

Holland Board of
Public Works
(Enterprise Funds of the
City of Holland,
Michigan)



Year Ended
June 30, 2025

Financial
Statements and
Supplementary
Information

Rehmann

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HOLLAND BOARD OF PUBLIC WORKS
(Enterprise Funds of the City of Holland, Michigan)

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INDEPENDENT AUDITORS' REPORT

October 27, 2025

Board of Directors
Holland Board of Public Works
Holland, Michigan

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the business-type activities and each major fund of the **Holland Board of Public Works** (the "Board"), enterprise funds of the City of Holland, Michigan, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and each major fund of the Board, as of June 30, 2025, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Reporting Entity

As discussed in Note 1, the financial statements referred to above present only the Holland Board of Public Works enterprise funds and do not purport to, and do not, present fairly the financial position of the City of Holland, Michigan as of June 30, 2025, and the changes in its financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Independent Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Board and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.



Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Board's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Independent Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit 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 Board's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Board's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Board's basic financial statements. The supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the financial statements. The other information comprises the management's discussion and analysis and the schedules for the pension and other postemployment benefit plans as listed in the table of contents but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2025, on our consideration of the Board'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 solely 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 effectiveness of the Board's 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 Board's internal control over financial reporting and compliance.

Rehmann Robson LLC

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Management's Discussion and Analysis (Unaudited)

This section of the Holland Board of Public Works annual financial report presents an overview of the financial performance during the fiscal years ending June 30, 2025, and 2024. Please read it in conjunction with the financial statements which follow this section.

OVERVIEW OF BUSINESS

The Holland Board of Public Works (HBPW), municipally owned by the City of Holland, operates:

- An electric system, which generates and distributes electricity to 31,888 residential, commercial, and industrial customers in the City of Holland and portions of Holland Charter, Park, Laketown and Fillmore Townships. HBPW has 4,881 commercial and industrial electric customers (15% of total customers) which together account for 84% of the electric load in kilowatt hours.
 - Within the electric utility, a broadband network operation that provides dark fiber, active Ethernet, and shared gigabit services to 2,881 residential, commercial, and industrial customers.
- A Water Reclamation Facility (WRF), with an average daily treatment capacity of 12 million gallons and associated sanitary sewer collection system. HBPW's collection system serves 13,385 residential, commercial, and industrial customers in the City of Holland, Laketown Township, Fillmore Township, and the portions of Holland Charter and Park Townships south of Lake Macatawa and the Macatawa River. There are 1,940 commercial and industrial wastewater customers (14% of total customers) which together account for 31% of the total influent flow. The WRF also treats wastewater on a wholesale basis from the portions of Holland Charter and Park Townships north of Lake Macatawa and the Macatawa River. Wholesale sales represented approximately 47% of the WRF's influent flow in FY2025.
- A Water Treatment Plant (WTP), with capacity to treat 38.5 million gallons per day, and associated transmission and distribution system. HBPW's distribution system serves 18,450 residential, commercial, and industrial customers located in the City of Holland and portions of Park, Laketown, Fillmore, and Holland Charter Townships. Water is also sold on a wholesale basis to the City of Zeeland. There are 3,257 commercial and industrial water customers (18% of total customers) which together account for 31% of the total WTP output. Wholesale sales represented approximately 39% of the WTP output in FY2025. HBPW treats water from Lake Michigan before distribution to customers.

FINANCIAL HIGHLIGHTS

The net position of Holland Board of Public Works has improved by \$29.3M (5.6%) over the prior fiscal year.

The combined assets and deferred outflows of resources of HBPW exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$552.7M (net position). Of this amount,

\$111.7M (20.2 percent) was unrestricted and may be used to meet HBPW’s ongoing obligations to customers and creditors. A substantial portion of HBPW’s net position, \$428.2M (77.5 percent), reflects its investment in capital assets (e.g., land, buildings, vehicles, equipment, and infrastructure), less any related outstanding debt used to acquire those assets. HBPW uses these capital assets to provide services to customers; consequently, these assets are not available for future spending.

Net Position

Although HBPW’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 HBPW’s net position, \$12.8M (2.3 percent), represents resources that are subject to external restrictions on how they may be used: 2% related to debt, 32% related to investment in joint venture, 66% related to equipment replacement fund.

Condensed Financial Information	Net Position (In Millions)							
	Electric		Wastewater		Water		Total	
	2025	2024	2025	2024	2025	2024	2025	2024
Current Assets	\$ 98	\$ 68	\$ 29	\$ 15	\$ 27	\$ 13	\$ 154	\$ 96
Noncurrent assets	37	38	21	24	3	4	61	66
Capital assets, net	305	301	90	91	85	80	480	472
Total Assets	440	407	140	130	115	97	695	634
Total Deferred Outflows of Resources	2	2	1	1	0	1	3	4
Current liabilities	14	13	4	4	5	5	23	22
Noncurrent liabilities	8	9	28	30	31	21	67	60
Total Liabilities	22	22	32	34	36	26	90	82
Total Deferred Inflows of Resources	16	4	38	28	1	1	55	33
Net investment in capital assets	305	301	61	61	62	59	428	421
Restricted	4	6	9	6	0	0	13	12
Unrestricted	95	76	1	2	16	12	112	90
Total Net Position	\$ 404	\$ 383	\$ 71	\$ 69	\$ 78	\$ 71	\$ 553	\$ 523

FINANCIAL PERFORMANCE

Challenges and Supplier Trends

HBPW experienced an overall 0.1% increase in property and liability insurance premiums for the periods November 2024-October 2025 while maintaining the levels of liability coverage and increasing its cyber insurance policy. Electric production assets are insured under a policy that is effective for the fiscal year. For FY2025, the premiums increased 13.3% and the deductible increased. However, for FY2026, electric property premiums will decrease 2.5%. In general, lead-times are decreasing, and prices are holding. For instance, pipes needed by Water and Wastewater utilities are available with no lead-time. However, electric components needed for electrical panels have about 48 weeks lead-time. The transformer shortage continues. Demand for distribution transformers is driven by aging transformers and electrification. According to Energycentral.com’s August 20, 2025, newsletter, distribution transformer demand increased 41% since 2019. HBPW has had a stable supply of transformers from its South Korean

supplier; however, this source has become much more expensive due to tariffs. As a result, HBPW has been placing transformer orders with U.S. suppliers. Tariffs have impacted the cost of some materials, but price increases have not been as widespread as expected. Lead times continue to be a challenge for planning and budgeting. HBPW must plan far enough ahead and order materials and assets, so they are available when needed. HBPW regularly replaces pick-up trucks and bucket trucks based on the amount of use. Bucket trucks have a lead time of three years. Pickup trucks have a lead time of approximately 3 months.

Condensed Financial Information

	Results of Operations							
	(In Millions)							
	Electric		Wastewater		Water		Total	
	<u>2025</u>	<u>2024</u>	<u>2025</u>	<u>2024</u>	<u>2025</u>	<u>2024</u>	<u>2025</u>	<u>2024</u>
Operating revenues	\$ 114	\$ 107	\$ 14	\$ 14	\$ 15	\$ 14	\$ 143	\$ 135
Operating expenses	(88)	(81)	(13)	(12)	(11)	(10)	(112)	(103)
Nonoperating income (expenses), net	<u>4</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>4</u>	<u>0</u>
Net Income Before Contributions and Transfer	30	26	1	2	4	4	35	32
Capital contributions	0	0	1	1	0	1	1	2
Contributions to City	(9)	(9)	0	0	0	0	(9)	(9)
Special items	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>3</u>	<u>0</u>	<u>3</u>	<u>0</u>
Change In Net Position	21	17	2	3	7	5	30	25
Beginning net position	<u>383</u>	<u>366</u>	<u>69</u>	<u>66</u>	<u>71</u>	<u>66</u>	<u>523</u>	<u>498</u>
Ending Net Position	\$ 404	\$ 383	\$ 71	\$ 69	\$ 78	\$ 71	\$ 553	\$ 523

Cash reserves for each of the utilities are funded as planned. Currently, investments on June 30, 2025, are at a weighted average yield of 4.27%, compared to 4.06% on June 30, 2024. The weighted average maturity is 1.36 years, compared to 1.26 years on June 30, 2024.

FY2025 rates were increased 13% for the Water Utility. Rates were unchanged for the Electric Utility and the Wastewater Utility.

Electric

- The Electric Utility ended the year with an Operating Income \$0.4M (1.5%) lower than FY2024 results. Total Revenue was \$6.5M (6.1%) higher than FY2024 results but was \$6.0M unfavorable to budget. Electric customer consumption ended the year 7.4% higher than FY2024 but 6.7% lower than budget. The change in revenues and consumption was primarily due to a large industrial class retail customer. The budget miss was primarily due to this large customer not meeting their usage targets that were used for budgeting. The customer's usage is growing, accounting for much of the year over year increase, but not at the rate anticipated. Operating Expenses were \$6.9M (8.5%) higher than FY2024 results primarily due to increased energy production to meet the increased customer usage. Fuel prices and a favorable market allowed HBPW to generate and sell into the wholesale market. Also, due to the lower than budgeted Industrial Retail sales noted above, there were lower external energy purchases as well. The electric utility maintained good cost control through a variety of measures including use of natural gas hedges and purchase power agreements. Another example of good cost control was the signing of a new three-year term contract for vegetation management. The contract represents

an 8% decrease in cost from the previous contract and saved approximately \$0.4M in Tree Trimming Expense in FY2025.

- HBPW earned the American Public Power Association's (APPA) Reliable Public Power Provider (RP3) ® designation for providing operational excellence through dedication to operating an efficient, safe, and reliable distribution system. HBPW earned Diamond status which is the highest designation that APPA offers. The RP3 designation, which lasts for three years, uses criteria including sound business practices and a utility-wide commitment to safe and reliable delivery of electricity. This is the sixth consecutive RP3 designation for HBPW.
- HBPW earned Diamond designation in the Safety Award of Excellence for safe operating practices in 2024. Diamond status is also the highest designation that APPA offers for this award. The award is provided in recognition of a utility's incident rates and the overall state of their safety program and culture.
- HBPW is among the 255 public power utilities with a "Certificate of Excellence in Reliability" for reliable performance in 2024. Eligible utilities participate in APPA's eReliability Tracker service. Awardees have a 2024 System Average Interruption Duration Index (SAIDI) that falls in the top quartile of all utilities' SAIDI numbers averaged from 2019-2023 based on Energy Information Administration (EIA) 861 survey data.
- HBPW is one of 20 public power utilities recognized by the APPA with Public Power Customer Satisfaction Awards for providing excellent service to their communities. The award is the result of receiving high marks from customers in the areas of: Customer service, Field personnel, Communication, Reliability, Value, Outage response, Innovation, and Overall satisfaction. Awards are based on customer satisfaction surveys. The 2024 Customer Satisfaction Awards are given at the gold, silver, and bronze levels. HBPW received the silver award. Also awarded by the APPA, HBPW received an Excellence in Public Power Communications Award of Merit in the Print and Digital category for the Residential Energy Efficiency Catalog.
- HBPW received the APPA's Mutual Aid Commendation for its support in electric power restoration efforts in Florida after damage from Hurricane Milton. Milton made landfall in Florida on October 9, 2024, and caused extensive damage to infrastructure and downed power lines. Over 3.5 million Florida residents lost power. The storm triggered the national Mutual Aid Network which is a collaborative emergency response arrangement in which utilities receive and give assistance for restoring power following a disaster. Utilities, affected by the disaster, request assistance with an estimate of what is needed for restoration. Other utilities, not affected, respond with the skilled workers, materials and equipment that they are able to provide. HBPW responded with 4 skilled workers, 2 bucket trucks, and 1 line truck to assist with restoring power.
- HBPW currently has Power Purchase Agreements (PPAs) with multiple renewable energy suppliers as part of its power generation portfolio. These resources include landfill gas, solar and wind. In May, HBPW began to receive approximately 6 MW of installed capacity from the Brandt Woods Solar Project. This project has a 20-year term. HBPW is expecting to have 17.55 MW of additional solar online during calendar years 2025 and 2026. All combined, HBPW is currently expecting to have nearly 36 megawatts of installed solar capacity as part of its power generation portfolio based on current commitments. Total current and committed renewable energy resources in HBPW's power supply portfolio total approximately 64 MW of installed capacity.

- DTE is in the process of converting the Belle River Power Plant from a coal-fired to natural gas-fired generation facility. The conversion is resulting in a temporary increase in capital (demand) costs. Unit 1 is being converted in fall of 2025 and Unit 2 will be converted in the fall of 2026. The conversion will extend the facility's useful life and convert it from a baseload resource to an economically dispatched peaking resource. While the conversion is expected to reduce the total annual output of the facility and thus the energy HBPW receives from its operations, it will maintain Belle River's capacity value. This means that it will remain an important asset for usage in meeting HBPW's annual resource adequacy requirements. Additionally, the conversion will assist HBPW in achieving the decarbonization goals outlined in the City of Holland's Community Energy Plan.
- During the FY2024 fiscal year, HBPW entered into a base contract for the sale and purchase of natural gas with the Municipal Gas Authority of Georgia. The agreement enables HBPW to participate in prepay gas transactions that result in discounted pricing for a portion of its natural gas fuel supply. Implementation went smoothly and reduced fuel expense by at least \$773,800 per year. HBPW entered into a second agreement with the same gas authority in FY2025. Similar to the first agreement, this prepay transaction is structured for 30 years but with several marketing periods (used to set the discount) that occur throughout that time span. The initial marketing period extends through November 30, 2032. The discount associated with this initial period is \$0.52/MMBtu, with minimum annual savings expected to be \$759,200 per year.
- In February of 2025, HBPW executed a Power Purchase Commitment with Michigan Public Power Agency for participation in a forward transaction of Renewable Energy Certificates (RECs) to assist in meeting State of Michigan Renewable Energy Standard requirements. The transaction will provide HBPW with 25,000 RECs per year for a nine-year period beginning on January 1, 2027, and ending on December 31, 2035.
- The Electric Utility completed an Integrated Resource Plan (IRP). An IRP is a planning tool that looks at forecasts of future energy and demand requirements and identifies optimized resource mixes to meet those needs. Results of an IRP are highly dependent on inputs such as market conditions, available technologies and associated costs, state and federal regulations, and local interests. Due to changes that can happen to any of these inputs in a relatively short period of time, IRPs are generally performed at regular intervals. HBPW has historically sought an updated study approximately every 5 years. The last IRP was completed in 2020. The consultant designed plans for two main scenarios. The differential costs of these scenarios and sensitivities were generated to show the true cost to meet the various requirements. The findings of the IRP will be used to aid in the planning of future resources.
- Electric Production completed a large project at the 48th Street facility during FY2025. Unit 9 is primarily utilized for peaking loads. Unit 9 underwent a planned extended outage that began February 18, and the unit was released for commercial operation on June 4, 2024. Punch list work related to the project was completed September 2024. Three major maintenance and upgrade scopes were completed: a control system upgrade, combustion inspection, and generator field rewind. This allows the turbine to continue reliable operation until the next major maintenance threshold is reached. The project was budgeted for \$3.6M and had an actual cost of \$2.9M and will be amortized over 7 years per regulatory accounting principles.

