

CITY OF HOLLAND
HOLLAND, MICHIGAN

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2006

Prepared by:

Finance Office

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CITY OF HOLLAND

TABLE OF CONTENTS

<u>Exhibit</u>	INTRODUCTORY SECTION:	<u>Page</u>
	Title Page	i
	Table of Contents	ii-v
	Letter of Transmittal	vi-xxii
	Principal City Officials	xxiii
	Certificate of Achievement	xxiv
	Organization Chart	xxv
	FINANCIAL SECTION	
	Independent Auditors' Report	1-2
	Management's Discussion and Analysis	3-13
	Basic Financial Statements:	
	Government-wide Financial Statements:	
	Statement of Net Assets	14
	Statement of Activities	15-16
	Fund Financial Statements:	
	Balance Sheet – Governmental Funds	17
	Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds to the Net Assets of Governmental Activities on the Statement of Net Assets	18
	Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	19
	Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	20
	Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget (Modified Accrual Basis) and Actual - General Fund	21
	Statement of Net Assets – Proprietary Funds	22
	Statement of Revenues, Expenses, and Changes in Net Assets – Proprietary Funds	23
	Statement of Cash Flows – Proprietary Funds	24-25
	Statement of Net Assets – Agency Funds	26
	Notes to Financial Statements	27-55
	Supplemental Information – Combining and Individual Fund Financial Statements and Schedules	
	General Fund	
A-1	Balance Sheet	57
A-2	Schedule of Revenues – Budget (Modified Accrual Basis) and Actual	58
A-3	Schedule of Expenditures – Budget (Modified Accrual Basis) and Actual	59
A-4	Schedule of Transfers– Budget (Modified Accrual Basis) and Actual	60

(Continued)

CITY OF HOLLAND
TABLE OF CONTENTS (CONTINUED)

Exhibit		Page
Supplemental Information – Combining and Individual Fund Financial Statements and Schedules (Continued)		
Nonmajor Governmental Funds		
B-1	Combining Balance Sheet	75-79
B-2	Combining Statement of Revenues, Expenditures and Changes in Fund Balances	80-83
	Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget (Modified Accrual Basis) and Actual:	
B-3	Major Street Fund	84
B-4	Local Street Fund	85
B-5	Allegan County Road Tax Fund	86
B-6	Street Improvements Reserve Fund	87
B-7	Downtown Parking System Fund	88
B-8	Downtown Snowmelt Fund	89
B-9	Principal Shopping District Fund	90
B-10	Contested Assessments Fund	91
B-11	CATV – Public Access TV Fund	92
B-12	Revolving Cash Assistance Fund	93
B-13	Specified Donations Fund	94
B-14	Dangerous Structures Fund	95
B-15	Employees Benefit Fund	96
B-16	Property Acquisition Fund	97
B-17	Underground Storage Tank Financial Assurance Fund	98
B-18	Airport Donations Fund	99
B-19	MEDC Uniform Color Grant Fund	100
B-20	Police Criminal Justice Training Fund	101
B-21	Police Community Relations Fund	102
B-22	Anti-Drug Abuse WEMET Grants Fund	103
B-23	Office of Highway Safety Planning (OHSP) Grant Fund	104
B-24	Law Enforcement Block Grants Fund	105
B-25	FEMA Firefighters Grant Fund	106
B-26	Homeland Security Grant Fund	107
B-27	Technology Transfer Program Grant	108
B-28	Mcoles Accident Investigation Grant Fund	109
B-29	District Library Taxation Fund	110
B-30	Bicentennial Celebration Fund	111
B-31	MSHDA Grants Fund	112
B-32	CDBG Grants Fund	113
B-33	IMLS Learning Opportunity Nature Grand Fund	114
B-34	Neighborhood Impact Program (NIP) Grant Fund	115
B-35	Budget Stabilization Fund	116
B-36	Cemetery Perpetual Care Fund	117

(Continued)

CITY OF HOLLAND
TABLE OF CONTENTS (CONTINUED)

Exhibit		Page
Supplemental Information – Combining and Individual Fund Financial Statements and Schedules (Continued)		
Nonmajor Enterprise Funds		
C-1	Combining Statement of Net Assets	121
C-2	Combining Statement of Revenues, Expenses and Changes in Fund Net Assets	122
C-3	Combining Statement of Cash Flows	123-124
Internal Service Funds		
D-1	Combining Statement of Net Assets	130-131
D-2	Combining Statement of Revenues, Expenses and Changes in Net Assets	132-133
D-3	Combining Statement of Cash Flows	134-135
Fiduciary Funds		
E-1	Combining Balance Sheet	138
E-2	Agency Funds: Combining Statement of Changes in Assets and Liabilities	139-140
Component Units		
Downtown Development Authority:		
F-1	Balance Sheet	144
F-2	Reconciliation of Fund Balances on the Balance Sheet for the Downtown Development Authority to Net Assets of Governmental Activities on the Statement of Net Assets	145
F-3	Statement of Revenues, Expenditures and Changes in Fund Balances	146
F-4	Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of the Downtown Development Authority to the Statement of Activities	147
F-5	Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget (Modified Accrual Basis) and Actual - Downtown Development Authority	148
Brownfield Redevelopment Authority		
G-1	Balance Sheet	149
G-2	Statement of Revenues, Expenditures and Changes in Fund Balances	150
G-3	Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget (Modified Accrual Basis) and Actual - Brownfield Redevelopment Authority	151

(Continued)

CITY OF HOLLAND
TABLE OF CONTENTS (CONTINUED)

Exhibit	Statistical Section (Unaudited)	Page
	Financial Trends Information	
H-1	Net Assets by Component	152
H-2	Changes in Net Assets	153-154
H-3	Fund Balances for Governmental Funds	155
H-4	Changes in Fund Balances for Governmental Funds	156
	Revenue Capacity Information	
I-1	Assessed Value and Actual Value of Taxable Property	157
I-2	Direct and Overlapping Property Tax Rates	158
I-3	Principal Property Tax Payers	159
I-4	Property Tax Levies and Collections	160
	Debt Capacity Information	
J-1	Ratios of Outstanding Debt by Type	161
J-2	Ratios of General Bonded Debt Outstanding	162
J-3	Direct and Overlapping Governmental Activities Debt	163
J-4	Legal Debt Margin Information	164
J-5	Pledged-Revenue Coverage	165-166
	Demographic and Economic Information	
K-1	Demographic and Economic Statistics	167
K-2	Principal Employers	168
	Operating Information	
L-1	Full-time Equivalent City Government Employees by Function	169
L-2	Operating Indicators by Function	170
L-3	Capital Asset Statistics by Function	171

(Concluded)

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November 15, 2006

TO CITY OF HOLLAND CITIZENS AND OTHER INTERESTED PERSONS:

The *Comprehensive Annual Financial Report of the City of Holland (CAFR)* for the fiscal year ended June 30, 2006, is hereby submitted. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the data as presented is accurate in all material respects and reported in a manner that fairly sets forth the financial position and results of operations of the various funds of the City. All disclosures considered necessary to enable the reader to gain an understanding of the City's financial activities are included.

