



Comprehensive Annual Financial Report

For Fiscal Year Ended
June 30, 2018

INTRODUCTORY SECTION

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CITY OF HOLLAND

HOLLAND, MICHIGAN

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2018

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, 2018

CITY COUNCIL

Nancy DeBoer
Mayor

Myron Trethewey
Ward 1
Raul Garcia
Ward 3
Scott Corbin
Ward 5
Quincy Byrd
At-Large

Jay Peters
Ward 2
Brian Lynn
Ward 4
David Hoekstra
Ward 6
Wayne Klomparens
At-Large

STAFF APPOINTED BY THE CITY COUNCIL

Keith Van Beek
City Manager

STAFF APPOINTED BY THE CITY MANAGER, SUBJECT TO COUNCIL APPROVAL

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

Tim Vagle
City Treasurer
Kathy Mitchell
City Clerk

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

Matt VanDyken
Technology Services Director
Mark Vanderploeg
*Director of Community &
Neighborhood Services*
Brian White
Director of Transportation

Matt Messer
Director of Public Safety
Andy Kenyon
Director of Parks & Recreation

Jennifer Orme
Director of Human Resources

STAFF OFFICIALS APPOINTED BY BOARDS OR COMMISSIONS

Dave Koster
Board of Public Works (Utilities)
General Manager

Charles Warren
Board of Public Works (Utilities)
Finance Director

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

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

December 6, 2018

TO CITY OF HOLLAND CITIZENS AND OTHER INTERESTED PERSONS:

The *Comprehensive Annual Financial Report (CAFR)* of the City of Holland, Michigan, for the fiscal year ended June 30, 2018, is hereby submitted. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with City management. To the best of our knowledge and belief, the data as presented is complete and accurate in all material respects and reported in accordance with Generally Accepted Accounting Principles (GAAP) in the United States of America. All disclosures considered necessary to enable the reader to gain an understanding of the City's financial activities are included. We believe that internal control procedures and policies currently in place provide reasonable assurance for proper recording of financial transactions and asset accountability. While a rigorous system of internal controls has been implemented over the years, these controls are continually reviewed and enhanced due to the inherent limitations of any system.

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

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

PROFILE OF THE GOVERNMENT

The City of Holland is located in the western portion of the state, five miles from Lake Michigan and approximately 90 miles north of the Michigan-Indiana border. The corporate boundaries of the City lie within portions of Ottawa County and Allegan County. The City encompasses 17.50 square miles of land area, and has an estimated 2017 population of 33,366.

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

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

PROFILE OF THE GOVERNMENT

(Continued from Previous Page)

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

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

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

The City employment staff includes 360 full-time positions, and 88 part-time positions at Full-Time Equivalency. The full-time workforce is composed of a base of non-union plus three organized labor bargaining units as follows:

Employee Group	Affiliation	Members
Utility Workers	Utility Workers Union of America AFL-CIO, Local 610	86
Police Officers	Fraternal Order of Police, Holland Police Officers Division	54
Firefighters	International Association of Firefighters, Local 759	20
Non-Union	None	<u>200</u>
Total		360

The City of Holland property millage rate is 13.8682. Holland continues to levy property taxes well under the millage rates allowed by the City Charter in conformance with the established financial policy to maintain the lowest millage rate possible.

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

Moody’s Investors Service (reviewed and rated 2018)	Aa2
Standard & Poor’s (reviewed and rated 2018)	AA

THE FINANCIAL REPORTING ENTITY

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

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

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

The requirements of *GASB Statement No. 14*, and the further amendments to this statement made by *GASB Statement No. 39 and 61*, are addressed in this report. There is one component unit, the *Holland Energy Fund*, that requires blended reporting. The five component units that require discrete reporting presentation are the *Downtown Development Authority, Holland Historical Trust, Brownfield Redevelopment Authority, Economic Development Corporation (no activity in current year) and the Local Development Finance Authority*. The component units are further identified in Note 1 of the *Notes to Financial Statements*.

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

ECONOMIC CONDITIONS OF THE COMMUNITY

The City of Holland enjoys a healthy and stable local economy. The local tax base includes a well-diversified property tax base mix of residential (52.6%), commercial (27.3%), industrial (19.2%), and all other (0.9%). The industrial sector includes a diversification of manufacturing, including office systems and furniture, auto and truck parts, boats, aluminum extrusion, food manufacturing, wind energy components, lithium-ion batteries and several other small industrial firms.

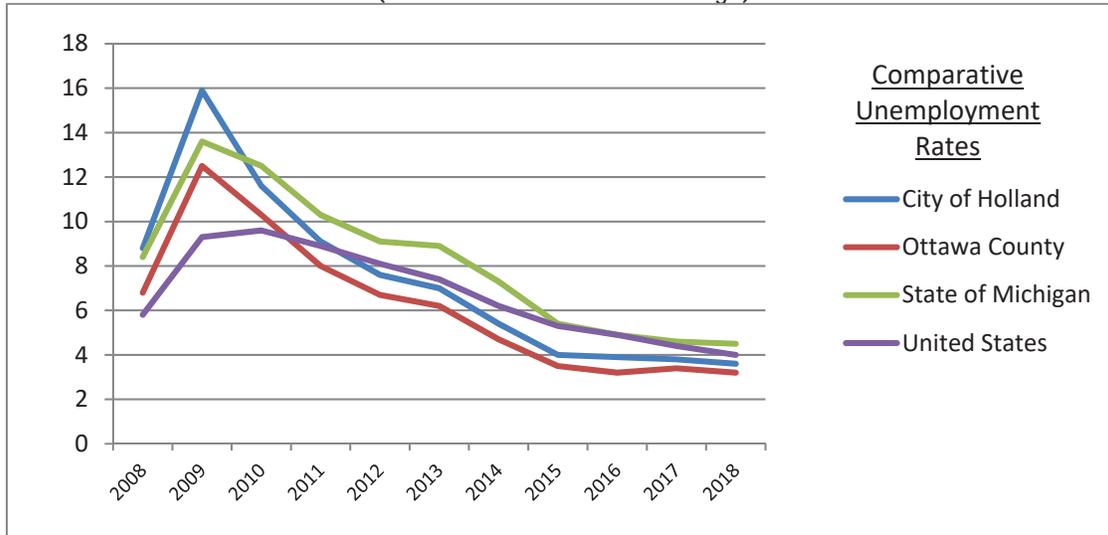
The following table of comparative unemployment rates reflects local unemployment rates within the City, the two counties it is located in, as well as national and state trends. Significant improvements have been seen in the past several years as the economy recovers from the 2008-09 economic downturn.

Comparative Unemployment Rates

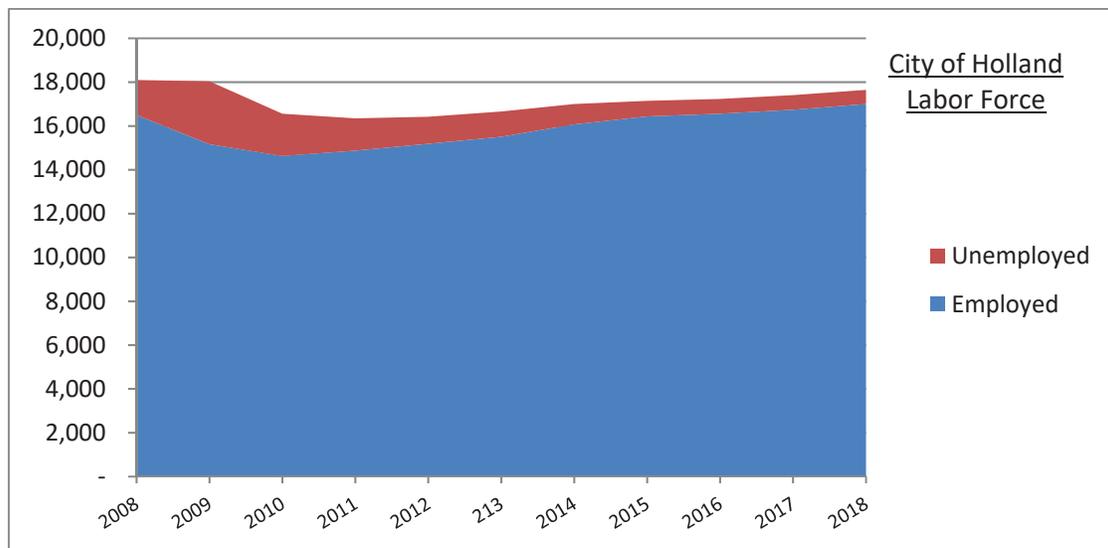
<u>Annual Average</u>	<u>City of Holland</u>	<u>County of Ottawa</u>	<u>County of Allegan</u>	<u>State of Michigan</u>	<u>United States</u>
2018 (Aug. 31)	3.6	3.2	3.8	4.5	4.0
2017	3.8	3.4	4.0	4.6	4.4
2016	3.9	3.2	3.7	4.9	4.9
2015	4.0	3.5	4.0	5.4	5.3
2014	5.4	4.7	5.4	7.3	6.2
2013	7.0	6.2	6.8	8.9	7.4
2012	7.6	6.7	7.4	9.1	8.1
2011	9.1	8.0	8.8	10.3	8.9
2010	11.6	10.3	11.3	12.5	9.6
2009	15.9	12.5	12.9	13.6	9.3
2008	8.8	6.8	7.3	8.4	5.8

ECONOMIC CONDITIONS OF THE COMMUNITY

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



City of Holland Labor Force

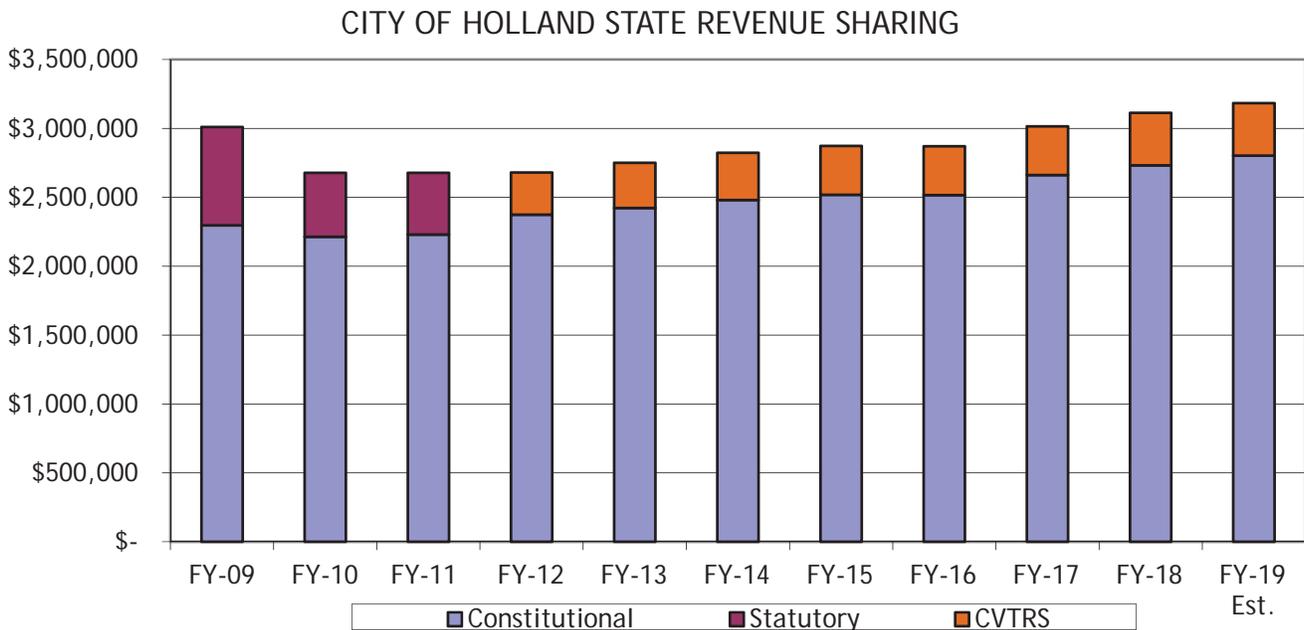
	<u>Employed</u>	<u>Unemployed</u>	<u>Labor Force / % Change</u>	
2018 (Aug. 31)	17,002	642	17,644	+1.36%
2017	16,737	671	17,408	+1.04%
2016	16,558	670	17,228	+0.48%
2015	16,430	716	17,146	+0.86%
2014	16,066	933	16,999	+2.05%
2013	15,506	1,152	16,658	+1.48%
2012	15,183	1,232	16,415	+0.41%
2011	14,871	1,477	16,348	-1.27%
2010	14,631	1,927	16,558	-8.18%
2009	15,160	2,874	18,034	-0.36%
2008	16,500	1,600	18,100	-0.82%

ECONOMIC CONDITIONS OF THE COMMUNITY

(Continued from Previous Page)

The City of Holland has a diversity of employers including automotive, furniture, boatbuilding, the food industry and new technologies. Lakeshore Advantage, which provides regional economic development services for Holland, Zeeland and Ottawa County, indicates that the West Michigan Lakeshore area is thriving and companies are expanding. Area employers are investing in equipment and technology, increasing the need for skilled employees. Recruiting skilled employees continues to be a challenge, along with a limited supply of available housing. For consecutive years 2017 and 2018, WalletHub.com ranked Holland first in “Best Small Cities for Starting a Business”.

Local government Revenue Sharing received from the State of Michigan varies from year to year. The constitutional portion, based on a specific percentage of the sales tax revenues, is expected to continue increasing as the State economy gains momentum. The statutory portion of the Revenue Sharing formula in sales tax distributions to local governments was eliminated in FY2012 and replaced with an incentive based program, now known as the City, Village, and Township Revenue Sharing (CVTRS), for which the City has met the requirements annually.



A ballot initiative approved in August 2014 eliminated the Personal Property Tax (PPT) over a ten-year period, which previously raised more than \$1 billion a year for local governments and schools across the State and \$2.4 million for the City of Holland. The law included a provision for “full recovery” of any lost revenues, capping PPT revenues at 2013 levels. Since much of Holland’s growth in Taxable Value has historically come from growth in Personal Property Taxes, future growth in Taxable Values will be slower. Residential property values are increasing, providing a balance for PPT losses.

Based on 2018 PA198 applications processed by the City of Holland, 114 new jobs are anticipated to be created along with \$13.9 million of new related construction and machinery. For the 2018 tax period the City currently has 114 PA198 industrial facilities certificates active and 5 PA328’s active. In 2017, the City had 96 PA198 industrial facilities certificates and 6 PA328 certificates active.

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

ECONOMIC CONDITIONS OF THE COMMUNITY

(Continued from Previous Page)

The following table identifies the 2018 PA198 industrial tax abatements issued by the City. The value of PA198 abatements is down by \$4.1 million from 2017.

PA 198 Industrial Facilities Tax Abatements (IFT's) 2018

Company	Description of Services	Planned Investment	Projected Job Growth
Kiss Technologies Inc.	Sensors and Controls Manufacturing	\$ 780,223	4
Coastal Automotive	Automotive Safety Manufacturing	1,087,208	65
JMS of Holland Inc.	Metal Stamping and Manufacturing	1,676,073	5
Formed Solutions Inc.	Plastic Molding	3,563,572	7
Creative Products International Inc.	Cleaning Products	5,235,747	8
Hudsonville Ice Cream Co.	Frozen Desserts	1,599,552	25
		<hr/>	
		\$ 13,942,375	114

PA 328 New Personal Property Abatement 2018

No new PA 328's for 2018

-

Total PA 198 & PA328 Investment for 2018 \$ 13,942,375

Building permit construction values increased overall by 33% from 2017 (\$77.7 million) to FY2018 (\$103.2 million). Institutional and municipal permits totaled \$37 million for FY2018 (\$15.1 million for FY2017). The largest combined permit value for one entity in FY2018 was for the renovation of the Civic Center at a value of \$12.5 million. Other large permits included a renovation to Western Theological Seminary for \$12.3 million and Holland Hospital Boven Birthing Center for \$10.5 million.

Neighborhood improvement projects continue to be a top priority of the Holland City Council and \$373,849 in local and grant funds were expended in homeowner and neighborhood improvements in FY2018. In 2018, *Architectural Digest* named Holland as Michigan's "Prettiest Town". According to real estate reports for the 3rd quarter of 2018, the median sales price of homes in Holland was \$196,000. The median sales price of homes increased 8% in the 3rd quarter of 2018 compared to 2017.

The quality of life in the City of Holland is further enhanced by the presence of Hope College. Hope College's centralized location, adjacent to Holland's downtown area, contributes a wide range of activities, interaction and economic benefit to the community. Enrollment at Hope College for the 2018 Fall Term included 3,044 degree seeking students. Many Hope College graduates not originally from the area fall in love with West Michigan and locate here permanently, citing a good work-life balance. In addition to Hope College, there are three Holland satellite locations of West Michigan universities/colleges. The Holland area Grand Valley State University Meijer Campus, Grand Rapids Community College Lakeshore Campus, and Davenport University have a combined enrollment of approximately 1,150 for the 2018 Fall Term.

The annual Tulip Time Festival is an eight-day event held in May each year and draws tourists downtown and City-wide from across the nation. The festival, celebrating the City's Dutch heritage, includes parades, Dutch dancing, tulips, fireworks, food, entertainment, shopping, a carnival, tours, and a running race. A popular Tulip Time attraction is Windmill Island Gardens, featuring a working Dutch windmill, open seasonally. The International Festival and Events Association included Holland's Tulip Time Festival as one of the top 20 events in the world.

ECONOMIC CONDITIONS OF THE COMMUNITY

(Continued from Previous Page)

The downtown area continues to draw crowds for shopping, eating, entertainment, nightlife and lodging. Several downtown sponsored marketing events such as the street performer series, ice sculpting competition, "Girlfriends Weekend" and "Fall Fest", highlight the City as an entertainment destination. Innovative snowmelt in downtown sidewalks and roads, covering approximately 5 miles, helps to keep the central business district vibrant and pedestrian friendly during the winter months. A downtown outdoor fireplace and fountain serve as popular pedestrian gathering spots. The canopied Farmers Market is considered one of Michigan's premier twice-weekly open-air produce shopping locations. Market offers special programs such as a chef series, children's activities and cooking contests. The newly renovated Civic Center Place is available to host a variety of events. The downtown Holland Amtrak depot stop puts Chicago within a 3 hour reach of Holland and the schedule is conducive for a day-only or weekend trip. It should also be noted that the Holland Aquatic Center, Herrick District Library and Evergreen Commons Senior Center facilities located near downtown are considered top notch for a community of this size. *Fodor's Travel* included Holland on its list of "America's 25 Cutest Main Streets in Small(er) Towns".

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, 2017	@ June 30, 2018	Increase (Decrease)
General Fund - General	\$ 3,704,962	\$ 3,704,962	\$0
Gen. Fund - Budget Stabilization	1,116,500	1,113,990	(2,510)
Special Revenue	3,626,159	3,124,060	(502,099)
Debt Service Funds	683,467	440,710	(242,757)
Capital Projects Funds	15,286,973	5,360,215	(9,926,758)
Permanent Trust Funds	1,685,648	1,725,548	39,900
Totals	\$ 26,103,709	\$15,469,485	\$(10,634,224)

Additional Comments Concerning Certain Fund Balances

- > The FY2018 *General Fund - Fund Balance* remains at \$3,704,962 at June 30, 2018 because the \$758,291 net change in fund balance was transferred to the Municipal Capital Improvement Fund to fund projects.
- > The *General Fund - Budget Stabilization* portion ended the fiscal year with an *Unassigned Fund Balance* of \$1,113,990. All property tax appeals have been settled, and the budgeted amounts for tax settlement in the coming years appear to be minimal. A FY19 budgeted transfer to the General Fund in the amount \$93,300 is intended to be utilized to fund hiring Finance Office staff, as part of a succession plan. Balances in this fund are more than adequate when combined with the General Fund, at 21.5% of the ensuing FY2018-19 General Fund budget.
- > The decrease in the *Fund Balance of the Debt Service Funds* in FY18 was intentional. Management made the decision to transfer money to the General Fund for the pension contribution for public safety personnel because a principal payment was not required on the 2018 pension bonds issued in February 2018.
- > The FY17 \$8,864,688 increase in the *Fund Balance* of the *Capital Projects Funds* resulted from limited tax general obligations bonds issued to fund the Civic Center Place Improvement Project. These funds were expended in FY18, resulting in a decrease in fund balance.

GOVERNMENTAL-TYPE FUNDS - CAPITAL PROJECTS

Expenditures in the *Capital Projects Funds*, excluding interfund transfers, totaled \$14,853,233 for FY18 as compared to \$11,006,586 for FY17. More significant projects with expenditures exceeding \$50,000 during the fiscal year included:

I N F R A S T R U C T U R E P R O J E C T S (Excluding Utility Fund Share)	
Storm Sewer Repairs	\$ 499,117
64 th Street	436,173
Hope Avenue	462,426
7 th Street	75,980
College Avenue - Snowmelt	123,744
Shore Shore Drive	2,317,738
16 th Street & Columbia Traffic Signal	95,412
M U N I C I P A L C A P I T A L P R O J E C T S	
Civic Center Renovations	\$ 10,141,968
DeGraaf Nature Center Entrance	225,478
Washington School Green	122,440
Police In-Car Video Cameras	190,509
Police Station Boilers	112,995

GOVERNMENTAL - TYPE FUNDS

CAPITAL ASSETS - GOVERNMENTAL ACTIVITIES

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

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

The City maintains several Internal Service Funds to account for the financing of services, insurance coverage and equipment. 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, 2017</u>	<u>Working Capital June 30, 2018</u>
Technology Services	\$ 242,350	\$ 448,710
Equipment Services	1,717,083	1,623,165
Insurance Services	<u>4,154,529</u>	<u>4,117,001</u>
Totals	<u>\$ 6,113,962</u>	<u>\$ 6,188,876</u>

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

EMPLOYEES' RETIREMENT PLAN

MICHIGAN MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM - Defined Benefit Plan

The City participates in the *Michigan Municipal Employees' Retirement System (MERS)*, covering all full-time employees, and limited eligible part-time employees. The total employer-paid premium for fiscal year 2017-18 was \$1,669,056, which does not include the \$19,742,835 payment made with the proceeds from pension bonds issued for public safety union employees.

The most recent actuarial valuation, dated December 31, 2017, indicates that the City's valuation assets (stated at market value) provide 82.6% funding (employer portion only), based upon actuarial determined accrued liabilities of \$136,946,229, valuation assets of \$113,071,158, and unfunded accrued liabilities of \$23,875,071.

MICHIGAN MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM - Defined Contribution Plan

A defined contribution plan is provided for all pension eligible employees that are not part of the defined benefit plan. There is a standard 6% City contribution with an optional 2% employee contribution along with a City match of 2% for all City and HBPW non-union employees and HBPW utility union employees. The total contribution paid by the employer for fiscal year 2017-18 was \$959,641 and by employees was \$243,938.

DEFERRED COMPENSATION

In addition to the MERS defined benefit plan, the City also makes three deferred compensation plans available that employees may voluntarily participate in, via payroll withholding up to the annual maximum of \$18,500. The plans are sponsored and administered by *International City Management Association (ICMA)*, *Mass Mutual Financial Group* and *Michigan Municipal Employees Retirement System (MERS)*. These plans have been placed in a trust, and do not appear on the financial statements.

INVESTMENT EARNINGS

Most funds of the City participate in an internal *Cash & Investment Pool*, except for the Utility Funds (Electric, Water, Wastewater) and the *Holland Historical Trust* Component Unit fund.

For the fiscal year, the annualized average interest rate earned in the pool was 1.166%, as compared to 0.58% for the previous fiscal year. If investments had not been valued at market, the annualized average interest rate would have been 1.301%. The overall fiscal year adjustment for market write-down for the pool was \$(53,243), including a \$(4,364) write-down of called long-term investment previously being amortized over the bond term. The overall ending market balance was \$(97,893). The City typically buys and holds long term investments to maturity so fiscal year end market adjustments are not actually realized. The exhibit below also includes funds that do not participate in the pool.

Fund Type	INVESTMENTS EARNINGS			
	Fiscal Year		Year-to-Year Change	
	2016-2017	2017-2018	Amount	Percentage
General Fund	\$ 91,151	\$ 156,358	\$ 65,207	71.5%
Permanent	9,691	19,506	9,815	101.3%
Special Revenue	11,054	62,617	51,563	466.5%
Debt Service	8,422	18,321	9,899	117.5%
Capital Projects	51,888	144,466	92,578	178.4%
Enterprise	548,442	516,472	(31,970)	(5.8%)
Internal Service	29,709	61,660	31,951	107.5%
Component Units	66,248	58,276	(7,972)	(12.0%)
Total	\$ 816,605	\$ 1,037,676	\$ 221,071	27.1%

A W A R D S

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

<u>Award or Accreditation</u>	<u>Granting Agency</u>	<u>Department</u>
Special Airport Recognition Award in leadership & economic activity (2018)	Michigan Aeronautics Commission	Airport Authority
Regional EMMY Award (2017)	Telly Awards	Technology Services
National Award Winner for Outstanding Participation in National Night Out (2008, 2011, 2012, 2014, 2017)	National Association of Town Watch	Community & Neighborhood Svcs.
Innovator of the Year (2017)	Governor's Energy Excellence Award	Holland Energy Fund
Outstanding Achievement in Residential Marketing & Customer Engagement (2017)	Association of Energy Services Professionals	Utility Services
Human Interest/News Single Story Regional Emmy Award (2017)	Telly Awards	Technology Services
International Challenge 5 Blooms Silver Rating for 'Six miles of Tulip Lanes'	Communities in Bloom	Leisure & Cultural Services
Airport Sponsor of the Year (2016)	Michigan Department of Transportation (MDOT)	Airport Authority
Energy Excellence Award for Education Program (2016)	Governor's Energy Excellence Awards	Housing & Neighborhood Svcs.
Special Award for Coolest Downtown (2016)	America in Bloom	Leisure & Cultural Services
Outstanding Achievement Award for Environmental Efforts (2016)	America in Bloom	Utility Services
Certificate of Achievement for Excellence in Financial Reporting (since FY1992)	Government Finance Officers Association	Fiscal Services
Distinguished Budget Presentation Award (since FY2004)	Government Finance Officers Association	Fiscal Services
Tree City USA Award (since 1981)	National Arbor Day Foundation	Leisure & Cultural Services
Best of Weddings (since 2011)	The Knot	Windmill Island
Population Category (2011-2015)	America in Bloom	Leisure & Cultural Services
Neighborhood Environmental Partners Program Award (2015)	Michigan Department of Environmental Quality	Utility Services
Documentary, Editing & Informational Awards (2015)	Telly Awards	Technology Services
Informational & Editing Awards (2014)	Telly Awards	Technology Services
Promotional Award for You Tube Contest (2014)	America in Bloom	Technology Services
Outstanding Achievement in Heritage Preservation Award (2014)	America in Bloom	Utility Services
Macatawa Watershed Stakeholder Award (2014)	Macatawa Watershed Project	Utility Services
Safety Award of Excellence (2014)	American Public Power Association	Utility Services
Award of Merit for Personal Property Tax Reform (Mayor Dykstra) (2014)	Michigan Municipal League	Management & Administrative
Award of Excellence Digital Annual Report (2010, 2011, 2013 & 2014)	American Public Power Association	Utility Services
Reliable Public Power Provider (Diamond Level) (2013 & 2014)	American Public Power Association	Utility Services
Neighborhood Environmental Partners Program (2011 & 2014)	Michigan Department of Environmental Quality	Utility Services

SIGNIFICANT INITIATIVES, EVENTS AND ACCOMPLISHMENTS

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

- Economic Development and Revitalization

- > The City Council continues to identify economic development as a top priority. Much of the staff time of the City Manager and the Director of Finance is allocated to this issue, as well as support staff in the Community Neighborhood Services offices. The City is committed to developing an area-wide approach to economic development and is working in tandem with the Lakeshore Advantage regional economic development organization and the surrounding cities, townships, counties and Macatawa Area Coordinating Council metropolitan planning organization.
- > The City aggressively supported Brownfield Redevelopments with seventeen separate projects approved with tax captures at June 30, 2017, with eight of these projects currently financed with tax increment financing. The reader is directed to the Supplementary Information tab for the Component Unit Funds narratives where a fiscal year end list of Brownfield projects is included. Four new Brownfield projects were under consideration around the end of FY2017, with approval in the following fiscal year. In prior years, four Tool & Die Renaissance Recovery Zones and one Renaissance Zone (Compact Power/LG Chem) were approved. PA198 Industrial Facilities Tax Abatements (IFT) were awarded in FY17 for four (4) new construction projects exceeding \$26 million. Several Neighborhood Enterprise Zone (NEZ) projects were approved in the past couple of years, the largest impacted area is in the downtown area along 8th Street between River and Pine, near the Civic Center, where numerous mixed-use buildings are under construction. This area also received a Brownfield incentive and is expected to provide economic vitality to this part of downtown as the "march to the water" continues west along 8th Street.

- Infrastructure Projects:

- > It is the City's normal practice to complete an annual road resurfacing program. This fiscal year the City resurfaced 4.3 miles of streets at a cost of \$610,900.
- > Work concluded on a Storm Sewer Project that included improvements at various locations, along with paving as needed. Total project cost was \$502,049, with \$499,100 expended during this fiscal year.
- > Work continued on a \$475,000 project to realign 64th Street at M-40 with Cabill Drive. Consulting work was done during the fiscal year and a small parcel of land was purchased; costs for the fiscal year were \$436,173, with year-to-date project costs of \$448,054.
- > Work began on a \$1.75 million project of Hope Avenue that involves construction of new concrete curb and gutters, paving and storm sewer improvements. Included in this project is storm sewer work on Paw Paw Drive to connect the Hope Avenue improvements to the storm sewer main. Costs for the fiscal year were \$462,426.
- > Work concluded on the \$2.7 million South Shore Drive reconstruction project, which included new pavement and storm water and non-motorized improvements; total project costs were \$2.85 million.

- Electric Utility:

- > The Holland Energy Park (HEP), a new gas-fired combined cycle electric generation power plant, was finished at a total cost of \$268.2 million. The new plant provides a sustainable long-term power source and serves as a gateway to the east side of downtown. Bonds in the amount of \$158.8 million were sold during a prior year to finance the project.
- > A new fiber optic infrastructure is under construction to provide service to downtown Holland. Costs incurred to date total \$888,652. Currently there are 81 customers.
- > Other projects include \$8.7 million of snowmelt improvements and expansion, distribution improvements of \$2.2 million, substation upgrades \$881,500, and LED streetlights for \$472,400.

SIGNIFICANT INITIATIVES, EVENTS AND ACCOMPLISHMENTS

(Continued from Previous Page)

- Water Utility:
 - > Water main replacements were completed at a cost of approximately \$2.3 million.
 - > Service to the HEP and Water Treatment Plant cost a combined total of \$426,219.
 - > A capital budget of \$6.5 million was approved for FY2019 to replace the main water pipeline that transfers water to the Holland distribution system, Downtown Holland, and Zeeland. A backup main will also be installed, to prevent a disruption in service in the event of future repairs.

- Wastewater Treatment Plant:
 - > Sewer mains were replaced at a cost of \$1.3 million, and lift station improvements were made costing \$876,409.
 - > Improvements to the Holland Area Water Reclamation Facility (WRF) cost \$409,348. About half of the cost was shared with Holland, Park, Laketown and Fillmore Townships. The other half of the cost was paid for by the Northern Service Area, the area on the north side of Lake Macatawa including parts of Holland and Park Townships, to reflect their increased usage.

- Municipal Capital Projects:
 - > Enhancements to the DeGraaf Nature Center continue; work includes adding a bus loop so students can be dropped off at the door, new LED lighting, a gazebo and an outdoor fire pit. Costs for the fiscal year were \$225,478, with \$263,300 of the \$321,000 budget spent on this project as of fiscal year-end.
 - > Construction continued on the Civic Center Place, which began in March 2017. A \$14.2 million budget was approved for the building reconstruction, with another \$2.58 million approved for landscape and parking lot improvements. Almost 60% of the project has been financed by \$10 million Qualified Energy Conservation Bonds sold in December 2016. Costs for the fiscal year were \$10.14 million, with \$11.6 million spent on this project as of fiscal year-end.

- Sustainability and Energy Conservation:
 - > Implementation of the Community Energy Plan continued through the work of seven (7) City Council appointed task forces. A Steering Committee meets quarterly to ensure coordination of efforts.
 - > The Home Energy Retrofit program launched in FY17 to encourage deeper energy efficiency measures resulted in 125 homes receiving incentives to date, representing an investment exceeding \$2 million.
 - > The On-Bill Loan program made its first loan in November 2016. By June 30, 2018, a total of 64 loans were made with an average project size of \$14,332 and average loan amount of \$13,990 at interest rates of 4.99% and 5.99% depending on term. The program was made possible after success in securing legislative and the Governor's approval of new legislation to enable on-bill financing of deep energy retrofits.
 - > Energy Labeling was completed on several homes that participated in the program.
 - > The Holland Board of Public Works new electric generating facility in the vicinity of Fairbanks Avenue and East 8th Street was substantially completed in FY17. This new natural gas plant will produce half the carbon emissions of the former James DeYoung plant and will increase the availability of the snowmelt system in the Downtown area fivefold. It further has the capacity of providing thermal resources for a potential district heat energy system for the Downtown and Hope College areas.
 - > Holland Energy Fund was granted 501(c)(3) exempt status by the Internal Revenue Service, allowing for deductible contributions by donors.

SIGNIFICANT INITIATIVES, EVENTS AND ACCOMPLISHMENTS

(Continued from Previous Page)

- > Holland Energy Fund was awarded the Governor's Energy Excellence Award for Innovator of the Year, for its work to launch the On-Bill financing program.
- > The City of Holland completed \$3.7 million of energy improvements to various city buildings and locations.
- Budgetary Predictors:
 - > Property Tax revenues represent approximately 40% of the General Fund budget. Property values continue to trend upward. Although taxable values are limited by Michigan law to the rate of inflation, numerous property sales (not limited by inflation factors) have pushed growth in the taxable values beyond the inflation rate.
 - > The City's General Fund receives a transfer from the Electric Utility Fund consisting of 5.75% of sales. Electric sales have increased as a result of a strong manufacturing demand, resulting in increased payments to the General Fund over the past few years; however, electric rates were lowered effective July 1, 2018, which is expected to flatten the overall revenues.
 - > Pension Obligation Bonds were issued in November 2015 for the Unfunded Actuarial Liability (UAL) related to non-union employees, reducing pension costs. While pension costs have decreased, the sale of the pension bonds has increased debt payments. An additional \$20 million of Pension Obligation Bonds were issued in January 2018 to cover the Unfunded Actuarial Liability (UAL) related to public safety union employees, which is expected to eliminate significant pension cost increases experienced of the past several years flattening the overall pension costs. The General Operating millage amount and Debt Service millage will be adjusted to accommodate debt service payments, similar to what was done in 2015.
 - > As revenues stabilize, the most critical issue to be faced will be addressing the capital investment in infrastructure. A Capital Reinvestment Task Force was assembled to address that issue. Legislation was signed into law in the fall of 2015 to provide a major boost in road funding revenues, coupled with .5 mills for Ottawa County roads, approved by voters in 2014 which will facilitate a plan to touch all City of Holland streets every twenty years.

INDEPENDENT AUDIT REQUIREMENTS

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

CERTIFICATE OF ACHIEVEMENT

Government Finance Officers Association of the United States and Canada (GFOA) awarded a *Certificate of Achievement for Excellence in Financial Reporting* to the City of Holland for its comprehensive annual financial report for the fiscal year ended June 30, 2017. This was the 26th consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

ACKNOWLEDGMENTS

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

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

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

Respectfully submitted,



Tim Vagle
Director of Finance/Treasurer



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Holland
Michigan**

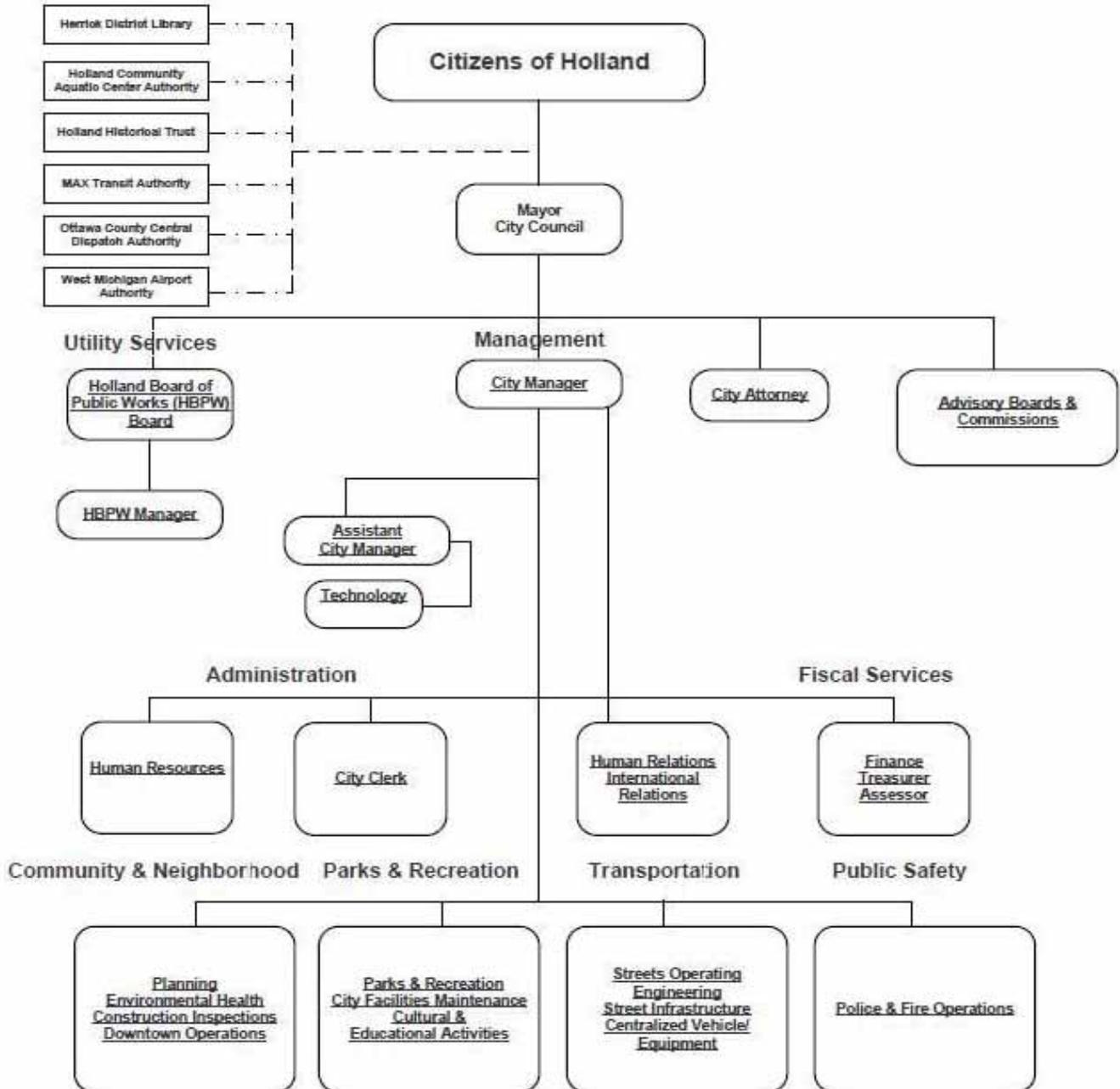
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2017

Christopher P. Morill

Executive Director/CEO

City of Holland Organizational Chart



FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

December 6, 2018

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, 2018, 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, 2018, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Implementation of GASB Statement No. 75

As described in Note 21, the City implemented the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, in the current year. Accordingly, beginning net position of governmental activities, business-type activities, and each major enterprise fund was restated. Our opinion is not modified with respect to this matter.