- The Electric Utility completed a project to upgrade downtown Holland street lighting. The project replaced the cast iron poles on 306 decorative lights with new aluminum poles and bases. The project was divided into 3 phases, with two phases occurring in FY2024 and the remaining phase in FY2025. The old lights were owned by the city. HBPW will take over the maintenance of these lights and will move them from an energy-only rate to a full maintenance rate. Total spending for the fiscal year was \$0.7M and the City of Holland contributed \$0.5M to the project. Total capital spend on distribution improvements was \$9.2M and \$0.3M on production assets.
- Results of the Broadband Utility are accounted for within the Electric Utility. The Broadband Utility spent \$7.9M on capital improvements during the year, adding to and upgrading the fiber network. Broadband Utility added 1,728 new customers. Construction continued on the Holland City Fiber (HCF) project and many of the new customers were connected to this next generation fiber optic broadband service. HCF is an open access network, which invites competition and the potential for lower cost and increased service choices. Funding for the passings portion of the fiber optic broadband network is provided by an up to \$30 million bond. The bond will be paid for by a millage approved by the residents of the City of Holland in August 2022. In August 2023, the Holland City Council authorized issuance of up to \$23 million in bonds. The par amount of bonds issued was \$17,535,000 and construction began December 2023. The monthly rate HBPW Fiber Internet customers pay, funds the drop construction plus operations and maintenance costs to run the network and provide service. HCF statistics as of fiscal year end include:
 - 1,894 customers are now active on the service
 - Customers rate their onboarding experience an impressive 9.0 out of 10
 - 77 miles of overhead and underground fiber optic cable installed
 - 36 miles of conduit installed
 - 1,022 vaults installed

Total spending on HCF as of June 30 was \$17.7M. The project is able to serve 50% of the residents of Holland at June 30 and the passings network portion of HCF is expected to be substantially complete by June 2026.

Wastewater

- The Wastewater Utility ended the year with an Operating Income \$1.0M (61.1%) lower than FY2024. Total Revenue was \$0.1M (0.9%) higher than FY2024 and \$0.4M favorable to budget primarily due to increased waste volume processed by the utility. Operating Expenses were \$1.2M (9.3%) higher than FY2024 primarily due to lower production costs. The production process was improved with the new anaerobic digester (see below for details on the digester project). The digester reduced the amount of wastewater solids from the water reclamation process, thereby reducing disposal costs. FY2025 was the first full year of operating the digester which resulted in better-than-expected reduction of sludge disposal costs. The budget was developed using engineering estimate of solids reduction and estimated disposal costs. Waste volume processed by the utility increased 4.3% compared to plan and was 3.3% higher than prior year actual.

Wastewater volumes and associated revenues increased mainly due to commercial and industrial customers. The budgeted volume is based on three-year averages.

- HBPW was recertified in 2024 as a Utility of the Future Today (UotFT) by the Water Environment Federation, National Association of Clean Water Agencies, Water Research Foundation, WaterReuse Association, and US Water Alliance. The Water Reclamation Facility (WRF) has now been recognized for five consecutive years as UotFT. The program recognizes wastewater utilities that are reimagining community partnership and engagement, watershed stewardship, and recovery of resources such as water, energy, and nutrients.
- At the end of the fiscal year, the WRF's anaerobic digester has been online and operating for approximately 18 months. HBPW continues to work with the general contractor toward completion of the punch list items. The digester was built to both reduce the volume and treat residual solids generated from the wastewater treatment process. The digester has made a large impact on the destruction of solids. Utilizing the digester's anaerobic bacteria (bacteria that do not require oxygen to live and eat), over 60% of the solids generated during the water reclamation process are converted to biogas, greatly reducing the costs associated with disposing of solids and their environmental impact. The digester budgeted cost was \$33.7M and total spending was \$31.4M. Management determined that the digester project qualified for certain credits under the Inflation Reduction Act's elective/direct pay provision for tax exempt entities. Documents necessary to claim the credits were submitted during FY2025 and an accrued receivable was established for the \$11.5M credit, which included approximately \$0.5M of interest income. The credit and associated interest were received in FY2026. In addition to the anaerobic digester, the Wastewater Utility spent \$0.3M on other improvements to the WRF in FY2025.
- The Wastewater Utility spent \$1.8M on improvements to the wastewater collection system in FY2025. One of the projects completed was the sanitary sewer main lining. The contractor lined 5,220 lineal feet of 12-inch vitrified clay sewer main. These sewer mains were built in 1967 and 1969. There are several benefits to sewer main lining; 1) it is trenchless; therefore no disturbing the street or land above; 2) it is approximately one quarter of the cost of replacement; 3) reduces treatment costs by reducing the amount of ground water infiltration (water that does not require treatment); and 4) extends the life of the sewer main by about 50 years. FY2025 was the fourth year of a four-year effort to clean and inspect HBPW's entire sanitary sewer system. The resulting project cleaned and inspected 908,554 feet of 8 through 27-inch sanitary mains and inspected 3,829 manholes. After each year of inspection, BPW staff utilized this information to complete other projects such as manhole lining, sewer main lining and patch repairs throughout the sewer system. This program is planned to continue over the next 5-year cycle with the cleaning and inspecting of the sanitary sewer collections system. The pace will follow the recommended 5-year cycle which will allow for additional rehabilitation work to be completed.

Water

- The Water Utility ended the year with an Operating Income \$1.1M (30.3%) higher than FY2024. Total Revenue was \$1.2M (8.9%) higher and Operating Expenses were \$0.1M (1.3%) higher. The change in revenues was due primarily to a 13.0% rate increase on retail sales. Water Utility

customer consumption ended the year 2.6% lower than budget and 2.2% higher than prior year actual. Base water usage is relatively consistent; however, water usage for irrigation varies depending on temperature and precipitation. The summer of FY2025 (June through September 2024) had average rainfall and only 2 days 90 degrees or above resulting in lower overall water usage. The budget is based on three-year averages. Water utility recognized a special item for \$2.9M. An accrued receivable was established for a PFAS class action lawsuit settlement. Payments began in FY2026. Additional information on the special item can be found in note 13.

- HBPW issued \$11.4M series 2025 water supply system revenue bonds. S&P Global Ratings assigned its 'AA' long-term rating to the bonds which are secured by net revenue of the water system. The proceeds will pay for capital improvements including (i) the replacement of approximately 8,900 end-of-life residential water meters, (ii) a new approximately 2,700 square foot chemical storage addition to the filter building at the Water Treatment Plant (WTP) located in Park Township, MI, and (iii) sliplining approximately 3,200 feet of 30-inch water transmission main.
- Total improvements at WTP were \$1.7M. Improvements included the onsite electric generation project at a cost of \$1.5M. Two new 550-kilowatt natural gas generators were installed to provide backup electrical power in the event of loss of power at the site and provide WTP staff with the ability to save on annual electric costs by utilizing the generators for peak shaving in the summer months. The generators were commissioned in April 2024, and the peak-shaving program went into full effect in June. The electricity expenses saved for the fiscal year were \$65,852.
- Each year, the Water Utility replaces aging water mains as part of on-going maintenance to the distribution system. In addition to replacing end of life transmission and distribution mains, the benefits include upsizing of the transmission system to balance the system for future growth. In FY2025, 11,396 feet of water mains were replaced at a cost of \$4.3M. Also, completed during the year was the rehabilitation of 3,200 feet of 30-inch transmission main. The resulting project pulled in place 20-inch fused polyvinyl chloride (PVC) pipe inside of the failed 30-inch transmission main. The cost of this project was \$2.9M.
- In 2018, Michigan adopted the revised Lead and Copper Rule with the goal of reducing lead exposure through drinking water. Utilities must replace all lead service lines (LSL) by 2041. On average, HBPW will need to replace about 210 LSL's each year of this 20-year period. HBPW continued to make progress toward this goal and replaced 79 LSL's during calendar year 2024. Fifty of the services were replaced during water main replacement projects, while 29 were completed due to customer-initiated service line replacements.

CAPITAL ASSETS

HBPW has \$854.0M invested in capital assets (\$480.1M net of depreciation). The capital assets, net of depreciation, by utility are: Electric Utility \$305.4M, Wastewater Utility \$90.0M; and Water Utility \$84.6M.

Condensed Financial Information**Capital Assets**
(In Millions)

	Electric		Wastewater		Water		Total	
	<u>2025</u>	<u>2024</u>	<u>2025</u>	<u>2024</u>	<u>2025</u>	<u>2024</u>	<u>2025</u>	<u>2024</u>
	Land	\$ 22	\$ 22	\$ 0	\$ 0	\$ 2	\$ 2	\$ 24
Construction in progress	12	12	3	1	4	6	19	19
Capital assets, net	<u>271</u>	<u>267</u>	<u>87</u>	<u>90</u>	<u>79</u>	<u>72</u>	<u>437</u>	<u>429</u>
Total Capital Assets	\$ 305	\$ 301	\$ 90	\$ 91	\$ 85	\$ 80	\$ 480	\$ 472

Additional information on the Holland Board of Public Works capital assets can be found in note 3.

Capitalized assets placed in service during the current year included:

Electric

- Electric Production improvements; \$0.3M.
- Distribution improvements and extensions; \$9.2M.
- Non-Operation equipment and structures additions; \$0.6M.
- Streetlight additions, replacements and upgrading fixtures to LED; \$0.8M.
- Total spending on various fiber projects was \$7.9M.

Wastewater

- Water Reclamation Facility improvements; \$31.7M.
- Sewer mains and collection system improvements; \$1.8M.
- Non-Operation equipment and structures additions; \$0.1M.

Water

- Water Treatment Plant improvements; \$1.7M.
- Water mains and distribution improvements; \$7.2M.
- Non-Operation equipment and structures additions; \$0.3M.

SUMMARY OF DEBT

HBPW has a total of \$58.3M in installment debt outstanding as of June 30, 2025.

The Electric Utility has no outstanding installment debt, excluding the Electric Utility portion of the pension bonds below.

The Wastewater Utility has outstanding debt of \$27.5M, excluding the Wastewater Utility's portion of the pension bonds below. All of the outstanding debt will be paid by April 1, 2043. The installment sales agreement to Ottawa County as well as the Wastewater Revenue Bonds are for the cost of acquiring and constructing additional improvements (biosolids handling, secondary treatment processes, and anaerobic digester project) at the Holland Area Water Reclamation Facility.

The Water Utility has outstanding debt of \$29.2M, excluding the Water Utility's portion of the pension bonds below. All of the outstanding debt will be paid by April 1, 2044. The revenue bonds issued in 2011 were issued for the purpose of constructing an emergency interconnection with the City of Wyoming's water system. The revenue bonds issued in 2022 were issued for the construction of the 36-inch transmission main. The new main provides redundancy to the line connecting the WTP to the City's water distribution system and provides future capacity expansion potential to the service area. The revenue bonds issued in 2025 were issued for the purpose of constructing an addition to the filter building at WTP to improve chemical storage, for the replacement of residential water meters, and for rehabilitating a 30-inch water transmission main.

In 2016, Pension Bonds were issued by the City of Holland for \$25M with interest rates ranging from 0.76% to 3.42%. These bonds were issued for the purpose of funding a portion of the costs of the unfunded pension liability of the City's defined benefit pension plan for general employees and to pay costs of issuance incurred with respect to the Bonds. HBPW's portion of the bond is \$1.6M as of June 30, 2025. All of the outstanding debt will be paid by December 1, 2025.

Additional information on HBPW's long-term debt can be found in note 4.

GENERAL ECONOMIC CONDITION

According to a report *Rising current: America's growing electricity demand* (June 9, 2025) by ICF, a consulting company, the electricity demand is expected to have an annual growth rate of 3.2% through 2030. Growth is being driven by building and vehicle electrification, manufacturing, data centers, and cryptocurrency mining. Growth is not equal throughout the U.S. In Michigan's lower peninsula, the growth rate is expected to be 0.5%-1.0%. HBPW monitors the usage pattern of larger customers as part of its key accounts program.

HBPW continues to see growth in its service area through new residential construction, new businesses entering the area, and expansion of current companies. The increase in customer count is as follows: 431 in electric, 131 in water, and 116 in wastewater. A few examples of commercial operations and businesses that are new to the area or announced expansions include: The Next Center opened in November 2024 and is located in a new three-story, 20,000-square foot facility with space for up to 50 start-up businesses; Holland Community Ice Skating Park is a new ice rink at Window on the Waterfront Park just north of downtown due to open in November 2025; the Holland Township Community Center, a 75,000-square foot building, will celebrate a grand opening September 2025; and Hudsonville, an ice cream maker, announced a \$40 million expansion that is expected to add 44 new jobs. LG Energy Solution (LGES) completed its expansion in June 2025. Their energy demand increased from 16MW at the beginning of the fiscal year to 31MW as of June. LGES manufactures batteries for automotive use and will now diversify into production of batteries for energy storage. This will provide two revenue sources and help insulate the company from fluctuations in the electric vehicle market.

Compared to FY2025 actual, HBPW is forecasting modest growing demand for electricity in its service area. Electric revenue is forecasted to grow 1.0% for FY2026 from FY2025 actual; however, this represents a 3.7% decrease from the FY2025 budget. Future growth is forecasted at 6.6% for FY2027; 6.5% for FY2028; and 1.0% for FY2029-FY2030. The primary driver is LGES's expansion. LGES did not meet their usage targets that were used for the FY2025 budget. Forecasted growth anticipates LGES's revised usage targets as the company ramps up production, as well as new demand from the companies mentioned above. The forecast also considers reductions by some large customers that are trying to reduce their electric bills by improving their power factor and shaving demand peaks. The Wastewater Utility is expected to see a 0.7% increase in operating revenues over the FY2025 budget, mostly due to small volumetric increases in industrial and residential sales, offset by decreases in wholesale and surcharge revenues. Water utility revenues are expected to increase 9.7% over the FY2025 budget mainly due to a 13% rate increase needed to provide adequate funds for capital projects and debt service coverage. There is no growth in volume forecasted for the Water Utility for the forecasted periods of FY2026-FY2030. Annual Average Day Flow (ADF) has remained flat over the past 3 years. ADF over the past 20 years has grown only 13%, or 0.6% average annual growth. Additionally, efforts to reach out to more water customers to reduce irrigation water usage, mentioned below in the Conservation section, will likely result in flat water usage as irrigation reductions offset usage from added customers. An example of added usage comes from one customer that is anticipated to replace their ground well water source for irrigation with HBPW water. Additional annual revenue from this customer is expected to be \$10k.

Community Outlook

Lakeshore Advantage is a non-profit economic development organization that connects businesses to the resources they need to grow in Ottawa and Allegan counties of Michigan. Each year Lakeshore Advantage interviews approximately 120 local executives to assess regional growth opportunities and challenges. The data is used to publish the Industry Trends Report. The 2024 report shows some positive trends and continued challenges for the region. Manufacturing continues to be an important part of the regional economy. Manufacturing accounted for 40% of West Michigan's economy, which was up from 23% last year. Eighty-nine percent of businesses reported stable or increased sales and 77% reported plans to introduce new products or capabilities in the next two years. Barriers to growth include a labor shortage, housing scarcity, limited land for industrial purposes, and rising costs due to inflationary pressures and high construction costs. Fifty-four percent of respondents reported recruitment problems which is down from 65% in 2023. The most difficult to fill positions are skilled trade positions and engineers. To help develop skills internally, 61% of businesses, including HBPW, offer internships. To improve the housing issue, Allegan and Ottawa counties both have organizations working to get state and federal funding to get more housing built in the area. Michigan Economic Development Corporation came forward with about \$50 million in industrial sites for possible development. This consists of 12 sites of about 800 acres identified. Twenty four percent of respondents reported supply chain disruptions which is down significantly from 76% in 2023.

HBPW is concerned about talent retention and attraction. During FY2025 a tactical action team studied and developed new employee onboarding processes that include responsibilities for all departments prior

to new employee arrival as well as required information and training requirements for new employees prior to release to their specific department. These processes will be used to improve timeliness and thoroughness of onboarding for each new hire.