The report is comprised of six sections prepared in conformance with *GASB Statement No. 34*. The first section includes the table of contents, letter of transmittal, and organizational data. The second section includes the Independent Auditor's Report and the Management's Discussion and Analysis (MD&A) which provides a narrative introduction, overview, and analysis of the statements which follow. The third section includes the Basic Financial Statements comprised of the Government-wide financial statements and the Fund financial statements. The fourth section includes the Notes to the Basic Financial Statements. The fifth section includes Supplementary Information comprised of individual fund narrative descriptions, combining fund statements and budgetary comparison schedules. The sixth section is the Statistical Section which includes tables that reflect economic and financial data and trends, together with the current fiscal capacity of the City.

The *Notes to the Financial Statements* are considered to be an integral part of the report and should be read for a more complete understanding of the statements and information presented therein.

PROFILE OF THE GOVERNMENT

The City of Holland is located in the western portion of the state, five miles from Lake Michigan and approximately 90 miles north of the Michigan-Indiana border. The corporate boundaries of the City lie within portions of Ottawa County and Allegan County. The U.S. Census Bureau's final adjusted 2000 census indicates a population of 35,048 with a median age of 29.2 years. The 2005 population estimate is 34,429, representing a slight decrease. At June 30, 2006 the City included an area of 17.35 square miles, 148.62 miles of major and local streets and 11.20 miles of state trunkline highways. Holland is situated within the rapidly urbanizing metro tri-plex of Holland, greater Grand Rapids and Muskegon with a total population of over one million.

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

PROFILE OF THE GOVERNMENT

(Continued from Previous Page)

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

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

The City enjoys a well-diversified property tax base mix of residential (48.6%), commercial (23.7%), industrial (27.1%), and all other (0.6%). The industrial sector includes a diversification of manufacturing, including office systems & furniture, auto and truck parts, boats, aluminum extrusion, pickle & cucumber products, soft drinks, and several other small industrial firms.

The annual budgeting process is conducted in accordance with *State of Michigan Act 2 of 1968*, as amended through *Act 493 of 2000*, together with *Sections 9.4 and 9.5 of the City Charter*. Formal budgets are established for the General, Permanent and Special Revenue funds. Informal budgets are established for the Debt Service, Enterprise and Internal Service Funds, and Component Units. Informal budgets for Capital Projects are also approved through the annual budgeting process and, in many instances, individually by the City Council throughout the fiscal year. We believe that internal control procedures and policies currently in place provide reasonable assurance for proper recording of financial transactions and asset accountability.

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

The City government's employed staff includes 429 full-time positions, and approximately 650 part-time positions. The full-time workforce is composed of a base of non-union plus four organized labor bargaining units as follows:

<u>Employee Group</u>	<u>Affiliation</u>	<u>Members</u>
Utility Workers	Service Employees International Union AFL-CIO, Local 568	99
Utility Clerical	Service Employees International Union AFL-CIO, Local 568	16
Police Officers	Fraternal Order of Police, Holland Police Officers Division	59
Firefighters	International Association of Firefighters, Local 759	26
Non-Union	None	229

THE FINANCIAL REPORTING ENTITY

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

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

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

The requirements of *GASB Statement No. 14*, and the further amendments to this statement made by *GASB Statement No. 39*, are addressed in this report. Component units that require discrete reporting presentation are the *Downtown Development Authority*, the *Economic Development Corporation (no activity in current year)*, the *Holland Historical Trust* and the *Brownfield Redevelopment Authority*. These four component units are legally separate organizations for which the Holland City Council is financially accountable; and/or for which the nature and significance of their relationship with the City are such that exclusion would cause the financial statements to be misleading or incomplete. The component units are further identified in Note 1 of the *Notes to Financial Statements*.

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

ECONOMIC CONDITIONS OF THE COMMUNITY

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

The local West Michigan area has been impacted by the national economic downturn which began in 2001. The following table of comparative unemployment rates paints a vivid picture reflecting 2003 as the peak of the downturn. Approximately 39% of the City of Holland's tax base is in Allegan County and 61% is in Ottawa County.

Comparative Unemployment Rates

<u>Annual Average</u>	<u>City of Holland</u>	Holland/Grand Haven Metro Area	<u>County of Ottawa</u>	<u>County of Allegan</u>	<u>State of Michigan</u>	<u>United States</u>
2006	6.9	5.2	5.2	6.3	6.9	4.7
2005	6.7	5.0	5.0	6.1	6.7	5.1
2004	7.3	5.5	5.5	6.5	7.0	5.5
2003	7.8	5.9	5.9	6.5	7.1	6.0
2002	7.1	5.4	5.4	5.6	6.2	5.8
2001	5.4	4.1	4.1	4.2	5.2	4.7
2000	3.5	2.7	2.7	2.9	3.7	4.0

ECONOMIC CONDITIONS OF THE COMMUNITY

(Continued from Previous Page)

The unemployment figures should be reviewed in tandem with the labor force figures which indicate positive growth since the low point in 2002. Federal employment numbers indicate that Ottawa County has had 1,000 job net growth each of the last three years.

City of Holland Labor Force

	<u>Employed</u>	<u>Unemployed</u>	<u>Labor Force</u>
2006	17,359	1,290	18,649
2005	17,046	1,217	18,263
2004	16,617	1,308	17,925
2003	16,304	1,384	17,688
2002	16,351	1,247	17,598
2001	17,145	977	18,122
2000	17,504	643	18,147

The W.E. Upjohn Institute for Employment Research Business Outlook for West Michigan June 2006 publication stated that “the region’s manufacturing base shed workers in 2005, but not as dramatically as previously reported “ and with the growth in total area employment “it appears that the long-awaited recovery reached West Michigan last year”. Randy Thelen, president of Lakeshore Advantage, stated in May 2006 that “West Michigan (metro tri-plex of Holland, Grand Rapids and Muskegon) has grown more than 7,000 jobs in the last year while Michigan as a whole has lost 20,000 jobs” and “that speaks to West Michigan’s historic reputation for being the economic engine of the State, holding true even in tough economic times”. The Holland economy is repositioning and stabilizing into lower average annual growth as the expectation instead of the paradigm that the economy will drastically “turn around” in the near future. 2000 census figures reveal that 33% of Holland’s employed population works in manufacturing with those in the auto supply areas being most noticeably impacted by the statewide economic decline.

Since March 2004 Johnson Controls Interiors (JCI) has outsourced or eliminated about 1,685 jobs in the Holland area, but remains the City’s largest employer with 2,705 current employees. About 300 jobs were eliminated at JCI in April 2006 from the Holland Technical Center and the anticipated closing of the Meadowbrook facility over the next 12 months could eliminate as many as 350 additional workers. While the major tier autosupplier JCI is in the midst of tough times there is much other diversity in furniture, boatbuilding, the food industry and new technologies.

