551	69,356,000	1,118,330,985	14.0000
2006	550,750,436	267,849,019	369,982,684	6,732,436	62,517,050	1,132,797,525	14.0000
2007	579,585,857	278,879,918	362,481,265	6,704,156	56,444,324	1,171,206,872	14.0000
2008	605,920,196	286,472,472	368,297,169	6,846,131	57,380,750	1,210,155,218	13.8500
2009	602,726,559	297,942,605	351,291,201	7,442,186	53,513,250	1,205,889,301	13.9500
2010	601,084,113	300,249,618	347,825,287	7,428,422	42,432,650	1,214,154,790	13.9500
2011	540,616,527	288,767,424	311,708,814	7,819,201	36,884,736	1,112,027,230	14.2500
2012	528,498,464	272,104,084	299,457,251	8,126,614	32,058,538	1,076,127,875	14.2500
2013	497,622,663	252,984,857	340,280,477	8,604,548	27,566,063	1,071,926,482	15.1085

*Other property includes agricultural, developmental and utilities.

Source: City of Holland Assessor's Office



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CITY OF HOLLAND, MICHIGAN

Direct and Overlapping Property Tax Rates

For the Last Ten Fiscal Years

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

Fiscal Year	City Direct Rates								
	Basic Rate	General Obligation Debt Service	Capital Projects	Herrick District Library	MAX Public Transit	Airport Authority	Total Direct	State of Michigan	MAX Authority
2004	9.2421	1.5000	1.7000	1.3579	0.2000	-	14.0000	5.0000	-
2005	9.4590	2.0000	1.1000	1.3410	0.1000	-	14.0000	6.0000	-
2006	9.4337	2.0910	1.0500	1.3253	0.1000	-	14.0000	6.0000	-
2007	9.5188	1.9586	1.0642	1.3111	0.1473	-	14.0000	6.0000	-
2008	9.3361	1.8551	1.3477	1.3111	-	-	13.8500	6.0000	0.3500
2009	9.3361	1.9504	1.2549	1.3086	-	0.1000	13.9500	6.0000	0.3500
2010	9.5000	1.6379	1.4579	1.2542	-	0.1000	13.9500	6.0000	0.3500
2011	9.5089	2.1277	1.2504	1.2630	-	0.1000	14.2500	6.0000	0.3500
2012	9.5000	2.1946	1.1871	1.2683	-	0.1000	14.2500	6.0000	0.3500
2013	9.6585	2.8936	1.1843	1.2721	-	0.1000	15.1085	6.0000	0.4000

1.8333 must be added to the City direct rate, for the fiscal year 2013, for all properties in the Downtown Development Authority (DDA) area. This rate applies to approximately 7.5% of the City of Holland's tax base.

*** Overlapping rates:**

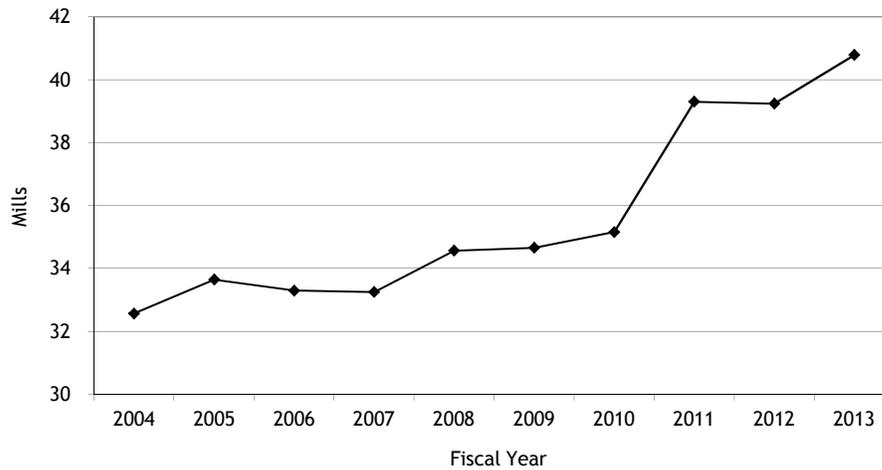
The City of Holland is located in both Ottawa and Allegan County and Holland, Hamilton and Zeeland School District. The county and school tax paid by property owners depends on the location of their property. Approximately 80% of the City of Holland is located in Ottawa County and 20% in Allegan County.