Also, during the year, WRF staff participated in Holland Middle School career day. Staff shared the great work that is done at the WRF and the careers available in the utility industry with the middle schoolers. WRF staff also promoted the industry with separate tours of the facility to Grand Valley Environmental Science college students and to Hope College Intro to Environmental Science students.

Conservation Programming at HBPW

Michigan Public Act 295 of 2008 (amended in 2016 by PA 341 and 342), known as the Clean, Renewable, and Efficient Energy Act, required utilities to file annual reports on their Energy Waste Reduction (EWR) programs for their customers until the end of the CY2021 program year. HBPW believes in the merits of the program and maintained active participation after the mandate expired.

Results, reported in the 2024 Annual Summary Report, filed with the MPSC, include:

- Total EWR savings were over 13 million kilowatt hours.
- 1,150 HBPW residential customers received rebates totaling over \$200,000 for purchasing 1,119 ENERGY STAR and other high-efficiency electric products and for recycling 532 freon-containing appliances.
- 261 HBPW customers received beneficial electrification rebates.
- 181 households participated in the free Home Energy 101 program. Residents received air-sealing and other efficiency measures to help save money on utility bills.
- Free light-emitting diode (LED) lightbulb program discontinued in 2023 due to new federal lighting standards.
- 140 commercial and industrial customers received incentives totaling \$1,169,577 for upgrading lighting to LED and installing high-efficiency equipment (examples include compressed air, HVAC, refrigeration, pumps). The energy savings were 11.7 million kilowatt hours.

Starting with the CY2026 program year, HBPW's EWR program will fall under state rules once again (PA 229 of 2023); and HBPW will have a mandated EWR savings target of 1.5% of retail sales.

A portion of all energy provided to HBPW's customers is supplied by renewables. Historically this was mandated by a Renewable Portfolio Standard (RPS) that, like EWR, was included in Michigan Public Act 295 of 2008 (amended in 2016 by PA 341 and 342). Since the expiration of that act at the end of 2021, the percentage has been set locally in alignment with decarbonization goals of Holland's Community Energy Plan. The percentage set for HBPW's renewable energy supply is currently 15%. HBPW acquired 48,787 megawatt hours (MWh) of electricity generated from landfill gas, 52,920 MWh from wind, and 23,653 MWh from solar for a total of 125,360 MWh of renewable energy during the 2024 calendar year.

Starting in CY2025 program year, HBPW will again be required to comply with a State of Michigan RPS (PA 235 of 2023). In 2025, HBPW will have a mandated renewable energy goal of 15% of retail sales.

HBPW customers can also elect to have a larger portion of their electricity come from renewable energy resources through participation in HBPW's elective renewable energy program. Customer participation increased 13% for CY2024, going to 1.77% of total retail sales which is up from 1.56% in CY2023.

HBPW's Community Energy Services Team is also working on water conservation programs with the goal of reducing peak day demands and thereby delaying the need for water treatment plant capacity expansion. Peak demands represent a small portion of operating days, but they drive future water supply and transmission expansion needs. An important benefit to peak shaving or demand management is that it improves utilization of existing utility assets (Treatment Plant and Transmission) which makes room for base customer count growth and staves off costly expansions. Additionally, managing demand maintains or enhances water affordability for low-income customers. The team implemented many of the recommendations from the FY2024 water conservation tactical action (TA) team:

- Implemented new tiered water rates for residential customers in July 2024
- Implemented tiered rates for commercial and industrial irrigation starting July 2025
- Hired a new full-time position on the Efficiency team
- Added water conservation and demand management content to both the residential and commercial educational walkthrough programs
- Updated the HBPW website and created new customer-facing educational materials to raise awareness of water demand management needs

One of the final pieces recommended by last year's TA team was to implement new rebate programs for residential and commercial customers to further encourage peak day water use reduction. The conservation team will be working to identify and evaluate water conservation initiatives for potential inclusion into a FY2026 program on the merits of cost effectiveness and estimated ability to achieve peak day demand reductions. Budget has been set aside in the recently approved FY2026 budget to cover rebates. One initiative started in March 2025 and will need to be evaluated in FY2026. The conservation group began contacting the top 50 irrigation customers, by consumption, to educate them on water consumption, help them optimize irrigation while maintaining an attractive lawn, and help them lower water bills. Starting in summer months of 2025, a few of these customers, who were contacted, took some simple steps to reduce sprinkling. These changes include reducing number of minutes of irrigation for each zone, irrigating fewer days per week, and cutting frequency from twice per day to once per day.

NEXT YEAR'S BUDGET AND RATES

As required by Holland's City Charter and in accordance with best business practices, HBPW developed and submitted an annual operating and capital budget for FY2026 for approval and inclusion in the General City Budget. During the process of developing the budget, the operating and capital needs of the utilities were evaluated, and a financial plan established to meet those specific needs.

The Electric Utility fuel and purchased power costs are expected to decrease by about 2.7% from the FY2025 budget. The decrease is primarily due to adjustments in LGES related volumetric sales discussed above in the General Economic Condition section. All other expenses are expected to decrease by about 4.5%, primarily in the non-fuel production and maintenance and external debt and O&M areas. Capital projects for FY2026 total \$16.2M which are all internally funded. No FY2026 base rate increase was proposed.

The Broadband utility's Holland City Fiber project continues. FY2026 revenues are expected to increase by 12.4% over the FY2025 budget, primarily, due to new HCF customers. Operating costs are budgeted to increase about 3.8%. Capital expenditures for FY2026 are budgeted at \$12.6M, with all but \$0.8M slated for the expanded services.

The Wastewater Utility will expend 49.7% of its operating budget on chemicals, treatment, and collections expenses, just slightly under the 50.7% in the FY2025 budget. Capital projects will total about \$11.7M in FY2026. A rate increase of 3.0% was approved for FY2026.

The Water Utility operating expenses are budgeted to increase by 4.6% over the FY2025 budget. The Water Utility will expend about 48.1% of its operating budget on chemicals, production, and distribution expenses. The capital plan totals \$13.2M. The Board and City Council approved a rate increase of 13.0% for the Water Utility for FY2026, primarily to provide adequate funds for capital projects and debt service coverage.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Holland Board of Public Works for all those with an interest in HBPW's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Mrs. Jenessa Carter, Holland Board of Public Works, 625 Hastings Avenue, Holland, Michigan 49423 or jcarter@hollandbpw.com.

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BASIC FINANCIAL STATEMENTS

HOLLAND BOARD OF PUBLIC WORKS
(Enterprise Funds of the City of Holland, Michigan)

Statement of Net Position

June 30, 2025

(with comparative totals for the year ended June 30, 2024)

	Electric Utility	Wastewater Utility	Water Utility	Business-Type Activities	
				2025	2024
Assets					
Current assets:					
Cash and cash equivalents	\$ 30,075,860	\$ 1,470,765	\$ 8,331,097	\$ 39,877,722	\$ 22,022,578
Investments	34,041,873	13,538,177	12,359,035	59,939,085	35,800,162
Receivables:					
Accounts receivable, net	7,921,154	12,886,482	3,884,072	24,691,708	10,523,843
Unbilled revenue	9,920,858	770,119	1,321,322	12,012,299	10,514,352
Special assessments and other	-	13,221	-	13,221	28,768
Accrued interest	487,248	34,903	45,769	567,920	554,753
Due from other funds of the					
City of Holland	3,297,905	18,194	329,923	3,646,022	2,548,702
Inventories	10,386,560	40,483	673,872	11,100,915	10,844,087
Prepaid items and other assets	2,336,021	111,973	88,898	2,536,892	2,828,592
Total current assets	98,467,479	28,884,317	27,033,988	154,385,784	95,665,837
Noncurrent assets:					
Restricted assets:					
Cash and cash equivalents	-	8,658,245	-	8,658,245	6,406,304
Investments	3,246,602	-	-	3,246,602	5,131,894
Other assets	809,473	-	-	809,473	809,473
Total restricted assets	4,056,075	8,658,245	-	12,714,320	12,347,671
Capital assets:					
Land	21,098,280	260,673	2,178,242	23,537,195	23,466,187
Construction in progress	13,130,661	2,502,285	4,178,126	19,811,072	19,635,569
Plant and equipment	533,680,844	154,226,494	122,705,958	810,613,296	781,871,135
Accumulated depreciation	(262,498,630)	(66,947,574)	(44,433,521)	(373,879,725)	(352,952,450)
Total capital assets, net	305,411,155	90,041,878	84,628,805	480,081,838	472,020,441
Other noncurrent assets:					
Long-term investments	22,677,703	1,624,478	2,130,226	26,432,407	38,318,010
Regulatory cost for future recovery, net	9,414,596	-	-	9,414,596	1,165,443
Due from other local units	-	10,982,924	-	10,982,924	13,342,196
Due from City of Wyoming	-	-	1,104,510	1,104,510	1,261,137
Net other postemployment benefit asset	63,732	15,980	13,464	93,176	2,636
Total other noncurrent assets	32,156,031	12,623,382	3,248,200	48,027,613	54,089,422
Total noncurrent assets	341,623,261	111,323,505	87,877,005	540,823,771	538,457,534
Total assets	440,090,740	140,207,822	114,910,993	695,209,555	634,123,371
Deferred outflows of resources					
Deferred pension amounts	1,973,445	568,112	448,509	2,990,066	3,499,567

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HOLLAND BOARD OF PUBLIC WORKS
(Enterprise Funds of the City of Holland, Michigan)

Statement of Net Position

June 30, 2025

(with comparative totals for the year ended June 30, 2024)

	Electric Utility	Wastewater Utility	Water Utility	Business-type Activities	
				2025	2024
Liabilities					
Current liabilities:					
Accounts payable	\$ 9,976,566	\$ 2,078,161	\$ 2,634,998	\$ 14,689,725	\$ 11,034,758
Accrued salaries and wages payable	741,512	200,353	148,563	1,090,428	979,210
Due to other funds of the City of Holland	628,420	4,800	37,308	670,528	2,066,095
Deposits	1,091,696	-	24,877	1,116,573	1,200,349
Accrued interest payable	2,989	124,915	325,774	453,678	311,091
Current portion of long-term debt	1,988,867	2,066,316	1,683,449	5,738,632	4,840,501
Current liabilities payable from restricted assets:					
Current portion of long-term debt	-	-	-	-	1,250,000
Accrued interest payable	-	-	-	-	6,125
Total current liabilities	14,430,050	4,474,545	4,854,969	23,759,564	21,688,129
Noncurrent liabilities:					
Long-term debt, net of current portion	580,250	25,991,749	29,397,210	55,969,209	48,268,452
Net pension liability	7,225,784	2,080,148	1,642,224	10,948,156	11,485,043
Total noncurrent liabilities	7,806,034	28,071,897	31,039,434	66,917,365	59,753,495
Total liabilities	22,236,084	32,546,442	35,894,403	90,676,929	81,441,624
Deferred inflows of resources					
Regulatory credits, net	15,768,168	37,932,981	741,093	54,442,242	32,387,410
Deferred other postemployment benefit amounts	266,973	66,939	56,400	390,312	433,927
Total deferred inflows of resources	16,035,141	37,999,920	797,493	54,832,554	32,821,337
Net position					
Net investment in capital assets	304,465,590	60,853,279	62,875,415	428,194,284	420,960,188
Restricted for:					
Other postemployment benefits	63,732	15,980	13,464	93,176	2,636
Debt service	-	240,000	-	240,000	739,500
Equipment replacement	-	8,418,245	-	8,418,245	5,666,804
Cooperative payments	4,056,075	-	-	4,056,075	5,941,367
Unrestricted	95,207,563	702,068	15,778,727	111,688,358	90,049,482
Total net position	\$ 403,792,960	\$ 70,229,572	\$ 78,667,606	\$ 552,690,138	\$ 523,359,977

concluded

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

HOLLAND BOARD OF PUBLIC WORKS
(Enterprise Funds of the City of Holland, Michigan)

Statement of Revenues, Expenses, and Changes in Fund Net Position

For the Year Ended June 30, 2025

(with comparative totals for the year ended June 30, 2024)

	Electric Utility	Wastewater Utility	Water Utility	Business-type Activities	
				2025	2024
Operating revenues					
Residential sales	\$ 22,703,783	\$ 4,254,791	\$ 6,492,452	\$ 33,451,026	\$ 31,446,844
Commercial sales	34,103,782	4,283,385	4,668,859	43,056,026	42,562,033
Industrial sales	51,571,308	3,260,792	1,305,892	56,137,992	51,903,763
Wholesale	3,261,838	2,113,066	2,408,797	7,783,701	7,462,370
Fees and other	1,878,241	194,924	380,141	2,453,306	1,612,371
Total operating revenues	<u>113,518,952</u>	<u>14,106,958</u>	<u>15,256,141</u>	<u>142,882,051</u>	<u>134,987,381</u>
Operating expenses					
Salaries and wages	5,875,497	1,884,277	1,426,966	9,186,740	8,491,279
Employee benefits	3,872,307	1,009,420	830,737	5,712,464	5,706,891
Production	41,169,131	2,813,220	1,055,735	45,038,086	41,729,692
Distribution	9,794,610	921,946	1,469,585	12,186,141	11,114,790
Administrative and general	12,597,278	2,998,253	2,648,390	18,243,921	16,524,952
Depreciation and amortization	14,418,058	3,827,360	3,006,862	21,252,280	19,866,205
Total operating expenses	<u>87,726,881</u>	<u>13,454,476</u>	<u>10,438,275</u>	<u>111,619,632</u>	<u>103,433,809</u>
Operating income	<u>25,792,071</u>	<u>652,482</u>	<u>4,817,866</u>	<u>31,262,419</u>	<u>31,553,572</u>
Nonoperating income (expense), net					
Investment income	3,590,485	709,708	433,956	4,734,149	4,358,764
Interest expense	(54,450)	(416,343)	(861,179)	(1,331,972)	(1,085,051)
Other income (expense)	135,243	-	(51,276)	83,967	111,428
Gain (loss) on sale and disposal of capital assets	122,545	24,968	36,584	184,097	(3,345,944)
Total nonoperating income (expense), net	<u>3,793,823</u>	<u>318,333</u>	<u>(441,915)</u>	<u>3,670,241</u>	<u>39,197</u>
Net income before contributions, transfers and special item	<u>29,585,894</u>	<u>970,815</u>	<u>4,375,951</u>	<u>34,932,660</u>	<u>31,592,769</u>
Capital contributions					
Trunkage and assessments	-	542,492	274,576	817,068	1,478,957
Contributions from other local units	362,049	5,323,782	-	5,685,831	2,246,077
Regulatory credits	(11,828,119)	(11,630,795)	-	(23,458,914)	(5,024,762)
Federal and state capital grants	11,846,372	5,763,627	-	17,609,999	3,908,486
Total capital contributions	<u>380,302</u>	<u>(894)</u>	<u>274,576</u>	<u>653,984</u>	<u>2,608,758</u>
Transfers out to other funds of the City of Holland	<u>(9,163,402)</u>	<u>-</u>	<u>-</u>	<u>(9,163,402)</u>	<u>(9,641,232)</u>
Change in net position before special item	<u>20,802,794</u>	<u>969,921</u>	<u>4,650,527</u>	<u>26,423,242</u>	<u>24,560,295</u>
Special item (note 13)	<u>-</u>	<u>-</u>	<u>2,906,919</u>	<u>2,906,919</u>	<u>-</u>
Change in net position	<u>20,802,794</u>	<u>969,921</u>	<u>7,557,446</u>	<u>29,330,161</u>	<u>24,560,295</u>
Net position, beginning of year	<u>382,990,166</u>	<u>69,259,651</u>	<u>71,110,160</u>	<u>523,359,977</u>	<u>498,799,682</u>
Net position, end of year	<u>\$ 403,792,960</u>	<u>\$ 70,229,572</u>	<u>\$ 78,667,606</u>	<u>\$ 552,690,138</u>	<u>\$ 523,359,977</u>