Haworth, Inc., the fourth largest furniture maker and Holland’s second largest employer, posted double digit sales growth for 2005 as the company has transitioned into a multinational business with much activity in the Asian and Indian markets. Locally in Holland, Haworth added 150-200 employees over the last year, predicts no layoffs for the coming year and continues to experience ongoing hiring. Their \$30 million Holland world headquarters reconstruction, which began in 2006 and is scheduled for 2008 completion, signals a significant commitment to Holland as their overseas markets continue to use the services (finance, customer service, sales, design) of their Holland world headquarters.

Holland Community Hospital added 35 new employees in 2006 and currently employees 1,600. Currently underway is a \$50.2 million expansion project which includes \$45.7 million for renovations to administrative offices, the emergency room and a new 30 private bed intensive care (ICU) telemetry building scheduled for completion in September 2007. Relocation of the lab and pharmacy will account for an additional \$4.5 million in construction. The hospital anticipates adding 30-35 additional employees per year for several years to come.

Expansion hirings at Challenge Manufacturing (150) and S-2 Yachts (150) are underway as part of approved Act 328 tax abatements and facility expansions. The most recent Manpower Inc. survey of major employers in the greater Holland area indicates no changes in overall employment expected for the first quarter of 2007 and that the areas of design, architecture and technology are those

ECONOMIC CONDITIONS OF THE COMMUNITY

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showing increases.

The City currently has seven Brownfield Redevelopment Authority projects approved and in various stages of construction completion which are anticipated to spur development on obsolete or blighted properties within the City. The first phase of the 63 condominium units in the Baker Lofts Brownfield project, the converted former Baker Furniture factory, is 80% sold and the 33 unit second phase is scheduled for completion in 2007. Menards (home improvement retailer) has demolished and cleared the old GE factory site and plans to begin construction of their new 162,340 square foot building (plus 40,608 sq. ft. unheated overhang area) in the spring of 2007.

Since 2000, the State of Michigan's economy has been in a downward spiral. Manufacturing employment dropped 26% and accounted for 73% of the job losses through 2005. Auto and light truck production in Michigan declined 20.5% with the State's three largest employers being GM, Ford and Daimler Chrysler. As State revenues plummeted and expenditures for healthcare costs and corrections skyrocketed, the State workforce declined by 12.7%. The State is grappling with School Aid Funding issues, repeal of the Single Business Tax, erosion of the Rainy Day Fund reserves and use of one-time revenue resources to balance the budget.

The City of Holland has been directly impacted by the State of Michigan budget crisis which has most noticeably been felt in the form of state revenue sharing cuts. Annual City state revenue sharing receipts have dropped 19.7% from the 2001 highest levels and the City has struggled to maintain services without any increase to the overall City property tax rate, but management felt that it was important not to raise taxes when so many citizens were impacted by the statewide economic downturn. The State has indicated it will maintain the same overall level of sales tax distributions for FY2007 as received for FY2006, but state budgetary difficulties leave this full commitment in question.

Based on 2006 industrial facilities tax abatements granted by the City of Holland, 135 new jobs are anticipated to be created along with \$24.6 million of new related construction and machinery. In 2004 and 2005 Ottawa County led all other counties in the State with the highest number of industrial tax abatement certificates issued. The City of Holland has historically led all other municipalities within the State with the highest number of industrial tax abatement certificates. The following table identifies the 2006 industrial tax abatements issued by the City of Holland.

<u>Company</u>	<u>Development</u>	<u>Planned Investment</u>	<u>Projected Job Growth</u>
Trans-matic	Metal Stampings	\$6,900,000	12
Michigan Wood Pellet Fuels	Manufacturing Pellet Fuels	\$3,952,330	25
Challenge Mfg. Co.	Plant Expansion	\$3,900,923	50
H. J. Heinz	Plant Expansion	\$2,052,475	0
Metal Standard	Automation Processes	\$1,964,755	5-10
Holland Panel Products	Decorative Vinyl Panels	\$1,891,717	8
Exact Engineering	Rapid Prototype Tooling	\$1,850,000	7
Magna Donnelly	Corporate Support Functions	\$572,489	0
Edmar Mfg.	Expand Laser Metal Cutting	\$549,000	3-6
Koops, Inc.	Office Expansion	\$456,000	12
Worden Company	Additional Equipment	\$295,000	2
Mix Head Repair	Repairing Mix Heads	\$182,149	3
		<u>\$24,566,838</u>	<u>127-135</u>

Building permit construction values declined overall by 19.4% from FY2005 (\$74.8 million) to FY2006 (\$60.3 million). Industrial and commercial building permit construction values increased 103%, residential decreased 12.2% and institutional/municipal decreased by 56.9%.

ECONOMIC CONDITIONS OF THE COMMUNITY

(Continued from Previous Page)

In recent years, the adjacent surrounding townships have experienced a greater rate of growth for residential, commercial and industrial than has the City; primarily due to land availability. However, the annexation of more than 1,100 acres on December 31, 1999 provided the City with additional land for future growth and expansion to the south. A major mixed use residential and commercial development called Kensington Place is in the first start up phase by a local developer, within the annexed area, consisting ultimately of almost 800 units on approximately 84 acres of land. The \$45 million development is based on the philosophy of "new urbanism" focusing on bringing people together in a neighborhood community atmosphere. The airport tunnel and runway extension project recently completed, in the area adjacent to the annexed area, is expected to be accompanied by many economic rewards to the area's business climate.

There are many bright spots on the horizon for Holland despite relatively flat economic indicators. The October 2006 issue of Money magazine listed Holland among the top five retirement places in the United States. Reasons cited were a nice downtown, boating, reasonable cost of living, moderate housing prices, good medical facilities and Hope College. It should also be noted that the Holland Aquatic Center, Herrick District Library and Evergreen Commons Senior Center facilities are considered top notch for a community of this size.

Construction on a new \$5.1 million 77 bed nursing home facility on East 16th Street is underway with plans to employ more than 100 people. The first phase of a new \$8 million 62 unit independent living retirement condominium community off Hastings Avenue is planned for 2008. The metro triplex area in West Michigan is considered a mecca for the arts and the quality of life in the City of Holland is further enhanced by the presence of three institutions of higher learning. Hope College's centralized location, adjacent to Holland's downtown area, contributes to the wide range of activities, interaction and economic benefit offered to the community.

<u>Institution</u>	<u>Enrollment (Degree Seeking)</u>
Hope College	3,109
Grand Valley State University (Meijer Campus)	850
Davenport University	<u>673</u>
Total	4,632

Business is vibrant and booming in downtown Holland. Construction was completed in 2006 on the DeVos Fieldhouse by Hope College in the Eastern Gateway area of the downtown which has enhanced the downtown area both aesthetically and economically, offering a wide venue of sports and entertainment events. Construction is nearly complete on the large Macatawa Bank development, with extended snowmelt, also in the eastern entrance area of the downtown. Developers are proposing for the spring of 2007 to construct a 50 room hotel in downtown Holland and a four story retail and office building (phase two to a previously constructed project) to include 75 underground parking spaces. The \$8 million 39,000 square foot Ottawa County District Court building recently opened in downtown Holland and is connected by a shared lobby to the \$15 million City Police Building completed in 2004. A current occupancy rate of 96% in the central business district reflects - in large part - the administrative efforts and promotional activities of the Downtown Development Authority (DDA) and Principal Shopping District (PSD).