Required Supplementary Information

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

Other Information

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2018, on our consideration of the City of Holland, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

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

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MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF HOLLAND, MICHIGAN

Management's Discussion and Analysis

As management of the City of Holland, Michigan (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2018. 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:

- Construction began on a new fiber optic infrastructure system which delivers Shared Gigabit service to the downtown area. Through June 30, 2018, \$888,562 was spent on the project and 81 customers were added.
- Work began on a \$1.8 million reconstruction project of Hope Avenue from 16th Street to Paw Paw Drive. The project involves construction of a new roadway with concrete curb and gutters, storm drainage, utility improvements and some storm sewer work along Paw Paw Drive. As of June 30, 2018, \$462,500 has been spent.
- Work continued on the \$5.4 million South Shore Drive project to upgrade infrastructure; it includes watermain, sanitary sewer and storm sewer work, ADA sidewalk ramps and reconstruction of the roadway. As of June 30, 2018, \$5 million has been spent.
- Work continued on the Civic Center Place Redevelopment project. This project aims to renovate the 60-year old building, Holland's historic center of recreational and cultural activity, while strengthening the physical connection of downtown Holland to the Lake Macatawa waterfront. As of June 30, 2018, \$11.6 million of the \$17.3 budget has been spent.

The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$499,338,223 (net position). Of this amount, \$79,373,364 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 \$27,573,252.

As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$15,469,485, a decrease of \$10,634,224 in comparison with the prior year.

At the end of the current fiscal year, unassigned fund balance for the general fund was \$4,793,365 or 11.5% of total general fund expenditures (including transfers out).

Overview of the Financial Statements

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

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

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

CITY OF HOLLAND, MICHIGAN

Management's Discussion and Analysis

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

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

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

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

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

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

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

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

CITY OF HOLLAND, MICHIGAN

Management's Discussion and Analysis

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

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

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

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

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

CITY OF HOLLAND, MICHIGAN

Management's Discussion and Analysis

Government-wide Financial Analysis

As previously stated, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$499,338,223 at the close of the most recent fiscal year.

	Net Position					
	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Current and other assets	\$ 27,825,960	\$ 37,709,981	\$ 175,221,250	\$ 179,368,904	\$ 203,047,210	\$ 217,078,885
Capital assets, net	138,118,520	128,399,542	440,721,594	431,426,392	578,840,114	559,825,934
Total assets	165,944,480	166,109,523	615,942,844	610,795,296	781,887,324	776,904,819
Deferred outflows of resources	20,649,512	3,848,897	423,773	2,480,717	21,073,285	6,329,614
Long-term debt	57,927,845	42,136,036	194,601,606	203,912,511	252,529,451	246,048,547
Other liabilities	29,520,732	27,724,828	16,855,026	32,711,141	46,375,758	60,435,969
Total liabilities	87,448,577	69,860,864	211,456,632	236,623,652	298,905,209	306,484,516
Deferred inflows of resources	2,521,446	1,403,273	2,195,731	327,254	4,717,177	1,730,527
Net position:						
Net investment in capital assets	110,819,862	106,647,631	260,423,184	243,038,572	371,243,046	349,686,203
Restricted	4,920,535	5,552,677	43,801,278	32,305,746	48,721,813	37,858,423
Unrestricted (deficit)	(19,116,428)	(13,506,025)	98,489,792	100,980,789	79,373,364	87,474,764
Total net position	\$ 96,623,969	\$ 98,694,283	\$ 402,714,254	\$ 376,325,107	\$ 499,338,223	\$ 475,019,390

A substantial portion of the City's net position, \$371,243,046 (74.3%), 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 \$48,721,813 (9.8%) represents resources that are subject to external restrictions on how they may be used. The City may use the remaining balance of unrestricted net position of \$79,373,364 (15.9%) to meet its ongoing obligations to citizens and creditors.

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

CITY OF HOLLAND, MICHIGAN

Management's Discussion and Analysis

	Change in Net Position					
	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenues						
Program revenues:						
Charges for services	\$ 4,812,245	\$ 5,065,675	\$ 135,403,415	\$ 136,152,925	\$ 140,215,660	\$ 141,218,600
Operating grants	7,174,268	5,802,887	3,414,566	1,440,753	10,588,834	7,243,640
Capital grants	869,568	1,756,505	523,725	876,078	1,393,293	2,632,583
General revenues:						
Property taxes	14,954,459	15,837,255	99,785	98,937	15,054,244	15,936,192
State shared revenues	3,149,161	3,051,775	-	-	3,149,161	3,051,775
Grant and contributions not restricted to specific programs	417,737	2,396,125	-	-	417,737	2,396,125
Unrestricted investment earnings	391,246	176,941	-	-	391,246	176,941
Gain on sale of capital assets	-	-	152,397	-	152,397	-
Total revenues	31,768,684	34,087,163	139,593,888	138,568,693	171,362,572	172,655,856
Expenses						
General government	5,909,809	5,908,892	-	-	5,909,809	5,908,892
Public safety	13,907,546	14,190,015	-	-	13,907,546	14,190,015
Public works	10,875,928	10,765,351	-	-	10,875,928	10,765,351
Welfare and social services	859,619	733,058	-	-	859,619	733,058
Parks and recreation	4,047,132	4,112,906	-	-	4,047,132	4,112,906
Interest on long-term debt	1,553,125	1,123,331	-	-	1,553,125	1,123,331
Electric utility	-	-	83,893,634	79,772,187	83,893,634	79,772,187
Wastewater utility	-	-	10,839,049	9,857,338	10,839,049	9,857,338
Water utility	-	-	6,757,010	6,844,228	6,757,010	6,844,228
Other enterprise activities	-	-	3,541,088	2,981,978	3,541,088	2,981,978
Total expenses	37,153,159	36,833,553	105,030,781	99,455,731	142,183,940	136,289,284
Change in net position, before transfers	(5,384,475)	(2,746,390)	34,563,107	39,112,962	29,178,632	36,366,572
Transfers	6,296,016	5,850,000	(6,296,016)	(5,850,000)	-	-
Change in net position, before extraordinary item	911,541	3,103,610	28,267,091	33,262,962	29,178,632	36,366,572
Extraordinary item	-	-	(1,605,380)	(3,603,908)	(1,605,380)	(3,603,908)
Change in net position	911,541	3,103,610	26,661,711	29,659,054	27,573,252	32,762,664
Net position:						
Beginning of year	98,694,283	95,590,673	376,325,107	346,666,053	475,019,390	442,256,726
Restatement for implementation of GASB 75	(2,981,855)	-	(272,564)	-	(3,254,419)	-
Net position, end of year	\$ 96,623,969	\$ 98,694,283	\$ 402,714,254	\$ 376,325,107	\$ 499,338,223	\$ 475,019,390

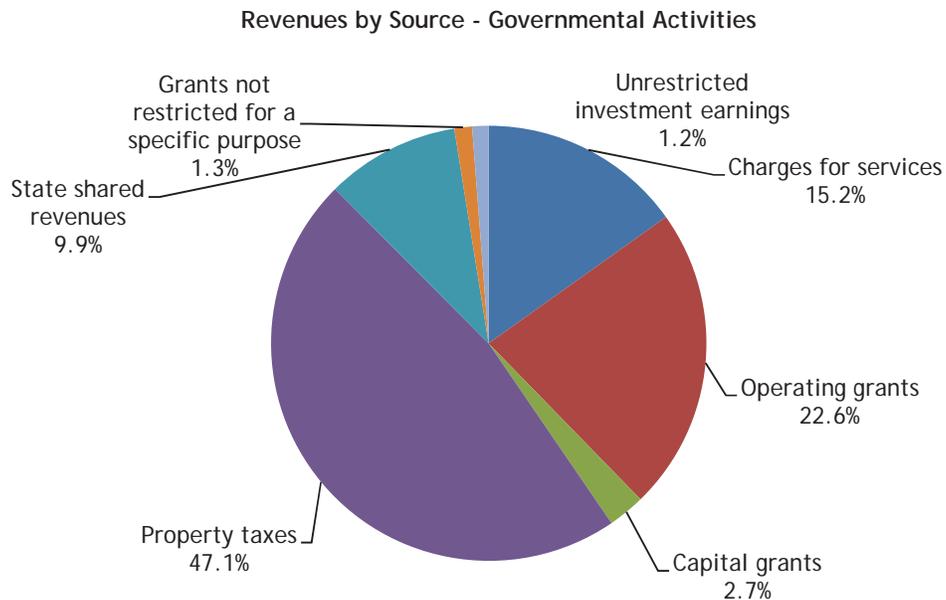
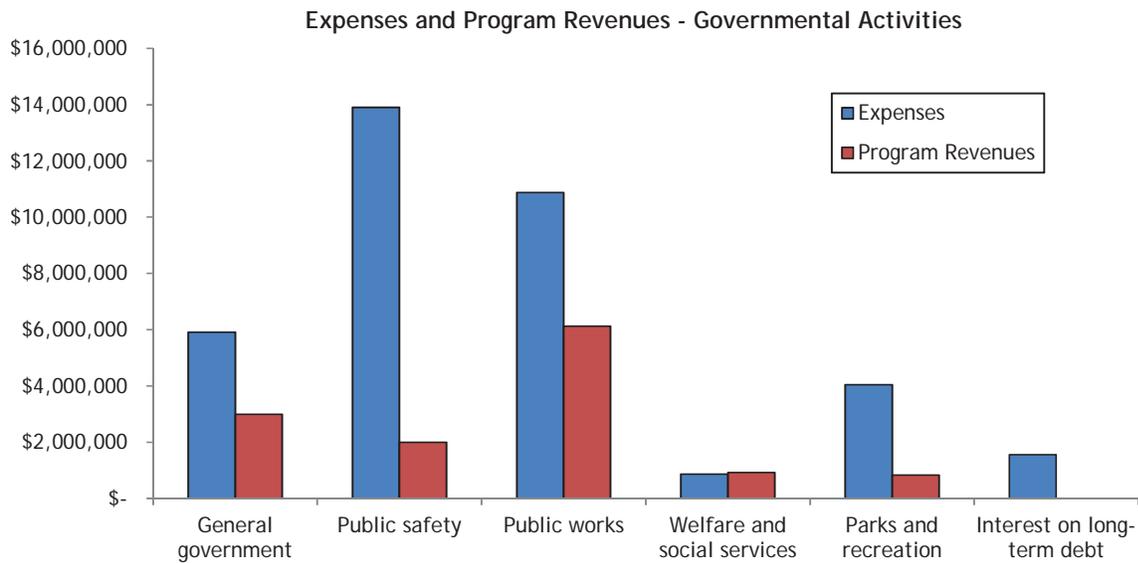
CITY OF HOLLAND, MICHIGAN

Management's Discussion and Analysis

Governmental Activities. Governmental activities increased the City's net position by \$911,541. This increase was a result of a delay in filling vacant positions and closing the defined benefit pension group for police and fire union employees.

As part of the increase in net position discussed above, operating grants increased from the prior year by \$1,371,381 (23.6%), due primarily to increased revenue from the Michigan Transportation Fund gas and registration tax payments. Unrestricted grants and contributions decreased from the prior year by \$1,978,388 (82.6%), which was primarily the result of a decrease in the reimbursement from the State of Michigan for Personal Property Tax loss.

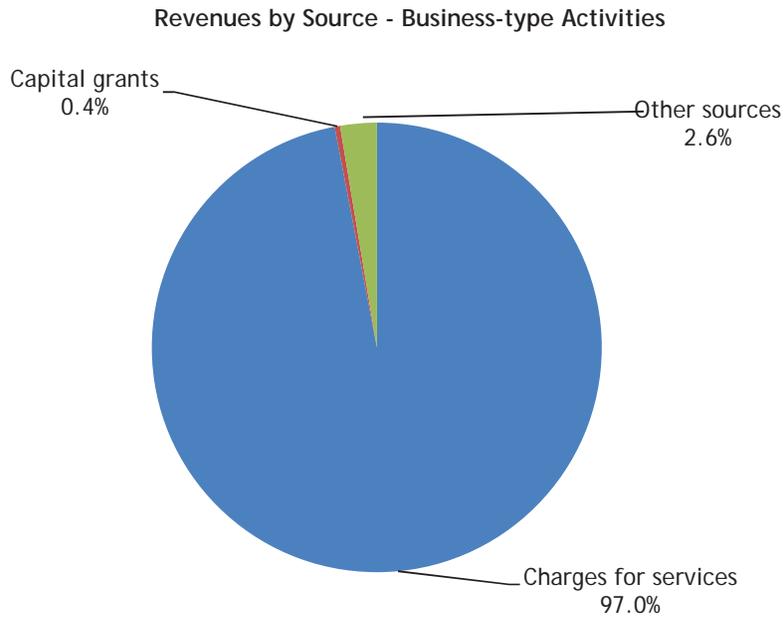
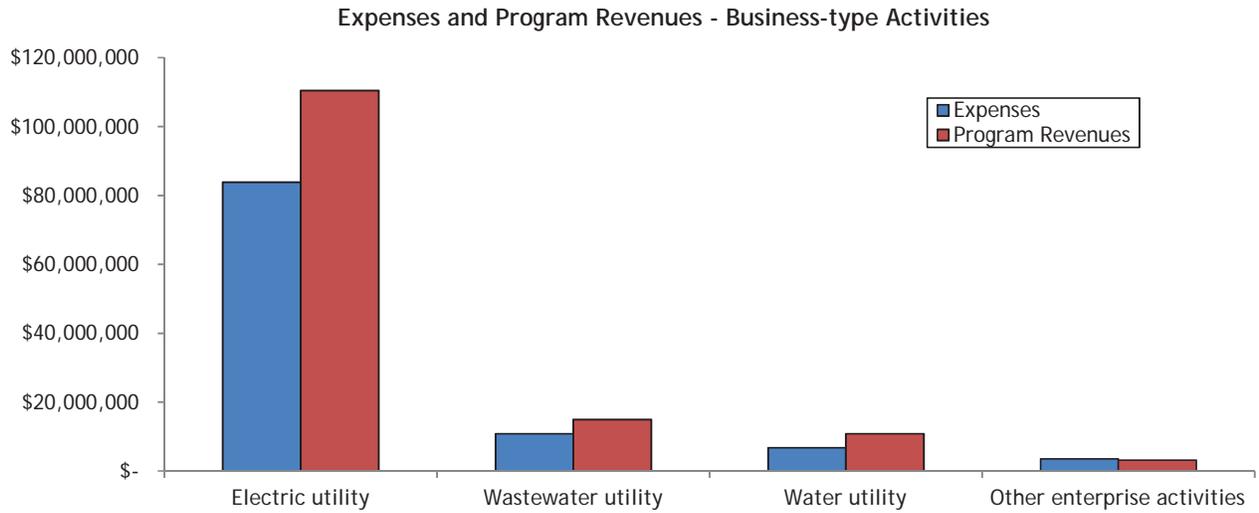
Expenses overall were consistent with those of the prior year.



CITY OF HOLLAND, MICHIGAN

Management's Discussion and Analysis

Business-type Activities. Business-type activities increased the City of Holland's net position by \$26,661,711, mainly due to reduced operating costs of the Electric Utility, Wastewater Utility and Water Utility, rate increases and the Wastewater Utility sale of capacity.



CITY OF HOLLAND, MICHIGAN

Management's Discussion and Analysis

Financial Analysis of the City's Funds

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

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

During the current fiscal year the fund balance of the City's General Fund decreased by \$2,510 mainly due to refunds paid to citizens because of adjustments in the taxable value of their property.

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

During the current fiscal year, the fund balance of the City's Municipal Facilities/Land Improvements Projects Fund decreased by \$9,929,243, primarily due to capital outlay expenditures related to the civic center project.

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 \$18,773,783 increase in net position due to decreased operating expenses. The Wastewater Utility Fund had a \$4,134,324 increase in net position as a result of a rate increase and the sale of capacity to the northern service area (Holland and Park Township). The Water Utility Fund had an increase in net position of \$4,072,511 as a result of a rate increase. The nonmajor enterprise funds reported a decrease of \$318,907 in net position.

General Fund Budgetary Highlights

The original revenue budget was \$15,348,906 and as amended was \$15,196,364 which represents a decrease of \$152,542. The original expenditure budget was \$21,158,774 and as amended was \$41,292,226 which represents an increase of \$20,133,452. The increase in budgeted expenditures was primarily the result of a one-time lump sum payment to MERS for pension contributions, for which long-term debt was entered into during the year.

CITY OF HOLLAND, MICHIGAN

Management's Discussion and Analysis

Actual expenditures came in \$747,206 less than the amended budget. Causes for variances are as follows:

- Expenditures for wages and fringe benefits had an positive variance of \$420,443 due to a delay in filling staffing vacancies after retirements and closing the police and fire union defined benefit pension groups to new hires. Changes in pension benefits for the union employees and staffing vacancies in the public safety function account for 55% of the variance. Staffing vacancies in the general government, public works and parks/recreation function account for the remaining variance.
- Expenditures for contractual services had a positive variance of \$136,678 across all functions. The general government function accounted for \$83,293, with \$47,293 due to a decreased need for legal services from the city attorney and \$36,000 due to delayed spending to rewrite the zoning ordinance.
- Expenditures had a positive variance of \$59,295 for education & training and travel, with 50% attributable to the general government function.

Overall, the general fund budgeted for a decrease in fund balance of \$834,874, and the actual decrease was \$2,510.

Capital Asset and Debt Administration

Capital Assets. The City's capital assets for its governmental and business-type activities as of June 30, 2018 amounted to \$578,840,114 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings, machinery and equipment, motor vehicles, and infrastructure. The total increase in the City's investment in capital assets for the current fiscal year was a 7.6% increase for governmental activities and a 2.2% increase for business-type activities.

	Capital Assets (Net of Depreciation)					
	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land	\$ 16,520,089	\$ 16,520,089	\$ 29,870,620	\$ 29,813,155	\$ 46,390,709	\$ 46,333,244
Construction in progress	13,325,377	5,094,012	4,740,776	207,198,956	18,066,153	212,292,968
Buildings, equipment and infrastructure, net	108,273,054	106,785,441	406,110,198	194,414,281	514,383,252	301,199,722
Total capital assets, net	\$ 138,118,520	\$ 128,399,542	\$ 440,721,594	\$ 431,426,392	\$ 578,840,114	\$ 559,825,934

The increase in governmental activities capital assets is mainly due to the ongoing renovation at the Civic Center. Utility capital projects account for the increase in business-type capital assets, with the largest addition due to the combined cycle power plant project.

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

CITY OF HOLLAND, MICHIGAN

Management's Discussion and Analysis

Long-term Debt

	Long-term Debt					
	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Bonds payable	\$ 53,553,470	\$ 37,212,190	\$ 178,010,141	\$ 185,315,378	\$ 231,563,611	\$ 222,527,568
Capital lease	-	-	8,717,500	9,112,500	8,717,500	9,112,500
Notes payable	2,451,024	2,728,541	-	-	2,451,024	2,728,541
Unamortized premium						
on bonds payable	279,872	359,116	5,278,229	7,020,133	5,558,101	7,379,249
Landfill liability	-	-	1,373,983	1,373,983	1,373,983	1,373,983
Compensated absences	1,643,479	1,836,189	1,221,753	1,090,517	2,865,232	2,926,706
Total long-term debt	\$ 57,927,845	\$ 42,136,036	\$ 194,601,606	\$ 203,912,511	\$ 252,529,451	\$ 246,048,547

The increase in the governmental activities long-term debt is mainly due to the issuance of \$19.9 million of pension bonds. A decrease in business-type long-term debt was the result of expected principal payments.

The City's most recent general obligation bond issue had a rating of AA from Standard & Poor's and a rating of Aa2 from Moody's.

State statutes limit the amount of general obligation debt a governmental entity may issue to 10% of the State Equalized Value. The current debt limitation for the City is \$111,958,873.

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

Economic Factors and Next Year's Budget and Rates

Renovation of the Civic Center nears completion, as well as several capital projects. Local developer GDK continues construction of several multi-story mixed use buildings on 8th Street, between River and Pine, just east of the Civic Center. The City of Holland issued \$7M in bonds to purchase the 380 space parking structure, which will provide additional parking for the vibrant downtown area.

Operating efficiency at the new power plant, along with favorable natural gas prices, allowed for a 5.7% decrease in Electric Utility rates for Fiscal year 2019. A rate increase of 3.6% for the Wastewater Utility and 1.9% for the Water Utility was approved. Rate increases support capital acquisitions and expenditures, maintain required debt ratios and maintain appropriate cash levels.

Following the Flint water crisis, the Michigan Department of Environmental Quality issued a new rule dropping the State's allowed lead level in drinking water from 15 parts per billion to 12 parts per billion by 2025. Utilities must also pay for lead service line replacement at all homes in Michigan within the next 20 years, with 5% of pipes replaced annually. This will cost the Holland Board of Public Works an estimated \$20M and will need to be considered when setting rates in the future.

Fiscal year 2019 experienced a 3.24% increase in taxable valuation but actual General Fund property tax revenue is projected to increase approximately 6.3% from fiscal year 2018, due to additional millage allocated to operating instead of capital projects. The fiscal year 2019 General Fund budget, excluding budget stabilization, projects fund balance to be \$3,704,962 on June 30, 2019 or 16.6% of budgeted expenditures. The fiscal year overall tax rate for the City of Holland is 13.8692 mills, the same as the previous year, while the five year budget projection includes a 2.0% increase on property values for the upcoming fiscal year 2020.

CITY OF HOLLAND, MICHIGAN

Management's Discussion and Analysis

The 2018 Business Intelligence Report for the West Michigan Lakeshore Region, published by Lakeshore Advantage, states the region is thriving and companies are expanding. Area employers face the challenge of recruiting qualified talent to fill open positions. The City of Holland faces this same challenge, as well as retaining the current staff. A consulting service made recommendations to improve operational performance and enhance internal capacity to better deliver services to the community. This will include some staffing changes in the future, resulting in additional costs for wages and fringe benefits.

Requests for Information

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



BASIC FINANCIAL STATEMENTS

CITY OF HOLLAND, MICHIGAN

Statement of Net Position
June 30, 2018

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and pooled investments	\$ 24,854,062	\$ 64,454,114	\$ 89,308,176	\$ 1,533,396
Investments	-	38,090,914	38,090,914	412,431
Receivables, net	3,389,171	20,925,055	24,314,226	218,153
Internal balances	(612,424)	612,424	-	-
Inventory	66,133	3,771,505	3,837,638	4,962
Prepaid items	129,018	3,565,960	3,694,978	3,798
Restricted assets:				
Cash and pooled investments	-	28,369,554	28,369,554	-
Investments	-	15,426,000	15,426,000	-
Accrued interest	-	5,724	5,724	-
Capital assets:				
Land	16,520,089	29,870,620	46,390,709	20,000
Construction in progress	13,325,377	4,740,776	18,066,153	54,887
Being depreciated, net of depreciation	108,273,054	406,110,198	514,383,252	1,244,141
Total assets	165,944,480	615,942,844	781,887,324	3,491,768
Deferred outflows of resources				
Deferred charge on bond refunding	182,238	195,929	378,167	-
Deferred pension amounts	20,158,559	227,844	20,386,403	-
Deferred other postemployment benefit amounts	308,715	-	308,715	-
Total deferred outflows of resources	20,649,512	423,773	21,073,285	-
Liabilities				
Payables	4,037,813	14,011,351	18,049,164	106,847
Unearned revenue	252,333	-	252,333	40,061
Deposits	7,934	877,921	885,855	-
Line of credit	-	-	-	50,000
Long-term debt:				
Due within one year from restricted assets	-	6,642,954	6,642,954	-
Due within one year	5,811,337	2,942,759	8,754,096	-
Due in more than one year from restricted assets	-	165,133,885	165,133,885	-
Due in more than one year	52,116,508	19,882,008	71,998,516	-
Net pension liability (due in more than one year)	20,625,591	1,249,500	21,875,091	-
Total other postemployment benefit liability (due in more than one year)	4,597,061	716,254	5,313,315	-
Total liabilities	87,448,577	211,456,632	298,905,209	196,908
Deferred inflows of resources				
Deferred pension amounts	2,043,974	1,771,553	3,815,527	-
Deferred other postemployment benefit amounts	477,472	424,178	901,650	-
Total deferred inflows of resources	2,521,446	2,195,731	4,717,177	-
Net position				
Net investment in capital assets	110,819,862	260,423,184	371,243,046	1,319,028
Restricted:				
Cemetery maintenance	70,916	-	70,916	-
Debt service	90,015	-	90,015	-
Street construction and maintenance	1,132,157	-	1,132,157	-
Grant programs	46,795	-	46,795	-
Capital projects and by agreement	1,926,020	43,801,278	45,727,298	697,649
Cemetery endowment corpus (nonexpendable)	1,654,632	-	1,654,632	-
Unrestricted (deficit)	(19,116,428)	98,489,792	79,373,364	1,278,183
Total net position	\$ 96,623,969	\$ 402,714,254	\$ 499,338,223	\$ 3,294,860

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

CITY OF HOLLAND, MICHIGAN

Statement of Activities

For the Year Ended June 30, 2018

Functions / Programs	Expenses	Program Revenues			Net (Expenses) Revenues
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government					
Governmental activities:					
General government	\$ 5,909,809	\$ 1,406,666	\$ 1,345,691	\$ 240,772	\$ (2,916,680)
Public safety	13,907,546	1,664,917	218,525	110,968	(11,913,136)
Public works	10,875,928	842,821	5,073,939	203,181	(4,755,987)
Welfare and social services	859,619	114,247	495,275	314,647	64,550
Parks and recreation	4,047,132	783,594	40,838	-	(3,222,700)
Interest on long-term debt	1,553,125	-	-	-	(1,553,125)
Total governmental activities	37,153,159	4,812,245	7,174,268	869,568	(24,297,078)
Business-type activities:					
Electric utility	83,893,634	109,961,111	473,849	-	26,541,326
Wastewater utility	10,839,049	11,632,142	2,922,309	390,156	4,105,558
Water utility	6,757,010	10,723,043	(12,378)	129,078	4,082,733
Refuse and recycling pickup	1,938,466	1,927,291	8,439	-	(2,736)
Windmill Island	988,332	1,116,422	22,240	4,491	154,821
Airport facilities and management system	578,828	33,890	-	-	(544,938)
Other enterprise activities	35,462	9,516	107	-	(25,839)
Total business-type activities	105,030,781	135,403,415	3,414,566	523,725	34,310,925
Total primary government	\$ 142,183,940	\$ 140,215,660	\$ 10,588,834	\$ 1,393,293	\$ 10,013,847
Component units					
Downtown Development Authority	\$ 222,032	\$ 7,860	\$ 44,832	\$ -	\$ (169,340)
Holland Historical Trust	785,027	114,881	827,701	-	157,555
Brownfield Redevelopment Authority	1,024,157	-	109,385	-	(914,772)
SmartZone	30,584	-	82,088	-	51,504
Total component units	\$ 2,061,800	\$ 122,741	\$ 1,064,006	\$ -	\$ (875,053)

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CITY OF HOLLAND, MICHIGAN

Statement of Activities

For the Year Ended June 30, 2018

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Change in net position				
Net revenues (expenses)	\$ (24,297,078)	\$ 34,310,925	\$ 10,013,847	\$ (875,053)
General revenues:				
Property taxes	14,954,459	99,785	15,054,244	1,641,192
State shared revenues	3,149,161	-	3,149,161	-
Grants and contributions not restricted to specific programs	417,737	-	417,737	16,899
Unrestricted investment earnings	391,246	-	391,246	-
Gain on sale of capital assets	-	152,397	152,397	-
Transfers	6,296,016	(6,296,016)	-	-
Total general revenues and transfers	25,208,619	(6,043,834)	19,164,785	1,658,091
Change in net position before extraordinary item	911,541	28,267,091	29,178,632	783,038
Extraordinary item (note 19)	-	(1,605,380)	(1,605,380)	-
Change in net position	911,541	26,661,711	27,573,252	783,038
Net position, beginning of year, as restated	95,712,428	376,052,543	471,764,971	2,511,822
Net position, end of year	\$ 96,623,969	\$ 402,714,254	\$ 499,338,223	\$ 3,294,860

concluded

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

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CITY OF HOLLAND, MICHIGAN

Balance Sheet Governmental Funds June 30, 2018

	General Fund	Municipal Facilities/Land Improvements Projects	Nonmajor Governmental Funds	Total Governmental Funds
Assets				
Cash and pooled investments	\$ 5,004,029	\$ 6,751,652	\$ 5,104,267	\$ 16,859,948
Receivables:				
Accounts	142,971	-	311,921	454,892
Taxes and special assessments	806	-	681,249	682,055
Interest	35,546	-	-	35,546
Notes	-	-	798,560	798,560
Due from other governmental units	543,248	-	718,023	1,261,271
Due from other funds	53,619	223,862	14,113	291,594
Prepaid items	19,920	-	1,175	21,095
Total assets	\$ 5,800,139	\$ 6,975,514	\$ 7,629,308	\$ 20,404,961
Liabilities				
Accounts payable	\$ 272,735	\$ 1,676,043	\$ 705,303	\$ 2,654,081
Accrued payroll and benefits	248,210	-	29,092	277,302
Due to other governmental units	210,024	-	-	210,024
Due to other funds	86,991	130	765,806	852,927
Deposits	7,934	-	-	7,934
Unearned revenue	155,293	-	97,040	252,333
Total liabilities	981,187	1,676,173	1,597,241	4,254,601
Deferred inflows of resources				
Unavailable revenue:				
Special assessments receivable	-	-	680,875	680,875
Fund balances				
Nonspendable	19,920	-	1,655,807	1,675,727
Restricted	-	-	2,934,548	2,934,548
Committed	5,667	5,299,341	760,837	6,065,845
Unassigned	4,793,365	-	-	4,793,365
Total fund balances	4,818,952	5,299,341	5,351,192	15,469,485
Total liabilities, deferred inflows of resources and fund balances	\$ 5,800,139	\$ 6,975,514	\$ 7,629,308	\$ 20,404,961

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, 2018

Fund balances - total governmental funds \$ 15,469,485

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	16,520,089
Construction in progress	13,325,377
Capital assets being depreciated, net	108,273,054
Less capital assets accounted for in the internal service funds	(5,678,815)

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

Net position of governmental activities accounted for in the internal service funds	11,763,551
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The focus of governmental funds is on short-term financing. Accordingly, some assets will not be available to pay for current-period expenditures. Those assets (such as certain receivables) are offset by deferred inflows of resources in the governmental funds, and thus are not included in fund balance.

Deferred inflows from special assessments receivable	680,875
--	---------

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.

Deferred charge on bond refunding	182,238
Bonds and notes payable	(56,004,494)
Unamortized premium on bonds payable	(279,872)
Accrued interest on bonds payable	(350,695)

Certain pension and other postemployment benefit-related amounts, such as the net pension and other postemployment benefit liabilities and deferred amounts, are not due and payable in the current period or do not represent current financial resources, and therefore are not reported in the funds.

Net pension liability	(20,625,591)
Deferred outflows related to the net pension liability	20,158,559
Deferred inflows related to the net pension liability	(2,043,974)
Total other postemployment benefit liability	(4,597,061)
Deferred outflows related to the total other postemployment benefit liability	308,715
Deferred inflows related to the total other postemployment benefit liability	(477,472)

Net position of governmental activities \$ 96,623,969

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, 2018

	General Fund	Municipal Facilities/Land Improvements Projects	Nonmajor Governmental Funds	Total Governmental Funds
Revenues				
Taxes	\$ 8,367,823	\$ 162,619	\$ 6,424,017	\$ 14,954,459
Special assessments	-	-	831,764	831,764
Licenses and permits	1,098,803	-	-	1,098,803
Intergovernmental	3,457,646	99,449	5,988,409	9,545,504
Charges for services	1,807,769	-	235,387	2,043,156
Fines and fees	131,898	-	463,215	595,113
Contributions from private sector	-	232,472	545,732	778,204
Interest and rents	400,290	144,466	117,504	662,260
Miscellaneous	24,264	9,208	302,642	336,114
Total revenues	15,288,493	648,214	14,908,670	30,845,377
Expenditures				
Current:				
General government	3,680,121	-	480,088	4,160,209
Public safety	11,581,298	-	301,250	11,882,548
Public works	1,282,766	-	5,392,557	6,675,323
Welfare and social services	504,443	-	320,370	824,813
Parks and recreation	3,525,896	-	247,285	3,773,181
Other	19,970,496	-	-	19,970,496
Debt service:				
Principal retirement	-	-	3,826,237	3,826,237
Interest and fiscal charges	-	-	1,401,951	1,401,951
Capital outlay	-	11,599,846	3,285,594	14,885,440
Total expenditures	40,545,020	11,599,846	15,255,332	67,400,198
Revenues under expenditures	(25,256,527)	(10,951,632)	(346,662)	(36,554,821)
Other financing sources (uses)				
Issuance of long-term debt	19,890,000	-	-	19,890,000
Transfers in	6,664,067	1,537,031	6,082,781	14,283,879
Transfers out	(1,300,050)	(514,642)	(6,438,590)	(8,253,282)
Total other financing sources (uses)	25,254,017	1,022,389	(355,809)	25,920,597
Net changes in fund balances	(2,510)	(9,929,243)	(702,471)	(10,634,224)
Fund balances, beginning of year	4,821,462	15,228,584	6,053,663	26,103,709
Fund balances, end of year	\$ 4,818,952	\$ 5,299,341	\$ 5,351,192	\$ 15,469,485

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, 2018

Net changes in fund balances - total governmental funds \$ (10,634,224)

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

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

Capital assets purchased/constructed	15,082,622
Depreciation expense	(5,611,283)
Loss on sale of capital assets	(107,193)

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

Principal payments on long-term debt	3,826,237
Issuance of long-term debt	(19,890,000)

Internal service funds are used by management to charge the costs of certain equipment usage to individual governmental funds. The net revenues (expenses) attributable to those funds is reported with governmental activities.

Gain from governmental activities in internal service funds	427,246
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds, but rather are deferred to the following fiscal year.

Net change in special assessments receivable	(139,530)
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.

Amortization of deferred charge on bond refundings	(106,621)
Amortization of premium on long-term debt	79,244
Change in accrued interest on bonds payable	15,615
Change in the net pension liability and related deferred amounts	18,034,837
Change in total other postemployment benefit liability and related deferred amounts	(65,409)

Change in net position of governmental activities	\$ 911,541
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The accompanying notes are an integral part of these financial statements.

CITY OF HOLLAND, MICHIGAN

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - General Fund

For the Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Taxes	\$ 8,415,010	\$ 8,427,703	\$ 8,367,823	\$ (59,880)
Licenses and permits	626,800	1,066,730	1,098,803	32,073
Intergovernmental	3,974,238	3,315,633	3,457,646	142,013
Charges for services	1,782,835	1,870,135	1,807,769	(62,366)
Fines and fees	132,500	139,000	131,898	(7,102)
Interest and rents	357,160	360,700	400,290	39,590
Miscellaneous	60,363	16,463	24,264	7,801
Total revenues	15,348,906	15,196,364	15,288,493	92,129
Expenditures				
Current:				
General government	3,798,930	3,935,188	3,680,121	(255,067)
Public safety	11,360,169	11,885,951	11,581,298	(304,653)
Public works	1,316,650	1,301,637	1,282,766	(18,871)
Welfare and social services	565,696	533,918	504,443	(29,475)
Parks and recreation	3,517,528	3,657,282	3,525,896	(131,386)
Other	599,801	19,978,250	19,970,496	(7,754)
Total expenditures	21,158,774	41,292,226	40,545,020	(747,206)
Revenues over (under) expenditures	(5,809,868)	(26,095,862)	(25,256,527)	839,335
Other financing sources (uses)				
Issuance of long-term debt	-	19,890,000	19,890,000	-
Transfers in	5,818,276	6,675,560	6,664,067	(11,493)
Transfers out	(150,900)	(1,304,572)	(1,300,050)	(4,522)
Total other financing sources (uses)	5,667,376	25,260,988	25,254,017	6,971
Net changes in fund balance	(142,492)	(834,874)	(2,510)	832,364
Fund balance, beginning of year	4,821,462	4,821,462	4,821,462	-
Fund balance, end of year	\$ 4,678,970	\$ 3,986,588	\$ 4,818,952	\$ 832,364

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

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CITY OF HOLLAND, MICHIGAN

Statement of Net Position

Proprietary Funds

June 30, 2018

	Business-type Activities - Enterprise Funds		
	Electric Utility	Wastewater Utility	Water Utility
Assets			
Current assets:			
Cash and pooled investments	\$ 49,096,042	\$ 7,965,054	\$ 5,496,808
Investments	29,373,630	5,105,341	3,611,943
Receivables:			
Accounts	15,002,753	1,696,036	1,523,965
Taxes and special assessments	-	26,957	69,812
Interest	232,071	25,611	6,902
Due from other funds	700,834	1,858	20,046
Inventories	3,517,934	20,241	233,330
Prepaid items	3,492,351	39,109	34,500
Total current assets	101,415,615	14,880,207	10,997,306
Noncurrent assets:			
Restricted assets:			
Cash and pooled investments	19,969,812	6,133,683	2,266,059
Investments	15,426,000	-	-
Accrued interest	-	-	5,724
Capital assets:			
Land	21,068,626	260,673	2,096,962
Construction in progress	1,267,923	1,423,104	1,737,990
Machinery and equipment	478,848,720	104,065,953	71,948,697
Accumulated depreciation	(179,024,715)	(44,891,143)	(29,707,753)
Due from City of Wyoming	-	-	2,086,386
Total noncurrent assets	357,556,366	66,992,270	50,434,065
Total assets	458,971,981	81,872,477	61,431,371
Deferred outflows of resources			
Deferred charge on bond refunding	-	-	195,929
Deferred pension amounts	150,379	43,289	34,176
Total deferred outflows of resources	150,379	43,289	230,105

Business-type Activities - Enterprise Funds		Governmental Activities
Nonmajor Enterprise Funds	Total	Internal Service Funds
\$ 1,896,210	\$ 64,454,114	\$ 7,994,114
-	38,090,914	-
254,555	18,477,309	156,847
7	96,776	-
-	264,584	-
-	722,738	14,914
-	3,771,505	66,133
-	3,565,960	107,923
<u>2,150,772</u>	<u>129,443,900</u>	<u>8,339,931</u>
-	28,369,554	-
-	15,426,000	-
-	5,724	-
6,444,359	29,870,620	-
311,759	4,740,776	190,000
19,160,829	674,024,199	13,177,625
(14,290,390)	(267,914,001)	(7,688,810)
-	2,086,386	-
<u>11,626,557</u>	<u>486,609,258</u>	<u>5,678,815</u>
<u>13,777,329</u>	<u>616,053,158</u>	<u>14,018,746</u>
-	195,929	-
-	227,844	-
-	<u>423,773</u>	-

continued...