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

HOLLAND BOARD OF PUBLIC WORKS
(Enterprise Funds of the City of Holland, Michigan)

Statement of Cash Flows

For the Year Ended June 30, 2025
(with comparative totals for the year ended June 30, 2024)

	Electric Utility	Wastewater Utility	Water Utility	Business-Type Activities	
				2025	2024
Cash flows from operating activities					
Receipts from customers and users	\$ 110,318,037	\$ 13,953,112	\$ 16,336,659	\$ 140,607,808	\$ 130,360,822
Payments to suppliers	(62,247,817)	(8,368,037)	(5,347,395)	(75,963,249)	(72,192,513)
Payments to/for employees	(9,996,019)	(2,757,340)	(2,151,089)	(14,904,448)	(13,348,424)
Net cash provided by (used in) operating activities	<u>38,074,201</u>	<u>2,827,735</u>	<u>8,838,175</u>	<u>49,740,111</u>	<u>44,819,885</u>
Cash flows from noncapital financing activities					
Transfers to other funds of the City of Holland	(9,163,402)	-	-	(9,163,402)	(9,641,232)
Principal paid on pension bonds	(1,017,354)	(292,875)	(231,216)	(1,541,445)	(1,490,723)
Interest paid on pension bonds	(57,223)	(15,134)	(11,948)	(84,305)	(192,442)
Net cash used in noncapital financing activities	<u>(10,237,979)</u>	<u>(308,009)</u>	<u>(243,164)</u>	<u>(10,789,152)</u>	<u>(11,324,397)</u>
Cash flows from capital and related financing activities					
Principal paid on capital related debt	-	(1,477,500)	(1,560,000)	(3,037,500)	(15,757,500)
Interest paid on capital related debt	-	(407,032)	(849,859)	(1,256,891)	(1,111,583)
Proceeds from Clean Water State Revolving Fund Bonds	-	-	-	-	1,452,436
Issuance of capital related debt	-	-	11,430,000	11,430,000	-
Premium on issuance of capital related debt	-	-	622,563	622,563	-
Capital contributions received	12,208,420	2,471,004	274,576	14,954,000	6,693,444
Proceeds from sale of capital assets	176,817	25,671	40,568	243,056	137,654
Regulatory cost for future recovery	(8,249,153)	-	-	(8,249,153)	(796,458)
Costs incurred on disposal of capital assets	-	-	-	-	(2,229,823)
Purchase/construction of property, plant and equipment	(18,113,147)	(1,925,124)	(7,864,632)	(27,902,903)	(35,633,537)
Net cash provided by (used in) capital and related financing activities	<u>(13,977,063)</u>	<u>(1,312,981)</u>	<u>2,093,216</u>	<u>(13,196,828)</u>	<u>(47,245,367)</u>
Cash flows from investing activities					
Interest received	2,272,735	624,732	322,525	3,219,992	2,805,371
Purchase of investment securities	(58,659,725)	(15,078,488)	(14,378,891)	(88,117,104)	(77,946,732)
Proceeds from sale or maturities of investment securities	59,696,981	14,458,624	5,094,461	79,250,066	75,852,841
Net cash provided by (used in) investing activities	<u>3,309,991</u>	<u>4,868</u>	<u>(8,961,905)</u>	<u>(5,647,046)</u>	<u>711,480</u>
Net increase (decrease) in cash and cash equivalents	<u>17,169,150</u>	<u>1,211,613</u>	<u>1,726,322</u>	<u>20,107,085</u>	<u>(13,038,399)</u>
Cash and cash equivalents, beginning of year	12,906,710	8,917,397	6,604,775	28,428,882	41,467,281
Cash and cash equivalents, end of year	<u>\$ 30,075,860</u>	<u>\$ 10,129,010</u>	<u>\$ 8,331,097</u>	<u>\$ 48,535,967</u>	<u>\$ 28,428,882</u>

continued...

HOLLAND BOARD OF PUBLIC WORKS
(Enterprise Funds of the City of Holland, Michigan)

Statement of Cash Flows

For the Year Ended June 30, 2025
(with comparative totals for the year ended June 30, 2024)

	Electric Utility	Wastewater Utility	Water Utility	Business-Type Activities	
				2025	2024
Classified on the statement of net position as					
Cash and cash equivalents	\$ 30,075,860	\$ 1,470,765	\$ 8,331,097	\$ 39,877,722	\$ 22,022,578
Restricted cash and cash equivalents	-	8,658,245	-	8,658,245	6,406,304
Total cash and cash equivalents	\$ 30,075,860	\$ 10,129,010	\$ 8,331,097	\$ 48,535,967	\$ 28,428,882
Reconciliation of operating income to net cash provided by (used in) operating activities					
Operating income	\$ 25,792,071	\$ 652,482	\$ 4,817,866	\$ 31,262,419	\$ 31,553,572
Adjustments to reconcile operating income net cash provided by (used in) operating activities:					
Depreciation and amortization	14,418,058	3,827,360	3,006,862	21,252,280	19,777,845
Amortization of regulatory asset	-	-	-	-	88,360
Nonoperating income (expense) reported in operating activity for cash flow purposes	135,243	-	(51,276)	83,967	111,428
Changes in operating assets and liabilities which provided (used) cash:					
Receivables	(2,026,158)	(139,282)	926,852	(1,238,588)	(3,447,735)
Due from other funds of the City of Holland	(1,079,648)	(14,564)	(3,108)	(1,097,320)	(1,385,885)
Inventories	(360,662)	(26,680)	130,514	(256,828)	236,517
Prepaid items and other assets	243,766	28,178	19,756	291,700	(525,813)
Due from the City of Wyoming	-	-	155,714	155,714	154,568
Accounts payable	1,234,526	(1,595,159)	1,155,197	794,564	(3,794,596)
Accrued salaries and wages payable	77,468	21,367	12,383	111,218	205,424
Due to other funds of the City of Holland	73,266	(40,957)	(1,427,876)	(1,395,567)	1,172,595
Deposits	(84,836)	-	1,060	(83,776)	52,493
Landfill postclosure liability	(23,210)	-	-	(23,210)	(23,210)
Compensated absences	(212,438)	141,173	116,344	45,079	(195,614)
Net pension liability	(354,345)	(102,009)	(80,533)	(536,887)	(1,122,502)
Deferred outflows of resources related to the net pension liability	336,270	96,806	76,425	509,501	2,134,021
Net other postemployment benefit asset	(61,909)	(15,540)	(13,091)	(90,540)	(74,646)
Deferred inflows of resources related to the net other postemployment benefit asset	(33,261)	(5,440)	(4,914)	(43,615)	(96,937)
Net cash provided by (used in) operating activities	\$ 38,074,201	\$ 2,827,735	\$ 8,838,175	\$ 49,740,111	\$ 44,819,885

concluded

Non-cash transactions

The Board had purchases/construction of capital assets through accounts payable for the fiscal year ended June 30, 2025 of \$945,565 for the electric fund, \$1,686,850 for the wastewater fund, and \$227,988 for the water fund.

The Board had \$2,906,919 of Water fund accounts receivable related to the special item.

The Board had \$11,504,758 of Wastewater fund accounts receivable related to the tax credits.

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

NOTES TO FINANCIAL STATEMENTS

HOLLAND BOARD OF PUBLIC WORKS

(Enterprise Funds of the City of Holland, Michigan)

Notes to Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Holland Board of Public Works (the "Board") is comprised of three enterprise funds of the City of Holland (the "City"). The Board operates under direction of the City Charter and City Council resolution subject to direction by a Council-appointed Board of Directors, and provides electric, broadband, water and wastewater services to users in the City of Holland and portions of the surrounding area.

Basis of Presentation

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 Board's enterprise funds are charges to customers for sales and services. The Board also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise 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.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of revenues, expenses and changes in fund net position) report information on all of the Holland Board of Public Works. For the most part, the effect of interfund activity has been removed from these statements.

Separate columns are provided for the individual major proprietary funds that make up the total business-type activities for the government-wide financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The economic resources measurement focus and the accrual basis of accounting are used in preparing the financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The Board follows the accounting and reporting requirements of GASB 62, paragraphs 476-500, which require that the effects of the ratemaking process be recorded in the financial statements. Such effects primarily concern the time at which various items enter into the determination of the change in net position in order to follow the principle of matching costs and revenues. Accordingly, the Board records various regulatory assets and liabilities to reflect the regulator's actions (see Note 10). Management believes that the Board meets the criteria for application of GASB 62 paragraphs 476-500, but will continue to evaluate its applicability based on changes in the regulatory and competitive environment.

HOLLAND BOARD OF PUBLIC WORKS

(Enterprise Funds of the City of Holland, Michigan)

Notes to Financial Statements

When both restricted and unrestricted resources are available for use, it is the Board's policy to use restricted resources first, then unrestricted resources as they are needed.

The Board reports the following major enterprise funds:

The *Electric Utility Fund* is used to account for the electric utility which includes fees and costs associated with the generation, purchase, transmission, distribution and sale of electricity.

The *Wastewater Utility Fund* is used to account for the wastewater utility which includes fees and costs associated with the collection, transportation and treatment of wastewater.

The *Water Utility Fund* is used to account for the water utility which includes fees and costs associated with the treatment and distribution of water.

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

Cash and Cash Equivalents

For the purpose of the statement of cash flows, the Board considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Investments

Investments consist primarily of U.S. government securities, commercial paper, money market securities, treasury bills, and MPPA investments, all of which are carried at fair value or amortized cost, as described in Note 2.

Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. At June 30, 2025, the allowance for uncollectible amounts in the electric, wastewater and water utility funds was \$89,302, \$4,526, and \$6,163, respectively.

Due To/From Other Funds

During the course of its operations, the Board has numerous transactions between funds to finance operations and to provide services.

Inventories

Inventory of system components is stated at cost utilizing the first-in first-out (FIFO) method.

HOLLAND BOARD OF PUBLIC WORKS
(Enterprise Funds of the City of Holland, Michigan)

Notes to Financial Statements

Prepaid Items

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

Restricted Assets

Certain proceeds of the Board's enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net position because they are maintained in separate accounts and their use is limited by applicable bond covenants. The bond and interest redemption fund account is used to segregate resources accumulated for debt service payments over the next twelve months. The bond and interest reserve account is used to report resources set aside to make up potential future deficiencies in the revenue bond current debt service account. The equipment replacement account is used to report resources set aside to meet unexpected contingencies or to fund asset renewals and replacements.

Capital Assets

Capital assets, which include property, plant and equipment, are reported in the financial statements. Capital assets are defined by the Board as assets with an initial, individual cost of more than \$10,000 and an estimated useful life in excess of three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition cost at the date of donation. Depreciation is computed by the straight-line method based on the economic useful lives of the related assets.

Estimated useful lives of the related assets by asset category are as follows:

	Years
Production plant	5-50
Distribution/collection system	20-50
Transmission	20-50
General plant	5-50

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Capital assets of the Water and Wastewater Utility Funds include assets purchased with funds provided by participating townships. Depreciation on these assets were \$191,913 and \$1,658,169, respectively.

HOLLAND BOARD OF PUBLIC WORKS

(Enterprise Funds of the City of Holland, Michigan)

Notes to Financial Statements

Due From Other Local Units

To mitigate the rising costs and increasing logistical challenges of sewage sludge disposal at its water reclamation facility ("WRF"), the Board, as the operator of the facility, proposed to install an anaerobic digester at its WRF. The digester is anticipated to reduce the volume of biosolids by approximately 50% and allow for future beneficial reuse of the biosolids. The total project estimate is \$33.7 million. This plan was approved by both the City of Holland, and the Administrative Committee comprised of all township participants in the facility. During fiscal year 2021, the Board was approved for a \$30.0 million low interest loan through the Clean Water State Revolving Fund ("SRF") and is expected to receive \$6.0 million in principal forgiveness through the Green Project Reserve ("GPR"), offered through SRF. Capital costs, net of principal forgiveness, for the digester are to be shared equally by the Northern and Southern service areas, in accordance with the Holland Area Wastewater Treatment Facilities 2017 Restated Contract. Construction began October 1, 2020. The anaerobic digester was completed during fiscal year 2024.

The Northern service area is represented by Holland Charter Township ("HCT"). Total project costs (net of a proportionate share of the principal forgiveness described above) incurred as of fiscal year 2025 were \$26.6 million, resulting in an accrued amount due from HCT of \$11.0 million, which includes accrued interest.

Due From City of Wyoming

The Board entered into a cost sharing agreement with the City of Wyoming to finance and construct the Wyoming Interconnect Water Project to be financed by a State Drinking Water Revolving fund bond issue. Upon completion, an estimated 15% of the related debt is scheduled to be forgiven by the grantor agency. Completion of the construction project and repayment of the associated bonds will be the responsibility of the Board. Under the cost sharing agreement, 47.54% of the assets constructed have been transferred to the City of Wyoming, along with an equal proportion of the related debt payments to be paid to the Board by the City of Wyoming, based on the installment payments on the related debt. The balance of this receivable at June 30, 2025 is equal to 47.54% of the assets completed and capitalized at that date, less a ratable share of the estimated debt forgiveness and principal payments made by the City of Wyoming.

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 assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The Board reports deferred outflows of resources related to the net pension liability. A portion of these costs represent contributions to the plan subsequent to the pension plan measurement date.

HOLLAND BOARD OF PUBLIC WORKS (Enterprise Funds of the City of Holland, Michigan)

Notes to Financial Statements

Compensated Absences

The Board recognizes a liability for compensated absences for leave time that (1) has been earned for services previously rendered by employees, (2) accumulates and is allowed to be carried over to subsequent years, and (3) is more likely than not to be used as time off or settled during or upon separation from employment. Based on the criteria listed, the Board has one type of leave that qualifies for liability recognition for compensated absences - paid time off. The liability for compensated absences includes salary-related benefits, where applicable.

Bond Discounts/Premiums and Deferred Refunding Costs

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

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 assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Board reports deferred inflows of resources related to the net other postemployment benefit asset.

Additionally, as authorized by City of Holland resolution, the Board has adopted the provisions for regulatory accounting as promulgated by GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989, FASB and other AICPA Pronouncements*. This Statement provides for the deferral of expense and revenue recognition through the use of regulatory assets and liabilities in order to follow the principle of matching costs and revenues as part of the ratemaking process. See Note 10, Regulatory Accounting for details.

Pensions and Other Postemployment Benefits

For purposes of measuring the net pension liability and the net other postemployment benefit asset, 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.

HOLLAND BOARD OF PUBLIC WORKS
(Enterprise Funds of the City of Holland, Michigan)

Notes to Financial Statements

Transfers

Transfers from the electric fund represent contributions to other City of Holland's funds, based on Board and City agreements.

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.

2. DEPOSITS AND INVESTMENTS

The Board's deposits and investments are included on the statement of net position under the following classifications:

Statement of net position

Cash and cash equivalents	\$ 39,877,722
Investments	59,939,085
Restricted assets:	
Cash and cash equivalents	8,658,245
Investments	3,246,602
Long-term investments	<u>26,432,407</u>
Total	<u><u>\$ 138,154,061</u></u>

Deposits and investments consist of the following at June 30, 2025:

Deposits and investments

Checking and savings accounts	\$ 40,585,457
Investments	97,565,215
Cash on hand	<u>3,389</u>
Total	<u><u>\$ 138,154,061</u></u>

Statutory Authority

State statutes authorize the Board 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.