The most recently assigned credit ratings to City of Holland debt are as follows:

Moody's Investor Service (reviewed and rated April 2004)	Aa3
Standard & Poor's (reviewed and rated March 2006)	AA

GOVERNMENTAL-TYPE FUNDS

FUND BALANCES

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

	FUND BALANCES		
	@ June 30, 2005	@ June 30, 2006	Increase (Decrease)
General Fund	\$ 2,543,921	\$ 2,542,624	\$ (1,297)
Special Revenue	6,815,229	4,749,858	(2,065,371)
Debt Service Funds	907,645	941,569	33,924
Capital Projects Funds	5,142,821	1,558,260	(3,584,561)
Permanent Trust Funds	1,820,603	1,626,945	(193,658)
Totals	\$ 17,230,219	\$ 11,419,256	\$ (5,810,963)

Additional Comments Concerning Certain Fund Balances

- The *General Fund – Fund Balance* of \$2,542,624 at June 30, 2006 is budgeted to decrease by \$182,719 in the ensuing fiscal year 2006-07. A further delayed reduction to fund balance is estimated at \$109,000 to cover potential Police union retroactive pay currently in arbitration. Further reductions in State revenue sharing could lower the estimated June 30, 2007 fund balance of \$2,250,905, but more favorable interest earnings could help to offset any reduction.
- The decrease in the *Fund Balance* of the *Special Revenue Funds* resulted mainly from transfers from the Street Funds to the Capital Project Funds for street capital improvement projects and the use of \$188,730 from the Budget Stabilization Fund to make Michigan Tax Tribunal (MTT) one-time property tax refunds and reimburse the General Fund for FY2004-05 related state revenue sharing shortfalls.
- The Budget Stabilization Fund (in the Special Revenue Funds section) ended the fiscal year with an *Undesignated Fund Balance* of \$1,567,489; which is less (by \$490,253) than the internally-established guideline targeted at 10% of the ensuing fiscal year General Fund budget, or \$2,057,742. Despite this temporary decrease in the Budget Stabilization Fund, management is committed to building this fund back up to the 10% target within the coming years.

CAPITAL PROJECTS

Expenditures in the *Capital Projects Funds*, excluding interfund transfers, totaled \$13,039,942 for FY2006 as compared to \$16,145,653 for FY2005. More significant projects with expenditures exceeding \$100,000 during the fiscal year included:

INFRASTRUCTURE PROJECTS	
Highway M40, Interstate I-196 Overpass to South City Limit	\$ 4,067,387
River/Michigan, 28 th to 15 th Streets, Turnback	2,285,494
River Avenue, 15 th Street to the River Avenue Bridge	1,243,117
40 th Street, Washington to Graafschap	1,063,972
Pine Avenue, 7 th St to River Avenue Bridge	1,053,457
River Avenue Vehicular and Pedestrian Bridges (City Share Only)	895,112
Washington Avenue Tunnel, Road Relocation, and Property Acquisition	624,019
23 rd and 24 th Streets, Diekema Avenue to Ottawa Avenue	335,244
2005 Calendar Year Resurfacing Program	296,086
MUNICIPAL CAPITAL PROJECTS	
Ourstreet Improvements Projects	\$ 225,389
Smallenburg Park Improvements	205,402
Pilgrim Home Cemetery Columbarium	180,974
Kollen Park Renovation	107,388

GOVERNMENTAL-TYPE FUNDS

CAPITAL ASSETS – GOVERNMENTAL ACTIVITIES

In fiscal year 1991, a professional appraisal firm assisted with the inventory and recording of all governmental capital assets, including assignment of appraised values based on estimated original cost. Since that initial establishment, the City has maintained all additions, deletions, changes and transfers of capital assets. Prior to the close of the fiscal year ended June 30, 2006, an appraisal firm was contracted with to establish all infrastructure capital assets not previously capitalized including roads, bridges, tunnels, drainage structures, traffic signals and sidewalks. In addition, City staff researched and established retrospective easements. Depreciation of governmental activity capital assets is recognized under GASB34. The completion of these tasks brings the City into full compliance with GASB34 regarding capital assets.

INTERNAL SERVICES

INTERNAL SERVICE FUNDS

The following tabulation summarizes Internal Services financial operations for the fiscal year in more detail than is found in the financial statements:

Internal Service Operation	FY2006 Revenues	FY2006 Expenses	Working Capital * @ June 30, 2005	Working Capital * @ June 30, 2006
<u>Technology Services:</u>				
Computer Services	\$ 590,432	\$ 646,487	\$ 146,859	\$ 155,743
Photocopy Services	25,698	35,987	115,789	100,574
Postage Services	25,025	26,413	7,656	7,512
Communication Services	<u>95,994</u>	<u>110,521</u>	<u>13,765</u>	<u>7,475</u>
Total Technology Services	737,149	819,408	284,069	271,304
<u>Equipment Services:</u>				
Fuel Dispensing	638,965	636,840	44,615	49,285
Centralized Vehicle/Equip.	2,102,132	1,880,140	2,419,832	2,344,056
Fire Vehicle	<u>15,020</u>	<u>105,976</u>	<u>325,824</u>	<u>440,844</u>
Total Equipment Services	2,756,117	2,622,956	2,790,271	2,834,185
<u>Other:</u>				
Compensated Absences	18,167	18,167	1,453,483	1,471,650
<u>Insurance Services:</u>				
- Workers Compensation	329,701	252,304	596,343	543,840
- Disability Income	103,838	76,844	44,056	71,050
- Health and Dental	4,450,830	3,953,271	1,464,254	1,961,813
- Vehicle	151,527	156,785	175,921	170,663
- Property	52,797	35,209	550,910	568,498
- Liability	<u>123,174</u>	<u>158,354</u>	<u>259,254</u>	<u>224,074</u>
Total Insurance Services	5,211,867	4,632,767	3,090,738	3,539,938
Totals	\$ 8,723,300	\$ 8,093,298	\$ 6,165,078	\$ 6,645,427

* Includes balances designated internally for future equipment replacement and insurance reserves.

EMPLOYEES' RETIREMENT PLAN

MICHIGAN MUNICIPAL EMPLOYEES RETIREMENT SYSTEM – Defined Benefit Plan

The City is a participant member of the *Michigan Municipal Employees' Retirement System (MERS)* that covers all full-time employees and certain part-time employees whose employment position meets certain criteria. Total employer-paid premium for fiscal year 2005-06 was \$1,640,144.