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

Sources: Various Taxing Jurisdictions

Overlapping Rates*									
Ottawa Area Intermediate Schools	Holland Community Swimming Pool	Counties		School Districts					
				Holland		Hamilton		Zeeland	
				Principal Residence	Non-Principal Residence	Principal Residence	Non-Principal Residence	Principal Residence	Non-Principal Residence
Ottawa	Allegan								
4.2305	1.5900	4.1611	6.6879	3.5868	21.5868	7.4000	25.4000	8.0010	26.0010
4.2192	1.5700	4.2593	6.6275	3.5968	21.5968	7.4000	25.4000	8.0300	26.0300
4.2109	1.5400	4.2579	5.6592	3.2868	21.2868	7.0000	25.0000	8.0300	26.0300
4.2093	1.5000	4.2572	5.8686	3.2868	21.2868	7.0000	25.0000	8.0300	26.0300
5.5234	1.4500	4.3572	5.8974	3.0368	21.0368	7.0000	25.0000	8.0300	26.0300
5.5234	1.4300	4.3572	5.8974	3.0500	21.0500	7.0000	25.0000	8.0300	26.0300
5.5234	1.4300	4.3565	5.8974	3.5500	21.5500	7.0000	25.0000	8.0300	26.0300
5.5234	1.5200	4.3565	5.8975	7.3000	25.3000	7.0000	25.0000	8.0300	26.0300
5.5234	1.4600	4.3565	5.8975	7.3000	25.3000	5.0000	23.0000	8.0300	26.0300
5.5234	1.5700	4.3565	5.8977	7.8300	25.8300	5.3100	23.3100	8.2300	26.2300

Total Tax Levies



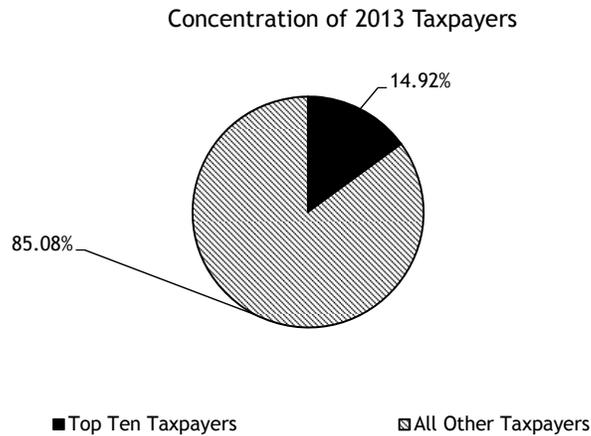
The total tax levy reflects principal residence tax rates for citizens living in Ottawa County and the Holland School District.

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

Taxpayer	2013			2004		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Johnson Controls Interiors	\$ 52,084,395	1	4.86 %	\$ 69,969,088	1	6.43 %
Haworth, Inc	29,437,791	2	2.75	50,584,610	2	4.65
ARC Holland Real Estate	15,732,485	3	1.47	18,735,300	3	1.72
H.J. Heinz Co	11,894,698	4	1.11	12,428,293	4	1.14
Lumir LLC	11,471,629	5	1.07	8,889,710	8	0.82
Benteler & Hydro Automotive	9,036,750	6	0.84	9,223,698	7	0.85
Jones&Jones Leasing/L&W Eng	8,660,600	7	0.81	-----		----
American Bottling Co	7,994,016	8	0.75	7,787,587	10	0.72
Challenge MFG Company	7,531,850	9	0.70	-----		----
Semco Energy, Inc	6,000,698	10	0.56	-----		----
Planters Lifesaver	-----		----	12,165,400	5	1.12
Herman Miller Inc	-----		----	10,987,060	6	1.01
New West MI Ind Inv LLC	-----		----	8,779,800	9	0.81
	<u>\$159,844,912</u>		<u>14.92</u>	<u>\$209,550,546</u>		<u>19.27</u>