HOLLAND BOARD OF PUBLIC WORKS
(Enterprise Funds of the City of Holland, Michigan)

Notes to Financial Statements

- 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.

Investment and Deposit Risk

Interest Rate Risk. State law limits the allowable investments and the maturities of some of the allowable investments as identified above. The Board'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.

	No maturity	Due < 1 year	Due in 1-5 years	Totals
U.S. government securities	\$ -	\$ 15,739,087	\$ 9,435,636	\$ 25,174,723
Commercial paper	-	2,457,873	-	2,457,873
Money market securities	28,426,821	-	-	28,426,821
Treasury bills	-	6,592,943	31,666,253	38,259,196
Michigan Public Power Agency (MPPA) investments	3,246,602	-	-	3,246,602
	<u>\$ 31,673,423</u>	<u>\$ 24,789,903</u>	<u>\$ 41,101,889</u>	<u>\$ 97,565,215</u>

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the Board's deposits may not be returned. State law does not require and the Board's investment policy does not have specific limits in excess of state law on custodial credit risk. As of year end, \$40,072,744 of the Board's bank balance of \$40,572,744 was exposed to custodial credit risk because it was uninsured and uncollateralized.

HOLLAND BOARD OF PUBLIC WORKS
(Enterprise Funds of the City of Holland, Michigan)

Notes to Financial Statements

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

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 Board's investment policy does not have specific limits in excess of state law on investment credit risk. The ratings for each investment are identified below for investments held at year end.

Credit risk ratings per S&P, where applicable, are summarized as follows:

S&P AAAm	\$ 28,426,821
S&P AA+	63,433,919
A-1	2,457,873
Not rated	<u>3,246,602</u>
	<u>\$ 97,565,215</u>

Concentration of Credit Risk. State law limits allowable investments but does not limit concentration of credit risk as identified in the listing above. The Board'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. More than 5 percent of the Board's investments are in money markets, treasury bills and government agency securities as noted above.

Fair Value Measurement

The Board 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.

The Board has the following recurring fair value measurements as of June 30, 2025:

- U.S. government securities and treasury bills with a balance of \$63,433,919 (level 2 inputs).
- Commercial paper with a balance of \$2,457,873 (level 2 inputs).
- Money market securities with a balance of \$28,426,821 (level 1 inputs).
- Assets held with Michigan Public Power Agency, consisting entirely of municipal bonds, with a balance of \$3,246,602 (level 2 inputs).

HOLLAND BOARD OF PUBLIC WORKS
(Enterprise Funds of the City of Holland, Michigan)

Notes to Financial Statements

The Board has earmarked cash, investment and accrued interest balances for system expansion, future debt payments, maintenance and insurance risk retention as follows:

	Electric Utility	Wastewater Utility	Water Utility	Total
City trunkage	\$ -	\$ 2,936,307	\$ 1,304,055	\$ 4,240,362
System expansion and decommissioning	18,304,134	4,056,672	5,029,782	27,390,588
Future debt payments	1,068,801	1,389,467	2,253,684	4,711,952
Maintenance	6,291,884	1,435,753	1,191,237	8,918,874
Operating	8,411,337	504,258	221,332	9,136,927
Insurance/risk retention	5,679,098	1,569,895	1,290,623	8,539,616
Total	\$ 39,755,254	\$ 11,892,352	\$ 11,290,713	\$ 62,938,319

3. CAPITAL ASSETS

A summary of capital assets at June 30, 2025 is as follows:

	Beginning Balance	Additions	Deletions	Transfers	Ending Balance
Business-type activities					
Capital assets, not being depreciated:					
Land	\$ 23,466,187	\$ -	\$ -	\$ 71,008	\$ 23,537,195
Construction in progress	19,635,569	30,763,306	-	(30,587,803)	19,811,072
	<u>43,101,756</u>	<u>30,763,306</u>	<u>-</u>	<u>(30,516,795)</u>	<u>43,348,267</u>
Capital assets, being depreciated:					
Production plant	429,578,686	-	(14,369)	2,300,797	431,865,114
Distribution/collection system	297,228,201	-	(1,129,256)	26,115,475	322,214,420
General plant	55,064,248	-	(631,009)	2,100,523	56,533,762
	<u>781,871,135</u>	<u>-</u>	<u>(1,774,634)</u>	<u>30,516,795</u>	<u>810,613,296</u>
Less accumulated depreciation for:					
Production plant	(175,252,038)	(12,401,389)	8,304	-	(187,645,123)
Distribution/collection system	(145,877,007)	(7,784,703)	1,083,769	-	(152,577,941)
General plant	(31,823,405)	(2,456,858)	623,602	-	(33,656,661)
	<u>(352,952,450)</u>	<u>(22,642,950)</u>	<u>1,715,675</u>	<u>-</u>	<u>(373,879,725)</u>
Total capital assets being depreciated, net	<u>428,918,685</u>	<u>(22,642,950)</u>	<u>(58,959)</u>	<u>30,516,795</u>	<u>436,733,571</u>
Business-type activities capital assets, net	\$ 472,020,441	\$ 8,120,356	\$ (58,959)	\$ -	\$ 480,081,838

HOLLAND BOARD OF PUBLIC WORKS
(Enterprise Funds of the City of Holland, Michigan)

Notes to Financial Statements

Depreciation and amortization expense as noted on the Statement of Revenues, Expenses, and Changes in Fund Net Position includes \$1,390,670 of current year amortization expense related to regulatory credits, see Note 10 Regulatory Accounting, that off-sets the depreciation of \$22,642,950 as noted above.

4. LONG-TERM DEBT

Long-term debt outstanding is as follows:

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Direct placement revenue bonds	\$ 1,250,000	\$ -	\$ (1,250,000)	\$ -	\$ -
Revenue bonds	40,910,359	11,430,000	(1,315,000)	51,025,359	2,075,000
Pension bonds	3,133,615	-	(1,541,445)	1,592,170	1,592,170
Installment sales agreement	6,117,500	-	(472,500)	5,645,000	485,000
Total installment debt	51,411,474	11,430,000	(4,578,945)	58,262,529	4,152,170
Unamortized net premium on revenue bonds	970,871	622,563	(146,599)	1,446,835	168,235
Compensated absences	1,373,148	45,079	-	1,418,227	1,418,227
Landfill postclosure	603,460	-	(23,210)	580,250	-
	<u>\$ 54,358,953</u>	<u>\$ 12,097,642</u>	<u>\$ (4,748,754)</u>	<u>\$ 61,707,841</u>	<u>\$ 5,738,632</u>

The change in compensated absences is presented net.

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.	\$ 2,403,610
\$30,000,000 2021 Wastewater Revenue Bonds, \$6,000,000 expected to be forgiven, \$27,999,141 drawn as of June 30, 2022, net of \$5,599,828 forgiveness, due in annual installments of \$990,000 to \$1,440,000 plus interest at 2.0%, payable semi-annually, through April 1, 2043.	21,856,749
\$15,335,000 2022 Water Revenue Bonds, due in annual installments of \$430,000 to \$1,385,000 plus interest ranging from 3.375% to 5.0%, payable semi-annually, through April 1, 2042.	15,335,000
	continued...

HOLLAND BOARD OF PUBLIC WORKS
(Enterprise Funds of the City of Holland, Michigan)

Notes to Financial Statements

Revenue bonds (concluded)

\$11,430,000 2025A Water Revenue Bonds, due in annual installments of \$300,000 to \$1,270,000 plus interest ranging from 4.0% to 5.0%, payable semi-annually, through April 1, 2044.

\$ 11,430,000

Total revenue bonds

51,025,359

Pension bonds

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

1,592,170

Installment sales agreement

\$9,500,000 2015 Installment sales agreement 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.

5,645,000

Total installment debt

\$ 58,262,529

concluded

The annual requirements to maturity on installment debt outstanding as of June 30, 2025 are as follows:

Year Ended June 30,	Bonds Payable			
	Installment Sales Agreement		Bonds Payable	
	Principal	Interest	Principal	Interest
2026	\$ 485,000	\$ 168,598	\$ 3,667,170	\$ 1,716,398
2027	500,000	156,957	2,195,000	1,572,922
2028	512,500	144,208	2,265,000	1,502,798
2029	532,500	130,626	2,335,000	1,430,022
2030	550,000	115,716	2,410,000	1,354,598
2031-2035	3,065,000	310,743	13,313,610	5,515,242
2036-2040	-	-	15,685,000	3,141,604
2041-2044	-	-	10,895,000	746,012
	<u>\$ 5,645,000</u>	<u>\$ 1,026,848</u>	52,765,780	<u>\$ 16,979,596</u>
Less amounts not yet drawn			<u>(148,251)</u>	
			<u>\$ 52,617,529</u>	

HOLLAND BOARD OF PUBLIC WORKS

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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.

Landfill Postclosure Care

State and federal laws and regulations require the Board 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. The Board has received a letter from the Department of Environment, Great Lakes and Energy (EGLE) acknowledging the landfill closed effective July 10, 2020. The remaining liability is for the estimated cost for postclosure care for the next 25 years.

The Board is required by state and federal laws and regulations to make annual contributions to a trust to finance closure and postclosure care. The Board is in compliance with these requirements. At June 30, 2025, the closure and postclosure costs have been assured by a \$100,000 letter of credit and \$18,913 held in trust.

5. PENSION PLANS

Defined Benefit Pension Plan

General Information About the Plan

Plan Description. The Board's defined benefit pension plan provides certain retirement, disability and death benefits to plan members and beneficiaries. The Board 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 2.25%. 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. The plan is closed to new entrants.

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Employees Covered by Benefit Terms. At the December 31, 2024 valuation date, plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits	153
Inactive employees entitled to but not yet receiving benefits	24
Active employees	<u>29</u>
Total membership	<u><u>206</u></u>

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

Employer and employee contribution amounts or rates, by division/bargaining unit, were as follows for the year ended June 30, 2025:

Division/Bargaining Unit	Employer Contribution	Employee Contribution	Status
11 - PubWks Local 586	\$66,551/month	3.0%	Closed
13 - PubWks-NonUnion	\$31,736/month	3.0%	Closed
14 - Clerical	\$6,790/month	3.0%	Closed

Net Pension Liability. The Board's net pension liability was measured as of December 31, 2024, 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, 2024 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	3.00% in the long-term
Investment rate of return	6.93%, net of investment and administrative expense including inflation

The base mortality tables used are constructed as described below and are based on are amount weighted sex distinct rates:

- Pre-retirement mortality based on 100% of Pub-2010 Juvenile Mortality Tables for ages 0-17, 100% of PubG-2010 Employee Mortality Tables for Ages 18-80, and 100% of PubG-2010 Healthy Retiree Tables for ages 81-120
- Non-disabled retired plan members and beneficiaries mortality based on 106% of Pub-2010 Juvenile Mortality Tables for ages 0-17, 106% of PubG-2010 Employee Mortality Tables for Ages 18-49, and 106% of PubG-2010 Healthy Retiree Tables for ages 50-120

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Notes to Financial Statements

- Disabled retired plan members mortality based on 100% of Pub-2010 Juvenile Mortality Tables for ages 0-17, and 100% of PubNS-2010 Disabled Retiree Tables for ages 18-120

The actuarial assumptions used in the December 31, 2024 valuation were based on the results of the most recent actuarial experience study of 2019-2023.

Long-term Expected Rate of Return. 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	60.0%	4.50%	2.70%
Global fixed income	20.0%	2.00%	0.40%
Private investments	20.0%	7.00%	1.40%
	<u>100.0%</u>		
Inflation			2.50%
Dedicated gains adjustment			-0.07%
Administrative expenses netted above			<u>0.25%</u>
Investment rate of return			<u><u>7.18%</u></u>

In February 2022, the MERS Retirement Board adopted a Dedicated Gains Policy. The purpose of the Policy is to automatically reduce the assumed rate of investment return for annual actuarial valuation purposes if the plan year's market value of investment income exceeds the expected investment income.

Discount Rate. The discount rate used to measure the total pension liability as of December 31, 2024 was 7.18%. 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.

HOLLAND BOARD OF PUBLIC WORKS
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Notes to Financial Statements

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, 2023	\$ 66,492,584	\$ 55,007,541	\$ 11,485,043
Changes for the year:			
Service cost	270,438	-	270,438
Interest	4,626,780	-	4,626,780
Differences between expected and actual experience	(127,967)	-	(127,967)
Changes in assumptions	(168,814)	-	(168,814)
Employer contributions	-	1,092,906	(1,092,906)
Employee contributions	-	104,355	(104,355)
Net investment income	-	4,059,603	(4,059,603)
Benefit payments, including refunds of employee contributions	(4,375,938)	(4,375,938)	-
Administrative expense	-	(119,540)	119,540
Net changes	224,499	761,386	(536,887)
Balances at December 31, 2024	\$ 66,717,083	\$ 55,768,927	\$ 10,948,156

Changes in assumptions. A 5-year experience study analyzing historical experience from 2019 through 2023 was completed in February 2025. The experience study recommended updated demographic assumptions, including adjustments to the following actuarial assumptions: mortality, retirement, and termination rates.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate. The following presents the net pension liability of the Board, calculated using the discount rate of 7.18%, as well as what the Board's net pension liability would be if it were calculated using a discount rate that is 1% lower (6.18%) or 1% higher (8.18%) than the current rate:

	1% Decrease (6.18%)	Current Discount Rate (7.18%)	1% Increase (8.18%)
Net pension liability	\$ 17,540,135	\$ 10,948,156	\$ 5,297,819

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

HOLLAND BOARD OF PUBLIC WORKS
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Notes to Financial Statements

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

For the year ended June 30, 2025, the Board recognized pension expense of \$1,233,538. The Board 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
Net difference between projected and actual earnings on pension plan investments	\$ 2,359,604	\$ -	\$ 2,359,604
Contributions subsequent to the measurement date	630,462	-	630,462
Total	<u>\$ 2,990,066</u>	<u>\$ -</u>	<u>\$ 2,990,066</u>

The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability for the year ending June 30, 2026. Other amounts reported as deferred outflows/inflows of resources related to the pension will be recognized in pension expense as follows:

Year Ended June 30,	Amount
2026	\$ 1,105,479
2027	1,770,603
2028	(470,786)
2029	<u>(45,692)</u>
Total	<u>\$ 2,359,604</u>

Payable to the Pension Plan. At June 30, 2025, the Board reported a payable of \$105,077 for the outstanding amount of contributions to the pension plan.

Defined Contribution Pension Plan

The Board participates in a defined contribution retirement plan which is administered by the ICMA in participation with MERS for both nonbargaining and union employees. The defined contribution provisions of the plan require the Board to contribute 6% of covered employee payroll and to match employee contributions up to 2% for nonbargaining employees and up to 2% for union employees. The participants direct their investments under defined contribution provisions. During the year ended June 30, 2025, the Board contributed \$1,184,885 and employees contributed \$292,659 to the defined contribution plan.

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6. OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLAN

General Information About the OPEB Plan

Plan Description. The Board participates in the City of Holland Retiree Healthcare Plan (the "OPEB Plan"), 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 55 with 25 years of service or age 60 with 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.