CITY OF HOLLAND, MICHIGAN

Statement of Net Position

Proprietary Funds

June 30, 2018

	Business-type Activities - Enterprise Funds		
	Electric Utility	Wastewater Utility	Water Utility
Liabilities			
Current liabilities:			
Accounts payable	\$ 8,407,668	\$ 820,042	\$ 700,809
Claims payable	-	-	-
Accrued payroll and benefits	257,227	73,788	57,000
Accrued interest payable	15,939	23,592	3,623
Accrued interest payable from restricted assets	3,264,703	-	30,670
Due to other funds	16,024	3,526	63,096
Deposits	844,508	-	-
Current portion of long-term debt	1,809,119	780,041	337,816
Current portion of long-term debt payable from restricted assets	5,113,213	-	1,529,741
Total current liabilities	<u>19,728,401</u>	<u>1,700,989</u>	<u>2,722,755</u>
Noncurrent liabilities:			
Long-term debt, net of current portion	8,103,029	10,249,650	1,529,329
Long-term debt payable from restricted assets, net of current portion	154,120,192	-	11,013,693
Net pension liability	824,671	237,404	187,425
Total other postemployment benefit liability	507,609	117,967	90,678
Total noncurrent liabilities	<u>163,555,501</u>	<u>10,605,021</u>	<u>12,821,125</u>
Total liabilities	<u>183,283,902</u>	<u>12,306,010</u>	<u>15,543,880</u>
Deferred inflows of resources			
Deferred pension amounts	1,169,225	336,595	265,733
Deferred other postemployment benefit amounts	300,615	69,862	53,701
Total deferred inflows of resources	<u>1,469,840</u>	<u>406,457</u>	<u>319,434</u>
Net position			
Net investment in capital assets	162,927,149	52,141,087	33,728,391
Restricted for capital projects, debt service and by agreement	35,395,812	6,133,683	2,271,783
Unrestricted	76,045,657	10,928,529	9,797,988
Total net position	<u>\$ 274,368,618</u>	<u>\$ 69,203,299</u>	<u>\$ 45,798,162</u>

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

Business-type Activities - Enterprise Funds		Governmental Activities
Nonmajor Enterprise Funds	Total	Internal Service Funds
\$ 339,304	\$ 10,267,823	\$ 185,373
-	-	342,405
16,986	405,001	17,933
-	43,154	-
-	3,295,373	-
27,668	110,314	66,005
33,413	877,921	-
15,783	2,942,759	1,170,000
-	6,642,954	-
<u>433,154</u>	<u>24,585,299</u>	<u>1,781,716</u>
-	19,882,008	473,479
-	165,133,885	-
-	1,249,500	-
-	716,254	-
<u>-</u>	<u>186,981,647</u>	<u>473,479</u>
<u>433,154</u>	<u>211,566,946</u>	<u>2,255,195</u>
-	1,771,553	-
<u>-</u>	<u>424,178</u>	<u>-</u>
<u>-</u>	<u>2,195,731</u>	<u>-</u>
11,626,557	260,423,184	5,678,815
-	43,801,278	-
<u>1,717,618</u>	<u>98,489,792</u>	<u>6,084,736</u>
<u>\$ 13,344,175</u>	<u>\$ 402,714,254</u>	<u>\$ 11,763,551</u>

concluded

CITY OF HOLLAND, MICHIGAN

Statement of Revenues, Expenses and Change in Fund Net Position

Proprietary Funds

For the Year Ended June 30, 2018

	Business-type Activities - Enterprise Funds		
	Electric Utility	Wastewater Utility	Water Utility
Operating revenues			
Usage fees and charges for services	\$ 109,961,111	\$ 11,632,142	\$ 10,723,043
Premiums	-	-	-
Admissions and fares	-	-	-
Rentals	-	-	-
Miscellaneous	-	-	-
Total operating revenues	109,961,111	11,632,142	10,723,043
Operating expenses			
Personal services	7,174,491	2,126,680	1,739,765
Other current expenses	55,611,113	5,418,693	2,705,413
Depreciation	15,067,564	3,003,211	1,940,921
Total operating expenses	77,853,168	10,548,584	6,386,099
Operating income (loss)	32,107,943	1,083,558	4,336,944
Nonoperating revenues (expenses)			
Property taxes	-	-	-
Other private donations	-	-	-
Investment earnings (losses)	458,933	57,096	(12,378)
Interest expense	(6,040,466)	(290,465)	(370,911)
Insurance recovery	14,916	-	-
Capacity revenue	-	2,865,213	-
Gain (loss) on disposal of capital assets	133,853	28,766	(10,222)
Total nonoperating revenues (expenses)	(5,432,764)	2,660,610	(393,511)
Income (loss) before contributions and transfers	26,675,179	3,744,168	3,943,433
Contributions and transfers			
Capital contributions	-	390,156	129,078
Transfers in	-	-	-
Transfers out	(6,296,016)	-	-
Net contributions and transfers	(6,296,016)	390,156	129,078
Change in net position before extraordinary item	20,379,163	4,134,324	4,072,511
Extraordinary item (note 19)	(1,605,380)	-	-
Change in net position	18,773,783	4,134,324	4,072,511
Net position, beginning of year, as restated	255,594,835	65,068,975	41,725,651
Net position, end of year	\$ 274,368,618	\$ 69,203,299	\$ 45,798,162

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

Business-type Activities - Enterprise Funds		Governmental Activities
Nonmajor Enterprise Funds	Total	Internal Service Funds
\$ 2,083,124	\$ 134,399,420	\$ 3,003,506
-	-	6,169,821
900,794	900,794	-
103,201	103,201	2,108,290
-	-	16,588
<u>3,087,119</u>	<u>135,403,415</u>	<u>11,298,205</u>
729,753	11,770,689	2,122,746
2,240,421	65,975,640	9,362,259
570,914	20,582,610	754,777
<u>3,541,088</u>	<u>98,328,939</u>	<u>12,239,782</u>
<u>(453,969)</u>	<u>37,074,476</u>	<u>(941,577)</u>
99,785	99,785	-
17,965	17,965	-
12,821	516,472	61,660
-	(6,701,842)	-
-	14,916	1,001,177
-	2,865,213	-
-	152,397	40,567
<u>130,571</u>	<u>(3,035,094)</u>	<u>1,103,404</u>
<u>(323,398)</u>	<u>34,039,382</u>	<u>161,827</u>
4,491	523,725	-
-	-	286,097
-	(6,296,016)	(20,678)
<u>4,491</u>	<u>(5,772,291)</u>	<u>265,419</u>
(318,907)	28,267,091	427,246
-	(1,605,380)	-
(318,907)	26,661,711	427,246
13,663,082	376,052,543	11,336,305
<u>\$ 13,344,175</u>	<u>\$ 402,714,254</u>	<u>\$ 11,763,551</u>

CITY OF HOLLAND, MICHIGAN

Statement of Cash Flows

Proprietary Funds

For the Year Ended June 30, 2018

	Business-type Activities - Enterprise Funds		
	Electric Utility	Wastewater Utility	Water Utility
Cash flows from operating activities			
Receipts from customers and users	\$ 115,105,044	\$ 11,881,244	\$ 11,240,725
Receipts from interfund services provided	-	-	-
Payments to suppliers	(66,786,542)	(7,209,816)	(2,988,298)
Payments to employees	(6,634,645)	(2,011,327)	(1,636,113)
Net cash provided by (used in) operating activities	41,683,857	2,660,101	6,616,314
Cash flows from noncapital financing activities			
Property taxes	-	-	-
Private donations	-	-	-
Insurance refunds	14,916	-	-
Capacity revenue	-	2,865,213	-
Intergovernmental receipts	-	-	-
Intragovernmental payments	(6,296,016)	-	-
Capital grant - State Drinking Water Revolving grant - Wyoming portion	-	-	2,756
Net cash provided by (used in) noncapital financing activities	(6,281,100)	2,865,213	2,756
Cash flows from capital and related financing activities			
Principal paid on long-term debt	(5,455,545)	(641,293)	(1,604,442)
Interest paid on long-term debt	(7,747,213)	(291,071)	(398,416)
Proceeds from State Drinking Water Revolving Fund bonds	-	-	1,043
Capital grant - State Drinking Water Revolving grant	-	-	5,512
Capital contributions	-	309,092	123,566
Federal and state capital grants	-	81,064	-
Proceeds from sales of capital assets	3,599,667	43,356	3,237
Purchase/construction of capital assets	(27,397,087)	(2,487,932)	(3,480,443)
Net cash provided by (used in) capital and related financing activities	(37,000,178)	(2,986,784)	(5,349,943)
Cash flows from investing activities			
Proceeds from sales of investments	47,753,095	2,650,083	2,798,802
Purchase of investments	(44,419,359)	(5,010,599)	(3,497,193)
Investment income received	(51,688)	(54,869)	(128,638)
Net cash provided by (used in) investing activities	3,282,048	(2,415,385)	(827,029)
Net increase (decrease) in cash and pooled investments	1,684,627	123,145	442,098
Cash and pooled investments, beginning of year	67,381,227	13,975,592	7,320,769
Cash and pooled investments, end of year	\$ 69,065,854	\$ 14,098,737	\$ 7,762,867

Business-type Activities - Enterprise Funds		Governmental Activities
Nonmajor Enterprise Funds	Total	Internal Service Funds
\$ 2,962,300	\$ 141,189,313	\$ -
-	-	11,265,169
(1,945,461)	(78,930,117)	(9,213,252)
(732,183)	(11,014,268)	(2,313,917)
<u>284,656</u>	<u>51,244,928</u>	<u>(262,000)</u>
99,786	99,786	-
17,965	17,965	-
-	14,916	1,001,177
-	2,865,213	-
26,063	26,063	286,097
-	(6,296,016)	(20,678)
-	2,756	-
<u>143,814</u>	<u>(3,269,317)</u>	<u>1,266,596</u>
-	(7,701,280)	-
-	(8,436,700)	-
-	1,043	-
-	5,512	-
4,491	437,149	-
-	81,064	-
-	3,646,260	188,349
(6,213)	(33,371,675)	(1,257,391)
<u>(1,722)</u>	<u>(45,338,627)</u>	<u>(1,069,042)</u>
-	53,201,980	-
-	(52,927,151)	-
<u>12,821</u>	<u>(222,374)</u>	<u>61,661</u>
<u>12,821</u>	<u>52,455</u>	<u>61,661</u>
439,569	2,689,439	(2,785)
<u>1,456,641</u>	<u>90,134,229</u>	<u>7,996,899</u>
<u>\$ 1,896,210</u>	<u>\$ 92,823,668</u>	<u>\$ 7,994,114</u>

continued...

CITY OF HOLLAND, MICHIGAN

Statement of Cash Flows

Proprietary Funds

For the Year Ended June 30, 2018

	Business-type Activities - Enterprise Funds		
	Electric Utility	Wastewater Utility	Water Utility
Classified on the statement of net position as			
Cash and pooled investments	\$ 49,096,042	\$ 7,965,054	\$ 5,496,808
Restricted cash and pooled investments	19,969,812	6,133,683	2,266,059
	<u>\$ 69,065,854</u>	<u>\$ 14,098,737</u>	<u>\$ 7,762,867</u>
Cash flows from operating activities			
Operating income (loss)	\$ 32,107,943	\$ 1,083,558	\$ 4,336,944
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation	15,067,564	3,003,211	1,940,921
Change in:			
Accounts receivable	5,473,690	(266,632)	379,101
Due from other funds	(404,046)	515,734	14,417
Inventories	124,370	32	(3,278)
Prepaid items	166,273	(23,486)	(21,450)
Due from the City of Wyoming	-	-	124,165
Accounts payable	(11,294,946)	(1,462,086)	(76,690)
Claims payable	-	-	-
Accrued payroll and benefits	78,868	17,307	15,096
Due to other funds	(162,964)	(305,583)	(181,466)
Unearned revenue	-	-	-
Accrued compensated absences	121,894	1,289	12,240
Deposits	66,127	-	-
Net pension liability	(1,949,937)	(561,346)	(443,168)
Deferred outflows of resources related to the net pension liability	1,320,325	380,093	300,075
Deferred inflows of resources related to the net pension liability	953,237	274,417	216,645
Total other postemployment benefit liability	(285,156)	(66,269)	(50,939)
Deferred inflows of resources related to the total other postemployment benefit liability	300,615	69,862	53,701
Net cash provided by (used in) operating activities	<u>\$ 41,683,857</u>	<u>\$ 2,660,101</u>	<u>\$ 6,616,314</u>

Non-cash transaction:

The Electric Utility Fund reported a non-cash extraordinary item of \$1,605,380 which was the result of a loss from certain coal plant spare parts that had been determined to be obsolete in the amount of \$1,632,722 and a recovery of \$27,342 from selling the last of the coal inventory at a higher price than was previously determined as fair market value.

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

Business-type Activities - Enterprise Funds		Governmental Activities
Nonmajor Enterprise Funds	Total	Internal Service Funds
\$ 1,896,210	\$ 64,454,114	\$ 7,994,114
-	28,369,554	-
<u>\$ 1,896,210</u>	<u>\$ 92,823,668</u>	<u>\$ 7,994,114</u>
\$ (453,969)	\$ 37,074,476	\$ (941,577)
570,914	20,582,610	754,777
237,396	5,823,555	7,400
-	126,105	(8,162)
-	121,124	16,473
-	121,337	11,460
-	124,165	-
294,548	(12,539,174)	59,720
-	-	61,354
2,169	113,440	1,543
-	(650,013)	(32,276)
(362,215)	(362,215)	-
(4,187)	131,236	(192,712)
-	66,127	-
-	(2,954,451)	-
-	2,000,493	-
-	1,444,299	-
-	(402,364)	-
-	424,178	-
<u>\$ 284,656</u>	<u>\$ 51,244,928</u>	<u>\$ (262,000)</u>

concluded

CITY OF HOLLAND, MICHIGAN

Statement of Fiduciary Assets and Liabilities

Agency Funds

June 30, 2018

Assets

Cash and pooled investments	\$	751,040
Accounts receivable		690

Total assets	\$	751,730
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Liabilities

Accounts payable	\$	49,357
Due to other governmental units		694,458
Other liabilities and deposits		7,915

Total liabilities	\$	751,730
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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, 2018

	Downtown Development Authority	Holland Historical Trust	Brownfield Redevelopment Authority	SmartZone	Total
Assets					
Cash and pooled investments	\$ 189,944	\$ 269,264	\$ 1,003,722	\$ 70,466	\$ 1,533,396
Investments	-	412,431	-	-	412,431
Receivables, net	53	218,100	-	-	218,153
Inventory	-	4,962	-	-	4,962
Prepaid items	200	3,598	-	-	3,798
Capital assets:					
Land	-	20,000	-	-	20,000
Construction in progress	-	54,887	-	-	54,887
Being depreciated, net of depreciation	171,297	1,072,844	-	-	1,244,141
Total assets	361,494	2,056,086	1,003,722	70,466	3,491,768
Liabilities					
Accounts payable	2,792	81,200	-	-	83,992
Accrued payroll and benefits	884	21,971	-	-	22,855
Unearned revenue	-	40,061	-	-	40,061
Line of credit	-	50,000	-	-	50,000
Total liabilities	3,676	193,232	-	-	196,908
Net position					
Investment in capital assets	171,297	1,147,731	-	-	1,319,028
Restricted	-	697,649	-	-	697,649
Unrestricted	186,521	17,474	1,003,722	70,466	1,278,183
Total net position	\$ 357,818	\$ 1,862,854	\$ 1,003,722	\$ 70,466	\$ 3,294,860

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, 2018

	Downtown Development Authority	Holland Historical Trust	Brownfield Redevelopment Authority	SmartZone	Total
Expenses					
Downtown Development Authority	\$ 222,032	\$ -	\$ -	\$ -	\$ 222,032
Holland Historical Trust	-	785,027	-	-	785,027
Brownfield Redevelopment Authority	-	-	1,024,157	-	1,024,157
SmartZone	-	-	-	30,584	30,584
Total expenses	222,032	785,027	1,024,157	30,584	2,061,800
Program revenues					
Charges for services	7,860	114,881	-	-	122,741
Operating grants and contributions	44,832	827,701	109,385	82,088	1,064,006
Total program revenues	52,692	942,582	109,385	82,088	1,186,747
Net expenses (revenues)	(169,340)	157,555	(914,772)	51,504	(875,053)
General revenues					
Property taxes	200,793	-	1,440,399	-	1,641,192
Unrestricted grants and contributions	-	-	16,899	-	16,899
Total general revenues	200,793	-	1,457,298	-	1,658,091
Change in net position	31,453	157,555	542,526	51,504	783,038
Net position, beginning of year	326,365	1,705,299	461,196	18,962	2,511,822
Net position, end of year	\$ 357,818	\$ 1,862,854	\$ 1,003,722	\$ 70,466	\$ 3,294,860

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

NOTES TO FINANCIAL STATEMENTS

CITY OF HOLLAND, MICHIGAN

Notes to Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The Reporting Entity

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

Blended Component Units

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

Holland Energy Fund ("HEF") - The HEF, a Michigan not-for-profit corporation, is governed by a five-member board, consisting of the City Manager, City Attorney, City Finance Officer and two individuals appointed by City Council, and is reported as if it were part of the primary government under GASB Statement 80 because the City is the sole corporate member. The purpose of the HEF is to facilitate and/or finance building energy labeling and the retrofitting of homes, commercial, and industrial facilities in the City with energy conservation measures.

Discretely Presented Component Units

Downtown Development Authority - The Downtown Development Authority was created to correct and prevent deterioration in the downtown district, to encourage historical preservation, and to promote economic growth within the downtown district. The members of the governing board of the Downtown Development Authority are appointed by the City Council. The budgets and expenditures of the Downtown Development Authority must be approved by the City Council. The City also has the ability to significantly influence operations of the Downtown Development Authority. Separate financial statements are not prepared for this entity.

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

CITY OF HOLLAND, MICHIGAN

Notes to Financial Statements

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

Economic Development Corporation (the "EDC") - The EDC was created to provide means and methods for the encouragement and assistance of industrial and commercial enterprises in relocating, purchasing, constructing, improving or expanding within the City so as to provide needed services and facilities of such enterprises to the residents of the City. In certain situations, members of the Board of Directors may be removed by a majority of the City Council. Separate financial statements are not prepared for this entity. The EDC had no activity during the year, and has therefore not been included in the financial statements.

SmartZone Local Development Finance Authority (the "LDFA") - The City established the LDFA to prevent conditions of unemployment and to promote economic growth within the boundaries of the City. The LDFA's board is comprised of four members appointed by the City, three members appointed by the Charter Township of Holland, one member appointed by the County of Ottawa, two members appointed by Holland Public Schools, and two members appointed by West Ottawa Schools. The City has the authority to dissolve or inactivate the LDFA, upon which the assets of LDFA would revert to the City. Separate financial statements are not prepared for this entity.

Government-wide and Fund Financial Statements

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

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

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

CITY OF HOLLAND, MICHIGAN

Notes to Financial Statements

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

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

The City reports the following major governmental funds:

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

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

The City reports the following major enterprise funds:

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

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

CITY OF HOLLAND, MICHIGAN

Notes to Financial Statements

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

Additionally, the City reports the following fund types:

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

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

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

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

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

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

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

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

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

CITY OF HOLLAND, MICHIGAN

Notes to Financial Statements

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

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

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

Cash and Pooled Investments

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

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

State statutes authorize the City to invest in:

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

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

CITY OF HOLLAND, MICHIGAN

Notes to Financial Statements

Receivables

All receivables are recorded at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

Due To/From Other Funds

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

Due To/From Other Governmental Units

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

Prepaid Items

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

Inventories

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

Capital Assets and Depreciation

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

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

CITY OF HOLLAND, MICHIGAN

Notes to Financial Statements

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

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

Restricted Assets

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

Deferred Outflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City reports a deferred outflow of resources for the deferred charge on bond refunding reported in the government-wide statement of net position, which results from the difference in the carrying value of refunded debt and its reacquisition price. The amount is amortized over the shorter of the life of the refunded or refunding debt. In addition, the City reports deferred outflows of resources for changes in expected and actual investment returns, assumptions, and benefits provided in its pension and other postemployment benefits plans. A portion of these costs represent contributions to the plans subsequent to the plan measurement date.

Bond Premiums and Discounts

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

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

CITY OF HOLLAND, MICHIGAN

Notes to Financial Statements

Unearned Revenue

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

	Governmental Activities	Business-type Activities	Component Units
Grant drawdowns in excess of amounts expended:			
Culture and community improvement	\$ 35,151	\$ -	\$ -
Infrastructure projects	83,711	-	-
Fees collected in excess of amounts earned	133,471	-	40,061
Total unearned revenue	\$ 252,333	\$ -	\$ 40,061

Pensions and Other Postemployment Benefits

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

Property Taxes

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

CITY OF HOLLAND, MICHIGAN

Notes to Financial Statements

The taxable value at December 31, 2016 was \$1,119,588,730 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	7.5064		
Street development and improvement	1.4268		
Sidewalk development and improvement	0.0500		
Municipal capital projects	0.1585		
Debt service general obligation	4.6290		
	13.7707	15.9078	1
		17.5000	City Charter
West Michigan Airport Authority	0.0975	0.1000	1 & 2

1. Formula limitation required by 1978 State Constitutional amendment.
2. 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, including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect operating subsidies as transfers.

Electric Utility Fund Transfers

The City Charter authorizes an annual transfer from the Electric Utility Fund to the general purposes of the City. The current formula for determining this transfer is based upon 5.5% of Electric Utility Fund budgeted revenues of the same fiscal year. For fiscal year 2018, total transfers of \$6,296,016 were made. A \$5,727,276 transfer was made to the General Fund, and a \$568,740 transfer was made to the Municipal Facilities and Land Improvements Projects Fund.

Compensated Absences

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

Vacation hours are credited to each public safety bargaining unit employee on the anniversary date of hire. The number of hours is dependent upon years of service. Sick leave hours are credited to each employee as earned during a calendar year up to a maximum of 104 hours for police bargaining union and 145.60 for fire bargaining union. Police bargaining employees are compensated for one half, or one quarter, based on the date of hire, of total accumulated sick leave hours in excess of 720 hours for the year ended June 30, 2018. Fire bargaining employees receive no pay out upon termination for accumulated sick leave hours.

CITY OF HOLLAND, MICHIGAN

Notes to Financial Statements

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

Deferred Inflows of Resources

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The governmental funds report unavailable revenues, which arises only under a modified accrual basis of accounting, from special assessment receivable. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. In addition, the City reports deferred inflows of resources for changes in expected and actual investment returns, assumptions, and benefits provided in its pension and other postemployment benefits plans.

Fund Equity

Governmental funds report nonspendable fund balance for amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. Restricted fund balance is reported when externally imposed constraints are placed on the use of resources by grantors, contributors, or laws or regulations of other governments. Committed fund balance is reported for amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City Council (the government's highest level of decision-making authority). A formal resolution of the City Council is required to establish, modify, or rescind a fund balance commitment. The City reports assigned fund balance for amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. The City currently has no assigned fund balance, as the City Council has not yet given the Authority for the making of such assignments. Unassigned fund balance is the residual classification for the General Fund. In other funds, the unassigned classification should be only used to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

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

Use of Estimates

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

CITY OF HOLLAND, MICHIGAN

Notes to Financial Statements

2. BUDGETARY INFORMATION

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

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

CITY OF HOLLAND, MICHIGAN

Notes to Financial Statements

3. BUDGETARY COMPLIANCE

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

For the year ended June 30, 2018, expenditures exceeded appropriations at the legal level of budgetary control in the following funds:

	Total Appropriations	Amount of Expenditure	Budget Variance
Nonmajor Governmental Funds			
Major Street Fund:			
Public works and transfers out	\$ 3,533,852	\$ 3,592,097	\$ 58,245
Allegan County Road Tax Fund:			
Transfers out	560,000	646,073	86,073
Street Improvements Reserve Fund:			
Debt service and transfers out	1,810,000	1,852,982	42,982
Public Parking System Fund:			
Public works and transfers out	303,603	304,299	696
Cemetery Perpetual Care Fund:			
Transfers out	16,000	19,507	3,507

CITY OF HOLLAND, MICHIGAN

Notes to Financial Statements

4. DEPOSITS AND INVESTMENTS

The City's reporting entity deposits and investments as of June 30, 2018 are included in the financial statements under the following classifications:

	Statement of Net Position			Statement of Fiduciary Assets and Liabilities	Total
	Governmental Activities	Business-type Activities	Component Units	Agency Funds	
Cash and pooled investments	\$ 24,854,062	\$ 64,454,114	\$ 1,533,396	\$ 751,040	\$ 91,592,612
Investments	-	38,090,914	412,431	-	38,503,345
Restricted assets:					
Cash and pooled investments	-	28,369,554	-	-	28,369,554
Investments	-	15,426,000	-	-	15,426,000
Total	\$ 24,854,062	\$ 146,340,582	\$ 1,945,827	\$ 751,040	\$ 173,891,511

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

Petty cash	\$ 13,846
Deposits (checking/savings accounts)	82,470,962
Certificate of deposit (due within one year)	5,309,026
Certificate of deposit (due within one to five years)	6,651,776
Investments:	
Primary government	79,033,470
Component units	412,431
	<u>\$ 173,891,511</u>

Investment and Deposit Risk

Primary Government

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

CITY OF HOLLAND, MICHIGAN

Notes to Financial Statements

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

	No maturity	Due < 1 year	Due in 1-5 years	Totals
Primary Government				
U.S. government securities	\$ -	\$ 10,799,999	\$ 37,884,554	\$ 48,684,553
Municipal bonds	-	2,266,678	4,873,628	7,140,306
Commercial paper	-	14,079,083	-	14,079,083
Money market funds	3,535,991	-	-	3,535,991
MPPA Investments	5,593,537	-	-	5,593,537
Total Primary Government	\$ 9,129,528	\$ 27,145,760	\$ 42,758,182	\$ 79,033,470

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

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

S&P AAAm	\$ 3,535,991
S&P AA+	48,684,553
S&P AA	302,660
S&P AA-	5,842,743
S&P A1	9,964,647
S&P A1+	4,114,435
Moody's Aa2	847,261
Moody's Aa1	147,643
Unrated	5,593,537
Total Primary Government	\$ 79,033,470

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, \$88,526,071 of the bank balance of \$95,153,713 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial Credit Risk - Investments. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. State law does not require and the City does not have a specific policy pertaining to investment custodial credit risk which is more restrictive than state law.

CITY OF HOLLAND, MICHIGAN

Notes to Financial Statements

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

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

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

The City has the following recurring fair value measurements as of June 30, 2018:

	Level 1	Level 2	Level 3	Total
U.S. government securities	\$ -	\$ 48,684,553	\$ -	\$ 48,684,553
Municipal bonds	7,140,307	-	-	7,140,307
Commercial paper	-	14,079,082	-	14,079,082
Money market funds	-	3,535,991	-	3,535,991
Michigan Public Power Agency	-	-	5,593,537	5,593,537
Total investments	\$ 7,140,307	\$ 66,299,626	\$ 5,593,537	\$ 79,033,470

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

	Governmental Activities	Business-type Activities	Total
City trunkage	\$ -	\$ 1,824,561	\$ 1,824,561
Insurance/risk retention	-	7,829,306	7,829,306
Total	\$ -	\$ 9,653,867	\$ 9,653,867

Component Unit - Holland Historical Trust

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

CITY OF HOLLAND, MICHIGAN

Notes to Financial Statements

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

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the HHT's deposits may not be returned. The HHT's investment policy does not have specific limits pertaining to custodial credit risk. As of year-end, \$205 of the bank balance of \$281,359 was exposed to custodial credit risk because it was uninsured and uncollateralized.

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

	Fair Value	Interest Rate	Maturity Date	Rating
Bond mutual funds	\$ 116,140	n/a	n/a	Various
Equity mutual funds	239,229	n/a	n/a	n/a
Other mutual funds	23,742	n/a	n/a	n/a
Corporate equities, domestic	<u>33,320</u>	n/a	n/a	n/a
	<u>\$ 412,431</u>			

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

CITY OF HOLLAND, MICHIGAN

Notes to Financial Statements

5. RECEIVABLES

Receivables are comprised of the following at year-end:

	Governmental Activities	Business-type Activities	Component Units
Accounts	\$ 674,973	\$ 18,571,262	\$ -
Allowance for uncollectible accounts receivable	(63,234)	(93,953)	-
Taxes and special assessments	704,292	96,894	487
Allowance for uncollectible taxes and special assessments	(22,237)	(118)	(434)
Notes	818,560	-	-
Allowance for notes receivable	(20,000)	-	-
Interest	35,546	264,584	-
Pledges receivable	-	-	230,800
Allowance for pledges receivable	-	-	(12,700)
Due from other governmental units	1,261,271	-	-
Due from City of Wyoming	-	2,086,386	-
	<u>\$ 3,389,171</u>	<u>\$ 20,925,055</u>	<u>\$ 218,153</u>

Of the governmental activities amounts reported for receivables above, special assessments and notes receivable in the amount of \$578,056 and \$746,603 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 \$2,086,386 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, 2018, was as follows:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Governmental Activities					
Capital assets, not being depreciated:					
Land	\$ 16,520,089	\$ -	\$ -	\$ -	\$ 16,520,089
Construction in progress	5,094,012	11,021,204	-	(2,789,839)	13,325,377
	<u>21,614,101</u>	<u>11,021,204</u>	<u>-</u>	<u>(2,789,839)</u>	<u>29,845,466</u>
Capital assets, being depreciated:					
Land improvements	20,363,924	106,485	-	-	20,470,409
Buildings	37,237,695	172,920	(866,465)	1,965,545	38,509,695
Machinery and equipment	8,955,617	671,276	(376,639)	-	9,250,254
Vehicles	8,056,823	651,830	(493,521)	73,442	8,288,574
Infrastructure	117,475,391	3,716,298	(649,300)	750,852	121,293,241
	<u>192,089,450</u>	<u>5,318,809</u>	<u>(2,385,925)</u>	<u>2,789,839</u>	<u>197,812,173</u>
Less accumulated depreciation for:					
Land improvements	(13,313,822)	(798,146)	-	-	(14,111,968)
Buildings	(16,805,002)	(1,059,846)	789,373	-	(17,075,475)
Machinery and equipment	(5,747,835)	(481,649)	311,248	-	(5,918,236)
Vehicles	(4,885,059)	(492,440)	400,324	-	(4,977,175)
Infrastructure	(44,552,291)	(3,533,979)	630,005	-	(47,456,265)
	<u>(85,304,009)</u>	<u>(6,366,060)</u>	<u>2,130,950</u>	<u>-</u>	<u>(89,539,119)</u>
Total capital assets being depreciated, net	<u>106,785,441</u>	<u>(1,047,251)</u>	<u>(254,975)</u>	<u>2,789,839</u>	<u>108,273,054</u>
Governmental activities capital assets, net	<u>\$ 128,399,542</u>	<u>\$ 9,973,953</u>	<u>\$ (254,975)</u>	<u>\$ -</u>	<u>\$ 138,118,520</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	\$ 29,813,155	\$ 40,097	\$ -	\$ 17,368	\$ 29,870,620
Construction in progress	207,198,956	27,990,920	(4,803)	(230,444,297)	4,740,776
	<u>237,012,111</u>	<u>28,031,017</u>	<u>(4,803)</u>	<u>(230,426,929)</u>	<u>34,611,396</u>
Capital assets, being depreciated:					
Land improvements	14,375,274	-	-	-	14,375,274
Buildings	3,914,832	-	(50,000)	-	3,864,832
Machinery and equipment	424,254,335	4,492,327	(7,860,656)	230,426,929	651,312,935
Vehicles	3,910,970	848,331	(288,143)	-	4,471,158
	<u>446,455,411</u>	<u>5,340,658</u>	<u>(8,198,799)</u>	<u>230,426,929</u>	<u>674,024,199</u>
Less accumulated depreciation for:					
Land improvements	(10,597,061)	(424,077)	-	-	(11,021,138)
Buildings	(2,426,986)	(65,871)	50,000	-	(2,442,857)
Machinery and equipment	(236,860,733)	(19,691,173)	4,371,596	-	(252,180,310)
Vehicles	(2,156,350)	(401,489)	288,143	-	(2,269,696)
	<u>(252,041,130)</u>	<u>(20,582,610)</u>	<u>4,709,739</u>	<u>-</u>	<u>(267,914,001)</u>
Total capital assets being depreciated, net	<u>194,414,281</u>	<u>(15,241,952)</u>	<u>(3,489,060)</u>	<u>230,426,929</u>	<u>406,110,198</u>
Business-type activities capital assets, net	<u>\$ 431,426,392</u>	<u>\$ 12,789,065</u>	<u>\$ (3,493,863)</u>	<u>\$ -</u>	<u>\$ 440,721,594</u>

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

Depreciation of governmental activities by function

General government	\$ 292,298
Public safety	525,635
Public works	3,997,953
Parks and recreation	769,344
Welfare and social services	26,053
Internal service funds	754,777
	<u>\$ 6,366,060</u>

Depreciation of business-type activities by function

Electric Utility	\$ 15,067,564
Wastewater Utility	3,003,211
Water Utility	1,940,921
Windmill Island	101,827
Depot Operations	24,363
Airport Facilities and Management System	444,724
	<u>\$ 20,582,610</u>

CITY OF HOLLAND, MICHIGAN

Notes to Financial Statements

Discretely presented component units

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Component Unit -					
Downtown Development Authority					
Capital assets, being depreciated:					
Land improvements	\$ 427,257	\$ -	\$ -	\$ -	\$ 427,257
Less accumulated depreciation for:					
Land improvements	(235,080)	(20,880)	-	-	(255,960)
Downtown Development Authority					
capital assets, net	\$ 192,177	\$ (20,880)	\$ -	\$ -	\$ 171,297
Component Unit -					
Holland Historical Trust					
Capital assets, not being depreciated:					
Land	\$ 20,000	\$ -	\$ -	\$ -	\$ 20,000
Construction in progress	-	54,887	-	-	54,887
	20,000	54,887	-	-	74,887
Capital assets, being depreciated:					
Buildings and improvements	2,798,397	2,646	-	-	2,801,043
Furniture and equipment	41,710	12,421	-	-	54,131
	2,840,107	15,067	-	-	2,855,174
Less accumulated depreciation for:					
Buildings and improvements	(1,638,650)	(106,639)	-	-	(1,745,289)
Furniture and equipment	(36,228)	(813)	-	-	(37,041)
	(1,674,878)	(107,452)	-	-	(1,782,330)
Total capital assets					
being depreciated, net	1,165,229	(92,385)	-	-	1,072,844
Holland Historical Trust					
capital assets, net	\$ 1,185,229	\$ (37,498)	\$ -	\$ -	\$ 1,147,731

CITY OF HOLLAND, MICHIGAN

Notes to Financial Statements

7. PAYABLES

Payables are comprised of the following at year-end:

	Governmental Activities	Business-type Activities	Component Units
Accounts	\$ 2,839,454	\$ 10,267,823	\$ 83,992
Accrued payroll and benefits	295,235	405,001	22,855
Claims payable	342,405	-	-
Accrued interest payable	350,695	43,154	-
Accrued interest payable from restricted assets	-	3,295,373	-
Due to other governmental units	210,024	-	-
	<u>\$ 4,037,813</u>	<u>\$ 14,011,351</u>	<u>\$ 106,847</u>

8. LONG-TERM DEBT

Long-term debt at June 30, 2018, 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					
General obligation bonds	\$ 27,295,000	\$ -	\$ (2,545,000)	\$ 24,750,000	\$ 2,655,000
Pension bonds	9,917,190	19,890,000	(1,003,720)	28,803,470	1,658,994
Note payable	2,728,541	-	(277,517)	2,451,024	283,546
Total installment debt	<u>39,940,731</u>	<u>19,890,000</u>	<u>(3,826,237)</u>	<u>56,004,494</u>	<u>4,597,540</u>
Premium on bonds payable	359,116	-	(79,244)	279,872	43,797
Compensated absences	1,836,189	945,631	(1,138,341)	1,643,479	1,170,000
Totals governmental activities	<u>\$ 42,136,036</u>	<u>\$ 20,835,631</u>	<u>\$ (5,043,822)</u>	<u>\$ 57,927,845</u>	<u>\$ 5,811,337</u>

General obligation bonds

\$4,000,000 2008 Capital Improvement Parking Bonds, due in annual installments of \$45,000 to \$290,000 plus interest ranging from 3.25 to 5.0%, payable semi-annually, through May 1, 2033. \$ 3,210,000

\$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. 1,400,000

\$7,425,000 2010 Building Authority Refunding Bonds, (partial refunding of the 2002 Police and Transportation Facilities Improvement Bonds) due in annual installments of \$35,000 to \$1,460,000, plus interest ranging from 2.0% to 4.5%, payable semi-annually, through October 1, 2018. 150,000

CITY OF HOLLAND, MICHIGAN

Notes to Financial Statements

General obligation bonds (concluded)

\$9,835,000 2016B Limited Tax General Obligation Bonds, due in annual installments of \$175,000 to \$750,000, plus interest ranging from 1.18 to 4.36%, payable semi-annually, through August 1, 2036.	\$ 9,660,000
\$3,475,000 2016A Limited Tax General Obligation Bonds, due in annual installments of \$195,000 to \$635,000, plus interest ranging from 2.25 to 4.00%, payable semi-annually, through August 1, 2026.	3,475,000
\$6,975,000 2016 Building Authority Refunding Bonds, (refunding of the 2006 Building Authority Refunding Bonds) due in annual installments of \$120,000 to \$1,805,000, plus interest of 1.46%, payable semi-annually, through October 1, 2021.	<u>6,855,000</u>
Total general obligation bonds	<u><u>\$ 24,750,000</u></u>

Pension bonds

\$10,910,000 2016 Pension Bonds (City portion), due in annual installments of \$992,810 to \$1,232,830 plus interest ranging from 0.76 to 3.42%, payable semi-annually, through December 1, 2025.	\$ 8,913,470
\$19,890,000 2018 Pension Bonds, due in annual installments of \$640,000 to \$1,295,000 plus interest ranging from 1.95 to 3.90%, payable semi-annually, through December 1, 2039.	<u>19,890,000</u>
Total pension bonds	<u><u>\$ 28,803,470</u></u>

Note payable

\$3,000,000 2016 note payable, due in semi-annual installments of \$134,991 to \$166,023 plus interest at a rate of 2.19%, payable semi-annually, through June 1, 2026.	<u><u>\$ 2,451,024</u></u>
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	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Business-type activities					
Revenue bonds	\$ 172,507,567	\$ 1,043	\$ (6,010,000)	\$ 166,498,610	\$ 6,145,000
Pension bonds	12,807,811	-	(1,296,280)	11,511,531	1,316,006
Capital lease	9,112,500	-	(395,000)	8,717,500	405,000
Total installment debt	<u>194,427,878</u>	<u>1,043</u>	<u>(7,701,280)</u>	<u>186,727,641</u>	<u>7,866,006</u>
Premium on bonds payable	7,020,133	-	(1,741,904)	5,278,229	497,954
Landfill liability	1,373,983	-	-	1,373,983	-
Compensated absences	1,090,517	1,231,379	(1,100,143)	1,221,753	1,221,753
Total business-type activities	<u><u>\$ 203,912,511</u></u>	<u><u>\$ 1,232,422</u></u>	<u><u>\$ (10,543,327)</u></u>	<u><u>\$ 194,601,606</u></u>	<u><u>\$ 9,585,713</u></u>

CITY OF HOLLAND, MICHIGAN

Notes to Financial Statements

Revenue bonds

\$5,395,110 2011A Drinking Water Revolving Bonds, due in annual installments of \$236,500 to \$368,610 plus interest at 2.5%, payable semi-annually, through April 1, 2032. \$ 4,428,610

\$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. 7,830,000

\$158,840,000 2014A Electric Utility System Revenue Bonds, due in annual installments of \$4,600,000 to \$10,705,000 plus interest ranging from 1.659 to 4.919%, payable semi-annually, through July 1, 2039. 154,240,000

Total revenue bonds \$ 166,498,610

Pension bonds

\$14,090,000 2016 Pension Bonds (Board of Public Works portion), due in annual installments of \$1,282,190 to \$1,592,170 plus interest ranging from 0.76 to 3.42%, payable semi-annually, through December 1, 2025. \$ 11,511,531

Capital lease

\$9,500,000 2015 Capital lease payable to the County of Ottawa, due in annual installments of \$387,500 to \$657,500 plus interest ranging from 0.75 to 3.4%, payable semi-annually, through June 1, 2035. \$ 8,717,500

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

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

CITY OF HOLLAND, MICHIGAN

Notes to Financial Statements

The annual requirements to pay principal and interest on installment debt outstanding at June 30, 2018 are as follows:

Year Ended June 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2019	\$ 4,597,540	\$ 1,717,641	\$ 7,866,006	\$ 7,432,769
2020	4,743,422	1,621,075	8,038,868	7,281,615
2021	4,418,805	1,526,234	8,249,866	7,081,499
2022	4,508,692	1,432,439	8,446,500	6,895,966
2023	3,175,906	1,337,566	8,753,452	6,601,516
2024-2028	13,830,129	5,196,285	38,816,839	28,795,096
2029-2033	9,670,000	3,234,542	39,788,610	21,165,846
2034-2038	8,520,000	1,311,832	45,852,500	11,599,197
2039-2040	2,540,000	100,030	20,915,000	1,524,300
	<u>\$ 56,004,494</u>	<u>\$ 17,477,644</u>	<u>\$ 186,727,641</u>	<u>\$ 98,377,804</u>

Revenue Bonds

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

Pledged Revenues

Electric. The Board has pledged future electric customer revenues, net of specified operating expenses, to repay \$158.84 million in electric utility system revenue bonds issued in April 2014. Proceeds from the bonds provided financing for the construction of the Holland Energy Park. The bonds are payable solely from electric customer net revenues and are payable through 2039. Annual principal and interest payments on the bonds are expected to require less than 29% of net revenues. The total principal and interest paid for the current year and total customer net revenues were \$14,175,406 and \$47,175,507, respectively.