Source: City of Holland Assessor's Office

2013 Total Taxable Value is \$1,071,926,482, which includes IFT's at equivalency valuation.



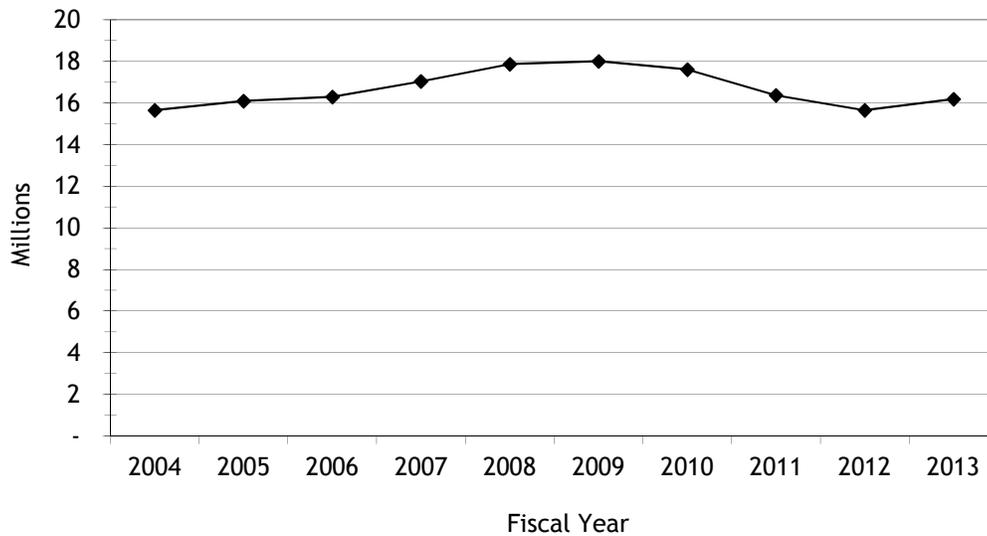
Property Tax Levies and Collections
For the Last Ten Fiscal Years

Fiscal Year Ended June 30	Taxes Levied for the Fiscal Year*	Collected within the Fiscal Year of the Levy			Total Collections to Date	
		Amount	Percentage of Levy	Collections in Subsequent Years	Amount	Percentage of Levy
2004	\$ 15,682,955	\$ 15,596,119	99.45	\$ 56,959	\$ 15,653,078	99.81
2005	16,111,453	16,015,933	99.41	80,168	16,096,101	99.90
2006	16,312,191	16,280,453	99.81	13,542	16,293,995	99.89
2007	17,067,702	17,037,496	99.82	15,340	17,052,836	99.91
2008	17,987,290	17,870,193	99.35	6,240	17,876,433	99.38
2009	18,028,276	17,999,874	99.84	15,161	18,015,035	99.93
2010	17,613,111	17,601,147	99.93	11,964	17,613,111	100.00
2011	16,390,200	16,369,079	99.87	9,741	16,378,820	99.93
2012	15,668,076	15,652,580	99.90	4,768	15,657,348	99.93
2013	16,211,578	16,186,627	99.85	-	16,186,627	99.85

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 unit

Total Tax Collections



CITY OF HOLLAND, MICHIGAN

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

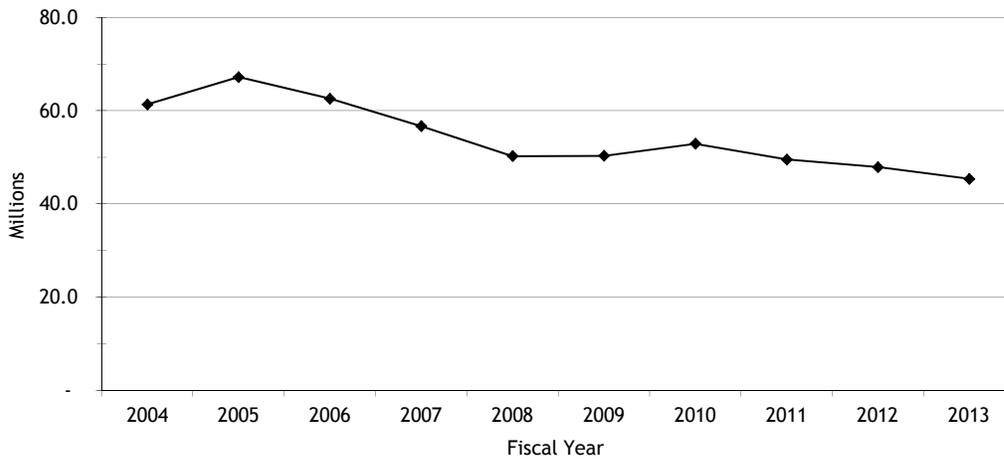
Fiscal Year	Governmental Activities						Total Governmental Activities
	General Obligation Bonds	Building Authority Bonds	Michigan Transportation Bonds	Special Assessment Bonds	Environmental Clean-up Costs	Capital Improvement Bonds	
2004	\$ 464,500	\$ 30,830,000	\$ 2,665,000	\$ 2,496,942	\$ 75,000	\$ -	\$ 36,531,442
2005	452,000	29,550,000	2,105,000	2,269,963	60,000	-	34,436,963
2006	439,500	28,570,000	1,500,000	2,179,500	45,000	-	32,734,000
2007	427,000	26,970,000	1,025,000	1,944,037	30,000	-	30,396,037
2008	414,500	25,265,000	525,000	1,733,574	15,000	-	27,953,074
2009	402,000	23,460,000	-	1,508,111	-	4,000,000	29,370,111
2010	389,500	21,925,000	-	1,612,650	-	9,455,000	33,382,150
2011	377,000	20,310,000	-	1,333,186	-	9,400,000	31,420,186
2012	364,500	18,530,000	-	1,078,723	-	8,815,000	28,788,223
2013	-	16,615,000	-	403,000	-	8,200,000	25,218,000