Effective May 13, 2020, the Board adopted the Michigan Municipal Employees' Retirement System (MERS) Retiree Health Funding Vehicle to fund the obligation. The MERS Retiree Health Funding Vehicle became operational in the fall of 2004, and was made available to all municipalities in Michigan. Participating municipalities can contribute monies to the Trust as desired and no contribution method is imposed. These funds constitute a health care fund, which enable municipalities to accumulate monies to provide or subsidize health benefits for retirees and beneficiaries as defined by Code Section 213. The Retiree Health Funding Vehicle accounts are invested in the MERS portfolio choices and earnings are tax exempt as a result of the MERS Private Letter Ruling. Plan provisions and requirements are specified in the MERS Health Care Savings Program and Retiree Health Funding Vehicle Plan Document and Trust.

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 Board 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 and the Board.

HOLLAND BOARD OF PUBLIC WORKS
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Notes to Financial Statements

Plan Membership. At June 30, 2024, the date of the most recent actuarial valuation, OPEB Plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefit payments	14
Active plan members	<u>190</u>
Total membership	<u>204</u>

Net OPEB Asset. The Board's net OPEB asset was measured as of June 30, 2025, and the total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation as of June 30, 2024, rolled forward to the measurement date of June 30, 2025.

Actuarial Assumptions. The total OPEB liability was determined by an actuarial valuation as of June 30, 2024 rolled forward to June 30, 2025 using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary increases	3.25%
Investment rate of return	6.93%
Healthcare cost trend rate	N/A as this is a stipend only plan
Utilization	85% of eligible employees will elect coverage at early retirement; actual coverage used for non-active
Mortality	Public General 2010 Employee and Healthy Retiree, Headcount weighted, IRS 2024 Adjusted Scale MP-2021

Discount Rate. The discount rate used to measure the total OPEB liability as of June 30, 2025 was 6.93% (down from 7.00% at June 30, 2024). The projection of cash flows used to determine the discount rate assumes that the Board will fully fund the OPEB Plan by contributing the actuarially determined contribution. Based on these assumptions, the OPEB Plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB Plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

HOLLAND BOARD OF PUBLIC WORKS
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Notes to Financial Statements

Changes in the Net OPEB Asset

The components of the change in the net OPEB asset are summarized as follows:

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Asset (a) - (b)
Balances at June 30, 2024	\$ 701,956	\$ 704,592	\$ (2,636)
Changes for the year:			
Service cost	20,385	-	20,385
Interest	48,954	-	48,954
Differences between expected and actual experience	(38,184)	-	(38,184)
Changes in assumptions	14,103	-	14,103
Employer contributions	-	21,577	(21,577)
Contributions/benefit from general operating funds	-	46,004	(46,004)
Net investment income	-	69,785	(69,785)
Benefit payments, including refunds of employee contributions	(46,004)	(46,004)	-
Administrative expense	-	(1,568)	1,568
Net changes	(746)	89,794	(90,540)
Balances at June 30, 2025	\$ 701,210	\$ 794,386	\$ (93,176)

Changes in assumptions. Amounts reported as changes in assumptions resulted from a change in the discount rate from 7.00% to 6.93%.

Sensitivity of the Net OPEB Asset to Changes in the Discount Rate. The following presents the net OPEB asset of the Board, calculated using the discount rate of 6.93%, as well as what the Board's net OPEB asset would be if it were calculated using a discount rate that is 1% lower (5.93%) or 1% higher (7.93%) than the current rate:

	1% Decrease (5.93%)	Current Discount Rate (6.93%)	1% Increase (7.93%)
Net OPEB asset	\$ (59,239)	\$ (93,176)	\$ (125,242)

The sensitivity of the net OPEB asset to changes in the healthcare cost trend rate is not applicable as this is a stipend only plan.

HOLLAND BOARD OF PUBLIC WORKS
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Notes to Financial Statements

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

For the year ended June 30, 2025, the Board recognized an OPEB benefit of \$48,685. The Board 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
Difference between expected and actual experience	\$ -	\$ 241,141	\$ (241,141)
Changes of assumptions	-	96,874	(96,874)
Net difference between projected and actual earnings on OPEB plan investments	-	52,297	(52,297)
	<u>\$ -</u>	<u>\$ 390,312</u>	<u>\$ (390,312)</u>

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
2026	\$ (81,806)
2027	(90,085)
2028	(84,355)
2029	(73,251)
2030	(43,931)
Thereafter	<u>(16,884)</u>
Total	<u><u>\$ (390,312)</u></u>

Payable to the OPEB Plan. At June 30, 2025, the Board had no payables for contributions to the OPEB Plan.

7. RISK MANAGEMENT

The Board is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation), as well as medical benefits provided to employees. The Board is self-insured for these risks through the City of Holland's self-insurance program except for workers' compensation risks which are covered through commercial insurance. The City purchases excess reinsurance and allocates risk management costs among the various funds of the City, including the Board of Public Works. The schedule of changes in the self-insured liability balances is included in the City of Holland's financial statements for the year ended June 30, 2025.

HOLLAND BOARD OF PUBLIC WORKS

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Notes to Financial Statements

8. COMMITMENTS

The Board has contracts outstanding for remaining project costs of approximately \$49,630,000 for various electric utility projects, \$17,093,000 for various water projects, and \$8,112,000 for various wastewater projects.

9. JOINT VENTURE

The Board entered into a joint venture, the Michigan Public Power Agency (MPPA), with other municipal electric systems in the State of Michigan. The MPPA was formed in 1978 as a joint action agency to buy or generate power and provide other related services to their members. Each of MPPA's 22 full and 7 associate members 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 18.61% ownership in Detroit Edison's Belle River, 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 PPA'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 11 megawatts of power, respectively, in 1995 and thereafter for the Belle River and Campbell projects. The contracts relating to the Fremont project requires the Board to purchase approximately 5 megawatts of power in 2013 and thereafter.

For the year ended June 30, 2025, the Board recognized expenses totaling \$11,871,492 under the terms of the contracts which represented \$447,731 for fixed operating costs, \$357,892 for debt service and \$11,065,869 for the purchase of power. Accounts payable to MPPA totaled net \$421,160 at June 30, 2025. 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 Consumers Energy's Campbell Unit No. 3 and AMP's 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.

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A summary of future transactions with the MPPA related to Fremont project (AFEC) is as follows:

Year Ended June 30,	Debt Service	Fixed Operating	Total
2026	\$ 357,892	\$ 447,731	\$ 805,623
2027	357,576	470,118	827,694
2028	357,854	493,624	851,478
2029	357,380	518,305	875,685
2030	358,167	544,220	902,387
2031-2032	<u>714,795</u>	<u>1,230,006</u>	<u>1,944,801</u>
	<u>\$ 2,503,664</u>	<u>\$ 3,704,004</u>	<u>\$ 6,207,668</u>

Debt service requirements for the Belle River project expired in 2018. Debt service requirements for the Campbell project expired in 2022. Debt service requirements for the Fremont project expire in 2032. At June 30, 2025, the total debt service for Fremont was \$2,506,963, ending June 30, 2032. 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.

HOLLAND BOARD OF PUBLIC WORKS
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Notes to Financial Statements

10. REGULATORY ACCOUNTING

The Board has established various regulatory assets and credits that result in differences between the recognition of revenues and expenses for ratemaking purposes, as described above. These actions result in regulatory assets and credits (deferred inflow of resources), which are summarized below. Changes to these balances, and their inclusion in rates, occur only at the direction of the Board. A summary of the balances of regulatory assets and credits as of June 30, 2025 is as follows:

	Electric Utility	Wastewater Utility	Water Utility	Total
Regulatory Assets				
Gas Pipeline Inspection	\$ 302,751	\$ -	\$ -	\$ 302,751
Holland Energy Park Planned Outage	652,653	-	-	652,653
Unit 9 Planned Outage	2,523,679	-	-	2,523,679
MPPA Belle River - Debt Cash Election	5,089,500	-	-	5,089,500
Holland Energy Park Inspections	481,464	-	-	481,464
Unit 8 Inspection	364,549	-	-	364,549
	<u>\$ 9,414,596</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,414,596</u>
Regulatory Credits				
Contributions in aid of construction:				
Biosolids Improvement	\$ -	\$ 5,196,178	\$ -	\$ 5,196,178
Vista Green Housing	-	215,239	322,848	538,087
Anaerobic Digester	-	19,766,283	-	19,766,283
NSA Equipment Replacement	-	4,209,123	-	4,209,123
Grant contributions:				
Anaerobic Digester	-	8,546,158	-	8,546,158
Interconnect	-	-	418,245	418,245
Holland Fiber	15,768,168	-	-	15,768,168
	<u>\$ 15,768,168</u>	<u>\$ 37,932,981</u>	<u>\$ 741,093</u>	<u>\$ 54,442,242</u>

Regulatory Assets - Regulatory Cost for Future Recovery

Regulatory assets are amortized against related expenses in the future period(s) the expenses are incurred.

Holland Energy Park Natural Gas Pipeline Inspection – \$541,095 was expended in fiscal year 2022 to inspect the natural gas pipeline serving the Holland Energy Park. These inspections are required every 7 years.

HOLLAND BOARD OF PUBLIC WORKS (Enterprise Funds of the City of Holland, Michigan)

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Holland Energy Park Planned Outage – \$796,458 was expended in fiscal year 2024 to perform inspection and maintenance on generating units and balance of plant equipment at the Holland Energy Park. These inspections are required every 6 years.

48th Street Peaking Plant Unit 9 Planned Outage – \$2,819,074 was expended in fiscal year 2025 for scheduled inspection and maintenance. These inspections are required every 7 and 15 years.

MPPA Belle River – Debt Cash Election – \$5,481,000 was expended in fiscal year 2025 for the Board's share of the conversion cost. Please see Note 9 for details on the Board's 15.66% interest in MPPA's 18.61% ownership of Detroit Edison's Belle River plant. These amounts are recognized over the life of the debt service payments of 7 years.

Holland Energy Park Units 10 & 11 Combustion Inspections – \$507,484 was expended in fiscal year 2025 for scheduled inspection and maintenance. These inspections are required every 7 years.

48th Street Peaking Plant Unit 8 Combustion Inspection – \$371,779 was expended in fiscal year 2025 for scheduled inspection and maintenance. These inspections are required every 7 years.

Regulatory Credits - Deferred Inflows of Resources

Regulatory credits are amortized against depreciation expense over the estimated lives of the underlying assets.

Biosolids Improvement Project – This asset was placed in service in April 2018 at a cost of \$21,609,872. The Northern Service Area contributed \$9,447,600 toward the project, recognized as contributed capital in the fiscal years received.

Vista Green Housing Project – Developer contributed wastewater and water infrastructure assets valued at \$228,000 and \$342,000, respectively, during fiscal year 2023.

Anaerobic Digester – Construction started in fiscal year 2021 with completion in fiscal year 2024. Contributed capital from the Northern Service Area is \$13,315,006. The project also qualified for direct pay energy tax credits of \$11,482,254 under the Inflation Reduction Act. These have also been recognized as regulatory credits.

NSA Equipment Replacement Fund Contributions – Pursuant to an agreement between the Northern Service Area (NSA) and the Board, the NSA makes annual payments to the Board to be used for the acquisition of new or replacement capital equipment. As the funds are expended, they will be recognized as contributed capital on the Statement of Revenues, Expenses, and Changes in Net Position.

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The NSA, comprised of all of Holland and Park Townships located north of Lake Macatawa and the Macatawa River (excluding those areas of Holland Township located within the City of Zeeland Waste Water Treatment Plant service area) has contracted for a 50% capacity interest in the Board's wastewater reclamation facility.

Wyoming Water Interconnect Project – Financial assistance from the CWSRF was used to finance \$6,638,648 of project costs for the Interconnect. The project also qualified for a grant, in the form of debt principal forgiveness, under the CWSRF Green Project Reserve. The grant amount was \$995,797 (15% of the CWSRF loan). The Board has a 50% interest in the project.

Holland Fiber – The City of Holland is making American Rescue Plan and Unlimited Tax General Obligation Bond funds available to provide funding related to build out of a fiber network within the city limits of Holland. Through June 30, 2025, \$15,768,168 has been received.

11. LITIGATION

In the normal course of its activities, the Board is a party to various legal actions and subject to certain asserted and unasserted claims and assessments. Although some actions have been brought, the Board has not experienced significant losses or costs. The Board is of the opinion that the outcome of any pending actions will not have a material effect on the Board's financial position or results of operations.

12. NET POSITION

The composition of net investment in capital assets as of June 30, 2025, was as follows:

Capital assets:	
Capital assets not being depreciated	\$ 43,348,267
Capital assets being depreciated, net	<u>436,733,571</u>
	<u>480,081,838</u>
Related debt:	
Total installment debt	58,262,529
Less unspent bond proceeds	(9,090,043)
Less pension bonds	(1,592,170)
Net bond premium	1,446,835
Retainage payable related to capital purchases	<u>2,860,403</u>
	<u>51,887,554</u>
Net investment in capital assets	<u><u>\$ 428,194,284</u></u>

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(Enterprise Funds of the City of Holland, Michigan)

Notes to Financial Statements

The composition of restricted net position as of June 30, 2025, was as follows:

Restricted assets:	
Cash and cash equivalents	\$ 8,658,245
Investments	3,246,602
Other assets - deposits with MPPA	<u>809,473</u>
	12,714,320
Other postemployment benefit asset	<u>93,176</u>
Restricted net position	<u><u>\$ 12,807,496</u></u>

13. SPECIAL ITEM

The Board received notice of settlement proceeds related to the nationwide class action lawsuit against 3M Company concerning contamination of public water systems from per- and polyfluoroalkyl substances (PFAS). The settlement agreement was approved by the U.S. District Court for the District of South Carolina on March 29, 2024. The Board was determined to be an eligible claimant and was correspondingly notified that it will receive a total settlement of \$2,906,919, to be paid out via ten installment payments issued between calendar years 2025 and 2033.



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UNAUDITED SUPPLEMENTARY INFORMATION

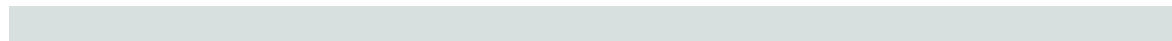
HOLLAND BOARD OF PUBLIC WORKS
(Enterprise Funds of the City of Holland, Michigan)

Unaudited Supplementary Information

MERS Agent Multiple-Employer Defined Benefit Pension Plan
Schedule of Changes in the Board's Net Pension Liability and Related Ratios

	Year Ended June 30,			
	2025	2024	2023	2022
Total pension liability				
Service cost	\$ 270,438	\$ 315,375	\$ 358,361	\$ 331,687
Interest	4,626,780	4,569,115	4,524,061	4,511,877
Changes in benefits	-	-	-	-
Differences between expected and actual experience	(127,967)	351,625	(211,554)	20,228
Changes of assumptions	(168,814)	432,602	-	2,107,212
Benefit payments, including refunds of employee contributions	(4,375,938)	(4,081,446)	(3,974,425)	(3,926,180)
Net change in total pension liability	<u>224,499</u>	<u>1,587,271</u>	<u>696,443</u>	<u>3,044,824</u>
Total pension liability, beginning of year	<u>66,492,584</u>	<u>64,905,313</u>	<u>64,208,870</u>	<u>61,164,046</u>
Total pension liability, end of year	<u>66,717,083</u>	<u>66,492,584</u>	<u>64,905,313</u>	<u>64,208,870</u>
Plan fiduciary net position				
Employer contributions	1,092,906	985,830	1,139,400	1,109,908
Employee contributions	104,355	121,257	121,517	123,597
Net investment income (loss)	4,059,603	5,804,856	(6,818,602)	7,564,052
Benefit payments, including refunds of employee contributions	(4,375,938)	(4,081,446)	(3,974,425)	(3,926,180)
Administrative expense	(119,540)	(120,724)	(111,752)	(89,818)
Net change in plan fiduciary net position	<u>761,386</u>	<u>2,709,773</u>	<u>(9,643,862)</u>	<u>4,781,559</u>
Plan fiduciary net position, beginning of year	<u>55,007,541</u>	<u>52,297,768</u>	<u>61,941,630</u>	<u>57,160,071</u>
Plan fiduciary net position, end of year	<u>55,768,927</u>	<u>55,007,541</u>	<u>52,297,768</u>	<u>61,941,630</u>
Board's net pension liability	<u>\$ 10,948,156</u>	<u>\$ 11,485,043</u>	<u>\$ 12,607,545</u>	<u>\$ 2,267,240</u>
Plan fiduciary net position as a percentage of total pension liability	83.6%	82.7%	80.6%	96.5%
Covered payroll	\$ 2,972,260	\$ 3,490,052	\$ 3,966,750	\$ 3,961,073
Board's net pension liability as a percentage of covered payroll	368.3%	329.1%	317.8%	57.2%

See notes to unaudited supplementary information.