The most recent actuarial valuation, dated December 31, 2005, indicates that the City's valuation assets (stated at market value) provide 81.5% funding (employer portion only), based upon actuarial determined accrued liabilities of \$91,642,252, valuation assets of \$74,665,205, and unfunded accrued liabilities of \$16,977,047.

MICHIGAN MUNICIPAL EMPLOYEES RETIREMENT SYSTEM – Defined Contribution Plan

The City implemented a defined contribution plan in July 2003 for all pension eligible non-union new hires. Existing non-union employees covered by the defined benefit plan were given the choice, after a lengthy review period, to convert to the defined contribution plan or stay with the defined benefit plan. A total of 64 employees (42-General City, 22-HBPW) transferred from the defined benefit plan to the defined contribution plan and currently 81 employees participate (58-General City, 23-HBPW). ICMA Retirement Corporation is the designated MERS third party administrator for this plan. There is a standard six (6) percent City contribution with an optional two (2) percent employee contribution along with an additional City match of two (2) percent. The total contribution paid by the employer for fiscal year 2005-06 was \$303,176.

DEFERRED COMPENSATION

In addition to the MERS defined benefit plan, the City also makes available two individual deferred compensation plans whereby employees may voluntarily participate in either or both, through payroll withholding up to an annual maximum of \$15,000. The plans are sponsored and administered by *International City Management Association (ICMA)* and by *ITT Hartford*. These plans have been placed in trust, and do not appear on the financial statements.

CASH AND INVESTMENT MANAGEMENT

Most funds of the City participate in an internal *Cash & Investment Pool*, except for:

- Utility funds for Electric, Water, Wastewater
- Component Unit funds for *Holland Historical Trust*

Interest income earned by the pool is allocated by capturing the average daily balance of each individual fund relative to the average daily balance of all funds that participate in the pool. For various periods of time during the fiscal year, certain funds experienced negative daily cash balance positions in the pool; in which cases these same funds were charged with an allotted share of "negative investment earnings" correlating to the negative average daily balance.

Cash temporarily idle during the year may be invested in certificates of deposit, commercial paper, money market accounts, as well as U.S. Government securities as permitted by State of Michigan statutes and the City's *Cash and Investment Policy*. The majority of placements during fiscal year 2005-06 were in certificates of deposit, U.S. Treasury Notes and U.S. Instrumentalities.

Yields on investments held at June 30, 2006 in the *Cash & Investments Pool* ranged from 2.30% to 5.39%. For the fiscal year, the annualized average interest rate earned in the pool was 3.585%, as compared to 2.243% for the previous fiscal year. This reflects implementation of GASB Statement No. 31 during fiscal year 1997-98 and resulting market valuation adjustments to affected investments. The City typically buys and holds long term investments to maturity so fiscal year end market adjustments are not actually realized.

CASH AND INVESTMENT MANAGEMENT

(Continued from Previous Page)

If investments had not been valued at market the annualized average interest rate would have been 3.055%.

Fiscal Year	History of Market Write-Up (Down)
1999-2000	\$ (147,292)
2000-2001	\$ 230,511
2001-2002	\$ (233,799)
2002-2003	\$ (536,296)
2003-2004	\$ (488,498)
2004-2005	\$ (21,532)
2005-2006	\$ 149,688

The exhibit below summarizes the investment earnings by fund-type for the most recent two fiscal years (including funds that do not participate in the pool).

Fund Type	INVESTMENTS EARNINGS			
	Fiscal Year		Year-to-Year Change	
	2004-2005	2005-2006	Amount	Percentage
General Fund	\$ 270,229	\$ 391,900	\$ 121,671	45.0%
Permanent	42,878	69,014	26,136	61.0
Special Revenue	83,739	114,146	30,407	36.3
Debt Service	42,125	52,299	10,174	24.2
Capital Projects	64,971	115,849	50,878	78.3
Enterprise	1,786,976	2,138,700	351,724	19.7
Internal Service	116,138	222,745	106,607	91.8
Component Units	71,186	80,189	9,003	12.7
Total	\$ 2,478,242	\$ 3,184,842	\$ 706,600	28.5%

Investment earnings are affected by various factors, including: funds available for investment, length of investment maturities, interest rate environment at time of investment acquisition, and fluctuations in market value of the underlying security.

RISK MANAGEMENT

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

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

Separately designated funds are established within the Internal Service Funds group to account for various types of coverage, to include:

- Employee Workers Compensation
- Employee / Retiree Health & Dental
- Employee Disability Income Protection
- Vehicles Damage / Loss
- Property Damage / Loss
- General Liability / Public Officials Liability

RISK MANAGEMENT

(Continued from Previous Page)

With the exception of the Employee Disability Income Protection Fund, each of these funds maintains a cash funding level that is considered reasonable and necessary to provide adequate protection against potential losses (certain reserves related to indemnification for Utility Funds reside in the respective Enterprise Funds).

As relates to coverage for property damage or loss, an independent asset appraisal firm is retained to provide annual appraisal updates of all capital assets for insurance coverage purposes

The following provides an overview of the various types of coverage, self-funded levels of retention (deductibles), and the annual premiums:

Type of Coverage	Self-Funded Retention	Internal Self-Funded Premium	Commercial Premium
All-Lines Aggregate Program:			
– General Liability	\$ 100,000	\$ - 0 -	\$ 299,033
– Public Officials Liability	100,000	- 0 -	82,263
– Law Enforcement Liability	100,000	- 0 -	24,778
– Property Damage / Destruction	100,000	- 0 -	446,011
Employee Workers Compensation	-0-	- 0 -	245,178
Employee Health & Dental Plan	75,000	3,351,623	457,396
Employee Disability Income Plan	48,000	67,595	28,104
Employee Life and AD&D Plans			
– Full-time Employee Plan	- 0 -	- 0 -	56,849
– Part-Paid Firefighters Plan	- 0 -	- 0 -	488
– Auxiliary Police Officers Plan	- 0 -	- 0 -	399
Crime & Dishonesty	25,000	- 0 -	8,259
Foreign Travel	- 0 -	- 0 -	2,500
Vehicle:			
– Vehicle Damage / Destruction	100%	10,000	- 0 -
– Liability	- 0 -	- 0 -	178,910
Pollution Liability	25,000	- 0 -	107,205
Boiler & Machinery	Varies	- 0 -	163,500
Municipal Airport:			
– General Liability	1,000	- 0 -	4,025
– Public Officials Liability	100,000	- 0 -	16,850
– Property Damage / Destruction	2,500	- 0 -	8,815
Total Premiums	- - - - -	\$ 3,429,218	\$ 2,130,563

Additional Notes:

Internal premiums are intended to assist in meeting self-funded claims, as well as the cost of commercial premiums for stop-loss and excess loss coverage.

Third-party administrative fees are included in the commercial premium amounts for various types of coverages listed above.