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

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

Business-type Activities							
Airport Bonds	County Bonds	Water Bonds	Electric Bonds	Total Business-type Activities	Total Primary Government	Percentage of Personal Income**	Per Capita**
\$ 108,277	\$ 5,656,000	\$ 8,915,000	\$ 10,150,000	\$ 24,829,277	\$ 61,360,719	9.38	\$ 1,766
70,000	5,201,000	19,815,000	7,735,000	32,821,000	67,257,963	10.32	1,942
58,000	4,721,500	19,815,000	5,260,000	29,854,500	62,588,500	9.66	1,818
45,000	4,221,000	19,340,000	2,705,000	26,311,000	56,707,037	8.80	1,656
31,000	3,699,500	18,585,000	-	22,315,500	50,268,574	7.85	1,478
16,000	3,153,500	17,795,000	-	20,964,500	50,334,611	6.94	1,477
-	2,579,500	16,975,000	-	19,554,500	52,936,650	7.31	1,555
-	2,002,000	16,130,000	-	18,132,000	49,552,186	7.02	1,499
-	1,347,500	17,781,651	-	19,129,151	47,917,374	7.06	1,440
-	682,500	19,516,564	-	20,199,064	45,417,064	7.04	1,365

PRIMARY GOVERNMENT DEBT



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

Fiscal Year	General Bonded Debt Outstanding			Percentage of Actual Taxable Value* of Property	Per Capita**
	General Obligation Bonds	Building Authority Bonds	Total		
2004	\$ 464,500	\$ 30,830,000	\$ 31,294,500	2.88	\$ 901
2005	452,000	29,550,000	30,002,000	2.68	866
2006	439,500	28,570,000	29,009,500	2.56	843
2007	427,000	26,970,000	27,397,000	2.34	800
2008	414,500	25,265,000	25,679,500	2.12	755
2009	402,000	23,460,000	23,862,000	1.98	700
2010	389,500	21,925,000	22,314,500	1.84	655
2011	377,000	20,310,000	20,687,000	1.86	626
2012	364,500	18,530,000	18,894,500	1.76	568
2013	-	16,615,000	16,615,000	1.55	499

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, 2013

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable*	Estimated Share of Overlapping Debt
Debt repaid with property taxes			
Ottawa Area Intermediate School District	\$ 4,683,053	9.91%	\$ 464,091
Hamilton School District	29,437,374	26.78%	7,883,329
Holland School District	78,828,814	76.36%	60,193,682
Zeeland School District	92,659,874	0.00%	-
Allegan County	28,822,577	10.16%	2,928,374
Ottawa County	135,292,237	6.70%	9,064,580
Holland Area Community Swimming Pool Authority	4,223,110	76.36%	<u>3,224,767</u>
Subtotal, overlapping debt			83,758,823
City direct debt			<u>24,815,000</u>
Total direct and overlapping debt			<u><u>\$ 108,573,823</u></u>

Sources: Assessed value data used to estimate applicable percentages provided by the 2012 Allegan and 2012 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 2013