Wastewater. The Board has pledged future wastewater customer revenues, net of specified operating expenses, to repay \$9.5 million (50% of \$19 million) in Ottawa County sewage disposal bonds issued in April 2015. Proceeds from the bonds provided financing for the construction to the Holland area sewage disposal system. The bonds are payable solely from wastewater customer net revenues and are payable through 2035. Annual principal and interest payments on the bonds are expected to require less than 20% of net revenues. The total principal and interest paid for the current year and total customer net revenues were \$507,564 and \$4,086,769, respectively.

Water. The Board has pledged future water customer revenues, net of specified operating expenses, to repay \$9.74 million in water supply revenue refunding bonds issued in June 2012. Proceeds from the bonds provided financing for the construction for various water infrastructure projects. The bonds are payable solely from water customer net revenues and are payable through 2024. Annual principal and interest payments on the bonds are expected to require less than 27% of net revenues. The total principal and interest paid for the current year and total customer net revenues were \$1,289,356 and \$6,277,865, respectively.

CITY OF HOLLAND, MICHIGAN

Notes to Financial Statements

The Board has pledged future water customer revenues, net of specified operating expenses, to repay \$5.935 million in drinking water program bonds issued in September 2011. Proceeds from the bonds provided financing for the construction of the Holland/Wyoming Interconnect. The bonds are payable solely from water customer net revenues and are payable through 2032. Annual principal and interest payments on the bonds are expected to require less than 7% of net revenues. The total principal and interest paid for the current year and total customer net revenues were \$381,326 and \$6,277,865, respectively.

Refunded and Defeased Debt

In a prior year, the City advance refunded \$6,915,000 of 2006 Building Authority Refunding Bonds to provide resources to purchase U.S. government securities that were placed in an escrow fund for the purpose of generating resources for all future debt service payments. As a result, the certificates are considered defeased and the liability has been removed from the statement of net position. As of June 30, 2018, a total of \$6,805,000 of defeased bonds are outstanding related to prior year refundings.

Landfill Liability

State and federal laws and regulations require the City to place a final cover on its fly ash and wastewater treatment bio solids landfill when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the City reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each statement of net position date. The \$1,373,983 reported as landfill closure and postclosure liability at June 30, 2018, represents the cumulative amount reported to date based on the use of 85 percent of the estimated capacity of the landfill used. The disposal is related to the closure of the James De Young coal plant which is expected to be completed by 2022. The City will recognize the remaining estimated cost of closure and postclosure care when the open landfill cell is filled or the landfill is decommissioned and remediated.

The City is required by state and federal laws and regulations to make annual contributions to a trust to finance closure and postclosure care. The City is in compliance with these requirements. At June 30, 2018, the closure and postclosure costs have been assured by a \$100,000 letter of credit and \$16,776 held in trust.

Compensated Absences

The compensated absences liability attributable to the governmental activities will be liquidated by the General Fund, the Public Parking System, Principal Shopping District and CATV special revenue funds. As the balance of earned compensated absences at June 30, 2018 for the business-type activities is substantially equal to amounts estimated to be paid out for such balances during the next year, all compensated balances for business-type activities are believed to be due in one year.

9. LINE OF CREDIT

HHT has available a \$100,000 line of credit with variable interest based on 1.25% plus lender's prime commercial rate (effective rate of 6.25% at June 30, 2018). The line expires on February 22, 2023 and is secured by HHT's assets. Outstanding borrowings on the line as of June 30, 2018 were \$50,000. For the year ended June 30, 2018, interest expense on borrowings was \$2,089.

CITY OF HOLLAND, MICHIGAN

Notes to Financial Statements

10. JOINT VENTURES

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

Under the joint venture, the Board has entered into Power Sales Contracts and Project Support Contracts. These contracts provide for the Board to purchase from MPPA 15.66% of the energy generated by MPPA's 37.22% ownership in Detroit Edison's Belle River Unit No. 1, which became operational in August 1984, 26.35% of MPPA's 4.8% ownership in Consumers Energy's Campbell Unit No. 3, which became operational in September 1980, and 13.35% of the energy generated by MPPA's 5.16% ownership in the AMP Fremont Energy Center (AFEC), which became operational in June 2012. The contracts required the Board to purchase approximately 38 and 10 megawatts of power, respectively, in 1995 and thereafter for the Belle Isle and Campbell projects. The contracts relating to the Fremont project requires the Board to purchase approximately 8 megawatts of power in 2013 and thereafter.

For the year ended June 30, 2018, the Board recognized expenses totaling \$13,987,570 under the terms of the contracts which represented \$1,143,960 for fixed operating costs, \$3,543,051 for debt service and \$9,300,559 for the purchase of power. Accounts payable to MPPA totaled \$429,775 at June 30, 2018. Under the terms of its contracts, the Board must make minimum annual payments equal to its share of debt service and its share of the fixed operating costs of Detroit Edison's Belle River No. 1, Consumers Energy's Campbell Unit No. 3 and American Municipal Power's AMP Fremont Energy Center Project (AFEC). The estimated required payments presented below consider the dynamics of the PJM and MISO markets. Debt service payments assume no early calls or refinancing of existing revenue bonds.

CITY OF HOLLAND, MICHIGAN

Notes to Financial Statements

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

Year Ended June 30,	Campbell		Fremont (AFEC)		Total
	Debt Service	Fixed Operating	Debt Service	Fixed Operating	
2019	\$ 1,111,414	\$ 402,857	\$ 278,441	\$ 282,382	\$ 2,075,094
2020	1,111,355	414,943	278,252	306,454	2,111,004
2021	1,111,411	427,391	278,337	323,447	2,140,586
2022	555,487	216,854	278,321	333,151	1,383,813
2023	-	-	278,404	343,145	621,549
2024-2028	-	-	1,391,741	1,777,676	3,169,417
2029-2033	-	-	1,391,888	1,827,956	3,219,844
2034-2038	-	-	1,391,304	1,868,502	3,259,806
2039-2043	-	-	1,252,149	1,920,702	3,172,851
	<u>\$ 3,889,667</u>	<u>\$ 1,462,045</u>	<u>\$ 6,818,837</u>	<u>\$ 8,983,415</u>	<u>\$21,153,964</u>

Debt Service requirements for the Campbell and Fremont projects expire in the years 2022 and 2043. 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, 2018, was as follows:

	Due from Other Funds							Total
	General Fund	Municipal Facilities/ Land Improvements Projects	Nonmajor Governmental Funds	Electric Utility	Wastewater Utility	Water Utility	Internal Service Funds	
Due to Other Funds								
General Fund	\$ -	\$ -	\$ -	\$ 84,354	\$ 224	\$ 2,413	\$ -	\$ 86,991
Municipal Facilities/ Land improvements Projects	-	-	-	126	-	4	-	130
Nonmajor Governmental Funds	-	158,348	-	589,049	1,562	16,847	-	765,806
Electric Utility	10,396	-	2,736	-	-	-	2,892	16,024
Wastewater Utility	2,288	-	602	-	-	-	636	3,526
Water Utility	40,935	-	10,775	-	-	-	11,386	63,096
Nonmajor Enterprise Funds	-	-	-	26,829	71	768	-	27,668
Internal Service Funds	-	65,514	-	476	1	14	-	66,005
	<u>\$ 53,619</u>	<u>\$ 223,862</u>	<u>\$ 14,113</u>	<u>\$ 700,834</u>	<u>\$ 1,858</u>	<u>\$ 20,046</u>	<u>\$ 14,914</u>	<u>\$ 1,029,246</u>

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

For the year ended June 30, 2018, interfund transfers consisted of the following:

	Transfers in				Total
	General Fund	Municipal Facilities/ Land Improvements Projects	Nonmajor Governmental Funds	Internal Service Funds	
Transfers out					
General Fund	\$ -	\$ 968,291	\$ 231,759	\$ 100,000	\$ 1,300,050
Municipal Facilities/Land Improvements Projects	-	-	481,240	33,402	514,642
Nonmajor Governmental Funds	936,791	-	5,358,237	143,562	6,438,590
Electric Utility	5,727,276	568,740	-	-	6,296,016
Internal Service Funds	-	-	11,545	9,133	20,678
	<u>\$ 6,664,067</u>	<u>\$ 1,537,031</u>	<u>\$ 6,082,781</u>	<u>\$ 286,097</u>	<u>\$14,569,976</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, 2018, was as follows:

	Governmental Activities	Business-type Activities	Component Units
Capital assets:			
Land	\$ 16,520,089	\$ 29,870,620	\$ 20,000
Construction in progress	13,325,377	4,740,776	54,887
Capital assets being depreciated, net	108,273,054	406,110,198	1,244,141
	<u>138,118,520</u>	<u>440,721,594</u>	<u>1,319,028</u>
Related debt:			
Total installment debt	56,004,494	186,727,641	-
Less: bonds payable related to pension obligations	(28,803,470)	(11,511,531)	-
Net bond premium	279,872	5,278,229	-
Deferred charge on bond refundings	(182,238)	(195,929)	-
	<u>27,298,658</u>	<u>180,298,410</u>	<u>-</u>
Net investment in capital assets	<u>\$ 110,819,862</u>	<u>\$ 260,423,184</u>	<u>\$ 1,319,028</u>

CITY OF HOLLAND, MICHIGAN

Notes to Financial Statements

13. FUND BALANCES - GOVERNMENTAL FUNDS

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

	General Fund	Municipal Facilities/Land Improvements Projects	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable				
Prepaid items	\$ 19,920	\$ -	\$ 1,175	\$ 21,095
Cemetery endowment corpus	-	-	1,654,632	1,654,632
	<u>19,920</u>	<u>-</u>	<u>1,655,807</u>	<u>1,675,727</u>
Restricted				
Street construction and maintenance	-	-	1,132,157	1,132,157
Cemetery maintenance and improvements	-	-	70,916	70,916
Parking system and maintenance	-	-	253,364	253,364
Downtown promotion	-	-	157,402	157,402
Grant and support programs	-	-	46,795	46,795
Specified donations	-	-	494,209	494,209
Assistance programs	-	-	338,995	338,995
Debt service	-	-	440,710	440,710
	<u>-</u>	<u>-</u>	<u>2,934,548</u>	<u>2,934,548</u>
Committed				
Public access television	-	-	410,143	410,143
Grant and support programs	5,667	-	75,593	81,260
Capital improvements	-	5,299,341	60,874	5,360,215
Energy conservation	-	-	214,227	214,227
	<u>5,667</u>	<u>5,299,341</u>	<u>760,837</u>	<u>6,065,845</u>
Unassigned	<u>4,793,365</u>	<u>-</u>	<u>-</u>	<u>4,793,365</u>
Total fund balances - governmental funds	<u>\$ 4,818,952</u>	<u>\$ 5,299,341</u>	<u>\$ 5,351,192</u>	<u>\$ 15,469,485</u>

CITY OF HOLLAND, MICHIGAN

Notes to Financial Statements

14. PENSION PLAN

General Information About the Plan

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

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

Employees Covered by Benefit Terms. At the December 31, 2017 valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	333
Inactive employees entitled to but not yet receiving benefits	61
Active employees	<u>172</u>
Total membership	<u>566</u>

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

Employer and employee contribution amounts or rates, by division/bargaining unit, were as follows for the year ended June 30, 2018:

Division/Bargaining Unit	Employer Contribution	Employee Contribution	Status
01 - Gen. NonUnion	\$3,245/month	3.00%	Closed
02 - Public Safety Command	\$1,821/month	3.00%	Closed
11 - PubWks Local 586	\$21,915/month	3.00%	Closed
13 - PubWks-NonUnion	\$13,224/month	3.00%	Closed
14 - Clerical	\$2,835/month	3.00%	Closed
20 - Police FOP	\$23,288/month	6.00%	Closed
50 - Fire Local 759	\$9,140/month	8.23%	Closed

CITY OF HOLLAND, MICHIGAN

Notes to Financial Statements

Net Pension Liability. The City's net pension liability was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions. The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

Although no explicit price inflation assumption is used in the valuation, the long-term annual rate of price inflation implicit in the 3.75% base wage inflation is 2.5%.

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

The actuarial assumptions used in the December 31, 2017 valuation were based on the results of the most recent actuarial experience study of 2009-2013.

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return	Expected Money-Weighted Rate of Return
Global equity	57.5%	5.02%	2.89%
Global fixed income	20.0%	2.18%	0.44%
Real assets	12.5%	4.23%	0.51%
Diversifying strategies	10.0%	6.56%	0.66%
	<u>100.0%</u>		
Inflation			3.25%
Administrative expenses netted above			<u>0.25%</u>
Investment rate of return			<u>8.00%</u>

CITY OF HOLLAND, MICHIGAN

Notes to Financial Statements

Discount Rate. The discount rate used to measure the total pension liability as of December 31, 2017 was 8.0%. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability

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

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at December 31, 2016	\$ 131,221,216	\$ 104,314,657	\$ 26,906,559
Changes for the year:			
Service cost	1,403,351	-	1,403,351
Interest	10,216,997	-	10,216,997
Changes in benefits	27,530	-	27,530
Differences between expected and actual experience	(767,736)	-	(767,736)
Employer contributions	-	1,924,547	(1,924,547)
Employee contributions	-	680,007	(680,007)
Net investment income	-	13,521,596	(13,521,596)
Benefit payments, including refunds of employee contributions	(8,420,858)	(8,420,858)	-
Administrative expense	-	(214,540)	214,540
Net changes	<u>2,459,284</u>	<u>7,490,752</u>	<u>(5,031,468)</u>
Balances at December 31, 2017	<u>\$ 133,680,500</u>	<u>\$ 111,805,409</u>	<u>\$ 21,875,091</u>

The statement of net position presents a net pension liability of \$20,625,591 and \$1,249,500 for governmental and business-type activities, respectively.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate. The following presents the net pension liability of the City, calculated using the discount rate of 8.0%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1% lower (7.0%) or 1% higher (9.0%) than the current rate:

1% Decrease (7.0%)	Current Discount Rate (8.0%)	1% Increase (9.0%)
\$ 35,753,215	\$ 21,875,091	\$ 10,012,750

CITY OF HOLLAND, MICHIGAN

Notes to Financial Statements

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

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2018, the City recognized pension expense of \$3,886,839. The City reported deferred outflows/inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Difference between expected and actual experience	\$ -	\$ 1,087,809	\$ (1,087,809)
Net difference between projected and actual earnings on pension plan investments	-	2,727,718	(2,727,718)
	-	3,815,527	(3,815,527)
Contributions subsequent to the measurement date	20,386,403	-	20,386,403
Total	\$ 20,386,403	\$ 3,815,527	\$ 16,570,876

The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability for the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the pension will be recognized in pension expense as follows:

Year Ended June 30,	Amount
2019	\$ (540,331)
2020	(436,881)
2021	(1,754,784)
2022	(1,083,531)
Total	\$ (3,815,527)

Payable to the Pension Plan. At June 30, 2018, the City reported a payable of \$75,468 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2018.

For the governmental activities, the net pension liability is generally liquidated by the General Fund.

Defined Contribution Pension Plan

The City participates in a defined contribution retirement plan which is administered by the MERS for nonbargaining employees. The defined contribution provisions of the plan require the City to contribute 6% to 8% of covered employee payroll and to match employee contributions up to 2%. The participants direct their investments under defined contribution provisions. The City contributed \$959,641 and employees contributed \$243,938 to the defined contribution plan for the year ended June 30, 2018.

CITY OF HOLLAND, MICHIGAN

Notes to Financial Statements

Deferred Compensation Plan

The City offers a supplemental retirement program in accordance with Section 457 of the Internal Revenue Code (IRC) that will provide for payments on retirement, as well as death benefits in the event of death prior to retirement. The Plan assets are held in trust for the exclusive benefit of participants and their beneficiaries. As such, these amounts have not been included in the financial statements. The City contributed \$0 and employees contributed \$399,670 to the defined compensation plan.

15. OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLAN

Plan Description. The City of Holland Retiree Healthcare Plan (the "OPEB Plan"), is a single-employer defined benefit healthcare plan administered by the City. The OPEB Plan provides 100% of health insurance benefits to eligible retirees and their dependents. The benefit is provided 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. Stand-alone financial statements are not issued for the OPEB Plan.

Management of the OPEB Plan is vested with the City Council.

Benefits Provided. The City Council has the authority to establish or amend benefit terms, to determine the types of benefits provided through the OPEB Plan, and to determine the classes of plan members covered. 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. 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.

Contributions. OPEB Plan members are not required to contribute to the OPEB Plan. The contribution requirements are established and may be amended by the City Council. The required contribution is based on projected pay-as-you go financing requirements, with an additional amount to prefund benefits as determined annually by the City.

Plan Membership. At June 30, 2018, OPEB Plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefit payments	27
Active plan members	349
	<hr/>
Total membership	376
	<hr/> <hr/>

Total OPEB Liability

The total OPEB liability was measured as of June 30, 2018, and was determined by an actuarial valuation as of that date.

CITY OF HOLLAND, MICHIGAN

Notes to Financial Statements

Actuarial Assumptions. The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	Implicit in expected payroll increases
Salary increases	2.0%
Investment rate of return	N/A - plan is not pre-funded
20-year Aa municipal bond rate	3.0%
Healthcare cost trend rate	8.0% for pre-65, graded down 0.5% per year to an ultimate rate of 5.0%, and 5.0% for all years for post-65
Mortality	IRS Regulations for 2018 (1.430(h)(3)) separately for males and females as well as annuitants and non-annuitants. Based on RP-2000 Tables with Scale AA.

As this plan is not pre-funded, no long-term expected rate of return on plan investments was determined.

Discount Rate. The discount rate used to measure the total OPEB liability was 3.0%. Because the OPEB Plan does not have a dedicated OPEB trust, there are no assets projected to be sufficient to make projected future benefit payments of current plan members. Projected benefits were discounted at a discount rate reflecting a 20-year AA/Aa tax-exempt municipal bond yield. A single equivalent discount rate that yields the same present value of benefits is calculated. This discount rate is used to determine the total OPEB liability.

Changes in the Total OPEB Liability

The components of the change in the total OPEB liability are summarized as follows:

	Total OPEB Liability (a)
Balances at June 30, 2017	\$ 5,819,027
Changes for the year:	
Service cost	255,182
Interest	177,821
Differences between expected and actual experience	39,706
Changes of assumptions	(684,747)
Benefit payments, including refunds of employee contributions	(293,674)
Net changes	(505,712)
Balances at June 30, 2018	\$ 5,313,315

The statement of net position presents a total OPEB liability of \$4,597,061 and \$716,254 for governmental and business-type activities, respectively.

CITY OF HOLLAND, MICHIGAN

Notes to Financial Statements

Changes of assumptions for the June 30, 2018 actuarial valuation include mortality updated to 2018 IRC rates for all groups, discount rate lowered to 3.0% to reflect current municipal bond rates, and medical trend rates were reset starting at 8.0% in 2019.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate. The following presents the total OPEB liability of the City, calculated using the discount rate of 3.0%, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1% lower (2.0%) or 1% higher (4.0%) than the current rate:

1% Decrease (2.0%)	Current Discount Rate (3.0%)	1% Increase (4.0%)
\$ 5,819,325	\$ 5,313,315	\$ 4,849,125

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates. The following presents the total OPEB liability of the City, calculated using the healthcare cost trend rate of 8.0% for pre-65, graded down 0.5% per year to an ultimate rate of 5.0%, and 5.0% for all years for post-65, as well as what the City's total OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1% lower (7.0% trending to 4.0%) or 1% higher (9.0% trending to 6.0%) than the current rate:

1% Decrease (7.0 trending to 4.0%)	Current Healthcare Trent Rate (8.0% trending to 5.0%)	1% Increase (9.0% trending to 6.0%)
\$ 4,943,343	\$ 5,313,315	\$ 5,755,223

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB

For the year ended June 30, 2018, the City recognized OPEB expense of \$380,899. The City reported deferred outflows/inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Differences between expected and actual experience	\$ 308,715	\$ 272,216	\$ 36,499
Changes of assumptions	-	629,434	(629,434)
Total	\$ 308,715	\$ 901,650	\$ (592,935)

CITY OF HOLLAND, MICHIGAN

Notes to Financial Statements

Amounts reported as deferred outflows/inflows of resources related to the OPEB will be recognized in OPEB expense as follows:

Year Ended June 30,	Amount
2019	\$ (52,104)
2020	(52,104)
2021	(52,104)
2022	(52,104)
2023	(52,104)
Thereafter	<u>(332,415)</u>
Total	<u>\$ (592,935)</u>

Payable to the OPEB Plan. At June 30, 2018, the City had no amounts payable for contributions to the OPEB plan.

For the governmental activities, the total OPEB liability is generally liquidated by the General Fund.

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.

CITY OF HOLLAND, MICHIGAN

Notes to 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, 2016	\$ 158,513	\$ -	\$ 1,449	\$ 97	\$ -	\$ 160,059
Estimated claims incurred	5,535,010	75,893	159,800	24,548	144,409	5,939,660
Claim payments	(5,412,796)	(75,893)	(161,249)	(24,645)	(144,409)	(5,818,992)
Estimated liability, June 30, 2017	280,727	-	-	-	-	280,727
Estimated claims incurred	6,502,138	83,374	182,244	18,895	118,447	6,905,098
Claim payments	(6,440,460)	(83,374)	(182,244)	(18,895)	(118,447)	(6,843,420)
Estimated liability, June 30, 2018	\$ 342,405	\$ -	\$ -	\$ -	\$ -	\$ 342,405

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

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

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

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

CITY OF HOLLAND, MICHIGAN

Notes to Financial Statements

18. COMMITMENTS

At June 30, 2018, the City had the following outstanding commitments:

- \$107,000 for various drain projects
- \$5,669,000 for various municipal projects
- \$3,562,000 for road construction and related infrastructure projects
- \$17,580,000 for electric equipment maintenance
- \$2,652,000 for various electric utility projects
- \$375,000 for various water utility projects
- \$870,000 for various wastewater utility projects

19. EXTRAORDINARY ITEM

The Electric Fund reported a non-cash extraordinary item of \$1,605,380 which was the result of a loss from certain coal plant spare parts that had been determined to be obsolete in the amount of \$1,632,722 and a recovery of \$27,342 from selling the last of the coal inventory at a higher price than was previously determined as fair market value.

20. TAX ABATEMENTS

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

The seven tax incentive programs provided by the City of Holland as of December 31, 2017, and the amount of taxes abated for each of the programs for the year ended June 30, 2018 were as follows:

Industrial Facility Tax Exemption (IFT)	\$	210,435
Payment in Lieu of Taxes (PILOT)		120,562
New Personal Property Exemption		189,843
Commercial Rehabilitation Act		2,177
Michigan Renaissance Zone		749,435
Neighborhood Enterprise Zone Act (NEZ)		8,145
Brownfield Redevelopment Financing Act		317,804
		<u>317,804</u>
	\$	<u>1,598,401</u>

City Council's Incentive Criteria For Decision Making

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

CITY OF HOLLAND, MICHIGAN

Notes to Financial Statements

21. RESTATEMENT

The City adopted the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, in the current year. In connection with the implementation of this standard, the prior reported net other postemployment benefit obligation was eliminated. As a result of this change, beginning net position of governmental activities, the Electric Utility Fund, the Wastewater Utility Fund, the Water Utility Fund, and business-type activities was increased (decreased) by (\$2,981,855), (\$276,552), (\$2,157), \$6,145, and (\$272,564), respectively.

22. SUBSEQUENT EVENT

In September 2018, the City issued limited tax general obligation bonds in the amount of \$7,000,000, to transfer ownership of the newly constructed 9th Street Parking Deck from Geenan DeKock Properties. The bonds bear interest ranging from 3.25% to 3.625% and are payable through November 1, 2042.



REQUIRED SUPPLEMENTARY INFORMATION

CITY OF HOLLAND, MICHIGAN

Required Supplementary Information

MERS Agent Multiple-Employer Defined Benefit Pension Plan

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

	Year Ended June 30			
	2018	2017	2016	2015
Total pension liability				
Service cost	\$ 1,403,351	\$ 1,422,305	\$ 1,395,000	\$ 1,451,999
Interest	10,216,997	10,095,787	9,806,547	9,570,281
Changes in benefit terms	27,530	-	(35,121)	-
Differences between expected and actual experience	(767,736)	(1,674,442)	(1,624,003)	-
Changes of assumptions	-	-	6,009,942	-
Benefit payments, including refunds of employee contributions	(8,420,858)	(8,217,231)	(8,254,623)	(8,005,271)
Net change in total pension liability	2,459,284	1,626,419	7,297,742	3,017,009
Total pension liability, beginning of year	131,221,216	129,594,797	122,297,055	119,280,046
Total pension liability, end of year	133,680,500	131,221,216	129,594,797	122,297,055
Plan fiduciary net position				
Employer contributions	1,924,547	3,033,757	28,953,539	3,989,428
Employee contributions	680,007	667,112	592,609	543,411
Net investment income (loss)	13,521,596	11,009,981	(1,046,066)	4,785,679
Benefit payments, including refunds of employee contributions	(8,420,858)	(8,217,231)	(8,254,623)	(8,005,271)
Administrative expense	(214,540)	(217,181)	(172,535)	(175,174)
Net change in plan fiduciary net position	7,490,752	6,276,438	20,072,924	1,138,073
Plan fiduciary net position, beginning of year	104,314,657	98,038,219	77,965,295	76,827,222
Plan fiduciary net position, end of year	111,805,409	104,314,657	98,038,219	77,965,295
City's net pension liability	\$ 21,875,091	\$ 26,906,559	\$ 31,556,578	\$ 44,331,760
Plan fiduciary net position as a percentage of total pension liability	83.6%	79.5%	75.6%	63.8%
Covered payroll	\$ 12,718,509	\$ 12,389,202	\$ 12,891,251	\$ 13,451,949
City's net pension liability as a percentage of covered payroll	172.0%	217.2%	244.8%	329.6%

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

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

The changes of assumptions in 2016 primarily related to an adjustment to the mortality table to reflect longer lifetimes, the assumed annual rate of return, net of all expenses, was lowered from 8.0% to 7.75%, and the asset smoothing was changed from 10 to 5 years.

CITY OF HOLLAND, MICHIGAN

Required Supplementary Information

MERS Agent Multiple-Employer Defined Benefit Pension Plan

Schedule of the Net Pension Liability

Fiscal Year Ended June 30,	Total Pension Liability	Plan Net Position	Net Pension Liability	Plan Net Position as Percentage of Total Pension Liability	Covered Payroll
2018	\$ 133,680,500	\$ 111,805,409	\$ 21,875,091	83.6%	\$ 12,718,509
2017	131,221,216	104,314,657	26,906,559	79.5%	12,389,202
2016	129,594,797	98,038,219	31,556,578	75.6%	12,891,251
2015	122,297,055	77,965,295	44,331,760	63.8%	13,451,949

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

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

CITY OF HOLLAND, MICHIGAN

Required Supplementary Information

MERS Agent Multiple-Employer Defined Benefit Pension Plan

Schedule of Contributions

Fiscal Year Ended June 30,	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Excess	Covered Payroll	Contributions as Percentage of Covered Payroll
2018	\$ 1,578,501	\$ 21,411,336	\$ 19,832,835	\$ 11,844,334	180.8%
2017	1,789,641	1,789,641	-	12,668,001	14.1%
2016	2,993,524	29,100,495	26,106,971	13,542,326	214.9%
2015	4,060,347	4,060,347	-	13,157,543	30.9%

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

Notes to Schedule of Contributions

Valuation Date Actuarially determined contribution rates are calculated as of the December 31 that is 18 months prior to the beginning of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates (2018, based on the 12/31/2015 actuarial valuation):

Actuarial cost method	Entry-age normal
Amortization method	Level percent of payroll, closed
Remaining amortization period	Ranges from 5 to 23 years, depending on division/bargaining unit
Asset valuation method	10 year smoothed
Inflation	2.5%
Salary increases	3.75% in the long-term
Investment rate of return	7.5%, net of investment and administrative expense including inflation
Retirement age	Age-based table of rates that are specific to the type of eligibility condition. The Normal Retirement rates were first used for the December 31, 2015 actuarial valuations. The Early Retirement rates were first used for the December 31, 2015 actuarial valuations.
Mortality	2014 Group Annuity Mortality Table of a 50% Male and 50% Female blend. The mortality tables were first used for the December 31, 2015 actuarial valuations.

CITY OF HOLLAND, MICHIGAN

Required Supplementary Information Other Postemployment Benefits Plan

Schedule of Changes in the City's Total OPEB Liability and Related Ratios

	Year Ended June 30
	2018
Total OPEB liability	
Service cost	\$ 255,182
Interest	177,821
Differences between expected and actual experience	39,706
Changes of assumptions	(684,747)
Benefit payments, including refunds of employee contributions	(293,674)
Net change in total OPEB liability	<u>(505,712)</u>
Total OPEB liability, beginning of year	<u>5,819,027</u>
Total OPEB liability, end of year	<u><u>\$ 5,313,315</u></u>
Covered-employee payroll	n/a
City's total OPEB liability as a percentage of covered-employee payroll	n/a

Notes: GASB 75 was implemented in fiscal year 2018. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

As the retirement benefit is a fixed amount, the covered payroll and related ratio is not applicable to be reported.

Changes of assumptions for the June 30, 2018 actuarial valuation include mortality updated to 2018 IRC rates for all groups, discount rate lowered to 3.0% to reflect current municipal bond rates, and medical trend rates were reset starting at 8.0% in 2019.

CITY OF HOLLAND, MICHIGAN

Required Supplementary Information Other Postemployment Benefits Plan

Schedule of the Total OPEB Liability

Fiscal Year Ended June 30,	Total OPEB Liability	Covered-Employee Payroll	Total OPEB Liability as Percentage of Covered-Employee
2018	\$ 5,313,315	n/a	n/a

Note: GASB 75 was implemented in fiscal year 2018. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

As the retirement benefit is a fixed amount, the covered payroll and related ratio is not applicable to be reported.

CITY OF HOLLAND, MICHIGAN

Required Supplementary Information

Other Postemployment Benefits Plan

Schedule of Contributions

Fiscal Year Ending June 30,	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution (Deficiency) Excess	Covered-Employee Payroll	Contributions as Percentage of Covered-Employee Payroll
2018	\$ 690,273	\$ 293,674	\$ (396,599)	n/a	n/a

Note: GASB 75 was implemented in fiscal year 2018. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

Notes to Schedule of Contributions

Valuation Date June 30, 2018

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry-age normal
Inflation	Implicit in expected payroll increases
Salary increases	2.0%
Investment rate of return	N/A - plan is not pre-funded
20-year Aa municipal bond rate	3.0%
Healthcare cost trend rate	8.0% for pre-65, graded down 0.5% per year to an ultimate rate of 5.0%, and 5.0% for all years for post-65
Mortality	IRS Regulations for 2018 (1.430(h)(3)) separately for males and females as well as annuitants and non-annuitants. Based on RP-2000 Tables with Scale AA.

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

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CITY OF HOLLAND, MICHIGAN

General Fund

The General Fund is a governmental fund, and represents the basic and primary operating fund of general government operations. This fund records financial resources used for day-to-day general government service activities, such as City administration, public safety, public works, community & neighborhood services, parks and recreation, cemeteries, etc. Certain activities, programs and projects are financed and recorded in other funds, in accordance with legal restrictions and by Governmental Accounting Standards Board (GASB) requirements.

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

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

Budget Stabilization (Rainy Day) Fund

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

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

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

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

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

CITY OF HOLLAND, MICHIGAN

Combining Balance Sheet

General Fund - By Activity

June 30, 2018

	General	Budget Stabilization	Total General Fund
Assets			
Cash and pooled investments	\$ 3,890,039	\$ 1,113,990	\$ 5,004,029
Receivables:			
Accounts	142,971	-	142,971
Taxes	806	-	806
Interest	35,546	-	35,546
Due from other governmental units	543,248	-	543,248
Due from other funds	53,619	-	53,619
Prepaid items	19,920	-	19,920
Total assets	\$ 4,686,149	\$ 1,113,990	\$ 5,800,139
Liabilities			
Accounts payable	\$ 272,735	\$ -	\$ 272,735
Accrued payroll and benefits	248,210	-	248,210
Due to other governmental units	210,024	-	210,024
Due to other funds	86,991	-	86,991
Deposits	7,934	-	7,934
Unearned revenue	155,293	-	155,293
Total liabilities	981,187	-	981,187
Fund balances			
Nonspendable	19,920	-	19,920
Committed	5,667	-	5,667
Unassigned	3,679,375	1,113,990	4,793,365
Total fund balances	3,704,962	1,113,990	4,818,952
Total liabilities and fund balances	\$ 4,686,149	\$ 1,113,990	\$ 5,800,139

CITY OF HOLLAND, MICHIGAN

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

General Fund - By Activity

For the Year Ended June 30, 2018

	General	Budget Stabilization	Elimination	Total General Fund
Revenues				
Taxes	\$ 8,367,823	\$ -	\$ -	\$ 8,367,823
Licenses and permits	1,098,803	-	-	1,098,803
Intergovernmental	3,457,646	-	-	3,457,646
Charges for services	1,807,769	-	-	1,807,769
Fines and fees	131,898	-	-	131,898
Interest and rents	400,290	-	-	400,290
Miscellaneous	24,264	-	-	24,264
Total revenues	15,288,493	-	-	15,288,493
Expenditures				
Current:				
General government	3,677,611	2,510	-	3,680,121
Public safety	11,581,298	-	-	11,581,298
Public works	1,282,766	-	-	1,282,766
Welfare and social services	504,443	-	-	504,443
Parks and recreation	3,525,896	-	-	3,525,896
Other	19,970,496	-	-	19,970,496
Total expenditures	40,542,510	2,510	-	40,545,020
Revenue under expenditures	(25,254,017)	(2,510)	-	(25,256,527)
Other financing sources (uses)				
Issuance of long-term debt	19,890,000	-	-	19,890,000
Transfers in	6,664,067	-	-	6,664,067
Transfers out	(1,300,050)	-	-	(1,300,050)
Total other financing sources (uses)	25,254,017	-	-	25,254,017
Net changes in fund balances	-	(2,510)	-	(2,510)
Fund balances, beginning of year	3,704,962	1,116,500	-	4,821,462
Fund balances, end of year	\$ 3,704,962	\$ 1,113,990	\$ -	\$ 4,818,952

CITY OF HOLLAND, MICHIGAN

Detailed Schedule of Revenues

Budget and Actual - General Fund

For the Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Taxes:				
Property	\$ 7,745,910	\$ 7,763,193	\$ 7,703,892	\$ (59,301)
Penalties and interest on delinquent taxes	85,000	85,000	75,511	(9,489)
Administration fee	525,000	525,000	534,010	9,010
Public service charge in lieu of property tax	57,500	52,910	52,912	2
Other miscellaneous tax revenue	1,600	1,600	1,498	(102)
Total taxes	<u>8,415,010</u>	<u>8,427,703</u>	<u>8,367,823</u>	<u>(59,880)</u>
Licenses and permits:				
Business	26,300	30,330	29,481	(849)
Nonbusiness	600,500	1,036,400	1,069,322	32,922
Total licenses and permits	<u>626,800</u>	<u>1,066,730</u>	<u>1,098,803</u>	<u>32,073</u>
Intergovernmental:				
State	3,896,738	3,234,113	3,378,996	144,883
Federal	27,500	31,520	35,059	3,539
Other	50,000	50,000	43,591	(6,409)
Total intergovernmental	<u>3,974,238</u>	<u>3,315,633</u>	<u>3,457,646</u>	<u>142,013</u>
Charges for services:				
Fees	789,690	823,515	799,683	(23,832)
Services rendered	858,245	857,301	812,032	(45,269)
Sales	134,900	189,319	196,054	6,735
Total charges for services	<u>1,782,835</u>	<u>1,870,135</u>	<u>1,807,769</u>	<u>(62,366)</u>
Fines and fees	132,500	139,000	131,898	(7,102)
Interest and rents:				
Investment earnings	107,000	107,000	156,358	49,358
Rents	250,160	253,700	243,932	(9,768)
Total interest and rents	<u>357,160</u>	<u>360,700</u>	<u>400,290</u>	<u>39,590</u>
Miscellaneous	60,363	16,463	24,264	7,801
Total revenues	<u>\$ 15,348,906</u>	<u>\$ 15,196,364</u>	<u>\$ 15,288,493</u>	<u>\$ 92,129</u>

CITY OF HOLLAND, MICHIGAN

Detailed Schedule of Expenditures

Budget and Actual - General Fund
For the Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Expenditures				
<i>General Fund expenditures</i>				
General government:				
City council	\$ 210,501	\$ 220,652	\$ 216,222	\$ (4,430)
City manager	429,701	466,738	427,414	(39,324)
Elections	56,921	55,151	54,098	(1,053)
City finance	600,946	545,921	545,881	(40)
Independent audit	46,950	49,580	47,914	(1,666)
City assessor	439,042	415,887	405,936	(9,951)
Legal services	201,600	268,600	221,307	(47,293)
City clerk	335,247	293,289	264,569	(28,720)
Human resources	311,275	460,325	460,316	(9)
City treasurer	199,391	186,238	177,240	(8,998)
City hall and grounds	191,660	194,469	168,207	(26,262)
Cemetery	516,896	541,526	516,986	(24,540)
Boards and commissions	9,958	7,678	6,726	(952)
Planning commission	223,842	204,134	164,795	(39,339)
Total general government	<u>3,773,930</u>	<u>3,910,188</u>	<u>3,677,611</u>	<u>(232,577)</u>
Public safety:				
Police	7,613,580	7,885,209	7,751,264	(133,945)
Fire	2,665,082	2,954,175	2,808,343	(145,832)
Environmental health/inspections	417,332	407,362	400,940	(6,422)
Construction inspections	664,175	639,205	620,751	(18,454)
Total public safety	<u>11,360,169</u>	<u>11,885,951</u>	<u>11,581,298</u>	<u>(304,653)</u>
Public works:				
Streets	1,112,636	1,083,331	1,083,296	(35)
Transportation management/engineering	204,014	218,306	199,470	(18,836)
Total public works	<u>1,316,650</u>	<u>1,301,637</u>	<u>1,282,766</u>	<u>(18,871)</u>
Welfare and social services:				
Housing and neighborhood	265,523	247,931	234,337	(13,594)
Economic development assistance	71,318	71,326	70,652	(674)
Human relations commission	188,855	174,661	159,454	(15,207)
Social services assistance	40,000	40,000	40,000	-
Total welfare and social services	<u>565,696</u>	<u>533,918</u>	<u>504,443</u>	<u>(29,475)</u>

continued...