Year Ended June 30,					
2021	2020	2019	2018	2017	2016

\$ 420,437	\$ 465,098	\$ 459,607	\$ 468,117	\$ 494,584	\$ 508,116
4,340,120	4,340,973	4,281,669	4,227,124	4,131,826	3,988,984
-	-	-	-	-	(6,591)
(109,017)	(253,861)	(593,283)	(705,307)	(266,556)	(581,928)
1,430,115	1,843,738	-	-	-	2,486,206
<u>(3,628,472)</u>	<u>(3,429,403)</u>	<u>(3,389,456)</u>	<u>(3,218,276)</u>	<u>(3,092,525)</u>	<u>(3,090,521)</u>
2,453,183	2,966,545	758,537	771,658	1,267,329	3,304,266
<u>58,710,863</u>	<u>55,744,318</u>	<u>54,985,781</u>	<u>54,214,123</u>	<u>52,946,794</u>	<u>49,642,528</u>
<u>61,164,046</u>	<u>58,710,863</u>	<u>55,744,318</u>	<u>54,985,781</u>	<u>54,214,123</u>	<u>52,946,794</u>
835,308	687,360	557,523	404,799	1,623,277	15,566,146
136,537	140,820	139,999	145,954	158,497	140,340
7,185,160	6,539,901	(2,031,816)	6,496,694	5,249,048	(448,173)
<u>(3,628,472)</u>	<u>(3,429,403)</u>	<u>(3,389,456)</u>	<u>(3,218,276)</u>	<u>(3,092,525)</u>	<u>(3,090,521)</u>
<u>(104,493)</u>	<u>(112,608)</u>	<u>(102,570)</u>	<u>(103,062)</u>	<u>(103,380)</u>	<u>(76,287)</u>
4,424,040	3,826,070	(4,826,320)	3,726,109	3,834,917	12,091,505
<u>52,736,031</u>	<u>48,909,961</u>	<u>53,736,281</u>	<u>50,010,172</u>	<u>46,175,255</u>	<u>34,083,750</u>
<u>57,160,071</u>	<u>52,736,031</u>	<u>48,909,961</u>	<u>53,736,281</u>	<u>50,010,172</u>	<u>46,175,255</u>
<u>\$ 4,003,975</u>	<u>\$ 5,974,832</u>	<u>\$ 6,834,357</u>	<u>\$ 1,249,500</u>	<u>\$ 4,203,951</u>	<u>\$ 6,771,539</u>

93.5%	89.8%	87.7%	97.7%	92.2%	87.2%
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\$ 4,204,277	\$ 4,646,185	\$ 4,561,399	\$ 4,647,824	\$ 4,899,166	\$ 5,317,097
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95.2%	128.6%	149.8%	26.9%	85.8%	127.4%
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HOLLAND BOARD OF PUBLIC WORKS
(Enterprise Funds of the City of Holland, Michigan)

Unaudited Supplementary Information

MERS Agent Multiple-Employer Defined Benefit Pension Plan
Schedule of Contributions

Fiscal Year Ending June 30,	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution (Deficiency) Excess	Covered Payroll	Contributions as Percentage of Covered Payroll
2025	\$ 1,260,924	\$ 1,260,924	\$ -	\$ 3,147,244	40.1%
2024	924,888	924,888	-	3,861,813	23.9%
2023	1,046,772	1,046,772	-	4,055,802	25.8%
2022	1,248,190	1,248,190	-	4,015,010	31.1%
2021	955,464	955,464	-	4,328,245	22.1%
2020	715,152	715,152	-	4,690,883	15.2%
2019	659,463	659,463	-	4,664,822	14.1%
2018	455,133	455,133	-	4,715,326	9.7%
2017	355,020	355,020	-	5,106,936	7.0%
2016	957,317	16,226,621	15,269,304	5,543,402	292.7%

See notes to unaudited supplementary information.

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HOLLAND BOARD OF PUBLIC WORKS
(Enterprise Funds of the City of Holland, Michigan)

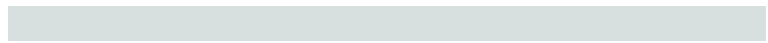
Unaudited Supplementary Information

Other Postemployment Benefits Plan

Schedule of Changes in the Board's Net OPEB (Asset) Liability and Related Ratios

	Year Ended June 30,			
	2025	2024	2023	2022
Total OPEB liability				
Service cost	\$ 20,385	\$ 15,859	\$ 16,908	\$ 14,242
Interest	48,954	42,153	42,428	42,859
Differences between expected and actual experience	(38,184)	35,956	(40,127)	(37,700)
Changes in assumptions	14,103	35,926	-	11,530
Benefit payments, including refunds of employee contributions	(46,004)	(28,520)	(15,639)	(5,593)
Net change in total OPEB liability	(746)	101,374	3,570	25,338
Total OPEB liability, beginning of year	701,956	600,582	597,012	571,674
Total OPEB liability, end of year	701,210	701,956	600,582	597,012
Plan fiduciary net position				
Employer contributions	21,577	113,805	116,472	119,881
Contributions/benefit from general operating funds	46,004	28,520	15,639	5,593
Net investment income (loss)	69,785	63,516	28,631	(37,000)
Benefit payments, including refunds of employee contributions	(46,004)	(28,520)	(15,639)	(5,593)
Administrative expense	(1,568)	(1,301)	(725)	(655)
Net change in plan fiduciary net position	89,794	176,020	144,378	82,226
Plan fiduciary net position, beginning of year	704,592	528,572	384,194	301,968
Plan fiduciary net position, end of year	794,386	704,592	528,572	384,194
Board's net OPEB (asset) liability	\$ (93,176)	\$ (2,636)	\$ 72,010	\$ 212,818
Plan fiduciary net position as a percentage of total pension liability	113.29%	100.38%	88.01%	64.35%
Covered payroll	\$ 18,119,928	\$ 17,016,810	\$ 15,794,307	\$ 14,775,206
Board's net OPEB (asset) liability as a percentage of covered payroll	-0.51%	-0.02%	0.46%	1.44%

See notes to unaudited supplementary information.



Year Ended June 30,			
2021	2020	2019	2018

\$ 33,265	\$ 31,613	\$ 33,434	\$ 47,727
20,699	22,780	22,489	34,642
(60,378)	(55,080)	(47,109)	(296,134)
(172,033)	9,834	-	(165,318)
10,409	5,657	(160)	(23,281)
(168,038)	14,804	8,654	(402,364)
<u>739,712</u>	<u>724,908</u>	<u>716,254</u>	<u>1,118,618</u>
<u>571,674</u>	<u>739,712</u>	<u>724,908</u>	<u>716,254</u>
270,382	-	-	-
(10,409)	-	-	-
31,855	-	-	-
10,409	-	-	-
(269)	-	-	-
<u>301,968</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-
<u>301,968</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 269,706</u>	<u>\$ 739,712</u>	<u>\$ 724,908</u>	<u>\$ 716,254</u>

52.82%	0.00%	0.00%	0.00%
\$ 14,218,012	\$ 13,534,177	\$ 13,212,453	\$ 12,170,006
1.90%	5.47%	5.49%	5.89%

HOLLAND BOARD OF PUBLIC WORKS
(Enterprise Funds of the City of Holland, Michigan)

Unaudited 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 Payroll	Contributions as Percentage of Covered Payroll
2025	\$ 21,577	\$ 67,581	\$ 46,004	\$ 18,119,928	0.4%
2024	43,805	142,325	98,520	17,016,810	0.8%
2023	46,472	132,111	85,639	15,794,307	0.8%
2022	49,881	125,474	75,593	14,775,206	0.8%
2021	106,963	259,973	153,010	14,218,012	1.8%
2020	93,418	(5,657)	(99,075)	13,534,177	0.0%
2019	90,539	160	(90,379)	13,212,453	0.0%
2018	131,327	23,281	(108,046)	12,170,006	0.2%

See notes to unaudited supplementary information.

HOLLAND BOARD OF PUBLIC WORKS

Notes to Unaudited Supplementary Information

MERS Agent Multiple-Employer Defined Benefit Pension Plan

Notes to the Schedule of Changes in the Board's Net Pension Liability and Related Ratios

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

Changes in Assumptions. In 2016, amounts reported as changes of assumptions resulted primarily from adjustments to the mortality table to reflect longer lifetimes, decreases in the assumed rate of return, and changes in asset smoothing.

In 2020, amounts reported as changes of assumptions resulted primarily from a decrease in the assumed rate of return from 7.75% to 7.35%, and a decrease in the assumed rate of wage inflation from 3.75% to 3.00%.

In 2021, amounts reported as changes of assumptions related to updated demographic assumptions, including adjustments to the following actuarial assumptions: mortality, retirement, disability, and termination rates.

In 2022, amounts reported as changes of assumptions resulted from a decrease in the assumed rate of return from 7.35% to 7.00%.

In 2024, amounts reported as changes in assumptions resulted from a decrease in the assumed rate of return from 7.00% to 6.93%.

In 2025, amounts reported as changes in assumptions related to updated demographic assumptions, including adjustments to the following actuarial assumptions: mortality, retirement, and termination rates.

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 (2025, based on the 12/31/2022 actuarial valuation):

Actuarial cost method	Entry-age normal
Amortization method	Level percent of payroll, open
Remaining amortization period	2-10 years, depending on division
Asset valuation method	5-year smooth market
Inflation	2.50%
Salary increases	3.00% in the long-term
Investment rate of return	7.00%, net of investment and administrative expense including inflation
Normal retirement age	Age 60

HOLLAND BOARD OF PUBLIC WORKS

Notes to Unaudited Supplementary Information

Mortality

- Pre-retirement mortality based on 100% of Pub-2010 Juvenile Mortality Tables for ages 0-17, 100% of PubG-2010 Employee Mortality Tables for Ages 18-80, and 100% of PubG-2010 Healthy Retiree Tables for ages 81-120
- Non-disabled retired plan members and beneficiaries mortality based on 106% of Pub-2010 Juvenile Mortality Tables for ages 0-17, 106% of PubG-2010 Employee Mortality Tables for Ages 18-49, and 106% of PubG-2010 Healthy Retiree Tables for ages 50-120
- Disabled retired plan members mortality based on 100% of Pub-2010 Juvenile Mortality Tables for ages 0-17, and 100% of PubNS-2010 Disabled Retiree Tables for ages 18-120

Other Postemployment Benefits Plan

Notes to the Schedule of Changes in the Board's Net OPEB (Asset) Liability and Related Ratios

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

The OPEB Plan's trust fund was initially funded during the year ended June 30, 2021.

Changes in Assumptions. Changes in 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.

Changes in assumptions for the June 30, 2020 actuarial valuation include mortality updated to public employer tables, discount rate lowered from 3.0% to 2.66% to reflect current municipal bond rates, and medical trend rates were changed to 5.0%. Because premiums are set and fully phased in such that pre-65 costs for those groups are expected to be fully covered by the amount charged, no subsidy beyond the stipend was valued for these groups.

Changes in assumptions for the June 30, 2021 actuarial valuation include an increase in the discount rate from 2.66% to 7.35%, and mortality rates updated.

Changes in assumptions for the June 30, 2022 actuarial valuation resulted from a decrease in the discount rate from 7.35% to 7.00%, and the mortality improvement scale updated from MP-2020 to MP-2021.

Changes in assumptions for the June 30, 2024 actuarial valuation resulted from a change in the future salary increases from 3.25% to 3.50%.

Changes in assumptions for the June 30, 2025 actuarial valuation resulted from a change in the discount rate from 7.00% to 6.93%.

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SUPPLEMENTARY INFORMATION

HOLLAND BOARD OF PUBLIC WORKS
(Enterprise Funds of the City of Holland, Michigan)

Combining Statement of Net Position

June 30, 2024

	Electric Utility	Wastewater Utility	Water Utility	Total
Assets				
Current assets:				
Cash and cash equivalents	\$ 12,906,710	\$ 3,010,593	\$ 6,105,275	\$ 22,022,578
Investments	21,690,122	12,103,683	2,006,357	35,800,162
Receivables:				
Accounts receivable, net	7,321,557	1,290,592	1,911,694	10,523,843
Unbilled revenue	8,494,297	708,233	1,311,822	10,514,352
Special assessments and other	-	26,957	1,811	28,768
Accrued interest	475,951	34,094	44,708	554,753
Due from other funds of the				
City of Holland	2,218,257	3,630	326,815	2,548,702
Inventories	10,025,898	13,803	804,386	10,844,087
Prepaid items and other assets	2,579,787	140,151	108,654	2,828,592
Total current assets	65,712,579	17,331,736	12,621,522	95,665,837
Noncurrent assets:				
Restricted assets:				
Cash and cash equivalents	-	5,906,804	499,500	6,406,304
Investments	5,131,894	-	-	5,131,894
Other assets	809,473	-	-	809,473
Total restricted assets	5,941,367	5,906,804	499,500	12,347,671
Capital assets:				
Land	21,027,272	260,673	2,178,242	23,466,187
Construction in progress	12,861,781	1,414,148	5,359,640	19,635,569
Plant and equipment	516,540,144	151,780,417	113,550,574	781,871,135
Accumulated depreciation	(249,399,533)	(62,028,291)	(41,524,626)	(352,952,450)
Total capital assets, net	301,029,664	91,426,947	79,563,830	472,020,441
Other noncurrent assets:				
Long-term investments	32,874,965	2,354,941	3,088,104	38,318,010
Regulatory cost for future recovery, net	1,165,443	-	-	1,165,443
Due from other local units	-	13,342,196	-	13,342,196
Due from City of Wyoming	-	-	1,261,137	1,261,137
Net other postemployment benefit assets	1,823	440	373	2,636
Total other noncurrent assets	34,042,231	15,697,577	4,349,614	54,089,422
Total noncurrent assets	341,013,262	113,031,328	84,412,944	538,457,534
Total assets	406,725,841	130,363,064	97,034,466	634,123,371
Deferred outflows of resources				
Deferred pension amounts	2,309,715	664,918	524,934	3,499,567

continued...