AWARDS

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

<u>Award or Accreditation</u>	<u>Granting Agency</u>	<u>Department</u>
Airport Sponsor of the Year (2006)	Michigan Aeronautics Commission	Management & Administrative
City of Character for Discernment, Diligence, and Initiative (2001)	International Association of Character Cities	Management & Administrative
Municipal Achievement Award – Honorable Mention (1998)	Michigan Municipal League	Management & Administrative
Certificate of Achievement for Excellence in Financial Reporting (since FY1992)	Government Finance Officers Association	Fiscal Services
Distinguished Budget Presentation Award (since FY2004)	Government Finance Officers Association	Fiscal Services
Healthy Workplace Award (1996-2004, Award Program Was Discontinued in 2005)	Michigan Governor's Council on Physical Fitness, Health & Sports	Personnel – Human Resources
Tree City USA Award (since 1981)	National Arbor Day Foundation	Leisure & Cultural Services
Civic Construction Award of Excellence (2005)	Associated Builders and Contractors Association of West Michigan	Police Department
Cover/Feature Story Regarding the Planning and Construction of the New Police Facility (2005)	International Association of Chiefs of Police	Police Department
Regional Challenge Award (2004)	Michigan Office of Highway Safety Planning	Police Department
Employment Social Justice Award (2001)	Human Relations Commission	Police Department
Batmobile Recipient (2001)	Michigan Office of Highway Safety Planning	Police Department
Outstanding Contributions to Traffic Safety (1999)	Michigan State Safety Commission	Police Department
1 st Place Award Traffic Safety Efforts (1998)	Michigan Association of Chiefs of Police	Police Department
Mothers Against Drunk Driving Lifesaver Award (1998)	Mothers Against Drunk Driving (MADD)	Police Department
Grand Valley Metropolitan Blue Print Award (2006)	Grand Valley Metropolitan Council	Community & Neighborhood Svcs.
Annual National Night Out Award (1990-2006)	National Association of Town Watch	Community & Neighborhood Svcs.
Hispanic Advocate Award (2005)	State of Michigan Commission of Spanish Speaking Affairs	Community & Neighborhood Svcs.
Michigan Recycler of the Year (2005)	Michigan Recycling Coalition	Community & Neighborhood Svcs.
Special Tribute – Recycling and Trash Inspection Program (2003)	State of Michigan	Community & Neighborhood Svcs.
Dozen Distinctive Destinations Award (2002)	National Trust for Historic Preservation	Community & Neighborhood Svcs.
HUD Innovative Initiatives Award – Ourstreet Program (1999)	Grand Rapids Regional HUD (Housing & Urban Development)	Community & Neighborhood Svcs.
Neighborhood of the Year (1997)	Neighborhoods, USA	Community & Neighborhood Svcs.
Great American Main Street Award (1997)	National Main Street Center	Community & Neighborhood Svcs.
Certificate of Recognition – Neighborhood of the Year – Ourstreet Program (1996)	Neighborhoods, USA	Community & Neighborhood Svcs.
All American City Award (1996)	National Civic League	Community & Neighborhood Svcs.
Pinnacle Award Finalist (2003)	Microsoft Business Solutions	Utility Services

SIGNIFICANT INITIATIVES, EVENTS AND ACCOMPLISHMENTS

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

- Economic Development and Revitalization

- > The City council continues to identify economic development as their top priority. Much of the staff time of the Assistant City Manager and the Community Development Supervisor is allocated to this issue, as well as staff in the Assessing and Treasurer offices. The City is committed to developing an area-wide approach to economic development and is working in tandem with the Lakeshore Advantage regional organization and the surrounding cities, townships, counties and metropolitan planning organization. The City is aggressively promoting Brownfield Redevelopments with seven separate projects approved to date and one additional approval pending. Four major personal property tax abatements under Act 328 have been approved for Challenge Manufacturing (two - automotive), Haworth, Inc. (office furniture) and S2 Yachts (fiberglass boats), two Tool & Die Renaissance Recovery Zones have been approved and Act 198 tax abatements continue to be issued prolifically.

- Infrastructure Projects:

- > As part of a perpetual road and utilities upgrade program, various central city streets are totally reconstructed and improved each year. It is the goal of the City to improve each individual street at least every twenty years.
- > At the City's request, a major turnback of several state trunkline roadways in the central-city area was accomplished in September 2004. The City received \$3.5 million from the State towards the total reconstruction of many of these roadways consistent with the level of quality determined by the City's standards. An additional \$1.9 million in federal funds were granted towards a total \$8.7 million corridor project including Michigan, River and Pine Avenues. These roadways lead into or traverse the downtown area and the River Avenue Bridge (see project description below). The first phase, including total reconstruction of Michigan/River Avenues, from 28th to 15th Street, was completed at the close of FY2005-06. The second phase which includes River Avenue, from 15th to the River Avenue Bridge, and Pine Avenue, from 7th Street to the Bridge, will be virtually complete by December 2006. The downtown segments of the River Avenue improvements include many streetscape beautification and landscaping enhancements as well as extending downtown snowmelted brick pathways between 7th and 12th Streets to City Hall and the Herrick District Library.
- > Total replacement of the River Avenue Bridge, which is the main artery connecting the City and Holland Township, was recently completed. This was a \$7.5 million major multi-jurisdictional project which includes two adjacent pedestrian bridges with viewing overlooks to Lake Macatawa and the Black River wetlands area. Decorative lighting and roadway approach enhancements serve to further improve this vital northerly entrance to the City and gateway to the downtown area.
- > During FY2005-06 the \$1.6 million total reconstruction project of 40th Street, from Washington to Graafschap, was completed. This major connector was previously without full City improvements. Reconstruction included a 3-lane portion, curbs, gutters, and sidewalks to enhance service to an elementary school, a high school, a 3,500 member church, and surrounding residential areas.

SIGNIFICANT INITIATIVES, EVENTS AND ACCOMPLISHMENTS

(Continued from Previous Page)

- **Electric Utility:**

- > The Electric Utility completed the installation and implementation of an Outage Management System to better manage electric system events such as significant outages and coordination of line activities. Evaluations were also completed for the 138kV electric transmission system relay coordination system and the rebuilding of electric distribution circuit 98. The Power Resources department continued transitioning to less expensive grades of coal which has resulted in savings to the customers and reduced emissions of sulfur dioxide. In addition, FY2005-06 saw one of the highest levels of generating resource availability in recent history due to timely and effective preventative maintenance programs.

- **Wastewater Utility:**

- > Major enhancements to the collection system were completed in Michigan and River Avenues, from 15th to 28th Street in FY2005-06 and to River Avenue, from 15th Street north to the River Avenue Bridge for completion in FY2006-07 in tandem with the roadway improvement projects referenced above.
- > Engineering evaluation of biosolids management options began in response to the rising energy costs related to current land application practices.
- > To improve the containment of potential spills at the plant, an engineer was contracted to design storm sewer and sanitary sewer improvements on the east side of the plant facility.