Assessed value	\$ 1,071,926,482
Debt limit (10% of assessed value)	107,192,648
Debt applicable to limit:	
Building authority bonds	16,615,000
County bonds	682,500
Capital improvement bonds	8,200,000
Less: Amount set aside for repayment of debt	<u>(137,091)</u>
Total net debt applicable to limit	<u>25,360,409</u>
Legal debt margin	<u>\$ 81,832,239</u>

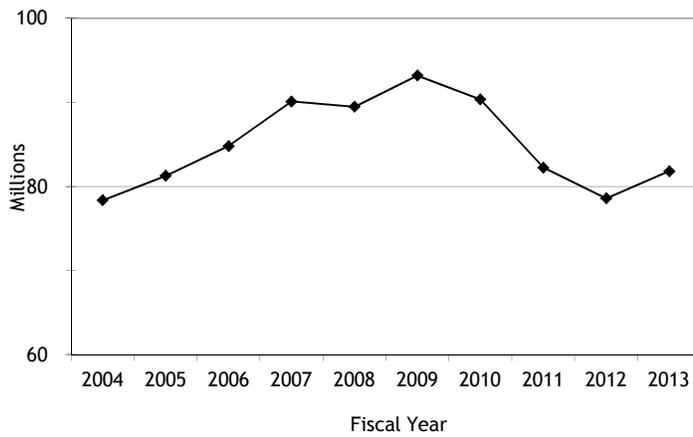
	Fiscal Year				
	2013	2012	2011	2010	2009
Debt Limit	\$ 107,192,648	\$ 107,612,788	\$ 111,202,723	\$ 121,415,479	\$ 120,588,930
Total net debt applicable to limit	<u>25,360,409</u>	<u>29,015,035</u>	<u>28,956,240</u>	<u>31,046,745</u>	<u>27,390,212</u>
Legal debt margin	<u>\$ 81,832,239</u>	<u>\$ 78,597,753</u>	<u>\$ 82,246,483</u>	<u>\$ 90,368,734</u>	<u>\$ 93,198,718</u>
Total net debt applicable to the limit as a percentage of debt limit	30.99%	36.92%	35.21%	34.36%	29.39%

Note: The City of Holland is legally indebted for the Building Authority Bonds issued in 2004 for the Herrick District Library Expansion Project. Payment of approximately 62.1% of the debt is committed to be paid by three area local governmental jurisdictions based upon an executed Library Support Agreement. A uniform millage rate is levied annually across the four (including the City of Holland) participating governmental units to support this debt repayment. For practical purpose 62.1% of \$1,780,000, or \$1,105,380, should be added to the Legal Debt Margin shown above.

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

Fiscal Year				
2008	2007	2006	2005	2004
\$ 115,235,643	\$ 117,120,687	\$ 113,279,753	\$ 111,833,099	\$ 108,769,456
<u>25,741,478</u>	<u>26,998,987</u>	<u>28,457,723</u>	<u>30,561,460</u>	<u>30,405,457</u>
<u>\$ 89,494,165</u>	<u>\$ 90,121,700</u>	<u>\$ 84,822,030</u>	<u>\$ 81,271,639</u>	<u>\$ 78,363,999</u>
28.76%	29.96%	33.55%	37.60%	38.80%

Legal Debt Margin



Pledged-Revenue Coverage
For the Last Ten Fiscal Years

Water Revenue Bonds						
Fiscal Year	Utility Service Charges	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2004	\$ 5,251,241	\$ 4,399,197	\$ 852,044	\$ 400,000	\$ 469,918	0.98
2005	5,213,380	4,361,641	851,739	7,875,534	368,866	0.10
2006	5,859,601	4,677,570	1,182,031	-	864,638	1.37
2007	5,668,249	4,822,704	845,545	475,000	839,308	0.64
2008	5,715,370	4,904,705	810,665	755,000	638,708	0.58
2009	5,881,210	5,315,683	565,527	790,000	770,500	0.36
2010	6,331,397	5,278,098	1,053,299	820,000	742,037	0.67
2011	7,133,417	5,583,004	1,550,413	845,000	712,548	1.00
2012	7,346,263	5,655,211	1,691,052	11,519,500	752,472	0.14
2013	8,506,464	5,544,007	2,962,457	1,141,500	422,040	1.90

continued...