HOLLAND BOARD OF PUBLIC WORKS
(Enterprise Funds of the City of Holland, Michigan)

Combining Statement of Net Position

June 30, 2024

	Electric Utility	Wastewater Utility	Water Utility	Total
Liabilities				
Current liabilities:				
Accounts payable	\$ 7,796,475	\$ 1,986,470	\$ 1,251,813	\$ 11,034,758
Accrued salaries and wages payable	664,044	178,986	136,180	979,210
Due to other funds of the				
City of Holland	555,154	45,757	1,465,184	2,066,095
Deposits	1,176,532	-	23,817	1,200,349
Accrued interest payable	5,762	130,738	174,591	311,091
Current portion of long-term debt	2,167,827	1,883,006	789,668	4,840,501
Current liabilities payable from restricted assets:				
Current portion of long-term debt	-	-	1,250,000	1,250,000
Accrued interest payable	-	-	6,125	6,125
Total current liabilities	<u>12,365,794</u>	<u>4,224,957</u>	<u>5,097,378</u>	<u>21,688,129</u>
Noncurrent liabilities:				
Long-term debt, net of current portion	1,654,292	27,804,261	18,809,899	48,268,452
Net pension liability	7,580,129	2,182,157	1,722,757	11,485,043
Total noncurrent liabilities	<u>9,234,421</u>	<u>29,986,418</u>	<u>20,532,656</u>	<u>59,753,495</u>
Total liabilities	<u>21,600,215</u>	<u>34,211,375</u>	<u>25,630,034</u>	<u>81,441,624</u>
Deferred inflows of resources				
Regulatory credits, net	4,144,941	27,484,577	757,892	32,387,410
Deferred other postemployment benefit amounts	300,234	72,379	61,314	433,927
Total deferred inflows of resources	<u>4,445,175</u>	<u>27,556,956</u>	<u>819,206</u>	<u>32,821,337</u>
Net position				
Net investment in capital assets	300,916,994	60,961,391	59,081,803	420,960,188
Restricted for:				
Other postemployment benefit	1,823	440	373	2,636
Debt service	-	240,000	499,500	739,500
Equipment replacement	-	5,666,804	-	5,666,804
Cooperative payments	5,941,367	-	-	5,941,367
Unrestricted	76,129,982	2,391,016	11,528,484	90,049,482
Total net position	<u>\$ 382,990,166</u>	<u>\$ 69,259,651</u>	<u>\$ 71,110,160</u>	<u>\$ 523,359,977</u>

concluded

HOLLAND BOARD OF PUBLIC WORKS
(Enterprise Funds of the City of Holland, Michigan)

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

For the Year Ended June 30, 2024

	Electric Utility	Wastewater Utility	Water Utility	Total
Operating revenues				
Residential sales	\$ 21,598,335	\$ 4,201,390	\$ 5,647,119	\$ 31,446,844
Commercial sales	34,099,102	4,058,889	4,404,042	42,562,033
Industrial sales	47,715,018	3,093,973	1,094,772	51,903,763
Wholesale	2,497,441	2,619,320	2,345,609	7,462,370
Fees and other	1,089,166	7,025	516,180	1,612,371
Total operating revenues	106,999,062	13,980,597	14,007,722	134,987,381
Operating expenses				
Salaries and wages	5,402,497	1,749,978	1,338,804	8,491,279
Employee benefits	3,861,661	970,443	874,787	5,706,891
Production	37,505,276	3,060,505	1,163,911	41,729,692
Distribution	8,626,157	670,112	1,818,521	11,114,790
Administrative and general	11,392,944	2,779,186	2,352,822	16,524,952
Depreciation and amortization	14,032,593	3,072,668	2,760,944	19,866,205
Total operating expenses	80,821,128	12,302,892	10,309,789	103,433,809
Operating income	26,177,934	1,677,705	3,697,933	31,553,572
Nonoperating income (expense), net				
Investment income	3,407,196	686,006	265,562	4,358,764
Interest expense	(89,272)	(439,338)	(556,441)	(1,085,051)
Other income (expense)	123,324	-	(11,896)	111,428
Gain (loss) on sale and disposal of capital assets	(3,370,045)	5,676	18,425	(3,345,944)
Total nonoperating income (expense), net	71,203	252,344	(284,350)	39,197
Net income before contributions and transfers	26,249,137	1,930,049	3,413,583	31,592,769
Capital contributions				
Trunkage and assessments	-	901,392	577,565	1,478,957
Contributions from other local units	283,484	1,962,593	-	2,246,077
Regulatory credit	(3,726,931)	(1,297,831)	-	(5,024,762)
Federal and state capital grants	3,726,931	181,555	-	3,908,486
Total capital contributions	283,484	1,747,709	577,565	2,608,758
Transfers out to other funds of the City of Holland	(9,641,232)	-	-	(9,641,232)
Change in net position	16,891,389	3,677,758	3,991,148	24,560,295
Net position, beginning of year	366,098,777	65,581,893	67,119,012	498,799,682
Net position, end of year	\$ 382,990,166	\$ 69,259,651	\$ 71,110,160	\$ 523,359,977

HOLLAND BOARD OF PUBLIC WORKS
(Enterprise Funds of the City of Holland, Michigan)

Combining Statement of Cash Flows
For the Year Ended June 30, 2024

	Electric Utility	Wastewater Utility	Water Utility	Total
Cash flows from operating activities				
Receipts from customers and users	\$ 103,126,911	\$ 13,868,817	\$ 13,365,094	\$ 130,360,822
Payments to suppliers	(56,374,352)	(10,917,859)	(4,900,302)	(72,192,513)
Payments to/for employees	(8,725,584)	(2,550,504)	(2,072,336)	(13,348,424)
Net cash provided by operating activities	<u>38,026,975</u>	<u>400,454</u>	<u>6,392,456</u>	<u>44,819,885</u>
Cash flows from noncapital financing activities				
Transfers to other funds of the City of Holland	(9,641,232)	-	-	(9,641,232)
Principal paid on pension bonds	(983,877)	(283,237)	(223,609)	(1,490,723)
Interest paid on pension bonds	(133,812)	(32,764)	(25,866)	(192,442)
Net cash used in noncapital financing activities	<u>(10,758,921)</u>	<u>(316,001)</u>	<u>(249,475)</u>	<u>(11,324,397)</u>
Cash flows from capital and related financing activities				
Principal paid on capital related debt	(12,760,000)	(1,452,500)	(1,545,000)	(15,757,500)
Interest paid on capital related debt	(32,858)	(421,012)	(657,713)	(1,111,583)
Proceed from Clean Water State Revolving Fund Bonds	-	1,452,436	-	1,452,436
Capital contributions received	4,010,414	1,925,465	757,565	6,693,444
Proceed from sale of capital assets	90,841	11,773	35,040	137,654
Regulatory cost for future recovery	(796,458)	-	-	(796,458)
Costs incurred on disposal of capital assets	(2,229,823)	-	-	(2,229,823)
Purchase/construction of property, plant and equipment	(22,278,358)	(5,059,977)	(8,295,202)	(35,633,537)
Net cash used in capital and related financing activities	<u>(33,996,242)</u>	<u>(3,543,815)</u>	<u>(9,705,310)</u>	<u>(47,245,367)</u>
Cash flows from investing activities				
Interest received	2,000,217	600,381	204,773	2,805,371
Purchase of investment securities	(58,569,269)	(14,382,641)	(4,994,822)	(77,946,732)
Proceeds from sale or maturities of investment securities	57,225,104	13,794,943	4,832,794	75,852,841
Net cash provided by investing activities	<u>656,052</u>	<u>12,683</u>	<u>42,745</u>	<u>711,480</u>
Net decrease in cash and cash equivalents	(6,072,136)	(3,446,679)	(3,519,584)	(13,038,399)
Cash and cash equivalents, beginning of year	18,978,846	12,364,076	10,124,359	41,467,281
Cash and cash equivalents, end of year	<u>\$ 12,906,710</u>	<u>\$ 8,917,397</u>	<u>\$ 6,604,775</u>	<u>\$ 28,428,882</u>

continued...

HOLLAND BOARD OF PUBLIC WORKS
(Enterprise Funds of the City of Holland, Michigan)

Combining Statement of Cash Flows
For the Year Ended June 30, 2024

	Electric Utility	Wastewater Utility	Water Utility	Total
Classified on the statement of net position as				
Cash and cash equivalents	\$ 12,906,710	\$ 3,010,593	\$ 6,105,275	\$ 22,022,578
Restricted cash and cash equivalents	-	5,906,804	499,500	6,406,304
Total cash and cash equivalents	<u>\$ 12,906,710</u>	<u>\$ 8,917,397</u>	<u>\$ 6,604,775</u>	<u>\$ 28,428,882</u>
Reconciliation of operating income to net cash provided by operating activities				
Operating income	\$ 26,177,934	\$ 1,677,705	\$ 3,697,933	\$ 31,553,572
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation and amortization	13,944,233	3,072,668	2,760,944	19,777,845
Amortization of regulatory credits	88,360	-	-	88,360
Nonoperating income (expense) reported in operating activity for cash flow purposes	123,324	-	(11,896)	111,428
Changes in operating assets and liabilities which provided (used) cash:				
Receivables	(2,780,616)	(111,414)	(555,705)	(3,447,735)
Due from other funds of the City of Holland	(1,139,846)	(366)	(245,673)	(1,385,885)
Inventories	597,453	(1,026)	(359,910)	236,517
Prepaid items and other assets	(345,086)	(95,695)	(85,032)	(525,813)
Due from the City of Wyoming	-	-	154,568	154,568
Accounts payable	587,534	(4,244,563)	(137,567)	(3,794,596)
Accrued salaries and wages payable	52,223	85,717	67,484	205,424
Due to other funds of the City of Holland	210,010	(66,772)	1,029,357	1,172,595
Deposits	48,311	-	4,182	52,493
Landfill postclosure liability	(23,210)	-	-	(23,210)
Compensated absences	(80,092)	(66,901)	(48,621)	(195,614)
Net pension liability	(740,852)	(213,275)	(168,375)	(1,122,502)
Deferred outflows of resources related to the net pension liability	1,408,454	405,464	320,103	2,134,021
Net other postemployment benefit asset	(46,245)	(15,470)	(12,931)	(74,646)
Deferred inflows of resources related to the net other postemployment benefit asset	(54,914)	(25,618)	(16,405)	(96,937)
Net cash provided by operating activities	<u>\$ 38,026,975</u>	<u>\$ 400,454</u>	<u>\$ 6,392,456</u>	<u>\$ 44,819,885</u>

concluded

Non-cash transaction

The Board had purchases/construction of capital assets through accounts payable for the fiscal year ended June 30, 2024 of \$112,670 for the electric fund, \$1,486,307 for the wastewater fund, and \$212,546 for the water fund.

HOLLAND BOARD OF PUBLIC WORKS
(Enterprise Funds of the City of Holland, Michigan)

Holland Area Waste Treatment Plant Reserve for Equipment Replacement

Year Ended June 30,	Contributions From Billings	Other	Interest		Improvements	Reserve Balance
			Rate	Amount		
1989	\$ 124,116	\$ 292,722	8.02%	\$ 85,061	\$ 446,514	\$ 1,130,832
1990	124,116	14,045	8.21%	95,519	72,939	1,291,573
1991	124,116	-	7.06%	91,161	124,794	1,382,056
1992	124,116	-	5.49%	64,501	538,427	1,032,246
1993	188,364	12,555	4.21%	27,927	1,161,092	100,000
1994	195,180	-	3.46%	6,640	18,347	283,473
1995	208,680	-	5.41%	21,139	14,662	498,630
1996	224,508	2,190	6.24%	36,008	45,287	716,049
1997	229,350	-	6.14%	47,244	145,361	847,282
1998	244,651	-	6.30%	58,314	163,918	986,329
1999	250,903	77,335	6.00%	62,497	501,228	875,836
2000	272,594	804,159	5.59%	44,448	619,685	1,377,352
2001	278,479	-	6.26%	84,190	427,542	1,312,479
2002	298,340	-	3.64%	34,041	173,806	1,471,054
2003	361,244	-	2.95%	43,426	123,853	1,751,871
2004	403,722	-	-1.14%	(20,012)	116,985	2,018,596
2005	448,249	-	2.81%	74,659	1,404,334	1,137,170
2006	518,220	-	1.90%	25,608	117,955	1,563,043
2007	575,848	-	4.20%	78,629	37,557	2,179,963
2008	609,002	-	4.79%	113,392	345,695	2,556,662
2009	611,793	-	1.31%	74,514	91,189	3,151,780
2010	659,495	-	0.81%	51,516	639,343	3,223,448
2011	1,260,575	-	0.23%	17,304	144,684	4,356,643
2012	1,261,837	929,543	0.11%	11,247	747,485	5,811,785
2013	1,083,730	565,569	0.07%	4,948	5,681,152	1,784,880
2014	1,113,274	621,602	0.15%	7,467	329,618	3,197,605
2015	1,145,758	656,077	0.17%	14,261	-	5,013,701
2016	1,208,638	334,673	0.05%	5,776	898,836	5,663,952
2017	1,156,529	18,838,482	0.08%	8,685	20,456,372	5,211,276
2018	1,296,320	-	0.31%	35,435	409,348	6,133,683
2019	1,315,714	-	0.36%	47,906	223,628	7,273,675
2020	1,357,619	-	0.04%	5,081	2,492,638	6,143,737
2021	1,401,654	-	0.37%	39,762	3,116,198	4,468,955
2022	1,473,826	-	0.03%	2,639	1,577,124	4,368,296
2023	1,504,926	-	0.03%	2,621	106,055	5,769,788
2024	1,557,320	-	0.06%	3,462	1,663,766	5,666,804
2025	1,619,676	29,814,688	0.02%	2,323	28,685,246	8,418,245

NOTE: The ending reserve balance does not reflect any open purchase commitments at June 30.

HOLLAND BOARD OF PUBLIC WORKS
(Enterprise Funds of the City of Holland, Michigan)

Schedule of Capital Assets

June 30, 2025

	Electric Utility	Wastewater Utility	Water Utility	Total
Land	\$ 21,098,280	\$ 260,673	\$ 2,178,242	\$ 23,537,195
Construction in progress	13,130,661	2,502,285	4,178,126	19,811,072
Production plant	307,030,167	95,805,580	29,029,367	431,865,114
Distribution/collection system	177,770,437	54,361,482	90,082,501	322,214,420
General plant	48,880,240	4,059,432	3,594,090	56,533,762
Total	567,909,785	156,989,452	129,062,326	853,961,563
Accumulated depreciation	(262,498,630)	(66,947,574)	(44,433,521)	(373,879,725)
Total capital assets, net	<u>\$ 305,411,155</u>	<u>\$ 90,041,878</u>	<u>\$ 84,628,805</u>	<u>\$ 480,081,838</u>

HOLLAND BOARD OF PUBLIC WORKS
(Enterprise Funds of the City of Holland, Michigan)

Schedule of Capital Assets
 June 30, 2024

	Electric Utility	Wastewater Utility	Water Utility	Total
Land	\$ 21,027,272	\$ 260,673	\$ 2,178,242	\$ 23,466,187
Construction in progress	12,861,781	1,414,148	5,359,640	19,635,569
Production plant	306,934,952	95,390,258	27,253,476	429,578,686
Distribution/collection system	161,785,042	52,542,514	82,900,645	297,228,201
General plant	47,820,150	3,847,645	3,396,453	55,064,248
Total	550,429,197	153,455,238	121,088,456	824,972,891
Accumulated depreciation	(249,399,533)	(62,028,291)	(41,524,626)	(352,952,450)
Total capital assets, net	\$ 301,029,664	\$ 91,426,947	\$ 79,563,830	\$ 472,020,441

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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***

October 27, 2025

Board of Directors
Holland Board of Public Works
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 business-type activities and each major fund of the **Holland Board of Public Works** (the "Board"), enterprise funds of the City of Holland, Michigan, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements, and have issued our report thereon dated October 27, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Board's internal control over financial reporting (internal control) as a basis for designing 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 Board's internal control. Accordingly, we do not express an opinion on the effectiveness of the Board'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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Board's financial statements are free of 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 financial statements. 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 Board'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.