CITY OF HOLLAND, MICHIGAN

Detailed Schedule of Expenditures

Budget and Actual - General Fund

For the Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Expenditures (concluded)				
<i>General Fund expenditures (concluded)</i>				
Parks and recreation:				
Parks	\$ 1,638,600	\$ 1,645,969	\$ 1,571,317	\$ (74,652)
Nature center	335,998	411,594	405,169	(6,425)
Cultural-recreational	109,200	109,018	108,848	(170)
Civic center	62,500	86,050	77,422	(8,628)
Recreation	1,139,043	1,165,056	1,130,259	(34,797)
Market	170,559	177,027	171,073	(5,954)
Parks and recreation administration	61,628	62,568	61,808	(760)
Total parks and recreation	<u>3,517,528</u>	<u>3,657,282</u>	<u>3,525,896</u>	<u>(131,386)</u>
Other:				
Insurance	89,000	88,250	88,249	(1)
Interest	-	147,165	139,412	(7,753)
MERS payment	-	19,742,835	19,742,835	-
Contingencies	510,801	-	-	-
Total other	<u>599,801</u>	<u>19,978,250</u>	<u>19,970,496</u>	<u>(7,754)</u>
Total general fund expenditures	21,133,774	41,267,226	40,542,510	(724,716)
<i>Budget Stabilization Fund expenditures</i>				
General government:				
Other services and charges	25,000	25,000	2,510	(22,490)
Total expenditures	<u>\$ 21,158,774</u>	<u>\$ 41,292,226</u>	<u>\$ 40,545,020</u>	<u>\$ (747,206)</u>

concluded

CITY OF HOLLAND, MICHIGAN

Detailed Schedule of Transfers

Budget and Actual - General Fund

For the Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Transfers in				
Special Revenue Funds:				
Miscellaneous Government Functions:				
CATV - (Public Access Channels)	\$ 80,000	\$ 80,000	\$ 80,000	\$ -
Public Works:				
Storm Water Grant	-	7,284	7,284	-
Debt Service Funds:				
General Obligation Debt Service	-	845,000	830,000	(15,000)
Permanent Fund:				
Cemetery Perpetual Care	11,000	16,000	19,507	3,507
Enterprise Funds:				
Electric Utility	5,727,276	5,727,276	5,727,276	-
Budget Stabilization Fund	50,000	-	-	-
Elimination	(50,000)	-	-	-
Total transfers in	\$ 5,818,276	\$ 6,675,560	\$ 6,664,067	\$ (11,493)
Transfers out				
Special Revenue Funds:				
Miscellaneous Government Functions:				
Dangerous Structures	\$ 900	\$ -	\$ -	\$ -
Public Safety Grants:				
Anti-Drug Abuse Grants	-	246,281	231,759	(14,522)
Capital Projects Funds:				
Municipal Facilities/Land Improvement Projects	-	958,291	968,291	10,000
Enterprise Funds:				
Windmill Island	50,000	-	-	-
Internal Service Funds:				
Fire Vehicle/Equipment	100,000	100,000	100,000	-
Budget Stabilization Fund	50,000	-	-	-
Elimination	(50,000)	-	-	-
Total transfers out	\$ 150,900	\$ 1,304,572	\$ 1,300,050	\$ (4,522)

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CITY OF HOLLAND, MICHIGAN

Nonmajor Governmental Funds

Special Revenue Funds

Special Revenue Funds are governmental funds that account for proceeds of specific revenue sources which are legally restricted or committed to expenditures for specified purposes. Major capital projects are exceptions that are designated to other types of governmental funds.

Motor Vehicle Highway Major Street Fund

The Major Street Fund is established pursuant to State of Michigan P.A. 51 of 1951, as amended. Its purpose is to receive formula distributions from the Michigan Transportation Fund. Funding is also received from the State's Local Road Program (a.k.a., Build Michigan) and State P.A. 48 Metro Act Maintenance Fee payments.

These revenues are required to be expended for maintenance and/or construction of designated *major* streets and bridges. However, the local government is allowed to transfer a portion of these revenues to the Local Street Fund for use on designated *local* streets & bridges (ref: Michigan Public Act 51 of 1951, as amended).

This fund also records signal maintenance and utility costs for designated state trunkline routes located within the City, receiving reimbursement from the Michigan Transportation Fund. The State has conveyed ownership and control of certain state trunkline roads, for which the City now assumes full responsibility for all maintenance and upkeep, as a part of its major streets system. The Michigan Transportation Fund provides an annual "turnback" payment to the City as part of its formula distribution.

Motor Vehicle Highway Local Street Fund

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

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

Allegan County Road Tax Fund

The Allegan County Road Tax Fund is established pursuant to State of Michigan Public Act 283 of 1909, as amended. Its purpose is to receive a proportional distribution of a county-wide (voted) property tax millage. The distribution is established as a relationship of the taxable value of the portion of the City located within the County of Allegan compared to the taxable value of the entire County.

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

CITY OF HOLLAND, MICHIGAN

Nonmajor Governmental Funds

Special Revenue Funds (Continued)

Ottawa County Road Tax Fund

The Ottawa County Road Tax Fund is established pursuant to State of Michigan Public Act 283 of 1909, as amended. Its purpose is to receive a proportional distribution of a county-wide (voted) property tax millage. The distribution is established as a relationship of the taxable value of the portion of the City located within the County of Ottawa compared to the taxable value of the entire County.

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

Street Improvements Reserve Fund

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

This fund provides financial accountability for this purpose. Primary funding is attained from a property tax levy of 1.4268 mill. Funding can also be provided in the form of bond proceeds when debt is issued for multiple street construction projects. Outlays are in the form of interfund transfers to designated capital projects for streets, bridges, and right-of-ways.

Downtown Operations Public Parking System Fund

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

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

Downtown Operations Snowmelt Operating System Fund

As part of a 1988 Downtown Streetscape Project, the City installed steam-heated pipes and tubes into the streets and adjacent sidewalks for several blocks of the shopping district. Since that original installation, this system has gradually been extended, with significant expansions and repairs completed during the fiscal years ended June 30, 2007, 2008, 2009 and 2016. The City's municipal electric-generating plant provides temperature-regulated steam through the pipes and tubes that melt the ice and snow on paved surfaces.

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

CITY OF HOLLAND, MICHIGAN

Nonmajor Governmental Funds

Special Revenue Funds (Continued)

Downtown Operations Principal Shopping District Fund

As authorized by State of Michigan Act 120 of 1961, as amended, a *Principal Shopping District* (PSD) for the downtown area was created by Ordinance No. 1223 (Ordinance Code: Article XIV.1 - Sections 2-99.1 thru 2-99.4) effective October 7, 1998. The PSD is administered by the City's Mainstreet/DDA for the purpose of promoting the downtown shopping district by a coordinated effort of marketing and special events.

Revenues are received from an annual operating assessment levied against property owners within a designated downtown district that benefit from the PSD and from special event fees. Expenditures are primarily applied towards advertising & marketing, consultants, and special events designed to benefit the downtown.

CATV (Public Access Channels) Fund

In accordance with terms of a licensing agreement with the cable television firms, Comcast, Inc. and AT&T, Inc. and Michigan Public Act 480 of 2006 entitled the *Uniform Video Services Local Franchise Act*, the City receives an annual franchise fee equal to five percent of gross subscriber revenues. The agreement specifies that this revenue source is to be used for the promotion of community television within the City.

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

Revolving Cash Assistance Fund

This long-established revolving fund provides upfront working capital assistance for special assessment construction projects for which special assessment bonds are not issued. This fund receives significant reimbursement revenue from long-term special assessment installment payments. Typically a fifteen year installment payback term is used.

On rare occasions, the City receives one-time payments related to a specific project or property, for which such proceeds are deposited into this fund. Occasionally, financing is provided to certain city-at-large projects, for which no reimbursement is made. Such non-revolving draws against this fund further reduces available working capital.

The role of this fund to provide financial assistance to construction projects remains viable, but has significantly declined in recent years.

Specified Donations Fund

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

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

CITY OF HOLLAND, MICHIGAN

Nonmajor Governmental Funds

Special Revenue Funds (Continued)

Dangerous Structures Fund

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

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

Police Criminal Justice Training Fund

State of Michigan Act 302 of 1982 requires district courts to impose an added assessment on civil infractions under the Michigan Vehicle Code, with a few exceptions. The assessments are in addition to the fines and court costs ordered to be paid, and are forwarded to the State of Michigan.

The State distributes 60% of assessments to local governments based upon the number of full-time police officers currently employed. The funding is required to supplement, and not supplant, training appropriations in the Police Dept annual operating budget. The funding is not in the form of a grant.

This fund provides financial accountability for revenue & expenditure operations, as well as balance sheet items.

Anti-Drug Abuse Grants Funds

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

These funds support multi-year revenues and expenditures spanning inception to completion of the grant. However, for annual financial reporting purposes, revenues and expenditures are also recognized by fiscal year. Open budget balances at June 30, 2018, of estimated revenues and appropriations are carried forward to the ensuing fiscal year.

CITY OF HOLLAND, MICHIGAN

Nonmajor Governmental Funds

Special Revenue Funds (Continued)

Office of Highway Safety Planning (OHSP) Grant Fund

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

Specific designated purposes and programs vary from one grant and/or one grant period to another, but basically the funding provides overtime wages for police and sheriff officers to target traffic violations and recordkeeping, including impaired driving, safety belt and car seat use. In addition, some grants include equipment or supply items. Various neighboring governmental agencies are, most often, joint participants to this same grant program.

These funds support multi-year revenues and expenditures spanning inception to completion of the grant. However, for annual financial reporting purposes, revenues and expenditures are also recognized by fiscal year. Open budget balances at June 30, 2018, of estimated revenues and appropriations are carried forward to the ensuing fiscal year.

Law Enforcement Block Grant Fund

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

These funds support multi-year revenues and expenditures spanning inception to completion of the grant. However, for annual financial reporting purposes, revenues and expenditures are also recognized by fiscal year. Open budget balances at June 30, 2018, of estimated revenues and appropriations are carried forward to the ensuing fiscal year.

Homeland Security Grant Fund

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

This fund supports multi-year revenues and expenditures spanning inception to completion of the grant period. However, for annual financial reporting purposes, revenues and expenditures are also recognized by fiscal year. Open budget balances at June 30, 2018, of estimated revenues and appropriations are carried forward to the ensuing fiscal year.

CITY OF HOLLAND, MICHIGAN

Nonmajor Governmental Funds

Special Revenue Funds (Continued)

Michigan Rehabilitation Services Grant Fund

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

District Library Taxation Fund

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

Effective July 1, 2017, Herrick District Library became a taxing authority. Delinquent receivables in this fund are for tax year 2016 and prior.

Community Development Block Grant (CDBG) Entitlement Fund

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

This fund supports multi-year revenues and expenditures spanning inception to completion of the grant. However, for annual financial reporting purposes, revenues and expenditures are also recognized by fiscal year. Open budget balances at June 30, 2018, of estimated revenues and appropriations are carried forward to the ensuing fiscal year.

Clean Energy Program Fund

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

This fund supports multi-year revenues and expenditures spanning to completion of the grant. However, for annual financial reporting purposes, revenue and expenditures are also recognized by fiscal year. Open budget balances at June 30, 2018, 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 - EBT Program Fund

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

Private contributions supports the operations in this fund. Open budget balances at June 30, 2018 of estimated revenues and appropriations are carried forward to the ensuing fiscal year.

Stormwater Grant Fund

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

This fund supports multi-year revenues and expenditures spanning to completion of the grant. However, for annual financial reporting purposes, revenue and expenditures are also recognized by fiscal year. Open budget balances at June 30, 2018, of estimated revenues and appropriations are carried forward to the ensuing fiscal year.

Holland Energy Fund

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

Debt Service Funds

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

CITY OF HOLLAND, MICHIGAN

Nonmajor Governmental Funds

Debt Service Funds (Continued)

General Obligation Debt Service Fund

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

- as "debt service payment" of annual principal and interest on a twenty-four year Act 34 Capital Improvement bond dated July 31, 2008 for construction of the 7th Street Parking Deck.
- as "rental payments" to the City of Holland - Building Authority Debt Service Fund for annual debt service requirements of the 2010 Building Authority Partial Refunding Bond Issue and 2016 Building Authority Refunding Bond Issue and to the City of Holland - Act 99 Debt Service Fund.
- as "debt service payment" of annual principal and interest on a nine year Act 34 Capital Improvement bond dated May 26, 2010 for construction of various road, drain and bridge projects.
- as "debt service payment" of annual principal and interest on a ten year pension obligation bond dated November 18, 2015 for paying down the Unfunded Liability on the closed defined benefit divisions.
- as "debt service payment" of annual principal and interest on a ten year Limited Tax Obligation bond dated December 8, 2016 for additions to snowmelt.
- as "debt service payment" of annual principal and interest on a twenty year Limited Tax Obligation bond dated December 8, 2016 for the Civic Center Place project.

Building Authority Debt Service Fund

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

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

The outstanding Building Authority bond issues include:

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

Special Assessment Debt Service Fund

The Special Assessment Debt Service Fund accounts for "special assessments" received from property owners in designated special assessment districts, and applied towards servicing maturity requirements on the City of Holland - Utility Improvements Special Assessment Bonds, Series 2006A.

Act 99 Debt Service Fund

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

CITY OF HOLLAND, MICHIGAN

■ Nonmajor Governmental Funds

Capital Projects Funds

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

Infrastructure Projects and Municipal Facilities/Land Improvements Projects Funds

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

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

Each capital project fund supports multi-year revenues and expenditures spanning inception to completion. However, for annual financial reporting purposes, revenues and expenditures are also recognized by fiscal year. Open budget balances at June 30, 2018, of estimated revenues and appropriations are carried forward to the ensuing fiscal year.

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

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

Parks and Recreation

- Civic Center - Building Renovation and Parking Lot Improvements
- Holland Museum - Repair Boiler and Heat Pumps
- City Wide - Tree Planting
- Kollen Park - Fountain Repairs
- Moran Park - LED Lighting Upgrades
- Window on the Waterfront - Boardwalk Repairs
- Washington School Green - Build New Park and Install Playground Equipment
- DeGraaf Nature Center - Entrance Improvements

Public Safety

- Police Station:
 - Replace Boilers
 - Replace In-Car Video System

CITY OF HOLLAND, MICHIGAN

■ Nonmajor Governmental Funds

Capital Projects Funds (Continued)

All Other Municipal Projects & Programs

City Hall:

Replaced Boiler and Purchased Chairs for Various Offices.

Sustainability:

Energy Upgrades to City Facilities

Community and Neighborhood:

Install Wayfinding Signs

Funding Assistance for Home Repairs/Replacements

Planning:

New Greenhouse and Windmill Island Garden Master Plan

Street Development and/or Redevelopment Projects

Annual Resurfacing Program of Various Streets

South Shore Drive Reconstruction

64th Street Realignment

Lincoln Avenue, 32nd Street to US-31, Reconstruction and Enhancements

Hope Avenue Reconstruction

6th Street Improvements

7th Street Improvements, by Holland Energy Park

Drain Projects:

Major Drain System Projects:

Dartmouth Avenue Storm Sewer Improvements

Storm Sewer Repair Project

Sidewalk Projects:

Sidewalk Repair / Replacement

College Avenue, 7th Street to 8th Street, Install Snowmelt System

Traffic Signal:

16th Street & Columbia

Permanent Fund

Cemetery Perpetual Care Fund

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



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CITY OF HOLLAND, MICHIGAN

Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2018

	Special Revenue Funds				
	Street Maintenance and Improvements				
	Major Street	Local Street	Allegan County Road Tax	Ottawa County Road Tax	Street Improvements Reserve
Assets					
Cash and pooled investments	\$ 343,001	\$ -	\$ 309,158	\$ -	\$ 19,020
Receivables:					
Accounts	2,064	3,374	-	1,915	-
Taxes and special assessments	-	-	-	-	-
Notes	-	-	-	-	-
Due from other governmental units	510,474	142,056	-	-	-
Due from other funds	365	5,586	-	-	-
Prepaid items	-	-	-	-	-
Total assets	<u>\$ 855,904</u>	<u>\$ 151,016</u>	<u>\$ 309,158</u>	<u>\$ 1,915</u>	<u>\$ 19,020</u>
Liabilities					
Accounts payable	\$ 31,515	\$ 37,571	\$ -	\$ -	\$ -
Accrued payroll and benefits	6,023	9,647	-	-	-
Due to other funds	17,748	101,798	-	554	-
Unearned revenue	-	-	-	-	-
Total liabilities	<u>55,286</u>	<u>149,016</u>	<u>-</u>	<u>554</u>	<u>-</u>
Deferred inflows of resources					
Unavailable revenue:					
Special assessment receivable	-	-	-	-	-
Fund balances					
Nonspendable	-	-	-	-	-
Restricted	800,618	2,000	309,158	1,361	19,020
Committed	-	-	-	-	-
Total fund balances	<u>800,618</u>	<u>2,000</u>	<u>309,158</u>	<u>1,361</u>	<u>19,020</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 855,904</u>	<u>\$ 151,016</u>	<u>\$ 309,158</u>	<u>\$ 1,915</u>	<u>\$ 19,020</u>

Special Revenue Funds						
Downtown Operations			Miscellaneous Governmental Functions			
Public Parking System	Snowmelt Operating System	Principal Shopping District	CATV - (Public Access Channels)	Revolving Cash Assistance	Specified Donations	Dangerous Structures
\$ 301,017	\$ 53,859	\$ 104,031	\$ 299,974	\$ 338,995	\$ 522,778	\$ 29,981
22,986	-	2,000	116,269	-	8,300	-
-	-	-	-	666,155	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	300	-	-	875	-
<u>\$ 324,003</u>	<u>\$ 53,859</u>	<u>\$ 106,331</u>	<u>\$ 416,243</u>	<u>\$ 1,005,150</u>	<u>\$ 531,953</u>	<u>\$ 29,981</u>
\$ 69,067	\$ -	\$ 487	\$ 2,334	\$ -	\$ 36,869	\$ -
756	-	1,855	3,766	-	-	-
816	-	146	-	-	-	-
-	-	-	-	-	-	-
<u>70,639</u>	<u>-</u>	<u>2,488</u>	<u>6,100</u>	<u>-</u>	<u>36,869</u>	<u>-</u>
-	-	-	-	666,155	-	-
-	-	300	-	-	875	-
253,364	53,859	103,543	-	338,995	494,209	-
-	-	-	410,143	-	-	29,981
<u>253,364</u>	<u>53,859</u>	<u>103,843</u>	<u>410,143</u>	<u>338,995</u>	<u>495,084</u>	<u>29,981</u>
<u>\$ 324,003</u>	<u>\$ 53,859</u>	<u>\$ 106,331</u>	<u>\$ 416,243</u>	<u>\$ 1,005,150</u>	<u>\$ 531,953</u>	<u>\$ 29,981</u>

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CITY OF HOLLAND, MICHIGAN

Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2018

	Special Revenue Funds				
	Public Safety				
	Police Criminal Justice Training	Anti-Drug Abuse Grants	Office of Highway Safety Planning (OHSP) Grant	Law Enforcement Block Grant	Homeland Security Grant
Assets					
Cash and pooled investments	\$ 6,110	\$ 4,768	\$ -	\$ -	\$ -
Receivables:					
Accounts	-	-	-	-	-
Taxes and special assessments	-	-	-	-	-
Notes	-	-	-	-	-
Due from other governmental units	-	258	5,562	-	1,378
Due from other funds	-	-	-	-	-
Prepaid items	-	-	-	-	-
Total assets	<u>\$ 6,110</u>	<u>\$ 5,026</u>	<u>\$ 5,562</u>	<u>\$ -</u>	<u>\$ 1,378</u>
Liabilities					
Accounts payable	\$ -	\$ 1,137	\$ -	\$ -	\$ -
Accrued payroll and benefits	-	3,631	668	-	-
Due to other funds	-	258	4,894	-	1,378
Unearned revenue	-	-	-	-	-
Total liabilities	<u>-</u>	<u>5,026</u>	<u>5,562</u>	<u>-</u>	<u>1,378</u>
Deferred inflows of resources					
Unavailable revenue:					
Special assessment receivable	-	-	-	-	-
Fund balances					
Nonspendable	-	-	-	-	-
Restricted	6,110	-	-	-	-
Committed	-	-	-	-	-
Total fund balances	<u>6,110</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 6,110</u>	<u>\$ 5,026</u>	<u>\$ 5,562</u>	<u>\$ -</u>	<u>\$ 1,378</u>

Special Revenue Funds						
Culture and Community Improvement					Public Works	
Michigan Rehabilitation Services Grant	District Library Taxation	Community Development Block Grant (CDBG)	Clean Energy Program	Eat Healthy For Life - EBT Program	Stormwater Grant	Holland Energy
\$ -	\$ 149	\$ 46,421	\$ 28,384	\$ 26,554	\$ -	\$ 30,428
-	-	250	-	-	-	-
-	32	-	-	-	-	-
-	-	-	-	-	-	798,560
-	-	58,295	-	-	-	-
-	-	-	-	-	-	8,162
-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ 181</u>	<u>\$ 104,966</u>	<u>\$ 28,384</u>	<u>\$ 26,554</u>	<u>\$ -</u>	<u>\$ 837,150</u>
\$ -	\$ 177	\$ 8,676	\$ -	\$ 924	\$ -	\$ 35,199
-	-	192	-	-	-	-
-	-	50,490	-	-	-	587,724
-	-	-	-	13,329	-	-
-	177	59,358	-	14,253	-	622,923
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	28,384	12,301	-	-
-	4	45,608	-	-	-	214,227
-	4	45,608	28,384	12,301	-	214,227
<u>\$ -</u>	<u>\$ 181</u>	<u>\$ 104,966</u>	<u>\$ 28,384</u>	<u>\$ 26,554</u>	<u>\$ -</u>	<u>\$ 837,150</u>

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CITY OF HOLLAND, MICHIGAN

Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2018

	Debt Service Funds				Capital Projects Fund
	General Obligation Debt Service	Building Authority Debt Service	Special Assessment Debt Service	Act 99 Debt Service	Infrastructure Projects
Assets					
Cash and pooled investments	\$ 425,241	\$ 14,082	\$ 1,045	\$ -	\$ 476,768
Receivables:					
Accounts	-	-	-	-	151,718
Taxes and special assessments	342	-	14,720	-	-
Notes	-	-	-	-	-
Due from other governmental units	-	-	-	-	-
Due from other funds	-	-	-	-	-
Prepaid items	-	-	-	-	-
Total assets	<u>\$ 425,583</u>	<u>\$ 14,082</u>	<u>\$ 15,765</u>	<u>\$ -</u>	<u>\$ 628,486</u>
Liabilities					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 481,347
Accrued payroll and benefits	-	-	-	-	2,554
Due to other funds	-	-	-	-	-
Unearned revenue	-	-	-	-	83,711
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>567,612</u>
Deferred inflows of resources					
Unavailable revenue:					
Special assessment receivable	-	-	14,720	-	-
Fund balances					
Nonspendable	-	-	-	-	-
Restricted	425,583	14,082	1,045	-	-
Committed	-	-	-	-	60,874
Total fund balances	<u>425,583</u>	<u>14,082</u>	<u>1,045</u>	<u>-</u>	<u>60,874</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 425,583</u>	<u>\$ 14,082</u>	<u>\$ 15,765</u>	<u>\$ -</u>	<u>\$ 628,486</u>



Permanent Fund	
Cemetery Perpetual Care	Total
\$ 1,722,503	\$ 5,104,267
3,045	311,921
-	681,249
-	798,560
-	718,023
-	14,113
-	1,175
<u>\$ 1,725,548</u>	<u>\$ 7,629,308</u>
\$ -	\$ 705,303
-	29,092
-	765,806
-	97,040
<u>-</u>	<u>1,597,241</u>
-	680,875
1,654,632	1,655,807
70,916	2,934,548
-	760,837
<u>1,725,548</u>	<u>5,351,192</u>
<u>\$ 1,725,548</u>	<u>\$ 7,629,308</u>

concluded

CITY OF HOLLAND, MICHIGAN

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds
For the Year Ended June 30, 2018

	Special Revenue Funds				
	Street Maintenance and Improvements				
	Major Street	Local Street	Allegan County Road Tax	Ottawa County Road Tax	Street Improvements Reserve
Revenues					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 1,464,160
Special assessments	-	-	-	-	-
Intergovernmental	3,500,265	830,604	326,067	341,756	43,023
Charges for services	22,370	55,571	-	-	-
Fines and fees	-	-	-	-	-
Contributions from private sector	-	-	-	-	9,351
Interest and rents	12,640	1,754	5,616	1,339	-
Miscellaneous	-	-	-	-	11,475
Total revenues	3,535,275	887,929	331,683	343,095	1,528,009
Expenditures					
Current:					
General government	-	-	-	-	-
Public safety	-	-	-	-	-
Public works	3,227,892	1,343,863	-	50	-
Welfare and social services	-	-	-	-	-
Parks and recreation	-	-	-	-	-
Debt service:					
Principal retirement	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	7,283
Capital outlay	-	-	-	-	-
Total expenditures	3,227,892	1,343,863	-	50	7,283
Revenue over (under) expenditures	307,383	(455,934)	331,683	343,045	1,520,726
Other financing sources (uses)					
Transfers in	91,729	455,934	-	-	-
Transfers out	(364,205)	-	(646,073)	(350,000)	(1,845,699)
Total other financing sources (uses)	(272,476)	455,934	(646,073)	(350,000)	(1,845,699)
Net changes in fund balances	34,907	-	(314,390)	(6,955)	(324,973)
Fund balances, beginning of year	765,711	2,000	623,548	8,316	343,993
Fund balances, end of year	\$ 800,618	\$ 2,000	\$ 309,158	\$ 1,361	\$ 19,020

Special Revenue Funds						
Downtown Operations			Miscellaneous Governmental Functions			
Public Parking System	Snowmelt Operating System	Principal Shopping District	CATV - (Public Access Channels)	Revolving Cash Assistance	Specified Donations	Dangerous Structures
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
213,185	293,563	185,083	-	132,152	-	-
-	-	-	-	-	-	-
34,766	-	74,856	4,981	-	-	2,943
-	-	-	463,215	-	-	-
-	25,000	38,950	-	-	190,787	-
3,199	907	713	3,744	19,593	153	-
-	-	-	3,633	-	-	-
251,150	319,470	299,602	475,573	151,745	190,940	2,943
-	-	-	265,428	-	213,437	24
-	-	-	-	-	-	-
294,479	226,170	-	-	-	-	-
-	-	-	-	-	-	-
-	-	247,089	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	15,909	-	-	-
294,479	226,170	247,089	281,337	-	213,437	24
(43,329)	93,300	52,513	194,236	151,745	(22,497)	2,919
-	59,820	-	-	500	-	-
(9,820)	(150,278)	-	(200,000)	-	-	-
(9,820)	(90,458)	-	(200,000)	500	-	-
(53,149)	2,842	52,513	(5,764)	152,245	(22,497)	2,919
306,513	51,017	51,330	415,907	186,750	517,581	27,062
\$ 253,364	\$ 53,859	\$ 103,843	\$ 410,143	\$ 338,995	\$ 495,084	\$ 29,981

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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, 2018

	Special Revenue Funds				
	Public Safety				
	Police Criminal Justice Training	Anti-Drug Abuse Grants	Office of Highway Safety Planning (OHSP) Grant	Law Enforcement Block Grant	Homeland Security Grant
Revenues					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Special assessments	-	-	-	-	-
Intergovernmental	9,849	39,760	15,799	16,298	4,456
Charges for services	-	-	-	-	-
Fines and fees	-	-	-	-	-
Contributions from private sector	-	-	-	-	-
Interest and rents	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total revenues	9,849	39,760	15,799	16,298	4,456
Expenditures					
Current:					
General government	-	-	-	-	-
Public safety	9,476	271,519	15,799	-	4,456
Public works	-	-	-	-	-
Welfare and social services	-	-	-	-	-
Parks and recreation	-	-	-	-	-
Debt service:					
Principal retirement	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Capital outlay	-	-	-	16,298	-
Total expenditures	9,476	271,519	15,799	16,298	4,456
Revenue over (under) expenditures	373	(231,759)	-	-	-
Other financing sources (uses)					
Transfers in	-	231,759	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	-	231,759	-	-	-
Net changes in fund balances	373	-	-	-	-
Fund balances, beginning of year	5,737	-	-	-	-
Fund balances, end of year	\$ 6,110	\$ -	\$ -	\$ -	\$ -

Special Revenue Funds						
Culture and Community Improvement					Public Works	
Michigan Rehabilitation Services Grant	District Library Taxation	Community Development Block Grant (CDBG)	Clean Energy Program	Eat Healthy For Life - EBT Program	Stormwater Grant	Holland Energy
\$ -	\$ 125	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
7,472	-	211,409	-	-	143,989	-
-	-	-	-	-	-	-
-	-	100,203	-	19,537	-	-
-	-	-	324	-	-	29,693
-	-	8,844	-	-	-	-
<u>7,472</u>	<u>125</u>	<u>320,456</u>	<u>324</u>	<u>19,537</u>	<u>143,989</u>	<u>29,693</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
7,472	-	297,648	-	15,250	74,105	225,998
-	196	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>7,472</u>	<u>196</u>	<u>297,648</u>	<u>-</u>	<u>15,250</u>	<u>74,105</u>	<u>225,998</u>
-	(71)	22,808	324	4,287	69,884	(196,305)
-	75	-	-	-	-	273,740
-	-	-	-	-	(194,912)	-
-	75	-	-	-	(194,912)	273,740
-	4	22,808	324	4,287	(125,028)	77,435
-	-	22,800	28,060	8,014	125,028	136,792
<u>\$ -</u>	<u>\$ 4</u>	<u>\$ 45,608</u>	<u>\$ 28,384</u>	<u>\$ 12,301</u>	<u>\$ -</u>	<u>\$ 214,227</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, 2018

	Debt Service Funds				Capital Projects Fund
	General Obligation Debt Service	Building Authority Debt Service	Special Assessment Debt Service	Act 99 Debt Service	Infrastructure Projects
Revenues					
Taxes	\$ 4,908,470	\$ -	\$ -	\$ -	\$ 51,262
Special assessments	-	-	7,781	-	-
Intergovernmental	454,228	-	-	-	43,434
Charges for services	-	-	-	-	-
Fines and fees	-	-	-	-	-
Contributions from private sector	-	-	-	-	161,904
Interest and rents	16,918	161	1,243	-	-
Miscellaneous	278,690	-	-	-	-
Total revenues	5,658,306	161	9,024	-	256,600
Expenditures					
Current:					
General government	1,199	-	-	-	-
Public safety	-	-	-	-	-
Public works	-	-	-	-	-
Welfare and social services	-	-	-	-	-
Parks and recreation	-	-	-	-	-
Debt service:					
Principal retirement	2,088,720	1,460,000	-	277,517	-
Interest and fiscal charges	1,312,089	24,413	2	58,164	-
Capital outlay	-	-	-	-	3,253,387
Total expenditures	3,402,008	1,484,413	2	335,681	3,253,387
Revenue over (under) expenditures	2,256,298	(1,484,252)	9,022	(335,681)	(2,996,787)
Other financing sources (uses)					
Transfers in	149,858	1,484,413	-	335,681	2,999,272
Transfers out	(2,650,094)	-	(8,002)	-	-
Total other financing sources (uses)	(2,500,236)	1,484,413	(8,002)	335,681	2,999,272
Net changes in fund balances	(243,938)	161	1,020	-	2,485
Fund balances, beginning of year	669,521	13,921	25	-	58,389
Fund balances, end of year	\$ 425,583	\$ 14,082	\$ 1,045	\$ -	\$ 60,874



Permanent Fund		
Cemetery Perpetual Care		Total
\$ -	\$ 6,424,017	
-	831,764	
-	5,988,409	
39,900	235,387	
-	463,215	
-	545,732	
19,507	117,504	
-	302,642	
<u>59,407</u>	<u>14,908,670</u>	
-	480,088	
-	301,250	
-	5,392,557	
-	320,370	
-	247,285	
-	3,826,237	
-	1,401,951	
-	3,285,594	
<u>-</u>	<u>15,255,332</u>	
<u>59,407</u>	<u>(346,662)</u>	
-	6,082,781	
<u>(19,507)</u>	<u>(6,438,590)</u>	
<u>(19,507)</u>	<u>(355,809)</u>	
39,900	(702,471)	
<u>1,685,648</u>	<u>6,053,663</u>	
<u>\$ 1,725,548</u>	<u>\$ 5,351,192</u>	

concluded

CITY OF HOLLAND, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balances Budget and Actual - Major Street Fund For the Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Intergovernmental	\$ 3,297,500	\$ 3,375,300	\$ 3,500,265	\$ 124,965
Charges for services	32,000	28,000	22,370	(5,630)
Interest and rents	1,000	6,000	12,640	6,640
Total revenues	<u>3,330,500</u>	<u>3,409,300</u>	<u>3,535,275</u>	<u>125,975</u>
Expenditures				
Current:				
Public works:				
Personnel services	652,225	562,745	550,256	(12,489)
Other services and charges	888,600	2,561,481	2,677,636	116,155
Total expenditures	<u>1,540,825</u>	<u>3,124,226</u>	<u>3,227,892</u>	<u>103,666</u>
Revenues over expenditures	<u>1,789,675</u>	<u>285,074</u>	<u>307,383</u>	<u>22,309</u>
Other financing sources (uses)				
Transfers in	-	91,729	91,729	-
Transfers out	(1,710,531)	(409,626)	(364,205)	(45,421)
Total other financing sources (uses)	<u>(1,710,531)</u>	<u>(317,897)</u>	<u>(272,476)</u>	<u>(45,421)</u>
Net changes in fund balances	79,144	(32,823)	34,907	67,730
Fund balances, beginning of year	<u>765,711</u>	<u>765,711</u>	<u>765,711</u>	<u>-</u>
Fund balances, end of year	<u>\$ 844,855</u>	<u>\$ 732,888</u>	<u>\$ 800,618</u>	<u>\$ 67,730</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, 2018

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Intergovernmental	\$ 805,350	\$ 805,350	\$ 830,604	\$ 25,254
Charges for services	47,000	52,000	55,571	3,571
Interest and rents	1,000	1,000	1,754	754
Total revenues	<u>853,350</u>	<u>858,350</u>	<u>887,929</u>	<u>29,579</u>
Expenditures				
Current:				
Public works:				
Personnel services	651,825	566,205	571,330	5,125
Other services and charges	810,200	793,500	772,533	(20,967)
Total expenditures	<u>1,462,025</u>	<u>1,359,705</u>	<u>1,343,863</u>	<u>(15,842)</u>
Revenues over (under) expenditures	(608,675)	(501,355)	(455,934)	45,421
Other financing sources				
Transfers in	608,675	501,355	455,934	(45,421)
Net changes in fund balances	-	-	-	-
Fund balances, beginning of year	<u>2,000</u>	<u>2,000</u>	<u>2,000</u>	<u>-</u>
Fund balances, end of year	<u>\$ 2,000</u>	<u>\$ 2,000</u>	<u>\$ 2,000</u>	<u>\$ -</u>

CITY OF HOLLAND, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balances
 Budget and Actual - Allegan County Road Tax Fund
 For the Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Intergovernmental	\$ 455,000	\$ 450,000	\$ 326,067	\$ (123,933)
Interest and rents	4,000	7,000	5,616	(1,384)
Total revenues	459,000	457,000	331,683	(125,317)
Other financing uses				
Transfers out	(650,000)	(560,000)	(646,073)	86,073
Net changes in fund balances	(191,000)	(103,000)	(314,390)	(211,390)
Fund balances, beginning of year	623,548	623,548	623,548	-
Fund balances, end of year	<u>\$ 432,548</u>	<u>\$ 520,548</u>	<u>\$ 309,158</u>	<u>\$ (211,390)</u>

CITY OF HOLLAND, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balances
 Budget and Actual - Ottawa County Road Tax Fund
 For the Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Intergovernmental	\$ 350,000	\$ 350,000	\$ 341,756	\$ (8,244)
Interest and rents	500	100	1,339	1,239
Total revenues	<u>350,500</u>	<u>350,100</u>	<u>343,095</u>	<u>(7,005)</u>
Expenditures				
Current:				
Public works:				
Other services and charges	-	100	50	(50)
Revenues over (under) expenditures	<u>350,500</u>	<u>350,000</u>	<u>343,045</u>	<u>(6,955)</u>
Other financing uses				
Transfers out	<u>(350,000)</u>	<u>(350,000)</u>	<u>(350,000)</u>	<u>-</u>
Net changes in fund balances	<u>500</u>	<u>-</u>	<u>(6,955)</u>	<u>(6,955)</u>
Fund balances, beginning of year	<u>8,316</u>	<u>8,316</u>	<u>8,316</u>	<u>-</u>
Fund balances, end of year	<u><u>\$ 8,816</u></u>	<u><u>\$ 8,316</u></u>	<u><u>\$ 1,361</u></u>	<u><u>\$ (6,955)</u></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, 2018

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Taxes	\$ 1,469,950	\$ 1,460,863	\$ 1,464,160	\$ 3,297
Intergovernmental	351,706	230,729	43,023	(187,706)
Contributions from private sector	-	-	9,351	9,351
Interest and rents	3,000	3,000	-	(3,000)
Miscellaneous	13,434	11,475	11,475	-
Total revenues	1,838,090	1,706,067	1,528,009	(178,058)
Expenditures				
Debt service:				
Interest and fiscal charges	-	-	7,283	7,283
Revenues over (under) expenditures	1,838,090	1,706,067	1,520,726	(185,341)
Other financing uses				
Transfers out	(1,810,000)	(1,810,000)	(1,845,699)	35,699
Net changes in fund balances	28,090	(103,933)	(324,973)	(221,040)
Fund balances, beginning of year	343,993	343,993	343,993	-
Fund balances, end of year	\$ 372,083	\$ 240,060	\$ 19,020	\$ (221,040)