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements. Operating expenses include depreciation but exclude interest expense. The 2005 principal payment for the water revenue bonds represents the amount of the outstanding debt refunded. The 2012 principal payment includes regularly scheduled installment payments and refunded debt.

Pledged-Revenue Coverage
For the Last Ten Fiscal Years

Electric Revenue Bonds						
Fiscal Year	Utility Service Charges	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2004	\$ 64,819,973	\$ 59,062,650	\$ 5,757,323	\$ 2,254,793	\$ 405,568	2.16
2005	67,001,967	65,382,432	1,619,535	2,415,000	316,350	0.59
2006	78,272,801	76,653,737	1,619,064	2,475,000	229,412	0.60
2007	81,276,323	70,857,856	10,418,467	2,555,000	124,966	3.89
2008	79,166,950	71,261,399	7,905,551	2,705,000	267	2.92
2009	75,466,722	67,827,040	7,639,682	-	-	-
2010	78,536,430	68,524,197	10,012,233	-	-	-
2011	84,411,319	73,247,745	11,163,574	-	-	-
2012	88,066,208	76,132,185	11,934,023	-	-	-
2013	93,576,510	79,500,777	14,075,733	-	-	-

continued...

Pledged-Revenue Coverage
For the Last Ten Fiscal Years

Special Assessment Bonds				
Fiscal Year	Special Assessment Collections	Debt Service		Coverage
		Principal	Interest	
2004	\$ 451,133	\$ 231,975	\$ 132,415	1.24
2005	298,087	226,975	118,420	0.86
2006	477,146	245,462	105,818	1.36
2007	464,465	235,463	102,159	1.38
2008	283,251	210,463	91,560	0.94
2009	252,483	225,463	81,655	0.82
2010	269,369	215,461	71,172	0.94
2011	299,684	215,464	62,711	1.08
2012	373,960	190,463	51,956	1.54
2013	311,974	611,723	30,360	0.49

concluded

Demographic and Economic Statistics

For the Last Thirteen Calendar Years

Year	Estimated Population (1)	Personal Income (thousands of dollars)	Per Capita Personal Income (2)	Unemployment Rate (3)
2000	35,048	\$ 659,709	\$ 18,823	3.5%
2001	35,023	659,238	N/A	5.3%
2002	34,710	653,346	N/A	7.0%
2003	34,748	654,062	N/A	7.8%
2004	34,637	651,972	N/A	7.3%
2005	34,429	648,057	N/A	6.8%
2006	34,245	644,594	N/A	6.9%
2007	34,002	640,020	N/A	7.3%
2008	34,076	725,001	21,276	9.2%
2009	34,053	724,512	21,276	15.4%
2010	33,051	705,804	21,355	14.2%
2011	33,270	687,624	20,668	10.7%
2012	33,279	644,714	19,373	8.9%

Sources:

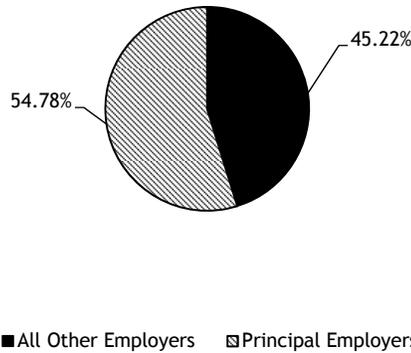
- (1) United States Census Bureau
- (2) United States Census Bureau - 2000 Census (last reported)
- (3) Michigan Bureau of Labor Statistics

Principal Employers
Current Year and Seven Years Ago

Employer	2013			2006		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Johnson Controls Interiors	2,285	1	14.03 %	2,705	1	15.87 %
Haworth Inc	1,599	2	9.82	1,608	2	9.43
Holland Community Hospital	1,531	3	9.40	1,600	3	9.39
Challenge Mfg Company	920	4	5.65	-	-	-
Hope College	573	5	3.52	750	4	4.40
Holland Public Schools	544	6	3.34	-	-	-
City of Holland / BPW	442	7	2.71	481	6	2.52
Benteler & Hydro Automotive	385	8	2.36	-	-	-
Herman Miller	323	9	1.98	-	-	-
L&W Engineering	321	10	1.97	-	-	-
Tiara Yachts	-	-	-	750	5	4.40
Louis Padnos Iron & Metal Co	-	-	-	450	7	2.64
ARC Holland Real Estate	-	-	-	-	-	-
- Freedom Village Retirement	-	-	-	400	8	2.35
NOVO 1	-	-	-	353	9	2.07
American Bottling Co	-	-	-	345	10	2.02
	<u>8,923</u>		<u>54.78</u>	<u>9,442</u>		<u>55.09</u>

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

2013 Principal Employers



Note: Employment Information from 8 years ago is unavailable. The oldest available information is shown.