- **Water Utility:**

- > Water mains were also replaced in conjunction with the Michigan and River Avenue projects.
- > A new water transmission main was constructed to cross Lake Macatawa to improve system reliability and increase transmission capacity from the water plant to the distribution system. Most of the 2.5 mile long project was completed, except the lake crossing portion, which was constructed by direction drilling. The water main was stuck approximately 200 feet short of the required distance and work to retrieve and connect the pipe are underway.
- > Staff continues to plan for additional water supply and is considering options that include an expansion on the existing site, a plant in Laketown Township, and an interconnect with the City of Wyoming water system.

- **Automated Meter Reading (AMR):**

- > An additional \$1 million was expended across the Utility Funds during FY2005-06 on the fixed wireless network automated meter reading project. This \$6 million dollar state-of-the-art network covers the entire HBPW service area, including those areas outside of the city limits. The AMR system is designed to monitor all 40,000 utility account meters. Hourly signals are transmitted from approximately 40,000 electric and water meters to a system of 29 receiving collectors throughout the service area. This system can also detect power outages. Nearly all residential electric, residential water, and commercial/industrial water metering has been converted. The remaining commercial/industrial metering is anticipated to be completed by June 2008.

- **Health Insurance:**

- > Self funded health insurance rates for upcoming calendar year 2007 have come in slightly lower than for 2006. This is the first downward change experienced in recent times and is welcome news as the City is faced with maintaining a balanced budget. Also for 2007 the base health insurance plan for non-union employees will require an employee 5% contribution for those employees who meet the wellness/fitness requirement and 25% employee contribution for those not meeting the requirement.

SIGNIFICANT INITIATIVES, EVENTS AND ACCOMPLISHMENTS

(Continued from Previous Page)

- Tulip City Municipal Airport:

- > In 2005 a \$23 million runway extension project and 885 foot tunnel, beneath the new runway, were constructed. It is anticipated that this project will have a very positive economic development impact on the Holland area. The runway extension brought the total runway length to 6,262 feet allowing non-stop overseas flights for larger planes.
- > A \$620,000 security and animal control fencing project is currently underway. Property acquisition and design for a new terminal facility and runway improvements are planned for 2007 as well as a \$1.5 million Instrument Landing System (ILS) for Runway 26. Federal and state funding will cover approximately 98% of these improvements.
- > Discussions are in full progress with surrounding cities and townships concerning formation of a separate airport authority with taxing capabilities. Formation of this authority is fully anticipated for 2007.

- Beautification Projects:

- > Construction was completed on the \$3.07 million *Western Gateway Project* designed to provide an attractive and functional gateway between the downtown area and Kollen Park/Lake Macatawa. This project included construction of a large public parking lot, streetscape, snowmelt, canopy, and 8th Street roadway enhancements. The canopy structure houses the outdoor "Market" operation which encompasses an expanded concept from the former farmers' market. During special events and festivals the street is closed to vehicular traffic to accommodate the new venue. Roadway improvements completed this year in Pine Avenue pave the way for an enhanced entrance from the north into this area. Renovation or replacement of the aging Civic Center building, which sits in the southwest corner of this site footprint, is in the preliminary stage of study.
- > The five phase \$6.1 million multi-year Kollen Park improvement project is in progress with Phases II and III anticipated to begin in calendar year 2007 aided by extensive state grant funding. These phases include the Heinz waterfront boardwalk, new boat launching area, Cleveland Avenue relocation and incorporation of the former Sugar Beet property into the expanded park. This park is the City's premier Lake Macatawa waterfront public access site.
- > The \$250,000 Pilgrim Home Cemetery columbarium project began in FY2004-05 and should be completed during FY2006-07 to provide approximately 1,400 indoor niches for cremains. This project converts the former chapel building and will significantly expand the cemetery capacity.
- > The \$227,298 Smallenburg Park Phase I improvements project was completed in FY2005-06. This phase provided a new playground area and shelter in the area just north of Bouws Pool. This project included \$135,000 in donated funds from the Rotary, Kellogg and Community Foundations.

- Neighborhood Improvements:

- > Significant attention continues to be given to maintaining and improving neighborhoods. Across the Ourstreet Program and the MSHDA and CDBG grants \$638,000 was expended in FY2005-06 towards lower income home improvements, ownership down payment assistance and neighborhood commercial improvements. In addition these funds leveraged an additional \$240,000 in owner share matching contributions. Improvements in the older central City neighborhoods, the neighborhood liaison program and community policing programs are having a positive impact on the youth gang activity which peaked in the late 1990's.
- > Plans and momentum for the Columbia Art District are taking shape as another neighborhood commercial district gets an improvement nudge from the City. The City is currently aggressively seeking another \$500,000 MSHDA grant for improvements to the Montello Park neighborhood.

SIGNIFICANT INITIATIVES, EVENTS AND ACCOMPLISHMENTS

(Continued from Previous Page)

- Macatawa Area Public Transit System:

- > The City's Dial-A-Ride program became the Macatawa Area Public Transit System (MAX) on January 17, 2000 when the City of Zeeland and Holland Charter Township joined the City of Holland under a cooperative service agreement.
- > On July 1, 2006 the Macatawa Area Express (MAX) Transportation Authority was officially formed by the City of Holland and Holland Charter Township. The City of Zeeland delined to join the separate authority, but rather contract with the authority for transit services. On November 7, 2006 voters approved a tax increase for the separate transportation authority of up to 0.4 mills for five years. The authority plans to increase the number of routes and use the Padnos Transportation Center (renovated depot) as a transfer center.

- > Millage Rate History:

FY1999-00	0.1500 mills
FY2000-01	0.1500 mills
FY2001-02	0.2500 mills
FY2002-03	0.2234 mills
FY2003-04	0.2000 mills
FY2004-05	0.1000 mills
FY2005-06	0.1000 mills
FY2006-07	0.1473 mills
FY2007-08	Separate Authority Up To 0.4000 mills

- > Three new low floor buses were added to the transit fleet in FY2005-06 as well as new dispatch software. Planning is underway for a new \$3.5 million transit facility and construction may begin as soon as 2007.
- > The City of Holland will continue to serve as the contracted fiscal agent for the authority. Prior to June 30, 2007 a stand alone database will be established for the MAX Authority to accommodate separated accounting, financial reporting, investing and banking.

- Emergency Services Activity

- > One new outdoor warning siren was installed in FY2005-06.

- Fiscal Services:

- > The City received the GFOA Distinguished Budget Presentation Award for the fourth time in November 2006 based upon the submission of the FY2006-07 budget document. Additional enhancements to the budget document are made annually based upon GFOA reviewer comments and the City anticipates continued participation in this award program.
- > \$29.5 million in depreciated net value of infrastructure capital assets were added in FY2005-06 to bring the City into full compliance with GASB34.
- > The public is accessing the free internet viewing capability in record numbers for property and land records, assessing comparables, current tax billing, special assessment and building records. In calendar 2005 internet records were viewed 39,804 times and the annualized estimate based on the first 9 months of 2006 is projected at 57,564 viewings. Aerial property views, parcel footprints and residential blueprint diagrams are also available to the public on the internet.
- > The City saved \$392,930 in debt service cost by refinancing a portion of the 2002 Building Authority Bond Issue thereby lowering the net interest rate from 4.46174% to 4.063%.