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, 2018

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Special assessments	\$ 212,479	\$ 213,185	\$ 213,185	\$ -
Charges for services	25,050	25,050	34,766	9,716
Interest and rents	1,500	2,000	3,199	1,199
Total revenues	<u>239,029</u>	<u>240,235</u>	<u>251,150</u>	<u>10,915</u>
Expenditures				
Current:				
Public works:				
Personnel services	111,072	93,385	88,814	(4,571)
Other services and charges	141,254	200,398	205,665	5,267
Total expenditures	<u>252,326</u>	<u>293,783</u>	<u>294,479</u>	<u>696</u>
Revenues over (under) expenditures	(13,297)	(53,548)	(43,329)	10,219
Other financing uses				
Transfers out	(9,820)	(9,820)	(9,820)	-
Net changes in fund balances	(23,117)	(63,368)	(53,149)	10,219
Fund balances, beginning of year	<u>306,513</u>	<u>306,513</u>	<u>306,513</u>	<u>-</u>
Fund balances, end of year	<u>\$ 283,396</u>	<u>\$ 243,145</u>	<u>\$ 253,364</u>	<u>\$ 10,219</u>

CITY OF HOLLAND, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balances Budget and Actual - Snowmelt Operating System Fund For the Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Special assessments	\$ 261,138	\$ 293,563	\$ 293,563	\$ -
Contributions from private sector	-	25,000	25,000	-
Interest and rents	200	350	907	557
Total revenues	261,338	318,913	319,470	557
Expenditures				
Current:				
Public works:				
Other services and charges	242,659	242,659	226,170	(16,489)
Revenues over expenditures	18,679	76,254	93,300	17,046
Other financing sources (uses)				
Transfers in	36,676	59,820	59,820	-
Transfers out	(142,356)	(150,278)	(150,278)	-
Total other financing sources (uses)	(105,680)	(90,458)	(90,458)	-
Net changes in fund balances	(87,001)	(14,204)	2,842	17,046
Fund balances, beginning of year	51,017	51,017	51,017	-
Fund balances, end of year	\$ (35,984)	\$ 36,813	\$ 53,859	\$ 17,046

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, 2018

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Special assessments	\$ 185,000	\$ 185,083	\$ 185,083	\$ -
Charges for services	48,000	74,870	74,856	(14)
Contributions from private sector	27,000	38,950	38,950	-
Interest and rents	100	575	713	138
Total revenues	260,100	299,478	299,602	124
Expenditures				
Current:				
Parks and recreation:				
Personnel services	114,672	104,463	105,398	935
Other services and charges	131,700	148,576	141,691	(6,885)
Total expenditures	246,372	253,039	247,089	(5,950)
Net changes in fund balances	13,728	46,439	52,513	6,074
Fund balances, beginning of year	51,330	51,330	51,330	-
Fund balances, end of year	\$ 65,058	\$ 97,769	\$ 103,843	\$ 6,074

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, 2018

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Charges for services	\$ 4,000	\$ 4,000	\$ 4,981	\$ 981
Fines and fees	492,000	466,800	463,215	(3,585)
Interest and rents	3,000	2,200	3,744	1,544
Miscellaneous	500	3,600	3,633	33
Total revenues	<u>499,500</u>	<u>476,600</u>	<u>475,573</u>	<u>(1,027)</u>
Expenditures				
Current:				
General government:				
Personnel services	214,598	208,620	204,953	(3,667)
Other services and charges	68,049	67,950	60,475	(7,475)
Capital outlay	19,500	16,200	15,909	(291)
Total expenditures	<u>302,147</u>	<u>292,770</u>	<u>281,337</u>	<u>(11,433)</u>
Revenues over expenditures	197,353	183,830	194,236	10,406
Other financing uses				
Transfers out	(200,000)	(391,000)	(200,000)	(191,000)
Net changes in fund balances	<u>(2,647)</u>	<u>(207,170)</u>	<u>(5,764)</u>	<u>201,406</u>
Fund balances, beginning of year	<u>415,907</u>	<u>415,907</u>	<u>415,907</u>	<u>-</u>
Fund balances, end of year	<u>\$ 413,260</u>	<u>\$ 208,737</u>	<u>\$ 410,143</u>	<u>\$ 201,406</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, 2018

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Special assessments	\$ 124,766	\$ 129,912	\$ 132,152	\$ 2,240
Interest and rents	18,045	18,536	19,593	1,057
Total revenues	142,811	148,448	151,745	3,297
Other financing sources				
Transfers in	-	500	500	-
Net changes in fund balances	142,811	148,948	152,245	3,297
Fund balances, beginning of year	186,750	186,750	186,750	-
Fund balances, end of year	<u>\$ 329,561</u>	<u>\$ 335,698</u>	<u>\$ 338,995</u>	<u>\$ 3,297</u>

CITY OF HOLLAND, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balances Budget and Actual - Specified Donations Fund For the Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Contributions from private sector	\$ -	\$ 177,808	\$ 190,787	\$ 12,979
Interest and rents	-	-	153	153
Total revenues	<u>-</u>	<u>177,808</u>	<u>190,940</u>	<u>13,132</u>
Expenditures				
Current:				
General government:				
Personnel services	-	148,819	29,853	(118,966)
Other services and charges	-	228,820	183,584	(45,236)
Capital outlay	-	66,902	-	(66,902)
Total expenditures	<u>-</u>	<u>444,541</u>	<u>213,437</u>	<u>(231,104)</u>
Revenues over (under) expenditures	-	(266,733)	(22,497)	244,236
Other financing uses				
Transfers out	-	(151,703)	-	(151,703)
Net changes in fund balances	<u>-</u>	<u>(418,436)</u>	<u>(22,497)</u>	<u>395,939</u>
Fund balances, beginning of year	517,581	517,581	517,581	-
Fund balances, end of year	<u>\$ 517,581</u>	<u>\$ 99,145</u>	<u>\$ 495,084</u>	<u>\$ 395,939</u>

CITY OF HOLLAND, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balances Budget and Actual - Dangerous Structures Fund For the Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Charges for services	\$ 12,000	\$ 12,000	\$ 2,943	\$ (9,057)
Expenditures				
Current:				
General government:				
Other services and charges	12,900	11,250	24	(11,226)
Revenues over (under) expenditures	(900)	750	2,919	2,169
Other financing sources				
Transfers in	900	-	-	-
Net changes in fund balances	-	750	2,919	2,169
Fund balances, beginning of year	27,062	27,062	27,062	-
Fund balances, end of year	<u>\$ 27,062</u>	<u>\$ 27,812</u>	<u>\$ 29,981</u>	<u>\$ 2,169</u>

CITY OF HOLLAND, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balances
 Budget and Actual - Police Criminal Justice Training Fund
 For the Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Intergovernmental	\$ 10,450	\$ 10,450	\$ 9,849	\$ (601)
Expenditures				
Current:				
Public safety:				
Other services and charges	10,450	10,450	9,476	(974)
Net changes in fund balances	-	-	373	373
Fund balances, beginning of year	5,737	5,737	5,737	-
Fund balances, end of year	<u>\$ 5,737</u>	<u>\$ 5,737</u>	<u>\$ 6,110</u>	<u>\$ 373</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, 2018

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Intergovernmental	\$ -	\$ 39,760	\$ 39,760	\$ -
Expenditures				
Current:				
Public safety:				
Personal services	-	271,860	271,519	(341)
Revenues under expenditures	-	(232,100)	(231,759)	341
Other financing sources				
Transfers in	-	232,100	231,759	(341)
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, 2018

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Intergovernmental	\$ -	\$ 23,120	\$ 15,799	\$ (7,321)
Expenditures				
Current:				
Public safety:				
Personal services	-	23,120	15,799	(7,321)
Net changes in fund balances	-	-	-	-
Fund balances, beginning of year	-	-	-	-
Fund balances, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF HOLLAND, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balances
 Budget and Actual - Law Enforcement Block Grant Fund
 For the Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Intergovernmental	\$ -	\$ 16,299	\$ 16,298	\$ (1)
Expenditures				
Capital outlay	-	16,299	16,298	(1)
Net changes in fund balances	-	-	-	-
Fund balances, beginning of year	-	-	-	-
Fund balances, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF HOLLAND, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balances
 Budget and Actual - Homeland Security Grant Fund
 For the Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Intergovernmental	\$ -	\$ 15,000	\$ 4,456	\$ (10,544)
Expenditures				
Current:				
Public safety:				
Other services and charges	-	15,000	4,456	(10,544)
Net changes in fund balances	-	-	-	-
Fund balances, beginning of year	-	-	-	-
Fund balances, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF HOLLAND, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balances
 Budget and Actual - Michigan Rehabilitation Services Grant Fund
 For the Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Intergovernmental	\$ -	\$ 7,473	\$ 7,472	\$ (1)
Expenditures				
Current:				
Welfare and social services:				
Other services and charges	-	7,473	7,472	(1)
Net changes in fund balances	-	-	-	-
Fund balances, beginning of year	-	-	-	-
Fund balances, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF HOLLAND, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balances
 Budget and Actual - District Library Taxation Fund
 For the Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Taxes	\$ -	\$ 608	\$ 125	\$ (483)
Expenditures				
Current:				
Parks and recreation:				
Other services and charges	300	608	196	(412)
Revenues under expenditures	(300)	-	(71)	(71)
Other financing sources				
Transfers in	-	-	75	75
Net changes in fund balances	(300)	-	4	4
Fund balances, beginning of year	-	-	-	-
Fund balances, end of year	<u>\$ (300)</u>	<u>\$ -</u>	<u>\$ 4</u>	<u>\$ 4</u>

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, 2018

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Intergovernmental	\$ -	\$ 545,327	\$ 211,409	\$ (333,918)
Contributions from private sector	-	108,492	100,203	(8,289)
Miscellaneous	-	31,459	8,844	(22,615)
Total revenues	<u>-</u>	<u>685,278</u>	<u>320,456</u>	<u>(364,822)</u>
Expenditures				
Current:				
Welfare and social services:				
Personnel services	-	99,262	61,830	(37,432)
Other services and charges	-	619,247	235,818	(383,429)
Total expenditures	<u>-</u>	<u>718,509</u>	<u>297,648</u>	<u>(420,861)</u>
Net changes in fund balances	-	(33,231)	22,808	56,039
Fund balances, beginning of year	22,800	22,800	22,800	-
Fund balances, end of year	<u>\$ 22,800</u>	<u>\$ (10,431)</u>	<u>\$ 45,608</u>	<u>\$ 56,039</u>

CITY OF HOLLAND, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balances
 Budget and Actual - Clean Energy Program Fund
 For the Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Interest and rents	\$ -	\$ -	\$ 324	\$ 324
Fund balances, beginning of year	28,060	28,060	28,060	-
Fund balances, end of year	<u>\$ 28,060</u>	<u>\$ 28,060</u>	<u>\$ 28,384</u>	<u>\$ 324</u>

CITY OF HOLLAND, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balances Budget and Actual - Eat Healthy For Life - EBT Program Fund For the Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Contributions from private sector	\$ -	\$ 19,690	\$ 19,537	\$ (153)
Expenditures				
Current:				
Welfare and social services:				
Other services and charges	-	25,628	15,250	(10,378)
Net changes in fund balances	-	(5,938)	4,287	10,225
Fund balances, beginning of year	8,014	8,014	8,014	-
Fund balances, end of year	<u>\$ 8,014</u>	<u>\$ 2,076</u>	<u>\$ 12,301</u>	<u>\$ 10,225</u>

CITY OF HOLLAND, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balances
 Budget and Actual - Stormwater Grant Fund
 For the Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Intergovernmental	\$ -	\$ 143,989	\$ 143,989	\$ -
Expenditures				
Current:				
Public works:				
Personnel services	-	-	10,504	10,504
Other services and charges	-	269,017	63,601	(205,416)
Total expenditures	-	269,017	74,105	(194,912)
Revenues over (under) expenditures	-	(125,028)	69,884	194,912
Other financing uses				
Transfers out	-	-	(194,912)	194,912
Net changes in fund balances	-	(125,028)	(125,028)	-
Fund balances, beginning of year	125,028	125,028	125,028	-
Fund balances, end of year	<u>\$ 125,028</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF HOLLAND, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balances Budget and Actual - Holland Energy Fund For the Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Interest and rents	\$ 12,000	\$ 12,000	\$ 29,693	\$ 17,693
Expenditures				
Current:				
Public works:				
Other services and charges	350,260	350,260	225,998	(124,262)
Revenues over (under) expenditures	(338,260)	(338,260)	(196,305)	141,955
Other financing sources				
Transfers in	273,740	273,740	273,740	-
Net changes in fund balances	(64,520)	(64,520)	77,435	141,955
Fund balances, beginning of year	136,792	136,792	136,792	-
Fund balances, end of year	<u>\$ 72,272</u>	<u>\$ 72,272</u>	<u>\$ 214,227</u>	<u>\$ 141,955</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, 2018

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Charges for services	\$ 33,000	\$ 33,000	\$ 39,900	\$ 6,900
Interest and rents	11,000	15,000	19,507	4,507
Total revenues	44,000	48,000	59,407	11,407
Other financing uses				
Transfers out	(11,000)	(16,000)	(19,507)	3,507
Net changes in fund balances	33,000	32,000	39,900	7,900
Fund balances, beginning of year	1,685,648	1,685,648	1,685,648	-
Fund balances, end of year	<u>\$ 1,718,648</u>	<u>\$ 1,717,648</u>	<u>\$ 1,725,548</u>	<u>\$ 7,900</u>

CITY OF HOLLAND, MICHIGAN

Enterprise Funds

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

Electric Utility Fund

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

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

Outstanding long-term debt may be reflected in this fund in the form of electric system revenue bonds payable. This fund provides financial accountability for revenues, expenses, and balance sheet items.

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

Wastewater Utility Fund

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

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

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

Outstanding long-term debt is reflected in the form of assessment payable to County of Ottawa for 50% commitment of debt service for county sewage bonds. This fund provides financial accountability for revenues, expenses, and balance sheet items.

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

CITY OF HOLLAND, MICHIGAN

Enterprise Funds

Water Utility Fund

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

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

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

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

Refuse and Recycling Pickup Fund

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

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

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

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

Windmill Island Fund

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

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.

CITY OF HOLLAND, MICHIGAN

Enterprise Funds

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

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

Depot Operations Fund

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

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

Per agreement the MAX Authority operates and maintains the building and grounds and also receives related rental income from the other tenants.

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

Airport Facilities and Management System Fund

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

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

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

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

CITY OF HOLLAND, MICHIGAN

Enterprise Funds

Public Transit Facilities and Management System Fund

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

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

Effective July 1, 2007 the Authority became an entirely separate entity and is no longer included in the City's financial report. The MAX administrative staff are no longer City employees, but rather directly employed by the MAX Authority. Most of the capital assets in the former fund, including buses and equipment, were transferred to the Authority, but the dispatch building assets are retained in the City's governmental activities capital assets.

Employee Benefit Fund

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

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CITY OF HOLLAND, MICHIGAN

Combining Statement of Net Position

Nonmajor Enterprise Funds

June 30, 2018

	Refuse and Recycling Pickup	Windmill Island	Depot Operations	Airport Facilities and Management System
Assets				
Current assets:				
Cash and pooled investments	\$ 1,240,284	\$ 642,412	\$ 10	\$ 3,168
Receivables:				
Accounts	236,526	18,029	-	-
Taxes and special assessments	-	-	-	7
Total current assets	1,476,810	660,441	10	3,175
Noncurrent assets:				
Capital assets:				
Land	-	99,809	291,300	6,053,250
Construction in progress	-	311,759	-	-
Machinery and equipment	-	3,511,588	1,655,532	13,993,709
Accumulated depreciation	-	(2,000,594)	(1,222,761)	(11,067,035)
Total noncurrent assets	-	1,922,562	724,071	8,979,924
Total assets	1,476,810	2,583,003	724,081	8,983,099
Liabilities				
Current liabilities:				
Accounts payable	322,726	16,169	-	-
Accrued payroll and benefits	1,600	15,181	-	205
Due to other funds	26,015	1,653	-	-
Deposits	-	33,413	-	-
Current portion of long-term debt	4,528	11,255	-	-
Total liabilities (all current)	354,869	77,671	-	205
Net position				
Investment in capital assets	-	1,922,562	724,071	8,979,924
Unrestricted	1,121,941	582,770	10	2,970
Total net position	\$ 1,121,941	\$ 2,505,332	\$ 724,081	\$ 8,982,894



Public Transit Facilities and Management System	Employee Benefit Fund	Total
\$ 1,678	\$ 8,658	\$ 1,896,210
-	-	254,555
-	-	7
<u>1,678</u>	<u>8,658</u>	<u>2,150,772</u>
-	-	6,444,359
-	-	311,759
-	-	19,160,829
-	-	(14,290,390)
-	-	<u>11,626,557</u>
<u>1,678</u>	<u>8,658</u>	<u>13,777,329</u>
-	409	339,304
-	-	16,986
-	-	27,668
-	-	33,413
-	-	<u>15,783</u>
-	<u>409</u>	<u>433,154</u>
-	-	11,626,557
<u>1,678</u>	<u>8,249</u>	<u>1,717,618</u>
<u>\$ 1,678</u>	<u>\$ 8,249</u>	<u>\$ 13,344,175</u>

CITY OF HOLLAND, MICHIGAN

Combining Statement of Revenues, Expenses and Change in Fund Net Position

Nonmajor Enterprise Funds

For the Year Ended June 30, 2018

	Refuse and Recycling Pickup	Windmill Island	Depot Operations	Airport Facilities and Management System
Operating revenues				
Usage fees and charges for services	\$ 1,927,291	\$ 112,428	\$ -	\$ 33,890
Admissions and fares	-	900,794	-	-
Rentals	-	103,200	1	-
Total operating revenues	1,927,291	1,116,422	1	33,890
Operating expenses				
Personal services	112,489	582,903	-	34,361
Other current expenses	1,825,977	303,602	-	99,743
Depreciation	-	101,827	24,363	444,724
Total operating expenses	1,938,466	988,332	24,363	578,828
Operating income (loss)	(11,175)	128,090	(24,362)	(544,938)
Nonoperating revenues				
Property taxes	-	-	-	99,785
Other private donations	-	17,965	-	-
Investment earnings	8,439	4,275	-	-
Total nonoperating revenues	8,439	22,240	-	99,785
Income (loss) before contributions	(2,736)	150,330	(24,362)	(445,153)
Contributions				
Capital contributions	-	4,491	-	-
Change in net position	(2,736)	154,821	(24,362)	(445,153)
Net position, beginning of year	1,124,677	2,350,511	748,443	9,428,047
Net position, end of year	\$ 1,121,941	\$ 2,505,332	\$ 724,081	\$ 8,982,894

Public Transit Facilities and Management System	Employee Benefit Fund	Total
\$ -	\$ 9,515	\$ 2,083,124
-	-	900,794
-	-	103,201
-	9,515	3,087,119
-	-	729,753
-	11,099	2,240,421
-	-	570,914
-	11,099	3,541,088
-	(1,584)	(453,969)
-	-	99,785
-	-	17,965
-	107	12,821
-	107	130,571
-	(1,477)	(323,398)
-	-	4,491
-	(1,477)	(318,907)
1,678	9,726	13,663,082
\$ 1,678	\$ 8,249	\$ 13,344,175

CITY OF HOLLAND, MICHIGAN

Combining Statement of Cash Flows

Nonmajor Enterprise Funds

For the Year Ended June 30, 2018

	Refuse and Recycling Pickup	Windmill Island	Depot Operations	Airport Facilities and Management System
Cash flows from operating activities				
Receipts from customers and users	\$ 1,842,546	\$ 1,076,348	\$ 1	\$ 33,890
Payments to suppliers	(1,532,285)	(302,156)	-	(99,743)
Payments to employees	(111,593)	(585,817)	-	(34,773)
Net cash provided by (used in) operating activities	198,668	188,375	1	(100,626)
Cash flows from noncapital financing activities				
Property taxes	-	-	-	99,786
Private donations	-	17,965	-	-
Intragovernmental receipts	26,015	48	-	-
Net cash provided by noncapital financing activities	26,015	18,013	-	99,786
Cash flows from capital and related financing activities				
Capital contributions	-	4,491	-	-
Purchase/construction of capital assets	-	(6,213)	-	-
Net cash used in capital and related financing activities	-	(1,722)	-	-
Cash flows from investing activities				
Investment income received	8,439	4,275	-	-
Net increase (decrease) in cash and pooled investments	233,122	208,941	1	(840)
Cash and pooled investments, beginning of year	1,007,162	433,471	9	4,008
Cash and pooled investments, end of year	\$ 1,240,284	\$ 642,412	\$ 10	\$ 3,168
Cash flows from operating activities				
Operating income (loss)	\$ (11,175)	\$ 128,090	\$ (24,362)	\$ (544,938)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	-	101,827	24,363	444,724
Change in:				
Accounts receivable	240,208	(2,812)	-	-
Accounts payable	293,692	1,446	-	(412)
Accrued payroll and benefits	314	1,855	-	-
Unearned revenue	(324,953)	(37,262)	-	-
Accrued compensated absences	582	(4,769)	-	-
Net cash provided by (used in) operating activities	\$ 198,668	\$ 188,375	\$ 1	\$ (100,626)

Public Transit Facilities and Management System	Employee Benefit Fund	Total
\$ -	\$ 9,515	\$ 2,962,300
-	(11,277)	(1,945,461)
-	-	(732,183)
-	(1,762)	284,656
-	-	99,786
-	-	17,965
-	-	26,063
-	-	143,814
-	-	4,491
-	-	(6,213)
-	-	(1,722)
-	107	12,821
-	(1,655)	439,569
1,678	10,313	1,456,641
<u>\$ 1,678</u>	<u>\$ 8,658</u>	<u>\$ 1,896,210</u>
\$ -	\$ (1,584)	\$ (453,969)
-	-	570,914
-	-	237,396
-	(178)	294,548
-	-	2,169
-	-	(362,215)
-	-	(4,187)
<u>\$ -</u>	<u>\$ (1,762)</u>	<u>\$ 284,656</u>

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CITY OF HOLLAND, MICHIGAN

Internal Service Funds

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

Computer Services Fund

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

Basic functions of the Technology Services Department include:

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

Established user fee charges for technology services to departments include the following elements:

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

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

Established user fee charges for photocopying equipment to departments include the following elements:

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

CITY OF HOLLAND, MICHIGAN

Internal Service Funds

Postage Services Fund

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

Established user fee charges to departments include the following elements:

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

Telephony Services Fund

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

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

Established user fee charges to departments include the following elements:

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

Fuel Dispensing Fund

By formal agreement, the City and Holland Public School District (the "School District") share the operating, maintenance, and capital costs for underground storage tanks and automated fuel dispensing systems. The fuel storage and dispensing facility is located at the site of the Holland Public Schools - Transportation Center.

Fuel is purchased in bulk quantities, and stored in large underground tanks. Users (departments) are billed monthly for gasoline and diesel fuel, as recorded and summarized by computer-generated records of gallons dispensed. Select vehicles are participating in an ongoing biodiesel blend study using a temporary above ground storage tank.

CITY OF HOLLAND, MICHIGAN

Internal Service Funds

Established user fee charges to departments include the following elements:

- recovery of actual fuel dispensed, using a first-in first-out method of inventory accounting
- recovery of administrative overhead costs to operate the system
- surcharge to accumulate reserve for future replacement of equipment and underground tanks

The contractual arrangement between the City and School District for shared facility and operation is determined not to be a joint-venture operation, in accordance with generally accepted accounting standards. The Macatawa Area Express Transportation Authority participates as a customer in the shared fuel dispensing system.

Centralized Vehicle/Equipment Fund

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

General Vehicle & Equipment Pool

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

Streets Vehicle & Equipment Pool

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

CITY OF HOLLAND, MICHIGAN

Internal Service Funds

Central Maintenance Activity

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

Fire Vehicle/Equipment Fund

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

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

Workers Compensation Fund

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

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

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

CITY OF HOLLAND, MICHIGAN

Internal Service Funds

Employee Disability Income Protection Fund

The City provides a short-term disability income protection coverage through a fully self-funded plan, with the City acting as the administrator. For a legitimate and certified disability, the plan provides for 65% of the employee's gross weekly income (up to \$1,500), but only after the employee's accumulated sick leave balance is exhausted and a minimum of 14 calendar days of disability has elapsed.

The 'short-term' disability coverage continues for up to a maximum of 26 weeks. A commercial long-term disability plan then provides continuation of coverage (for certain groups), per the employee handbook or applicable union contract. The commercial carrier for this plan administers disability claim cases.

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

Employee & Retiree Health/Dental Fund

Medical/dental insurance is provided for full-time employees and dependents, as well as for retirees, through a partially self-funded plan, with claims administration contracted out to Priority Health Managed Benefits. A commercial policy with Priority Health provides a specific stop-loss threshold on individual policies, and an aggregate stop-loss threshold on the entire City group plan.

Financial planning takes into consideration probable claims and potential worst case scenarios to assure adequate funding to meet medical and dental claims. Revenues to this fund are generated primarily from internal premium charges to departments and funds, to employees and retirees with required premium co-payments. Expenses include payments for claims, administrative claim-handling fees, and commercial insurance premiums for stop-loss (excess) coverage's. Various co-pays for certain claims are delineated in the policy.

As a methodology for establishing internal premium rate structure for employer/employees/retirees for an ensuing calendar year, a determination is made to project a fund reserve that is equivalent to approximately 25% of the new calendar year Projected Aggregate Exposure, as calculated. In this process, '*Illustrative Rates*' provided by Priority Health, together with the fund balance cash reserves as of the most recent June 30th are examined as a starting point. If the June 30 cash reserves balance exceeds 25% of the new calendar year Projected Aggregate Exposure, then '*Illustrative Rates*' can be adjusted downward to - in effect - reduce the reserve balance of the next June 30 date. If the June 30 cash reserves balance is less than 25% of the Projected Aggregate Exposure, then the '*Illustrative Rates*' can be adjusted higher to - in effect - increase the reserve balance of the next June 30 date. Notwithstanding this theoretical methodology for establishing internal premium rate structures, for the past nine years the '*Illustrative Rates*' as provided by Priority Health have been implemented without adjustments.

CITY OF HOLLAND, MICHIGAN

Internal Service Funds

Vehicle Damage & Liability Fund

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

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

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

Property Damage Fund

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

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

General & Professional Liability Fund

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

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

CITY OF HOLLAND, MICHIGAN

Internal Service Funds

Compensated Absences Fund

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

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

CITY OF HOLLAND, MICHIGAN

Combining Statement of Net Position

Internal Service Funds

June 30, 2018

	Technology Services			Equipment Services		
	Computer Services	Postage Services	Telephony Services	Fuel Dispensing	Centralized Vehicle / Equipment	Fire Vehicle / Equipment
Assets						
Current assets:						
Cash and pooled investments	\$ 450,797	\$ 3,710	\$ 16,781	\$ 40,334	\$ 1,392,834	\$ 225,409
Accounts receivable	23,910	-	-	35,173	34,053	-
Due from other funds	-	-	-	8,357	-	-
Inventories	-	4,382	-	23,081	38,670	-
Prepaid items	22,947	350	-	-	-	-
Total current assets	<u>497,654</u>	<u>8,442</u>	<u>16,781</u>	<u>106,945</u>	<u>1,465,557</u>	<u>225,409</u>
Noncurrent assets:						
Capital assets:						
Construction in progress	-	-	-	-	-	190,000
Machinery and equipment	962,764	-	94,949	295,237	9,304,027	2,520,648
Accumulated depreciation	(661,837)	-	(49,417)	(39,645)	(5,494,548)	(1,443,363)
Total noncurrent assets	<u>300,927</u>	<u>-</u>	<u>45,532</u>	<u>255,592</u>	<u>3,809,479</u>	<u>1,267,285</u>
Total assets	<u>798,581</u>	<u>8,442</u>	<u>62,313</u>	<u>362,537</u>	<u>5,275,036</u>	<u>1,492,694</u>
Liabilities						
Current liabilities:						
Accounts payable	67,457	419	-	6,108	93,888	-
Claims payable	-	-	-	-	-	-
Accrued payroll and benefits	5,881	-	-	-	9,155	-
Due to other funds	410	-	-	65,514	81	-
Current portion of long-term debt	-	-	-	-	-	-
Total current liabilities	<u>73,748</u>	<u>419</u>	<u>-</u>	<u>71,622</u>	<u>103,124</u>	<u>-</u>
Noncurrent liabilities:						
Long-term debt, net of current portion	21,121	-	-	-	83,019	-
Total liabilities	<u>94,869</u>	<u>419</u>	<u>-</u>	<u>71,622</u>	<u>186,143</u>	<u>-</u>
Net position						
Investment in capital assets	300,927	-	45,532	255,592	3,809,479	1,267,285
Unrestricted	402,785	8,023	16,781	35,323	1,279,414	225,409
Total net position	<u>\$ 703,712</u>	<u>\$ 8,023</u>	<u>\$ 62,313</u>	<u>\$ 290,915</u>	<u>\$ 5,088,893</u>	<u>\$ 1,492,694</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
\$ 535,014	\$ 114,221	\$ 2,802,536	\$ 304,147	\$ 385,779	\$ 183,213	\$ 1,539,339	\$ 7,994,114
15,595	-	48,116	-	-	-	-	156,847
-	-	-	-	-	6,557	-	14,914
-	-	-	-	-	-	-	66,133
15,124	-	54,502	-	-	15,000	-	107,923
<u>565,733</u>	<u>114,221</u>	<u>2,905,154</u>	<u>304,147</u>	<u>385,779</u>	<u>204,770</u>	<u>1,539,339</u>	<u>8,339,931</u>
-	-	-	-	-	-	-	190,000
-	-	-	-	-	-	-	13,177,625
-	-	-	-	-	-	-	(7,688,810)
-	-	-	-	-	-	-	<u>5,678,815</u>
<u>565,733</u>	<u>114,221</u>	<u>2,905,154</u>	<u>304,147</u>	<u>385,779</u>	<u>204,770</u>	<u>1,539,339</u>	<u>14,018,746</u>
272	-	10,672	-	-	6,557	-	185,373
-	-	342,405	-	-	-	-	342,405
824	2,021	52	-	-	-	-	17,933
-	-	-	-	-	-	-	66,005
-	-	-	-	-	-	1,170,000	1,170,000
<u>1,096</u>	<u>2,021</u>	<u>353,129</u>	<u>-</u>	<u>-</u>	<u>6,557</u>	<u>1,170,000</u>	<u>1,781,716</u>
-	-	-	-	-	-	369,339	473,479
<u>1,096</u>	<u>2,021</u>	<u>353,129</u>	<u>-</u>	<u>-</u>	<u>6,557</u>	<u>1,539,339</u>	<u>2,255,195</u>
-	-	-	-	-	-	-	5,678,815
<u>564,637</u>	<u>112,200</u>	<u>2,552,025</u>	<u>304,147</u>	<u>385,779</u>	<u>198,213</u>	<u>-</u>	<u>6,084,736</u>
<u>\$ 564,637</u>	<u>\$ 112,200</u>	<u>\$ 2,552,025</u>	<u>\$ 304,147</u>	<u>\$ 385,779</u>	<u>\$ 198,213</u>	<u>\$ -</u>	<u>\$ 11,763,551</u>

CITY OF HOLLAND, MICHIGAN

Combining Statement of Revenues, Expenses and Change in Fund Net Position
 Internal Service Funds
 For the Year Ended June 30, 2018

	Technology Services			Equipment Services		
	Computer Services	Postage Services	Telephony Services	Fuel Dispensing	Centralized Vehicle / Equipment	Fire Vehicle / Equipment
Operating revenues						
Charges for services	\$ 767,308	\$ 19,419	\$ 123,247	\$ 684,601	\$ 300,186	\$ -
Premiums	-	-	-	-	-	-
Rentals	-	-	-	-	2,108,290	-
Miscellaneous	-	-	-	-	-	-
Total operating revenues	767,308	19,419	123,247	684,601	2,408,476	-
Operating expenses						
Personnel services	381,488	-	-	5,897	623,731	-
Other current expenses	240,510	19,277	123,350	661,876	1,099,430	-
Depreciation	75,199	-	17,298	14,605	556,248	91,427
Total operating expenses	697,197	19,277	140,648	682,378	2,279,409	91,427
Operating income (loss)	70,111	142	(17,401)	2,223	129,067	(91,427)
Nonoperating revenues (expenses)						
Investment earnings (losses)	1,984	39	176	(508)	11,886	4,045
Insurance recovery	-	-	-	-	-	39,318
Gain (loss) on disposal of capital assets	(4,075)	-	-	-	45,242	(600)
Total nonoperating revenues (expenses)	(2,091)	39	176	(508)	57,128	42,763
Income (loss) before transfers	68,020	181	(17,225)	1,715	186,195	(48,664)
Transfers						
Transfers in	157,572	-	-	-	28,525	100,000
Transfers out	-	-	-	(11,470)	(75)	-
Net transfers	157,572	-	-	(11,470)	28,450	100,000
Change in net position	225,592	181	(17,225)	(9,755)	214,645	51,336
Net position, beginning of year	478,120	7,842	79,538	300,670	4,874,248	1,441,358
Net position, end of year	\$ 703,712	\$ 8,023	\$ 62,313	\$ 290,915	\$ 5,088,893	\$ 1,492,694

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
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,108,745	\$ 3,003,506
366,054	115,389	5,441,869	99,184	24,026	123,299	-	6,169,821
-	-	-	-	-	-	-	2,108,290
15,595	-	105	-	888	-	-	16,588
381,649	115,389	5,441,974	99,184	24,914	123,299	1,108,745	11,298,205
-	2,792	93	-	-	-	1,108,745	2,122,746
401,306	115,654	6,440,369	78,241	33,496	148,750	-	9,362,259
-	-	-	-	-	-	-	754,777
401,306	118,446	6,440,462	78,241	33,496	148,750	1,108,745	12,239,782
(19,657)	(3,057)	(998,488)	20,943	(8,582)	(25,451)	-	(941,577)
5,313	1,261	29,335	2,786	4,100	1,243	-	61,660
16,143	-	935,650	1,000	9,066	-	-	1,001,177
-	-	-	-	-	-	-	40,567
21,456	1,261	964,985	3,786	13,166	1,243	-	1,103,404
1,799	(1,796)	(33,503)	24,729	4,584	(24,208)	-	161,827
-	-	-	-	-	-	-	286,097
-	-	-	(9,133)	-	-	-	(20,678)
-	-	-	(9,133)	-	-	-	265,419
1,799	(1,796)	(33,503)	15,596	4,584	(24,208)	-	427,246
562,838	113,996	2,585,528	288,551	381,195	222,421	-	11,336,305
\$ 564,637	\$ 112,200	\$ 2,552,025	\$ 304,147	\$ 385,779	\$ 198,213	\$ -	\$ 11,763,551

CITY OF HOLLAND, MICHIGAN

Combining Statement of Cash Flows

Internal Service Funds

For the Year Ended June 30, 2018

	Technology Services			Equipment Services		
	Computer Services	Postage Services	Telephony Services	Fuel Dispensing	Centralized Vehicle / Equipment	Fire Vehicle / Equipment
Cash flows from operating activities						
Receipts from interfund services provided	\$ 743,398	\$ 19,419	\$ 123,247	\$ 682,851	\$ 2,398,042	\$ -
Payments to suppliers	(216,370)	(18,124)	(123,367)	(672,914)	(1,065,429)	-
Payments to employees	(379,820)	-	-	(5,897)	(622,086)	-
Net cash provided by (used in) operating activities	<u>147,208</u>	<u>1,295</u>	<u>(120)</u>	<u>4,040</u>	<u>710,527</u>	<u>-</u>
Cash flows from noncapital financing activities						
Insurance refunds	-	-	-	-	-	39,318
Intergovernmental receipts	157,572	-	-	-	28,525	100,000
Intergovernmental payments	-	-	-	(11,470)	(75)	-
Net cash provided by (used in) noncapital financing activities	<u>157,572</u>	<u>-</u>	<u>-</u>	<u>(11,470)</u>	<u>28,450</u>	<u>139,318</u>
Cash flows from capital and related financing activities						
Proceeds from sale of capital assets	1,250	-	-	11,470	175,629	-
Purchase/construction of capital assets	(100,812)	-	-	-	(966,579)	(190,000)
Net cash provided by (used in) capital and related financing activities	<u>(99,562)</u>	<u>-</u>	<u>-</u>	<u>11,470</u>	<u>(790,950)</u>	<u>(190,000)</u>
Cash flows from investing activities						
Investment income received	1,984	39	176	(508)	11,886	4,046
Net increase (decrease) in cash and pooled investments	<u>207,202</u>	<u>1,334</u>	<u>56</u>	<u>3,532</u>	<u>(40,087)</u>	<u>(46,636)</u>
Cash and pooled investments, beginning of year	243,595	2,376	16,725	36,802	1,432,921	272,045
Cash and pooled investments, end of year	<u>\$ 450,797</u>	<u>\$ 3,710</u>	<u>\$ 16,781</u>	<u>\$ 40,334</u>	<u>\$ 1,392,834</u>	<u>\$ 225,409</u>
Cash flows from operating activities						
Operating income (loss)	\$ 70,111	\$ 142	\$ (17,401)	\$ 2,223	\$ 129,067	\$ (91,427)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:						
Depreciation	75,199	-	17,298	14,605	556,248	91,427
Change in:						
Accounts receivable	(23,910)	-	-	32,113	(10,618)	-
Due from other funds	-	-	-	(1,787)	182	-
Inventories	-	1,153	-	5,252	10,068	-
Prepaid items	(22,425)	-	-	-	-	-
Accounts payable	46,565	-	(17)	(16,290)	23,933	-
Claims payable	-	-	-	-	-	-
Accrued payroll and benefits	866	-	-	-	(49)	-
Due to other funds	-	-	-	(32,076)	-	-
Accrued compensated absences	802	-	-	-	1,696	-
Net cash provided by (used in) operating activities	<u>\$ 147,208</u>	<u>\$ 1,295</u>	<u>\$ (120)</u>	<u>\$ 4,040</u>	<u>\$ 710,527</u>	<u>\$ -</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
\$ 378,839	\$ 115,389	\$ 5,454,399	\$ 99,184	\$ 24,914	\$ 116,742	\$ 1,108,745	\$ 11,265,169
(405,148)	(115,654)	(6,341,992)	(78,565)	(33,496)	(142,193)	-	(9,213,252)
-	(2,118)	(41)	-	-	-	(1,303,955)	(2,313,917)
(26,309)	(2,383)	(887,634)	20,619	(8,582)	(25,451)	(195,210)	(262,000)
16,143	-	935,650	1,000	9,066	-	-	1,001,177
-	-	-	-	-	-	-	286,097
-	-	-	(9,133)	-	-	-	(20,678)
16,143	-	935,650	(8,133)	9,066	-	-	1,266,596
-	-	-	-	-	-	-	188,349
-	-	-	-	-	-	-	(1,257,391)
-	-	-	-	-	-	-	(1,069,042)
5,313	1,261	29,335	2,786	4,100	1,243	-	61,661
(4,853)	(1,122)	77,351	15,272	4,584	(24,208)	(195,210)	(2,785)
539,867	115,343	2,725,185	288,875	381,195	207,421	1,734,549	7,996,899
\$ 535,014	\$ 114,221	\$ 2,802,536	\$ 304,147	\$ 385,779	\$ 183,213	\$ 1,539,339	\$ 7,994,114
\$ (19,657)	\$ (3,057)	\$ (998,488)	\$ 20,943	\$ (8,582)	\$ (25,451)	\$ -	\$ (941,577)
-	-	-	-	-	-	-	754,777
(2,810)	-	12,625	-	-	-	-	7,400
-	-	-	-	-	(6,557)	-	(8,162)
-	-	-	-	-	-	-	16,473
(1,628)	-	35,513	-	-	-	-	11,460
(2,214)	-	1,186	-	-	6,557	-	59,720
-	-	61,678	(324)	-	-	-	61,354
-	674	52	-	-	-	-	1,543
-	-	(200)	-	-	-	-	(32,276)
-	-	-	-	-	-	(195,210)	(192,712)
\$ (26,309)	\$ (2,383)	\$ (887,634)	\$ 20,619	\$ (8,582)	\$ (25,451)	\$ (195,210)	\$ (262,000)

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CITY OF HOLLAND, MICHIGAN

Agency Funds

Fiduciary funds account for assets held by a governmental unit in a trustee capacity or as an agent for individuals, private organizations, and other governmental units. Included are:

- trust funds (none)
- agency funds

Current Tax Collections Fund (an Agency Fund)

The Current Tax Collections Fund performs the role of a central receiving agency for collection and disposition of all current year property taxes that are levied on the City tax roll.