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CITY OF HOLLAND, MICHIGAN

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

Function	Full-time Equivalent Employees as of June 30				
	2013	2012	2011	2010	2009
General government					
Management services	2.85	2.85	2.85	3.33	3.20
Fiscal services	12.15	13.15	13.15	13.35	14.30
City clerk	2.00	2.25	2.25	2.25	2.25
Human resources	1.25	2.25	2.25	2.25	2.25
Building	1.00	1.00	1.00	1.00	1.00
Cemetery	2.90	2.90	2.40	3.15	4.15
Planning	2.40	2.60	2.67	3.20	3.20
Technology	4.00	4.00	4.00	4.00	4.00
Public safety					
Police	66.00	66.00	69.00	71.00	73.50
Fire	53.00	54.00	55.00	56.00	57.00
Environmental health & inspections	8.35	8.85	8.85	10.15	10.20
Public works					
Streets	16.15	18.15	17.90	19.90	19.91
Engineering	2.60	2.60	2.90	3.00	3.00
Transit	0.00	0.00	0.00	2.75	2.75
Centralized vehicle maintenance	7.80	7.80	7.75	8.44	9.95
Welfare and social services					
Ourstreet / Human relations	2.10	2.80	2.80	3.80	3.80
Economic development assistance	1.90	2.20	2.13	1.84	1.95
Downtown development	3.15	3.20	3.20	2.20	2.20
Culture and recreation					
Recreation	3.75	4.75	4.60	4.60	4.60
Parks	11.95	12.95	13.40	13.75	14.65
Civic Center	1.40	1.40	1.60	1.50	1.60
Board of Public Works Utilities	177.00	179.00	182.00	183.00	186.00
Total	383.70	394.70	401.70	414.46	425.46

Source: City of Holland Finance Office Fiscal Year 2013 Budget (Approved Positions)

Exhibit L-1 - Unaudited



Full-time Equivalent Employees as of June 30				
2008	2007	2006	2005	2004
3.20	3.20	3.65	3.65	3.55
14.35	14.35	13.90	14.90	14.90
3.25	3.25	3.00	3.00	3.88
2.25	2.25	2.25	2.25	2.25
1.00	1.00	1.00	1.00	1.00
4.15	4.15	4.15	4.15	4.15
3.10	3.30	3.50	3.50	2.40
4.00	4.00	5.00	5.00	5.00
74.50	74.50	74.50	74.50	75.00
58.00	58.00	58.00	58.00	58.00
10.20	11.20	11.50	11.50	11.90
19.82	19.74	19.74	19.74	20.04
2.90	2.90	2.90	2.90	2.90
2.75	1.58	0.83	0.98	2.43
8.93	8.93	8.93	8.78	6.90
3.80	3.80	5.05	5.05	6.00
2.00	2.80	2.30	2.10	1.85
2.15	2.05	2.05	2.05	2.15
4.60	4.60	4.60	4.60	5.60
14.65	13.65	13.65	14.65	14.75
1.65	1.75	1.75	1.75	2.50
185.00	180.00	182.00	182.00	182.00
426.25	421.00	424.25	426.05	429.15