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

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

Outside Agency Collections Fund (an Agency Fund)

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

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

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

Employees' Flexible Spending Plan Fund (an Agency Fund)

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

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

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

CITY OF HOLLAND, MICHIGAN

Agency Funds

Imprest Payroll Fund (an Agency Fund)

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

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

Disbursements out of the fund include:

- payments to various governmental agencies and private-sector entities, representing mandatory and elective withholdings from employees 'gross pay'
- payments to the City's Self-Funded Employee Health & Dental Insurance Plan for related employee payroll withholdings

WMAA Pooled Cash Fund (an Agency Fund)

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

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CITY OF HOLLAND, MICHIGAN

Combining Statement of Fiduciary Assets and Liabilities

Agency Funds
June 30, 2018

	Current Tax Collections	Outside Agency Collections	Employees' Flexible Spending Plan	Imprest Payroll
Assets				
Cash and pooled investments	\$ 1,650	\$ 6,433	\$ 7,915	\$ 81,538
Accounts receivable	-	360	198	132
Total assets	\$ 1,650	\$ 6,793	\$ 8,113	\$ 81,670
Liabilities				
Accounts payable	\$ 1,650	\$ 6,793	\$ 198	\$ 40,716
Due to other governmental units	-	-	-	40,954
Other liabilities and deposits	-	-	7,915	-
Total liabilities	\$ 1,650	\$ 6,793	\$ 8,113	\$ 81,670



WMAA Pooled Cash	Total
\$ 653,504	\$ 751,040
-	690
<u>\$ 653,504</u>	<u>\$ 751,730</u>
\$ -	\$ 49,357
653,504	694,458
-	7,915
<u>\$ 653,504</u>	<u>\$ 751,730</u>

CITY OF HOLLAND, MICHIGAN

Combining Statement of Changes in Fiduciary Assets and Liabilities

Agency Funds

For the Year Ended June 30, 2018

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
<i>Current Tax Collections Fund</i>				
Assets				
Cash and pooled investments	\$ -	\$ 54,148,054	\$ 54,146,404	\$ 1,650
Accounts receivable	-	269,522	269,522	-
Total assets	\$ -	\$ 54,417,576	\$ 54,415,926	\$ 1,650
Liabilities				
Accounts payable	\$ -	\$ 36,187,306	\$ 36,185,656	\$ 1,650
Due to other governmental units	-	18,230,270	18,230,270	-
Total liabilities	\$ -	\$ 54,417,576	\$ 54,415,926	\$ 1,650
<i>Outside Agency Collections Fund</i>				
Assets				
Cash and pooled investments	\$ 4,060	\$ 127,115	\$ 124,742	\$ 6,433
Accounts receivable	-	360	-	360
Other assets	-	122,891	122,891	-
Total assets	\$ 4,060	\$ 250,366	\$ 247,633	\$ 6,793
Liabilities				
Accounts payable	\$ 3,820	\$ 128,214	\$ 125,241	\$ 6,793
Due to other governmental units	240	122,152	122,392	-
Total liabilities	\$ 4,060	\$ 250,366	\$ 247,633	\$ 6,793
<i>Employees' Flexible Spending Plan Fund</i>				
Assets				
Cash and pooled investments	\$ 10,020	\$ 142,295	\$ 144,400	\$ 7,915
Accounts receivable	239	6,164	6,205	198
Total assets	\$ 10,259	\$ 148,459	\$ 150,605	\$ 8,113
Liabilities				
Accounts payable	\$ 238	\$ 3,830	\$ 3,870	\$ 198
Other liabilities and deposits	10,021	144,629	146,735	7,915
Total liabilities	\$ 10,259	\$ 148,459	\$ 150,605	\$ 8,113

continued...

CITY OF HOLLAND, MICHIGAN

Combining Statement of Changes in Fiduciary Assets and Liabilities

Agency Funds

For the Year Ended June 30, 2018

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
<i>Imprest Payroll Fund</i>				
Assets				
Cash and pooled investments	\$ 108,300	\$ 7,248,145	\$ 7,274,907	\$ 81,538
Accounts receivable	-	132	-	132
Total assets	\$ 108,300	\$ 7,248,277	\$ 7,274,907	\$ 81,670
Liabilities				
Accounts payable	\$ 50,750	\$ 5,700,376	\$ 5,710,410	\$ 40,716
Due to other governmental units	57,550	1,547,901	1,564,497	40,954
Total liabilities	\$ 108,300	\$ 7,248,277	\$ 7,274,907	\$ 81,670
<i>WMAA Pooled Cash Fund</i>				
Assets				
Cash and pooled investments	\$ 789,881	\$ 707,950	\$ 844,327	\$ 653,504
Liabilities				
Due to other governmental units	\$ 789,881	\$ 707,950	\$ 844,327	\$ 653,504
<i>Total All Agency Funds</i>				
Assets				
Cash and pooled investments	\$ 912,261	\$ 62,373,559	\$ 62,534,780	\$ 751,040
Accounts receivable	239	276,178	275,727	690
Other assets	-	122,891	122,891	-
Total assets	\$ 912,500	\$ 62,772,628	\$ 62,933,398	\$ 751,730
Liabilities				
Accounts payable	\$ 54,808	\$ 42,019,726	\$ 42,025,177	\$ 49,357
Due to other governmental units	847,671	20,608,273	20,761,486	694,458
Other liabilities and deposits	10,021	144,629	146,735	7,915
Total liabilities	\$ 912,500	\$ 62,772,628	\$ 62,933,398	\$ 751,730

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CITY OF HOLLAND, MICHIGAN

Component Units

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

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

Downtown Development Authority Fund

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

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

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

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

Brownfield Redevelopment Authority Funds

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

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

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

CITY OF HOLLAND, MICHIGAN

Component Units

As of the fiscal year ending June 30, 2018 seventeen individual Brownfield Redevelopment Projects have been approved, with the current status of each project delineated as follows:

Brownfield Redevelopment Project Sites	TIF Capture Base Year	Brownfield Construction Activity
570 East 16th Street (former General Electric location, new Menards)	2002	Completed/TIF Done
29 East 6 th St. (former City landfill location, new residential condos)	2002	Completed/TIF Done
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/TIF Done
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
141 East 8 th St. (former muffler shop location, new Macatawa Bank)	2005	Completed/TIF Done
95 West 15 th Street (former Holland Public Schools location, new multiple commercial condos and banquet facility)	2006	Completed/TIF Done
99 East 8 th Street (former auto supply store, new office and retail)	2006	Completed/TIF Done
479 Columbia Ave (former auto repair shop, new Tic Tock Studios movie production company)	2006	Never materialized - TIF dollars returned
146 River Avenue (former manufacturing bldg., new residential condos, NEZ)	2007	Completed
95-135 East 7 th Street (formerly vacant, new parking garage)	2007	Completed
561 Crescent Drive (former marina, new residential condos and commercial space, NEZ on residential condos)	2008	In Progress
1130 Lincoln Ave (former house, new convenience store)	2011	Completed/TIF Done
156 W11th St. (former Washington School), new residential development	2016	Completed
Property located between 8th & 9th and between River & Pine Ave (formerly several buildings), new mixed use facilities	2016	In Progress
154 E. 15th St. (Minit Mart)	2016	Completed
380 W 16th St (former restaurant, new store, restaurant, [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.]	2016	Completed

CITY OF HOLLAND, MICHIGAN

Component Units

Holland Historical Trust

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

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

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

SmartZone

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

CITY OF HOLLAND, MICHIGAN

Balance Sheet

Downtown Development Authority Component Unit
June 30, 2018

Assets

Current assets:

Cash and pooled investments	\$	189,944
Taxes receivable		53
Prepaid items		200
		<hr/>

Total assets

\$ 190,197

Liabilities

Current liabilities:

Accounts payable	\$	2,792
Accrued payroll and benefits		884
		<hr/>

Total liabilities

3,676

Fund balances

Nonspendable		200
Unassigned		186,321
		<hr/>

Total fund balances

186,521

Total liabilities and fund balances

\$ 190,197

CITY OF HOLLAND, MICHIGAN

Reconciliation

Fund Balance for the Governmental Fund
to Net Position of Component Unit
Downtown Development Authority Component Unit
June 30, 2018

Fund balance - total governmental fund	\$	186,521
--	----	---------

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

171,297

Net position of component unit

\$ 357,818

CITY OF HOLLAND, MICHIGAN

Statement of Revenues, Expenditures and Changes in Fund Balance

Downtown Development Authority Component Unit

For the Year Ended June 30, 2018

Revenues

Property taxes	\$ 200,793
Charges for services	7,860
Investment earnings	2,841
Other revenue	<u>41,991</u>

Total revenues

253,485

Expenditures

Current:

Economic development:

Personnel services	51,887
Current operating expenditures	<u>149,265</u>

Total expenditures

201,152

Net changes in fund balance

52,333

Fund balance, beginning of year

134,188

Fund balance, end of year

\$ 186,521

CITY OF HOLLAND, MICHIGAN

Reconciliation

Net Changes in Fund Balance of the Governmental Fund
to Change in Net Position of Component Unit
Downtown Development Authority Component Unit
For the Year Ended June 30, 2018

Net changes in fund balance - total governmental fund \$ 52,333

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 (20,880)

Change in net position of component unit \$ 31,453

CITY OF HOLLAND, MICHIGAN

Balance Sheet

Brownfield Redevelopment Authority Component Unit
June 30, 2018

Assets

Current assets:

Cash and pooled investments

\$ 1,003,722

Fund balance

Unassigned

\$ 1,003,722

CITY OF HOLLAND, MICHIGAN

Statement of Revenues, Expenditures and Changes in Fund Balance

Brownfield Redevelopment Authority Component Unit

For the Year Ended June 30, 2018

Revenues	
Property taxes	\$ 1,440,399
Intergovernmental	16,899
Contributions	94,864
Investment earnings	<u>14,521</u>
Total revenues	1,566,683
Expenditures	
Current:	
Economic development	<u>1,024,157</u>
Net changes in fund balance	542,526
Fund balance, beginning of year	<u>461,196</u>
Fund balance, end of year	<u><u>\$ 1,003,722</u></u>

CITY OF HOLLAND, MICHIGAN

Balance Sheet

SmartZone Component Unit
June 30, 2018

Assets

Current assets:

Cash and pooled investments

\$ 70,466

Fund balance

Unassigned

\$ 70,466

CITY OF HOLLAND, MICHIGAN

Statement of Revenues, Expenditures and Changes in Fund Balance

SmartZone Component Unit

For the Year Ended June 30, 2018

Revenues	
Contributions	\$ 81,255
Investment earnings	833
	<hr/>
Total revenues	82,088
Expenditures	
Current:	
Economic development	30,584
	<hr/>
Net changes in fund balance	51,504
Fund balance, beginning of year	18,962
	<hr/>
Fund balance, end of year	<u><u>\$ 70,466</u></u>

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OTHER INFORMATION (UNAUDITED)

CITY OF HOLLAND, MICHIGAN

Essential Services Resource Trend (Unaudited)

Last Six Fiscal Years

	Year Ending June 30,					
	2018	2017	2016	2015	2014	2013
Essential services expense ⁽¹⁾						
Police	\$ 7,751,264	\$ 7,695,093	\$ 7,754,936	\$ 7,835,153	\$ 7,658,619	\$ 7,244,857
Fire	2,808,343	2,820,802	2,845,200	2,698,560	2,537,967	2,460,729
Change in government-wide liabilities attributed to the police and fire functions:						
Net other postemployment benefits obligation	-	94,145	36,673	136,431	113,380	123,640
Total other postemployment benefits liability ⁽²⁾	45,923	-	-	-	-	-
Total essential services expense	\$ 10,605,530	\$ 10,610,040	\$ 10,636,809	\$ 10,670,144	\$ 10,309,966	\$ 9,829,226
General fund operating property tax revenue	\$ 8,367,823	\$ 9,036,247	\$ 10,913,743	\$ 10,131,445	\$ 10,179,160	\$ 10,033,821
Percentage utilized for essential services	126.7%	117.4%	97.5%	105.3%	101.3%	98.0%

⁽¹⁾ Includes funding of pensions for personnel providing services

⁽²⁾ GASB Statement No. 75 was implemented for the fiscal year ended June 30, 2018. This resulted in presentation of the City's net other postemployment benefit liability on the statement of net position. Prior years were not restated.

STATISTICAL SECTION

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CITY OF HOLLAND, MICHIGAN

Statistical Section Table of Contents

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

		<u>Page</u>
Financial Trends	These schedules contain trend information to help the reader understand and evaluate how the City's financial condition, performance and well-being have changed over time.	226
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.	236
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.	242
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.	252
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.	254

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			
	2018	2017	2016	2015
Governmental activities				
Net investment in capital assets	\$ 110,819,862	\$ 106,647,631	\$ 107,920,320	\$ 101,785,238
Restricted	4,920,535	5,552,677	3,986,636	6,339,594
Unrestricted (deficit)	(19,116,428)	(13,506,025)	(16,316,283)	(13,905,867)
Total governmental activities net position	\$ 96,623,969	\$ 98,694,283	\$ 95,590,673	\$ 94,218,965
Business-type activities				
Net investment in capital assets	\$ 260,423,184	\$ 243,038,572	\$ 227,299,822	\$ 164,628,976
Restricted	43,801,278	32,305,746	26,103,060	24,300,021
Unrestricted	98,489,792	100,980,789	93,263,171	125,351,237
Total business-type activities net position	\$ 402,714,254	\$ 376,325,107	\$ 346,666,053	\$ 314,280,234
Primary government				
Net investment in capital assets	\$ 371,243,046	\$ 349,686,203	\$ 335,220,142	\$ 266,414,214
Restricted	48,721,813	37,858,423	30,089,696	30,639,615
Unrestricted	79,373,364	87,474,764	76,946,888	111,445,370
Total primary government net position	\$ 499,338,223	\$ 475,019,390	\$ 442,256,726	\$ 408,499,199

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

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

GASB Statement No. 75 was implemented for the fiscal year ended June 30, 2018. This resulted in presentation of the City's net other postemployment benefit liability on the statement of net position. Prior years were not restated.

Fiscal Year					
2014	2013	2012	2011	2010	2009
\$ 101,283,878	\$ 100,986,324	\$ 98,805,338	\$ 97,982,454	\$ 91,848,117	\$ 96,236,210
7,274,432	5,290,226	5,038,121	5,007,295	8,273,750	4,739,586
13,779,260	14,722,301	13,480,119	13,469,116	12,635,427	11,443,984
<u>\$ 122,337,570</u>	<u>\$ 120,998,851</u>	<u>\$ 117,323,578</u>	<u>\$ 116,458,865</u>	<u>\$ 112,757,294</u>	<u>\$ 112,419,780</u>
\$ 109,000,184	\$ 130,923,312	\$ 132,936,434	\$ 130,752,723	\$ 125,755,686	\$ 129,330,134
23,063,654	10,299,047	15,130,725	12,841,230	11,605,553	11,591,211
174,756,386	152,548,565	133,025,971	126,288,993	122,779,775	111,446,733
<u>\$ 306,820,224</u>	<u>\$ 293,770,924</u>	<u>\$ 281,093,130</u>	<u>\$ 269,882,946</u>	<u>\$ 260,141,014</u>	<u>\$ 252,368,078</u>
\$ 210,284,062	\$ 231,909,636	\$ 231,741,772	\$ 228,735,177	\$ 217,603,803	\$ 225,566,344
30,338,086	15,589,273	20,168,846	17,848,525	19,879,303	16,330,797
188,535,646	167,270,866	146,506,090	139,758,109	135,415,202	122,890,717
<u>\$ 429,157,794</u>	<u>\$ 414,769,775</u>	<u>\$ 398,416,708</u>	<u>\$ 386,341,811</u>	<u>\$ 372,898,308</u>	<u>\$ 364,787,858</u>

CITY OF HOLLAND, MICHIGAN

Changes in Net Position

Last Ten Fiscal Years

	Fiscal Year			
	2018	2017	2016	2015
Expenses				
Governmental activities:				
General government	\$ 5,909,809	\$ 5,908,892	\$ 4,903,394	\$ 5,465,655
Public safety	13,907,546	14,190,015	13,985,570	12,903,945
Public works	10,875,928	10,765,351	10,443,197	9,312,839
Welfare and social services	859,619	733,058	979,963	901,870
Parks and recreation	4,047,132	4,112,906	5,289,399	5,339,569
Interest on debt	1,553,125	1,123,331	942,486	787,260
Total governmental activities expenses	<u>37,153,159</u>	<u>36,833,553</u>	<u>36,544,009</u>	<u>34,711,138</u>
Business-type activities:				
Electric utility	83,893,634	79,772,187	80,103,538	80,847,034
Wastewater utility	10,839,049	9,857,338	9,672,514	8,773,098
Water utility	6,757,010	6,844,228	6,540,960	6,248,425
Other enterprise activities	3,541,088	2,981,978	3,124,822	3,104,234
Total business-type activities expenses	<u>105,030,781</u>	<u>99,455,731</u>	<u>99,441,834</u>	<u>98,972,791</u>
Total primary government expenses	<u>142,183,940</u>	<u>136,289,284</u>	<u>135,985,843</u>	<u>133,683,929</u>
Program revenues				
Governmental activities:				
Charges for services:				
General government	1,406,666	1,397,974	1,400,401	1,357,140
Public safety	1,664,917	1,435,896	1,156,746	1,366,794
Parks and recreation	783,594	679,877	652,440	607,673
Other activities	957,068	1,551,928	1,181,296	783,711
Operating grants and contributions	7,174,268	5,802,887	6,009,124	5,489,592
Capital grants and contributions	869,568	1,756,505	2,006,264	793,387
Total governmental activities program revenues	<u>12,856,081</u>	<u>12,625,067</u>	<u>12,406,271</u>	<u>10,398,297</u>
Business-type activities:				
Charges for services:				
Electric utility	109,961,111	111,706,239	106,199,176	100,816,653
Wastewater utility	11,632,142	11,384,632	10,856,173	10,305,015
Water utility	10,723,043	10,009,506	9,338,887	8,694,022
Other enterprise activities	3,087,119	3,052,548	2,669,132	2,307,355
Operating grants and contributions	3,414,566	1,440,753	1,977,470	1,107,948
Capital grants and contributions	523,725	876,078	7,544,349	2,339,301
Total business-type activities program revenues	<u>139,341,706</u>	<u>138,469,756</u>	<u>138,585,187</u>	<u>125,570,294</u>
Total primary government program revenues	<u>152,197,787</u>	<u>151,094,823</u>	<u>150,991,458</u>	<u>135,968,591</u>
Net (expenses) revenues				
Governmental activities	(24,297,078)	(24,208,486)	(24,137,738)	(24,312,841)
Business-type activities	<u>34,310,925</u>	<u>39,014,025</u>	<u>39,143,353</u>	<u>26,597,503</u>
Total primary government net (expenses) revenues	<u>10,013,847</u>	<u>14,805,539</u>	<u>15,005,615</u>	<u>2,284,662</u>

Fiscal Year						
2014	2013	2012	2011	2010	2009	
\$ 5,242,181	\$ 4,820,804	\$ 4,822,179	\$ 4,746,330	\$ 4,486,867	\$ 7,087,290	
12,534,364	12,316,027	12,099,607	12,078,156	12,220,723	12,845,443	
8,172,879	8,716,017	11,382,965	7,821,063	7,966,875	9,420,191	
1,133,724	908,229	1,019,891	1,332,557	1,473,119	1,495,708	
5,048,229	5,290,515	4,837,537	5,244,382	5,293,696	6,048,286	
911,559	1,015,138	1,115,515	968,108	1,143,337	1,253,379	
<u>33,042,936</u>	<u>33,066,730</u>	<u>35,277,694</u>	<u>32,190,596</u>	<u>32,584,617</u>	<u>38,150,297</u>	
84,346,528	79,504,798	76,116,440	73,286,291	68,510,184	67,823,832	
8,512,074	8,419,218	8,401,050	8,230,946	7,926,053	8,185,044	
6,282,005	6,215,516	6,305,874	6,293,924	6,020,005	6,181,007	
2,805,066	4,428,481	3,037,469	3,176,910	3,296,369	3,409,153	
<u>101,945,673</u>	<u>98,568,013</u>	<u>93,860,833</u>	<u>90,988,071</u>	<u>85,752,611</u>	<u>85,599,036</u>	
134,988,609	131,634,743	129,138,527	123,178,667	118,337,228	123,749,333	
1,293,631	1,340,368	1,461,558	1,380,752	1,271,066	3,040,152	
1,331,259	1,148,691	1,091,868	1,002,070	811,487	798,688	
611,146	545,865	521,717	510,063	495,074	495,556	
752,482	880,201	1,350,055	928,157	607,705	982,413	
7,521,923	7,590,327	4,279,364	4,905,759	4,833,063	4,807,025	
49,739	2,427,984	5,396,650	4,372,059	906,356	2,534,159	
<u>11,560,180</u>	<u>13,933,436</u>	<u>14,101,212</u>	<u>13,098,860</u>	<u>8,924,751</u>	<u>12,657,993</u>	
97,539,619	93,576,510	88,066,208	84,411,319	78,536,430	75,466,722	
10,107,589	9,446,065	8,619,974	8,854,094	7,874,856	6,879,454	
8,835,889	8,506,464	7,346,263	7,133,417	6,331,397	5,881,210	
2,140,867	2,103,272	1,864,234	1,905,362	2,042,509	2,032,514	
779,632	1,534,672	1,970,111	157,859	59,954	89,035	
272,815	617,604	233,950	639,163	544,493	1,670,442	
<u>119,676,411</u>	<u>115,784,587</u>	<u>108,100,740</u>	<u>103,101,214</u>	<u>95,389,639</u>	<u>92,019,377</u>	
131,236,591	129,718,023	122,201,952	116,200,074	104,314,390	104,677,370	
(21,482,756)	(19,133,294)	(21,176,482)	(19,091,736)	(23,659,866)	(25,492,304)	
<u>17,730,738</u>	<u>17,216,574</u>	<u>14,239,907</u>	<u>12,113,143</u>	<u>9,637,028</u>	<u>6,420,341</u>	
<u>(3,752,018)</u>	<u>(1,916,720)</u>	<u>(6,936,575)</u>	<u>(6,978,593)</u>	<u>(14,022,838)</u>	<u>(19,071,963)</u>	

CITY OF HOLLAND, MICHIGAN

Changes in Net Position

Last Ten Fiscal Years

	Fiscal Year			
	2018	2017	2016	2015
General revenues and other changes in net position				
Governmental activities:				
Property taxes	\$ 14,954,459	\$ 15,837,255	\$ 16,862,893	\$ 15,694,176
State shared revenue	3,149,161	3,051,775	2,893,597	2,895,971
Grants and contributions not restricted to specific programs	417,737	2,396,125	-	-
Investment earnings - unrestricted	391,246	176,941	231,995	138,303
Miscellaneous	-	-	-	-
Gain on sale of capital assets	-	-	-	-
Transfers - internal activities	6,296,016	5,850,000	5,520,961	5,165,762
Total governmental activities	25,208,619	27,312,096	25,509,446	23,894,212
Business-type activities:				
Property taxes	99,785	98,937	104,432	99,983
Investment earnings - unrestricted	-	-	-	-
Miscellaneous	-	-	-	-
Gain on sale of capital assets	152,397	-	-	-
Transfers - internal activities	(6,296,016)	(5,850,000)	(5,520,961)	(5,165,762)
Special item:				
Coal revaluation	-	-	(1,341,005)	-
Transfer of assets to airport authority	-	-	-	-
Extraordinary item	(1,605,380)	(3,603,908)	-	-
Total business-type activities	(7,649,214)	(9,354,971)	(6,757,534)	(5,065,779)
Total primary government general revenues, transfers, special and extraordinary items	17,559,405	17,957,125	18,751,912	18,828,433
Change in net position				
Governmental activities	911,541	3,103,610	1,371,708	(418,629)
Business-type activities	26,661,711	29,659,054	32,385,819	21,531,724
Total primary government change in net position	\$ 27,573,252	\$ 32,762,664	\$ 33,757,527	\$ 21,113,095

Fiscal Year						
2014	2013	2012	2011	2010	2009	
\$ 15,531,647	\$ 15,305,039	\$ 15,345,237	\$ 16,121,528	\$ 17,251,755	\$ 17,089,338	
2,843,918	2,771,987	2,700,327	2,697,917	2,698,103	3,041,193	
-	-	-	-	-	-	
154,894	48,935	126,645	197,270	455,666	635,831	
-	-	-	482,588	-	-	
-	603,794	-	-	-	-	
4,291,016	4,422,221	3,868,986	3,294,004	3,600,531	3,788,433	
<u>22,821,475</u>	<u>23,151,976</u>	<u>22,041,195</u>	<u>22,793,307</u>	<u>24,006,055</u>	<u>24,554,795</u>	
98,858	97,572	103,438	108,734	118,962	117,952	
-	26,918	735,825	814,059	1,608,802	2,296,887	
31,135	-	-	-	-	-	
-	-	-	-	-	-	
(4,291,016)	(4,422,221)	(3,868,986)	(3,294,004)	(3,600,531)	(3,788,433)	
-	-	-	-	-	-	
-	-	-	-	-	(419,258)	
(520,415)	-	-	-	-	-	
<u>(4,681,438)</u>	<u>(4,297,731)</u>	<u>(3,029,723)</u>	<u>(2,371,211)</u>	<u>(1,872,767)</u>	<u>(1,792,852)</u>	
18,140,037	18,854,245	19,011,472	20,422,096	22,133,288	22,761,943	
1,338,719	4,018,682	864,713	3,701,571	346,189	(937,509)	
13,049,300	12,918,843	11,210,184	9,741,932	7,764,261	4,627,489	
<u>\$ 14,388,019</u>	<u>\$ 16,937,525</u>	<u>\$ 12,074,897</u>	<u>\$ 13,443,503</u>	<u>\$ 8,110,450</u>	<u>\$ 3,689,980</u>	

CITY OF HOLLAND, MICHIGAN

Fund Balances, Governmental Funds
Last Ten Fiscal Years

	Fiscal Year			
	2018	2017	2016	2015
General fund				
Reserved	\$ -	\$ -	\$ -	\$ -
Unreserved	-	-	-	-
Nonspendable	19,920	60,057	12,483	20,736
Committed	5,667	5,667	5,667	12,915
Unassigned	4,793,365	4,755,738	4,650,598	4,948,792
Total general fund	\$ 4,818,952	\$ 4,821,462	\$ 4,668,748	\$ 4,982,443
All other governmental funds				
Reserved:				
Prepaid Items	\$ -	\$ -	\$ -	\$ -
Assets held for resale	-	-	-	-
Permanent fund corpus	-	-	-	-
Permanent fund expendable	-	-	-	-
Unreserved, reported in:				
Special revenue funds	-	-	-	-
Debt service funds	-	-	-	-
Capital projects funds	-	-	-	-
Nonspendable	1,655,807	1,586,687	1,586,687	1,554,387
Restricted	2,934,548	11,853,782	3,890,895	4,959,854
Committed	6,060,178	7,841,778	4,827,247	3,009,413
Unassigned (deficit)	-	-	-	-
Total all other governmental funds	\$ 10,650,533	\$ 21,282,247	\$ 10,304,829	\$ 9,523,654

GASB 54 was implemented for Fiscal Year Ended June 30, 2011. Information on this schedule is reported prospectively for the year of implementation. The City has chosen not to make the necessary calculations to retroactively report the information for the Fiscal Years Ended June 30, 2009 to 2010.

Fiscal Year					
2014	2013	2012	2011	2010	2009
\$ -	\$ -	\$ -	\$ -	\$ 5,010	\$ 2,144
-	-	-	-	3,229,998	2,563,468
14,808	10,909	7,028	300	-	-
12,915	17,415	27,090	66,490	-	-
4,672,551	4,931,652	4,183,015	4,065,072	-	-
<u>\$ 4,700,274</u>	<u>\$ 4,959,976</u>	<u>\$ 4,217,133</u>	<u>\$ 4,131,862</u>	<u>\$ 3,235,008</u>	<u>\$ 2,565,612</u>
\$ -	\$ -	\$ -	\$ -	\$ 300	\$ 300
-	-	-	-	-	20,000
-	-	-	-	1,441,142	1,411,567
-	-	-	-	52,068	127,130
-	-	-	-	6,587,493	3,396,437
-	-	-	-	804,641	753,755
-	-	-	-	1,291,149	834,822
1,530,737	1,507,707	1,488,822	1,465,142	-	-
5,743,695	3,997,308	3,783,400	4,932,209	-	-
2,678,973	3,270,785	2,118,169	1,593,998	-	-
(151,746)	(365,102)	(239,384)	-	-	-
<u>\$ 9,801,659</u>	<u>\$ 8,410,698</u>	<u>\$ 7,151,007</u>	<u>\$ 7,991,349</u>	<u>\$ 10,176,793</u>	<u>\$ 6,544,011</u>

CITY OF HOLLAND, MICHIGAN

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

	Fiscal Year			
	2018	2017	2016	2015
Revenues				
Taxes	\$ 14,954,459	\$ 15,837,255	\$ 16,862,893	\$ 15,694,176
Special assessments	831,764	1,287,641	773,449	747,753
Licenses and permits	1,098,803	783,080	535,824	694,822
Intergovernmental	9,545,504	11,622,410	8,134,798	8,019,895
Charges for services	2,043,156	1,928,243	1,830,609	1,774,682
Fines and fees	595,113	622,228	628,994	640,851
Contributions from private sector	778,204	1,003,182	2,279,761	658,219
Interest and rents	662,260	901,379	994,305	945,998
Miscellaneous	336,114	391,202	309,061	297,550
Total revenues	30,845,377	34,376,620	32,349,694	29,473,946
Expenditures				
Current:				
General government	4,160,209	4,032,687	3,805,834	3,814,393
Public safety	11,882,548	11,857,849	11,936,561	11,819,699
Public works	6,675,323	4,727,422	4,337,160	4,400,212
Welfare and social services	824,813	717,689	961,655	899,556
Parks and recreation	3,773,181	4,971,220	5,111,051	5,053,039
Other	19,970,496	87,808	11,115,067	92,809
Debt service:				
Principal retirement	3,826,237	3,884,269	2,445,000	2,389,000
Interest and fiscal charges	1,401,951	721,854	696,684	779,254
Bond issuance costs	-	198,843	-	-
Capital outlay	14,885,440	11,035,036	10,994,683	5,195,929
Total expenditures	67,400,198	42,234,677	51,403,695	34,443,891
Revenues under expenditures	(36,554,821)	(7,858,057)	(19,054,001)	(4,969,945)
Other financing sources (uses)				
Issuance of long-term debt	19,890,000	13,310,000	13,910,000	-
Premium on issuance of long-term debt	-	293,266	-	-
Issuance of refunding bonds	-	6,975,000	-	-
Payment to refunded bond escrow agent	-	(7,059,255)	-	-
Proceeds from sale of capital assets	-	17,075	224,281	4,282
Transfers in	14,283,879	13,226,579	19,322,548	11,671,851
Transfers out	(8,253,282)	(7,774,476)	(13,935,348)	(6,702,024)
Total other financing sources (uses)	25,920,597	18,988,189	19,521,481	4,974,109
Net changes in fund balances	\$ (10,634,224)	\$ 11,130,132	\$ 467,480	\$ 4,164
Debt service as a percentage of noncapital expenditures	10.0%	15.2%	7.4%	10.4%

Fiscal Year					
2014	2013	2012	2011	2010	2009
\$ 15,531,647	\$ 15,305,039	\$ 15,345,237	\$ 16,121,528	\$ 17,251,755	\$ 17,089,338
773,740	738,263	814,214	721,343	695,621	659,329
627,716	484,785	497,102	551,740	378,613	331,941
8,090,257	9,190,867	11,513,296	11,048,271	7,682,981	8,148,604
1,765,726	1,767,839	1,727,647	1,544,669	1,408,254	1,360,268
629,639	600,565	558,518	549,498	495,531	474,462
852,417	1,458,342	570,496	586,279	386,717	408,948
1,005,386	916,552	1,026,240	1,103,409	1,294,685	3,702,781
287,829	272,010	346,334	256,580	260,585	419,427
29,564,357	30,734,262	32,399,084	32,483,317	29,854,742	32,595,098
3,537,050	3,946,025	4,045,535	3,893,107	3,708,153	6,014,901
11,376,342	10,904,914	10,947,361	11,212,040	11,095,227	11,336,176
4,627,841	3,993,238	3,890,213	3,951,785	3,850,331	4,273,397
1,142,307	895,361	1,003,258	1,326,664	1,451,323	1,289,774
4,510,490	4,365,859	4,771,718	4,986,686	5,122,991	5,134,093
77,581	68,572	64,781	69,432	75,282	85,705
3,839,000	3,218,223	2,631,963	1,981,964	1,807,961	2,567,963
912,384	1,010,844	1,108,456	1,047,485	1,181,812	1,230,937
-	-	-	114,289	62,973	151,980
2,336,346	5,982,162	8,396,066	8,214,505	5,970,223	9,538,667
32,359,341	34,385,198	36,859,351	36,797,957	34,326,276	41,623,593
(2,794,984)	(3,650,936)	(4,460,267)	(4,314,640)	(4,471,534)	(9,028,495)
-	-	-	7,425,000	5,820,000	4,000,000
-	-	-	385,976	-	34,490
-	-	-	-	-	-
-	-	-	(7,852,210)	-	-
-	1,331,249	-	-	-	-
11,473,850	9,489,765	9,647,680	10,616,583	11,403,402	12,243,923
(7,547,607)	(5,167,544)	(5,942,484)	(7,540,624)	(8,449,690)	(8,190,968)
3,926,243	5,653,470	3,705,196	3,034,725	8,773,712	8,087,445
\$ 1,131,259	\$ 2,002,534	\$ (755,071)	\$ (1,279,915)	\$ 4,302,178	\$ (941,050)
15.8%	14.4%	11.9%	10.6%	10.3%	11.8%

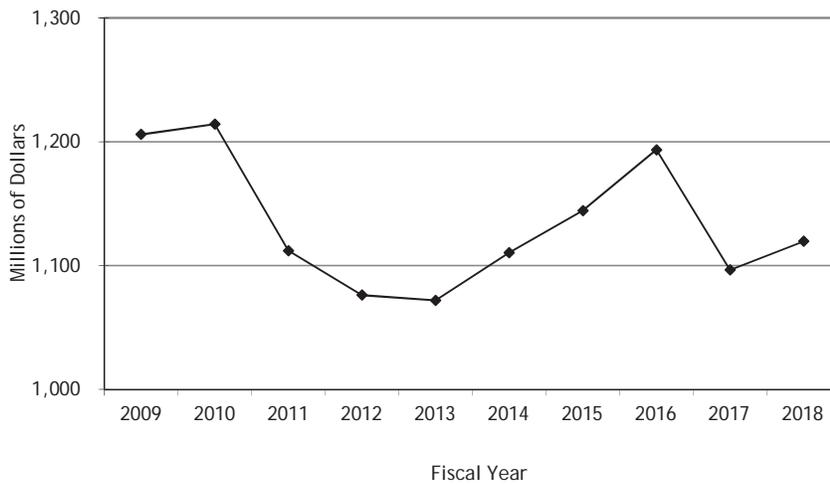
Actual Value of Taxable Property
For the Last Ten Fiscal Years

Fiscal Year	Residential Property	Commercial Property	Industrial Property	Other Property*	Less: Tax-Exempt Property	Total Taxable Value	Total Direct Tax Rate
2009	\$602,726,559	\$297,942,605	\$351,291,201	\$ 7,442,186	\$ 53,513,250	\$ 1,205,889,301	13.9500
2010	601,084,113	300,249,618	347,825,287	7,428,422	42,432,650	1,214,154,790	13.9500
2011	540,616,527	288,767,424	311,708,814	7,819,201	36,884,736	1,112,027,230	14.2500
2012	528,498,464	272,104,084	299,457,251	8,126,614	32,058,538	1,076,127,875	14.2500
2013	497,622,663	252,984,857	340,280,477	8,604,548	27,566,063	1,071,926,482	15.1085
2014	508,185,259	253,839,647	365,890,767	8,621,685	26,054,993	1,110,482,365	15.1085
2015	523,937,525	250,847,059	388,568,313	8,353,950	27,346,741	1,144,360,106	15.1085
2016	544,175,806	278,511,377	390,241,013	8,887,539	28,334,257	1,193,481,478	15.1085
2017	566,196,788	295,309,609	244,013,235	9,176,418	18,259,830	1,096,436,220	15.1085
2018	589,333,160	305,551,885	230,637,153	9,181,340	15,114,808	1,119,588,730	13.8682

*Other property includes agricultural, developmental and utilities.

Source: City of Holland Assessor's Office

Total Taxable Value



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CITY OF HOLLAND, MICHIGAN

Direct and Overlapping Property Tax Rates

For the Last Ten Fiscal Years

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

Fiscal Year	City Direct Rates						Overlapping Rates*		
	Basic Rate	General Obligation Debt Service	Capital Projects	Herrick District Library	Airport Authority	Total Direct	State of Michigan	Herrick District Library	MAX Authority
2009	9.3361	1.9504	1.2549	1.3086	0.1000	13.9500	6.0000	-	0.3500
2010	9.5000	1.6379	1.4579	1.2542	0.1000	13.9500	6.0000	-	0.3500
2011	9.5089	2.1277	1.2504	1.2630	0.1000	14.2500	6.0000	-	0.3500
2012	9.5000	2.1946	1.1871	1.2683	0.1000	14.2500	6.0000	-	0.3500
2013	9.6585	2.8936	1.1843	1.2721	0.1000	15.1085	6.0000	-	0.4000
2014	9.6585	2.8069	1.2860	1.2571	0.1000	15.1085	6.0000	-	0.4000
2015	9.5000	2.3400	1.9213	1.2472	0.1000	15.1085	6.0000	-	0.4000
2016	9.5000	2.2198	2.0533	1.2362	0.0992	15.1085	6.0000	-	0.3989
2017	8.3494	3.6290	1.7923	1.2393	0.0985	15.1085	6.0000	-	0.3969
2018	7.5064	4.6290	1.6353	-	0.0975	13.8682	6.0000	1.4853	0.3964

1.6034 must be added to the City direct rate, for the fiscal year 2018, for all properties in the Downtown Development Authority (DDA) area. This rate applies to approximately 7.5% of the City of Holland's tax base.