CITY OF HOLLAND, MICHIGAN

Operating Indicators by Function For the Last Ten Fiscal Years

Function	Fiscal Year				
	2013	2012	2011	2010	2009
Cemetery					
Burials	244	229	266	245	262
Police					
Physical arrests	2,031	2,241	2,281	3,339	3,237
Parking violations	7,591	5,040	4,589	4,832	4,551
Traffic violations	3,494	4,006	3,769	2,924	6,383
Fire					
Emergency responses	2,944	2,768	2,709	2,799	2,994
Fires	96	86	86	94	89
Medical Emergencies	1,957	1,944	1,858	1,909	2,112
Inspections	194	132	116	145	96
Public works					
Street resurfacing (miles)	4.0	8.7	4.9	5.5	11.2
Working in the ROW permits	330	282	302	337	346
Community & neighborhood services					
Number of construction permits:					
Industrial & commercial	95	78	86	70	68
Residential	438	508	440	43	459
Institutional & municipal	21	26	23	29	16
Value of construction permits (thousands of dollars)					
Industrial & commercial	18,915	24,800	52,447	6,151	6,546
Residential	7,638	8,600	10,209	6,671	7,005
Institutional & municipal	31,402	47,000	16,062	13,810	7,250
Culture and recreation					
Program participants	19,329	18,594	16,965	30,782	35,450
Pool attendance	15,051	18,790	17,224	16,969	9,047
Water					
Service connections	12,957	13,028	13,284	13,261	13,414
Average daily consumption (thousands of gallons)	11,790	11,666	10,211	10,088	10,689
Wastewater					
Service connections	12,308	12,272	12,202	12,184	12,397
Average daily consumption (thousands of gallons)	9,490	7,501	7,370	7,274	7,538

Source: Various city departments

Exhibit L-2 - Unaudited



Fiscal Year				
2008	2007	2006	2005	2004
213	292	257	260	283
3,496	3,186	2,933	2,972	3,096
5,533	6,120	5,187	5,678	4,581
6,762	7,235	7,436	7,946	8,430
2,913	2,786	2,670	2,562	2,597
146	98	129	118	212
1,959	1,916	1,752	1,644	1,742
109	71	129	112	75
11.4	2.2	6.8	6.5	6.7
336	307	327	371	282
96	96	116	110	132
552	550	603	631	709
27	35	33	30	35
15,116	67,243	25,759	12,687	27,518
8,754	10,598	15,435	17,574	16,517
27,180	7,681	19,096	44,336	35,235
28,115	26,386	20,784	17,795	16,067
10,998	11,214	13,317	11,500	11,106
13,155	13,190	13,139	13,162	13,209
12,459	12,428	13,387	13,260	12,161
12,169	12,196	12,143	12,107	12,097
7,448	7,578	8,839	8,941	9,071

CITY OF HOLLAND, MICHIGAN

Capital Asset Statistics by Function For the Last Ten Fiscal Years

Function	Fiscal Year				
	2013	2012	2011	2010	2009
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)	149.1	148.7	148.5	148.5	148.5
Streetlights	2,593	2,504	2,534	2,581	2,520
Culture and recreation					
Park acreage	403	508	508	509	509
Parks	22	23	23	24	24
Baseball/softball diamonds	10	10	10	9	9
Soccer fields	10	10	10	9	9
Swimming pools	1	1	1	1	1
Tennis courts	14	14	14	21	21
Stadiums	0	1	1	1	1
Nature centers	1	1	1	1	1
Tourist attractions	1	1	1	1	1
Community centers	1	1	1	1	1
Water					
Water mains (miles)	245.78	240.73	240.15	236.96	236.72
Fire hydrants	2,353	2,345	2,342	2,320	2,321
Maximum daily capacity of plant (thousands of gallons)	38,500	38,500	38,500	38,500	38,500
Wastewater					
Sanitary sewers (miles)	182.76	182.94	183.73	183.21	185.84
Storm sewers (miles)	201.7	159.0	155.0	155.0	155.0
Maximum daily capacity of plant (thousands of gallons)	12,000	12,000	12,000	12,000	12,000

Source: Various city departments

Note: No capital asset indicators are available for the welfare and social services function.

Exhibit L-3 - Unaudited

Fiscal Year				
2008	2007	2006	2005	2004
2	2	2	2	2
1	1	1	1	1
19	18	18	18	18
3	3	3	3	3
148.8	154.5	148.6	159.3	157.1
4,742	4,643	4,632	4,495	4,435
460	448	448	448	448.0
24	24	24	24	24
9	9	9	9	9
9	9	9	9	9
1	1	1	1	1
21	21	21	21	21
1	1	1	1	1
1	1	1	1	1
1	1	1	1	1
1	1	1	1	1
233.08	232.44	229.54	226.45	221.09
2,250	2,256	2,195	2,166	2,110
38,500	38,500	38,500	38,500	38,500
182.81	183.16	182.52	177.46	165.49
155.0	155.0	155.0	131.9	134.0
12,000	12,000	12,000	12,000	12,000