* Overlapping rates:

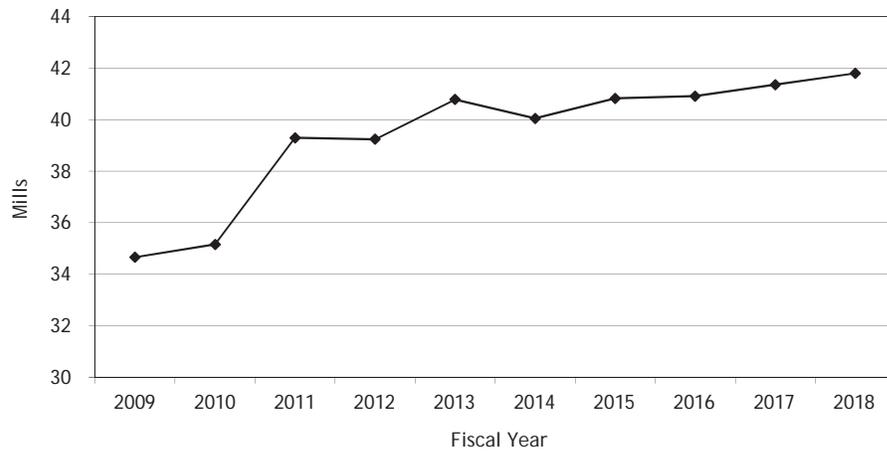
The City of Holland is located in both Ottawa and Allegan County and Holland, Hamilton and Zeeland School District. The county and school tax paid by property owners depends on the location of their property. Approximately 80% of the City of Holland is located in Ottawa County and 20% in Allegan County.

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

Sources: Various Taxing Jurisdictions

Overlapping Rates*									
Ottawa Area Intermediate Schools	Holland Community Swimming Pool	Counties		School Districts					
				Holland		Hamilton		Zeeland	
				Principal Residence	Non-Principal Residence	Principal Residence	Non-Principal Residence	Principal Residence	Non-Principal Residence
		Ottawa	Allegan						
5.5234	1.4300	4.3572	5.8974	3.0500	21.0500	7.0000	25.0000	8.0300	26.0300
5.5234	1.4300	4.3565	5.8974	3.5500	21.5500	7.0000	25.0000	8.0300	26.0300
5.5234	1.5200	4.3565	5.8975	7.3000	25.3000	7.0000	25.0000	8.0300	26.0300
5.5234	1.4600	4.3565	5.8975	7.3000	25.3000	5.0000	23.0000	8.0300	26.0300
5.5234	1.5700	4.3565	5.8977	7.8300	25.8300	5.3100	23.3100	8.2300	26.2300
5.5234	1.5700	4.3565	5.8977	7.0900	25.0900	4.5600	22.5600	8.2300	26.2300
5.5234	1.7100	4.3565	6.0937	7.7300	25.7300	4.5000	22.5000	8.0300	26.0300
5.5234	1.6675	4.8565	6.0937	7.3622	25.3622	4.5000	22.5000	8.3500	26.3500
5.4970	1.6703	5.1483	6.0839	7.5373	25.4419	4.5000	22.5000	8.5600	26.5600
5.4577	1.5089	5.1525	6.0424	7.9291	25.6981	4.5000	22.5000	8.7500	26.7500

Total Tax Levies



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

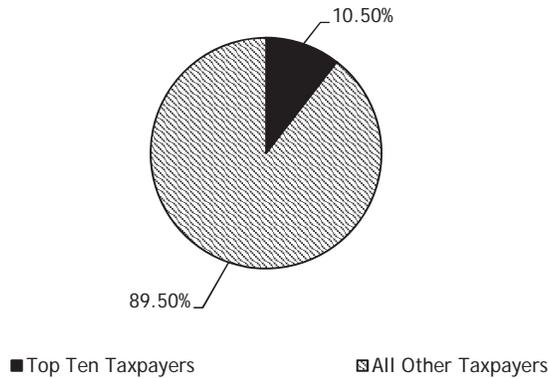
Principal Property Taxpayers
For the Current Fiscal Year and Nine Years Ago

Taxpayer	2018			2009		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
ARC Holland Real Estate	\$ 33,446,699	1	2.99 %	\$ 19,514,397	3	1.62 %
Haworth, Inc	16,841,634	2	1.50	35,816,273	2	2.97
Lumir LLC	11,974,518	3	1.07	11,466,350	5	0.95
Holland Waverly LLC	11,039,800	4	0.99	-----		----
Adient US LLC	9,088,083	5	0.81	-----		----
Yanfeng US Automotive Interiors	7,858,700	6	0.70	-----		----
Hotel Holdings Holland DTW LLC	7,405,132	7	0.66	-----		----
Challenge MFG Company	7,081,835	8	0.63	7,955,850	8	0.66
Semco Energy	6,732,300	9	0.60	-----		----
Kraft Heinz Food Co	6,113,229	10	0.55	11,180,703	6	0.93
Johnson Controls Interiors	-----		----	59,800,801	1	4.96
Cadbury Schweppes	-----		----	13,178,300	4	1.09
Hydro Automotive Structures	-----		----	10,126,000	7	0.84
Tiara Yachts	-----		----	6,864,700	9	0.57
New West MI Industrial Investors	-----		----	6,720,100	10	0.56
	<u>\$117,581,930</u>		<u>10.50</u>	<u>\$182,623,474</u>		<u>15.15</u>

Source: City of Holland Assessor's Office

2018 Total Taxable Value is \$1,119,588,730, which includes IFT's at equivalency valuation.

Concentration of 2018 Taxpayers



Property Tax Levies and Collections
For the Last Ten Fiscal Years

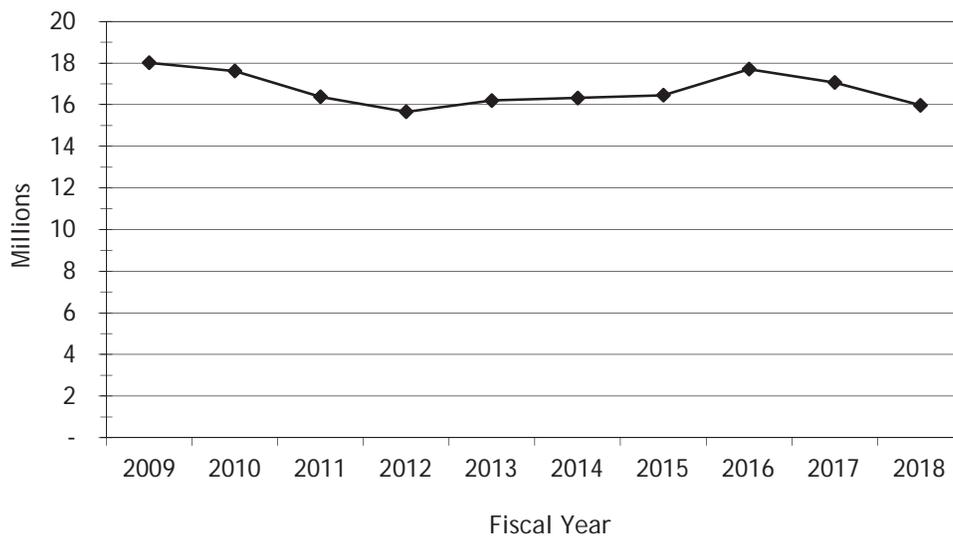
Fiscal Year Ended June 30	Taxes Levied for the Fiscal Year*	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2009	\$ 18,028,276	\$ 17,999,874	99.84	\$ 15,161	\$ 18,015,035	99.93
2010	17,613,111	17,601,147	99.93	11,964	17,613,111	100.00
2011	16,390,200	16,369,079	99.87	9,741	16,378,820	99.93
2012	15,668,076	15,652,580	99.90	4,768	15,657,348	99.93
2013	16,211,578	16,186,627	99.85	14,479	16,201,106	99.94
2014	16,332,330	16,325,095	99.96	1,180	16,326,275	99.96
2015	16,493,211	16,446,521	99.72	4,315	16,450,836	99.74
2016	17,714,681	17,704,725	99.94	4,063	17,708,788	99.97
2017	17,070,599	17,060,635	99.94	1,010	17,061,645	99.95
2018	15,975,369	15,969,050	99.96	-	15,969,050	99.96

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

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

Note: Effective Fiscal Year Ended June 30, 2018, Herrick District Library became a taxing entity. Taxes levied by the City of Holland were reduced by the milage rate listed in Exhibit I-2.

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	Special Assessment Bonds	Capital Improvement Bonds	Pension Obligation Bonds	Note Payable	
2009	\$ 402,000	\$ 23,224,594	\$ 1,508,111	\$ 4,000,000	\$ -	\$ -	\$ 29,134,705
2010	389,500	21,708,870	1,612,650	9,455,000	-	-	33,166,020
2011	377,000	20,058,785	1,333,186	9,400,000	-	-	31,168,971
2012	364,500	18,305,558	1,078,723	8,815,000	-	-	28,563,781
2013	-	16,891,662	403,000	8,200,000	-	-	25,494,662
2014	-	13,917,915	134,000	7,555,000	-	-	21,606,915
2015	-	12,239,168	60,000	6,870,000	-	-	19,169,168
2016	-	10,470,421	50,000	6,155,000	10,910,000	3,000,000	30,585,421
2017	-	22,119,116	-	5,535,000	9,917,190	2,728,541	40,299,847
2018	-	20,154,872	-	4,875,000	28,803,470	2,451,024	56,284,366

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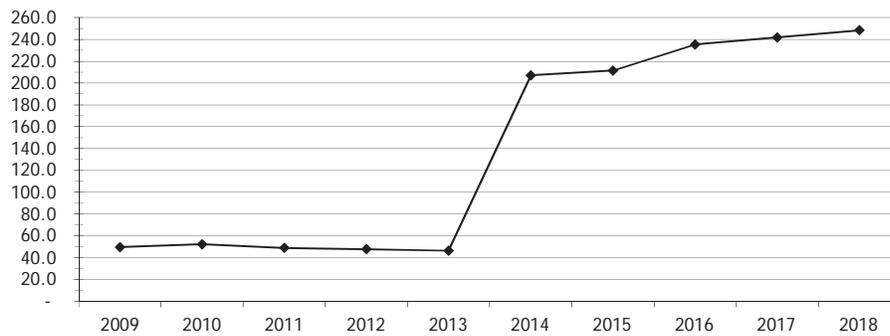
Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

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

Business-type Activities									
Airport Bonds	County Bonds	Water Bonds	Electric Bonds	Pension Obligation Bonds	Capital Lease	Total Business-type Activities	Total Primary Government	Percentage of Personal Income**	Per Capita**
\$ 16,000	\$ 3,028,640	\$17,437,719	\$ -	\$ -	\$ -	\$20,482,359	\$49,617,064	6.84	\$ 1,456
-	2,466,784	16,689,642	-	-	-	19,156,426	52,322,446	7.22	1,537
-	1,901,108	15,877,888	-	-	-	17,778,996	48,947,967	6.94	1,481
-	1,332,902	17,856,220	-	-	-	19,189,122	47,752,903	7.06	1,440
-	679,014	20,222,537	-	-	-	20,901,551	46,396,213	7.20	1,394
-	-	18,930,537	166,458,220	-	-	185,388,757	206,995,672	30.31	6,182
-	-	16,598,214	166,102,703	-	9,500,000	192,200,917	211,370,085	30.26	6,283
-	-	15,316,688	165,797,974	14,090,000	9,500,000	204,704,662	235,290,083	33.14	6,973
-	-	14,034,454	165,493,246	12,807,811	9,112,500	201,448,011	241,747,858	33.76	7,207
-	-	12,543,434	159,233,405	11,511,531	8,717,500	192,005,870	248,290,236	32.71	7,441

concluded

PRIMARY GOVERNMENT DEBT



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

Fiscal Year	General Bonded Debt Outstanding					Total	Percentage of Actual Taxable Value* of Property	Per Capita**
	General Obligation Bonds	Building Authority Bonds	Capital Improvement Bonds	Pension Obligation Bonds				
2009	\$ 402,000	\$23,460,000	\$ 4,000,000	\$ -		\$27,862,000	2.31	\$ 818
2010	389,500	21,925,000	9,455,000	-		31,769,500	2.62	933
2011	377,000	20,310,000	9,400,000	-		30,087,000	2.71	910
2012	364,500	18,305,558	8,815,000	-		27,485,058	2.55	826
2013	-	16,891,662	8,200,000	-		25,091,662	2.34	754
2014	-	13,917,915	7,555,000	-		21,472,915	1.93	641
2015	-	12,239,168	6,870,000	-		19,109,168	1.67	568
2016	-	10,470,421	6,155,000	25,000,000		41,625,421	3.80	1,234
2017	-	22,119,116	5,535,000	22,725,001		50,379,117	4.50	1,502
2018	-	20,154,872	4,875,000	40,315,001		65,344,873	5.84	1,958

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, 2018

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable*	Estimated Share of Overlapping Debt
Debt repaid with property taxes			
Ottawa Area Intermediate School District	\$ 1,894,693	9.09%	\$ 172,228
Hamilton School District	33,275,427	20.04%	6,668,396
Holland School District	75,382,002	76.10%	57,365,704
Zeeland School District	99,155,757	0.00%	-
Allegan County	47,832,819	8.43%	4,032,307
Ottawa County	158,737,332	6.68%	10,603,654
Holland Area Community Swimming Pool Authority	340,000	76.10%	<u>258,740</u>
Subtotal, overlapping debt			79,101,029
City direct debt			<u>56,284,366</u>
Total direct and overlapping debt			<u><u>\$ 135,385,395</u></u>

Sources: Assessed value data used to estimate applicable percentages provided by the 2017 Allegan and 2017 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

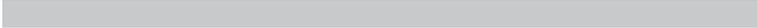
Legal Debt Margin Information
For the Last Ten Fiscal Years

Legal Debt Margin Calculation for Fiscal Year 2018

Assessed value	\$1,119,588,730
Debt limit (10% of assessed value)	111,958,873
Debt applicable to limit:	
Building authority bonds	20,154,872
Capital improvement bonds	4,875,000
Pension obligation bonds	40,315,001
Note payable	2,451,024
Less: Amount set aside for repayment of debt	<u>(439,665)</u>
Total net debt applicable to limit	<u>67,356,232</u>
Legal debt margin	<u>\$ 44,602,641</u>

	Fiscal Year				
	2018	2017	2016	2015	2014
Debt Limit	\$ 111,958,873	\$ 109,643,622	\$ 119,348,148	\$ 114,436,011	\$ 111,048,237
Total net debt applicable to limit	<u>67,356,232</u>	<u>52,424,216</u>	<u>43,938,017</u>	<u>18,046,699</u>	<u>19,965,860</u>
Legal debt margin	<u>\$ 44,602,641</u>	<u>\$ 57,219,406</u>	<u>\$ 75,410,131</u>	<u>\$ 96,389,312</u>	<u>\$ 91,082,377</u>
Total net debt applicable to the limit as a percentage of debt limit	151.01%	91.62%	58.27%	18.72%	21.92%

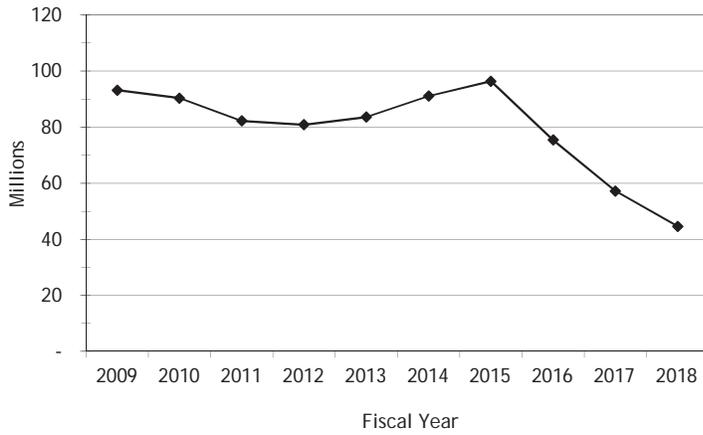
Under state finance law, the City's outstanding general obligation debt should not exceed 10% of total assessed property value.



Fiscal Year				
2013	2012	2011	2010	2009
\$ 107,192,648	\$ 107,612,788	\$ 111,202,723	\$ 121,415,479	\$ 120,588,930
<u>23,582,232</u>	<u>26,760,035</u>	<u>28,956,240</u>	<u>31,046,415</u>	<u>27,390,212</u>
<u>\$ 83,610,416</u>	<u>\$ 80,852,753</u>	<u>\$ 82,246,483</u>	<u>\$ 90,369,064</u>	<u>\$ 93,198,718</u>

28.20% 33.10% 35.21% 34.36% 29.39%

Legal Debt Margin



Pledged-Revenue Coverage
For the Last Ten Fiscal Years

Fiscal Year	Water Revenue Bonds					
	Utility Service Charges	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2009	\$ 5,881,210	\$ 5,315,683	\$ 565,527	\$ 790,000	\$ 770,500	0.36
2010	6,331,397	5,278,098	1,053,299	820,000	742,037	0.67
2011	7,133,417	5,583,004	1,550,413	845,000	712,548	1.00
2012	7,346,263	5,655,211	1,691,052	11,519,500	752,472	0.14
2013	8,506,464	5,544,007	2,962,457	1,141,500	422,040	1.90
2014	8,835,889	5,779,448	3,056,441	1,175,000	641,712	1.68
2015	8,694,022	4,139,285	4,554,737	2,210,000	538,813	1.66
2016	9,338,887	4,504,679	4,834,208	1,275,000	471,412	2.77
2017	10,009,506	4,542,246	5,467,260	1,305,000	438,890	3.14
2018	10,723,043	4,445,178	6,277,865	1,410,000	260,682	3.76

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

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

Pledged-Revenue Coverage
For the Last Ten Fiscal Years

Electric Revenue Bonds						
Fiscal Year	Utility Service Charges	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2009	\$ 75,466,722	\$ 67,827,040	\$ 7,639,682	\$ -	\$ -	-
2010	78,536,430	68,524,197	10,012,233	-	-	-
2011	84,411,319	73,247,745	11,163,574	-	-	-
2012	88,066,208	76,132,185	11,934,023	-	-	-
2013	93,576,510	79,500,777	14,075,733	-	-	-
2014	97,539,619	82,918,644	14,620,975	-	158,781	92.08
2015	100,816,653	74,385,029	26,431,624	-	1,624,923	16.27
2016	106,199,176	72,774,003	33,425,173	-	6,621,406	5.05
2017	111,706,239	71,377,353	40,328,886	-	3,310,703	12.18
2018	109,961,111	62,785,604	47,175,507	4,600,000	9,575,406	3.33

continued...

Pledged-Revenue Coverage
For the Last Ten Fiscal Years

Fiscal Year	Wastewater Revenue Bonds					
	Utility Service Charges	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2009	\$ -	\$ -	\$ -	\$ -	\$ -	-
2010	-	-	-	-	-	-
2011	-	-	-	-	-	-
2012	-	-	-	-	-	-
2013	-	-	-	-	-	-
2014	-	-	-	-	-	-
2015	10,305,015	6,640,193	3,664,822	-	92,338	39.69
2016	10,856,173	7,631,013	3,225,160	-	252,821	12.76
2017	11,384,632	7,032,959	4,351,673	387,500	232,182	7.02
2018	11,632,142	7,545,373	4,086,769	395,000	112,564	8.05

Pledged-Revenue Coverage
For the Last Ten Fiscal Years

Fiscal Year	Special Assessment Bonds				Coverage
	Special Assessment Collections	Debt Service			
		Principal	Interest		
2009	\$ 252,483	\$ 225,463	\$ 81,655	0.82	
2010	269,369	215,461	71,172	0.94	
2011	299,684	215,464	62,711	1.08	
2012	373,960	190,463	51,956	1.54	
2013	311,974	611,723	30,360	0.49	
2014	313,731	205,000	10,182	1.46	
2015	214,415	74,000	6,345	2.67	
2016	251,297	10,000	3,036	19.28	
2017	656,785	50,000	2,530	12.50	
2018	176,644	-	-	-	

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Demographic and Economic Statistics

For the Last Ten Calendar Years

Year	Estimated Population (1)	Personal Income (thousands of dollars)	Per Capita Personal Income (2)	Unemployment Rate (3)
2008	34,076	\$ 725,001	\$ 21,276	8.8%
2009	34,053	724,512	21,276	15.9%
2010	33,051	705,804	21,355	11.6%
2011	33,270	687,624	20,668	9.1%
2012	33,279	644,714	19,373	7.6%
2013	33,481	682,912	20,397	7.0%
2014	33,644	698,416	20,759	5.4%
2015	33,742	710,067	21,044	4.0%
2016	33,543	716,143	21,350	3.4%
2017	33,366	759,110	22,751	3.5%

Sources:

(1) United States Census Bureau

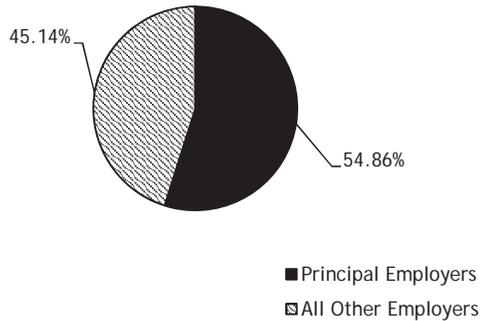
(2) United States Census Bureau

(3) Michigan Department of Technology, Management and Budget

Principal Employers
Current Year and Nine Years Ago

Employer	2018			2009		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Haworth Inc	1,995	1	11.31 %	1,699	2	11.29 %
Yanfeng	1,950	2	11.05	-	-	-
Holland Community Hospital	1,837	3	10.41	1,304	3	8.67
Challenge Mfg Company	915	4	5.19	910	4	6.05
Hope College	636	5	3.60	780	5	5.18
Holland Public Schools	525	6	2.98	561	6	3.73
LG Chem Michigan Inc	502	7	2.85	-	-	-
City of Holland / HBPW	448	8	2.54	405	8	2.69
Herman Miller	441	9	2.50	-	-	-
Benteler Aluminum Systems	429	10	2.43	-	-	-
Tiara Yachts	-	-	-	433	7	2.88
Johnson Controls Interiors	-	-	-	2,293	1	15.24
HJ Heinz	-	-	-	286	9	1.90
USF Holland Inc	-	-	-	221	10	1.47
	<u>9,678</u>		<u>54.86</u>	<u>8,892</u>		<u>59.10</u>

Sources:
Lakeshore Advantage
City of Holland Assessor's Office
Principal Employers



CITY OF HOLLAND, MICHIGAN

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

Function	Full-time Equivalent Employees as of June 30				
	2018	2017	2016	2015	2014
General government					
Management services	2.65	2.35	3.35	2.60	2.70
Fiscal services	11.90	11.90	12.90	12.95	13.00
City clerk	2.00	2.00	2.00	2.00	2.00
Human resources	2.60	1.60	1.60	1.60	1.25
Building	0.10	0.60	0.60	1.00	1.00
Cemetery	2.85	2.35	2.35	2.85	2.85
Planning	1.60	1.60	1.40	1.90	1.90
Technology	6.50	6.80	5.80	4.00	4.00
Public safety					
Police	63.00	62.00	65.00	65.00	65.00
Fire	51.50	51.00	51.00	51.00	51.00
Environmental health & inspections	11.65	10.65	9.65	8.90	7.90
Public works					
Streets	16.65	16.65	15.65	15.65	15.65
Engineering	3.35	3.35	3.35	2.35	2.35
Transit	0.00	0.00	0.00	0.00	0.00
Centralized vehicle maintenance	7.00	7.00	7.00	7.00	7.15
Welfare and social services					
Ourstreet / Human relations	2.90	3.95	2.90	1.95	1.95
Economic development assistance	0.10	0.10	0.10	0.85	1.10
Downtown development	2.15	3.15	3.15	3.30	3.30
Parks and recreation					
Recreation	5.95	4.50	4.00	4.00	4.15
Parks	14.00	14.00	13.50	11.85	11.60
Civic Center	0.00	1.45	1.45	1.45	1.30
Board of Public Works Utilities	<u>176.00</u>	<u>175.00</u>	<u>178.00</u>	<u>171.00</u>	<u>178.00</u>
Total	<u><u>384.45</u></u>	<u><u>382.00</u></u>	<u><u>384.75</u></u>	<u><u>373.20</u></u>	<u><u>379.15</u></u>

Source: City of Holland Finance Office Fiscal Year 2018 Budget (Approved Positions)

Exhibit L-1 - Unaudited

Full-time Equivalent Employees as of June 30				
2013	2012	2011	2010	2009
2.85	2.85	2.85	3.33	3.20
12.15	13.15	13.15	13.35	14.30
2.00	2.25	2.25	2.25	2.25
1.25	2.25	2.25	2.25	2.25
1.00	1.00	1.00	1.00	1.00
2.90	2.90	2.40	3.15	4.15
2.40	2.60	2.67	3.20	3.20
4.00	4.00	4.00	4.00	4.00
65.00	65.00	69.00	71.00	73.50
51.00	55.00	55.00	56.00	57.00
8.35	8.85	8.85	10.15	10.20
16.15	18.15	17.90	19.90	19.91
2.60	2.60	2.90	3.00	3.00
0.00	0.00	0.00	2.75	2.75
7.80	7.80	7.75	8.44	9.95
2.10	2.80	2.80	3.80	3.80
1.90	2.20	2.13	1.84	1.95
3.15	3.20	3.20	2.20	2.20
3.75	4.75	4.60	4.60	4.60
11.95	12.95	13.40	13.75	14.65
1.40	1.40	1.60	1.50	1.60
<u>177.00</u>	<u>179.00</u>	<u>182.00</u>	<u>183.00</u>	<u>186.00</u>
<u><u>380.70</u></u>	<u><u>394.70</u></u>	<u><u>401.70</u></u>	<u><u>414.46</u></u>	<u><u>425.46</u></u>

CITY OF HOLLAND, MICHIGAN

Operating Indicators by Function
For the Last Ten Fiscal Years

Function	Fiscal Year				
	2018	2017	2016	2015	2014
Cemetery					
Burials	189	234	270	222	225
Police					
Physical arrests	1,093	1,333	1,498	1,901	2,055
Parking violations	2,909	4,161	4,010	3,783	3,984
Traffic violations	2,600	3,034	3,209	4,373	3,661
Fire					
Emergency responses	3,863	3,083	3,457	3,268	3,101
Fires	85	83	105	91	93
Medical Emergencies	2,414	1,965	2,238	2,160	2,079
Inspections	130	113	224	263	249
Public works					
Street resurfacing (miles)	8.8	6.9	7.0	4.6	3.8
Working in the ROW permits	363	350	323	340	343
Community & neighborhood services					
Number of construction permits:					
Industrial & commercial	120	96	69	99	102
Residential	587	427	499	530	497
Institutional & municipal	20	21	20	16	24
Value of construction permits (millions of dollars)					
Industrial & commercial	48.01	37.70	12.10	36.27	22.57
Residential	18.18	24.90	15.00	28.23	14.45
Institutional & municipal	37.02	15.10	23.70	8.85	38.95
Parks and recreation					
Program participants	22,938	22,931	22,285	21,427	19,480
Pool attendance	11,662	13,338	17,500	11,700	11,068
Water					
Service connections	13,660	13,600	13,500	13,405	13,375
Average daily consumption (thousands of gallons)	13,802	13,073	13,332	11,200	11,690
Wastewater					
Service connections	12,575	12,524	12,400	12,335	12,320
Average daily consumption (thousands of gallons)	7,895	8,036	9,683	9,025	9,144

Source: Various city departments

Exhibit L-2 - Unaudited

Fiscal Year				
2013	2012	2011	2010	2009
244	229	266	245	262
2,031	2,241	2,281	3,339	3,237
7,591	5,040	4,589	4,832	4,551
3,494	4,006	3,769	2,924	6,383
2,944	2,768	2,709	2,799	2,994
96	86	86	94	89
1,957	1,944	1,858	1,909	2,112
194	132	116	145	96
4.0	8.7	4.9	5.5	11.2
330	282	302	337	346
95	78	86	70	68
438	508	440	43	459
21	26	23	29	16
18.92	24.80	52.48	6.15	6.55
7.64	8.60	10.21	6.67	7.01
31.40	47.00	16.06	13.81	7.25
19,329	18,594	16,965	30,782	35,450
15,051	18,790	17,224	16,969	9,047
12,957	13,028	13,284	13,261	13,414
11,790	11,666	10,211	10,088	10,689
12,308	12,272	12,202	12,184	12,397
9,490	7,501	7,370	7,274	7,538

CITY OF HOLLAND, MICHIGAN

Capital Asset Statistics by Function For the Last Ten Fiscal Years

Function	Fiscal Year				
	2018	2017	2016	2015	2014
General Government					
Cemeteries	2	2	2	2	2
Police					
Stations	1	1	1	1	1
Patrol Units	20	19	19	19	19
Fire Stations	3	3	3	3	3
Public works					
Streets (miles)	149	149	149	149	149
Streetlights	2,535	2,535	2,615	2,598	2,595
Parks and recreation					
Park acreage	404	403	403	403	403
Parks	23	22	22	22	22
Baseball/softball diamonds	10	10	10	10	10
Soccer fields	11	11	11	11	10
Swimming pools	1	1	1	1	1
Tennis courts	11	11	14	14	14
Pickleball courts	10	10	-	-	-
Stadiums	-	-	-	-	-
Nature centers	1	1	1	1	1
Tourist attractions	1	1	1	1	1
Community centers	1	1	1	1	1
Water					
Water mains (miles)	250	249	252	248	248
Fire hydrants	2,400	2,395	2,395	2,363	2,363
Maximum daily capacity of plant (thousands of gallons)	38,500	38,500	38,500	38,500	38,500
Wastewater					
Sanitary sewers (miles)	184.30	183.55	185.00	183.00	182.77
Storm sewers (miles)	152.0	152.0	152.0	151.5	151.5
Maximum daily capacity of plant (thousands of gallons)	14,400	14,400	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				
2013	2012	2011	2010	2009
2	2	2	2	2
1	1	1	1	1
19	19	19	19	19
3	3	3	3	3
149	149	149	149	149
2,593	2,504	2,534	2,581	2,520
403	508	508	509	509
22	23	23	24	24
10	10	10	9	9
10	10	10	9	9
1	1	1	1	1
14	14	14	21	21
-	-	-	-	-
-	1	1	1	1
1	1	1	1	1
1	1	1	1	1
1	1	1	1	1
246	241	240	237	237
2,353	2,345	2,342	2,320	2,321
38,500	38,500	38,500	38,500	38,500
182.76	182.94	183.73	183.21	185.84
159.0	159.0	155.0	155.0	155.0
12,000	12,000	12,000	12,000	12,000

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INTERNAL CONTROL AND COMPLIANCE

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

December 6, 2018

Honorable Mayor
and City Council
City of Holland, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the *City of Holland, Michigan* (the "City"), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 6, 2018.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

Purpose of this Report

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

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

INDEPENDENT AUDITORS' COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

December 6, 2018

Honorable Mayor and
City Council
City of Holland, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the *City of Holland, Michigan* (the "City") as of and for the year ended June 30, 2018, and have issued our report thereon dated December 6, 2018. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated July 27, 2018, our responsibility, as described by professional standards, is to form and express opinions about whether the financial statements that have been prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

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

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

We have provided our findings regarding internal control over financial reporting and compliance noted during our audit in a separate letter to you dated December 6, 2018. In addition, we noted a certain other matter which is included in Attachment A to this letter.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our engagement letter and in our meeting about planning matters on October 16, 2018.

Compliance with All Ethics Requirements Regarding Independence

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

Qualitative Aspects of the City's Significant Accounting Practices

Significant Accounting Policies

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

As described in Note 21 to the financial statements, the City changed accounting policies related to its other postemployment benefits plan by adopting Statement of Governmental Accounting Standards (GASB Statement) No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The cumulative effect of the accounting change as of the beginning of the year is reported in the Statement of Activities and Statement of Revenues, Expenses, and Changes in Fund Net Position.

During the year, the City's Electric Utility reported an extraordinary item related to the write off of obsolete spare parts inventory, and a recovery from the final sale of its coal inventory. The notes to the financial statements contain a more complete description of these transactions. No matters have come to our attention that would require us, under professional standards, to inform you about the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

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

The most sensitive accounting estimates affecting the financial statements were:

- Management's estimate of the useful lives of depreciable capital assets is based on the length of time it is believed that those assets will provide some economic benefit in the future.
- Management's estimate of the accrued compensated absences is based on current hourly rates and policies regarding payment of sick and vacation banks.
- Management's estimate of the allowance for uncollectible receivable balances is based on past experience and future expectation for collection of various account balances.
- Management's estimate of the insurance claims incurred but not reported is based on information provided by the entity's third party administrators and subsequent claims activity.
- The assumptions used in the actuarial valuation of the other postemployment benefits plan are based on historical trends and industry standards.

- Management's estimate of landfill closure and post-closure costs have been calculated based on state guidelines and landfill utilization to date.
- Management's estimate of future fixed operating costs paid to Michigan Public Power Agency have been calculated based on future debt service requirements and the dynamics of the PJM and MISO markets.
- The allocation of shared costs between the funds has been determined based on studies of related time expended, services performed or other applicable activities and data.

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

Significant Difficulties Encountered During the Audit

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

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole and each applicable opinion unit. In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. None of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

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

Representations Requested from Management

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

Management's Consultations with Other Accountants

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

Other Significant Matters, Findings, or Issues

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

Other Information in Documents Containing Audited Financial Statements

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

Upcoming Changes in Accounting Standards

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

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

Very truly yours,

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

CITY OF HOLLAND, MICHIGAN

Attachment A - Comments and Recommendations

For the June 30, 2018 Audit

During our audit, we became aware of a certain other matter that is an opportunity for strengthening internal control and/or improving operating efficiency. This memorandum summarizes our comments and recommendations regarding this matter. Our consideration of the City's internal control over financial reporting is described in our report, dated December 6, 2018, issued in accordance with *Government Auditing Standards*. This memorandum does not affect that report or our report dated December 6, 2018, on the financial statements of the City of Holland.

Compliance with the Uniform Budgeting Manual (Repeat Comment)

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

Management's Response

Management is aware of the situation and Finance Office staff will review all budgeted funds to ensure compliance with the Uniform Budget Manual in future years.

■ ■ ■ ■ ■

CITY OF HOLLAND, MICHIGAN

Attachment B - Upcoming Changes in Accounting Standards / Regulations

For the June 30, 2018 Audit

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

GASB 83 ■ Certain Asset Retirement Obligations

Effective 06/15/2019 (your FY 2019)

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

GASB 84 ■ Fiduciary Activities

Effective 12/15/2019 (your FY 2020)

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

GASB 87 ■ Leases

Effective 12/15/2020 (your FY 2021)

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

GASB 88 ■ Certain Disclosures Related to Debt

Effective 06/15/2019 (your FY 2019)

This standard provides guidance on note disclosures related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. We do not expect this standard to have any significant effect on the City.

GASB 89 ■ Accounting for Interest Cost Incurred before the End of a Construction Period

Effective 12/15/2020 (your FY 2021)

This standard eliminates the requirement for governments to capitalize interest during the construction period for business-type activities. As this simplifies the accounting for interest, early implementation is encouraged. We do not expect this standard to have any significant effect on the City.

CITY OF HOLLAND, MICHIGAN

■ Attachment B - Upcoming Changes in Accounting Standards / Regulations For the June 30, 2018 Audit

GASB 90 ■ Majority Equity Interests *Effective 12/15/2019 (your FY 2020)*

This standard addresses situations in which a government acquires a majority of the equity interest in a legally separate organization, and whether such holdings should be reported as an investment or a component unit. We do not expect this standard to have any significant effect on the City.



CITY OF HOLLAND, MICHIGAN

Attachment C - Management Representations

For the June 30, 2018 Audit

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

December 6, 2018

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

This representation letter is provided in connection with your audit of the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the *City of Holland, Michigan* (the "City"), as of and for the year ended June 30, 2018, and the related notes to the financial statements, for the purpose of expressing opinions on whether the basic financial statements present fairly, in all material respects, the financial position, results of operations, and cash flows, where applicable, and the budgetary comparison for the general fund of the City in conformity with accounting principles generally accepted for governments in the United States of America (U.S. GAAP).

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

We confirm that, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves as of December 6, 2018:

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated July 27, 2018, for the preparation and fair presentation of the financial statements of the various opinion units referred to above in accordance with U.S. GAAP. We have reviewed, approved, and taken responsibility for the financial statements and related notes.
2. We have reviewed and approved the various adjusting journal entries that were proposed by you for recording in our books and records and reflected in the financial statements.
3. We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
4. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
5. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
6. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP. For the purposes of this letter, related parties mean members of the governing body; board members; administrative officials; immediate families of administrative officials, board members, and members of the governing body; and any companies affiliated with or owned by such individuals.
7. All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.

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

Information Provided

23. We have provided you with:
 - a. Access to all information, of which we are aware that is relevant to the preparation and fair presentation of the financial statements of the various opinion units referred to above, such as records, documentation, meeting minutes, and other matters;
 - b. Additional information that you have requested from us for the purpose of the audit; and
 - c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
24. All transactions have been recorded in the accounting records and are reflected in the financial statements.

25. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
26. We have no knowledge of any fraud or suspected fraud that affects the entity and involves:
 - a. Management;
 - b. Employees who have significant roles in internal control; or
 - c. Others where the fraud could have a material effect on the financial statements.
27. We have no knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, vendors, regulators, or others.
28. We are not aware of any pending or threatened litigation and claims whose effects should be considered when preparing the financial statements.
29. We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.
30. There have been no communications from regulatory agencies concerning noncompliance with or deficiencies in accounting, internal control, or financial reporting practices.
31. The government has no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.
32. We have disclosed to you all guarantees, whether written or oral, under which the government is contingently liable.
33. We have identified and disclosed to you the laws, regulations, and provisions of contracts and grant agreements that could have a direct and material effect on financial statement amounts, including legal and contractual provisions for reporting specific activities in separate funds.
34. There are no:
 - a. Violations or possible violations of laws or regulations, or provisions of contracts or grant agreements whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency, including applicable budget laws and regulations.
 - b. Unasserted claims or assessments that our lawyer has advised are probable of assertion and must be disclosed in accordance with GASB-62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*.
 - c. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by GASB-62.
35. The government has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset or future revenue been pledged as collateral, except as disclosed to you.
36. We have complied with all aspects of grant agreements and other contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
37. We have disclosed to you all significant estimates and material concentrations known to management that are required to be disclosed in accordance with GASB-62. Significant estimates are estimates at the balance sheet date that could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets or geographic areas for which events could occur that would significantly disrupt normal finances within the next year.

Supplementary Information in Relation to the Financial Statements as a Whole

38. With respect to the supplementary information accompanying the financial statements:
 - a. We acknowledge our responsibility for the presentation of the supplementary information in accordance with accounting principles generally accepted in the United States of America.
 - b. We believe the supplementary information, including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United States of America.

- c. The methods of measurement or presentation have not changed from those used in the prior period.
- d. We believe the significant assumptions or interpretations underlying the measurement or presentation of the supplementary information, and the basis for our assumptions and interpretations, are reasonable and appropriate in the circumstances.

Required Supplementary Information

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



Michelle Price, Assistant Finance Director



Tim Vagle, Finance Director