INDEPENDENT AUDIT REQUIREMENTS

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

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

CERTIFICATE OF ACHIEVEMENT

The *Government Finance Officers Association of the United States and Canada* (GFOA) awarded a *Certificate of Achievement for Excellence in Financial Reporting* to the City of Holland for its comprehensive annual financial report of the fiscal year ended June 30, 2005. This is considered a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

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

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

ACKNOWLEDGMENTS

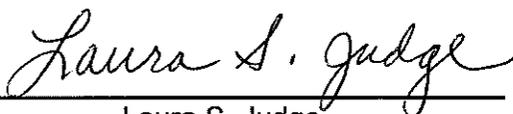
Long time Finance Officer Larry Sandy retired in August 2006 after a thirty seven year career with the City of Holland. Even though his expertise and insight will be difficult to replace, many other seasoned staffers remain to carry on the tradition of excellence in accounting, budgeting and financial reporting that Larry developed down through the years. An extensive search is underway for a replacement.

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

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

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

Respectfully submitted,



Laura S. Judge

Interim Finance Officer/Treasurer

PRINCIPAL CITY OFFICIALS

@ June 30, 2006

Elected Members of the City Council

Mayor	Albert H. McGeehan
Council Member, At Large	Jerome Kobes
Council Member, At Large	Nancy DeBoer
Council Member, First Ward	Myron Trethewey
Council Member, Second Ward	Victor Orozco
Council Member, Third Ward	Craig Rich
Council Member, Fourth Ward	Robert Vande Vusse
Council Member, Fifth Ward	Kurt Dykstra
Council Member, Sixth Ward	David Hoekstra

Staff Officials Appointed by City Council

City Manager	Soren Wolff
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Staff Officials Appointed by City Manager Subject to City Council Approval

City Attorney	Andrew J. Mulder (Cunningham Dalman, P.C.)
Acting Deputy City Clerk	Anna Perales
City Finance Officer/Treasurer (Interim)	Laura Judge (effective Aug. 2006)

Staff Officials Appointed by City Manager Not Subject to City Council Approval

Assistant City Manager	Gregory Robinson
Chief of Police	John Kruthoff
Fire Chief	Dan Henderson
Director of Community & Neighborhood Services	Philip Meyer
Leisure / Cultural Services Director	Gray Gogolin
Director of Transportation Services (Interim)	Jodi Syens
Director of Human Resources	Gary Rahn
Human Relations Director	Alberto Serrano
Property Assessing Administrator (Interim)	David VanderHeide

Staff Officials Appointed by Boards or Commissions

Board of Public Works (Utilities) General Manager	Timothy Morawski
Board of Public Works (Utilities) Finance Director	Freda Velzen

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Holland,
Michigan

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2005

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Carla E. Perry

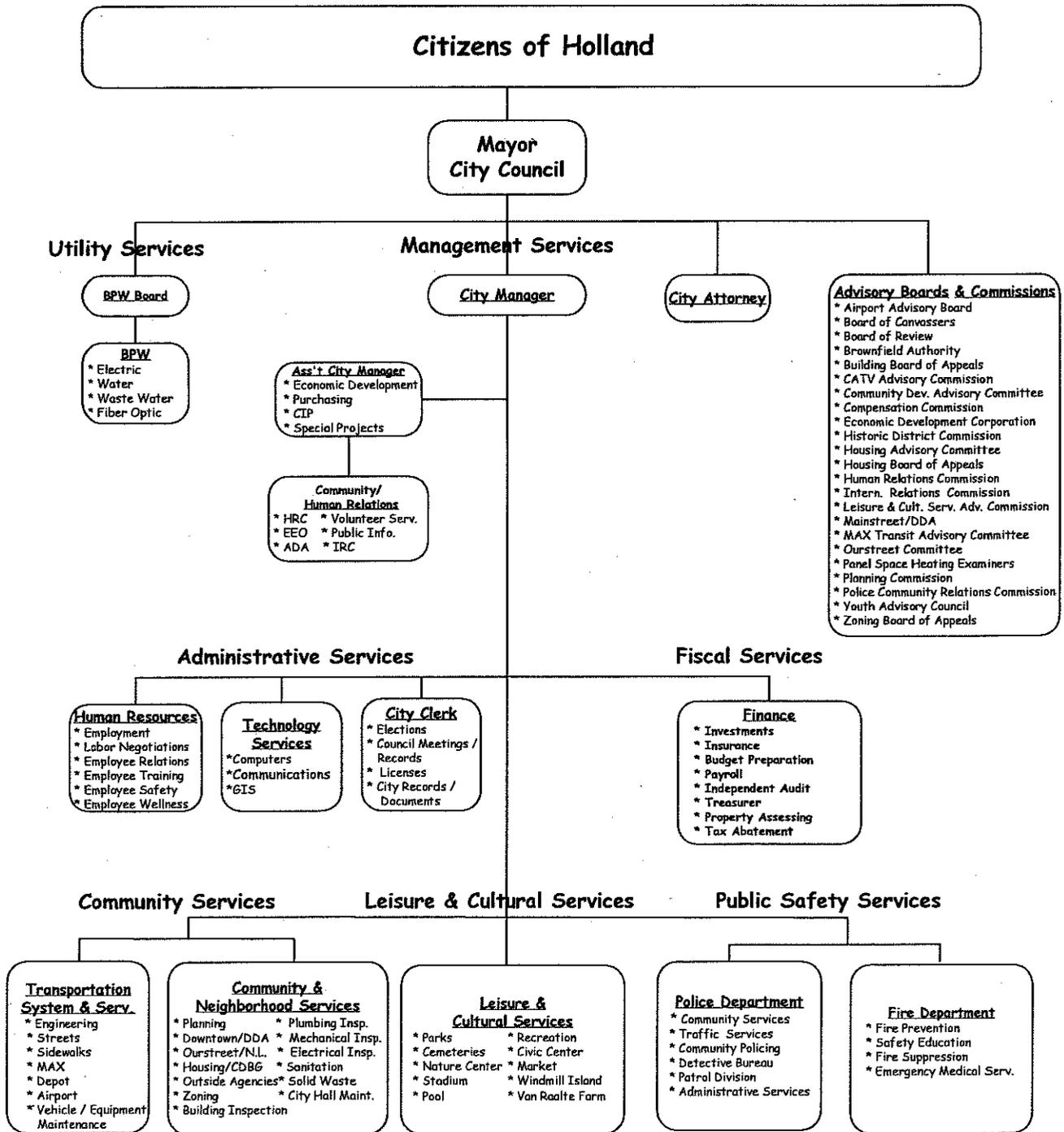
President

Jeffrey R. Emer

Executive Director

City of Holland

Organizational Chart





REHMANN ROBSON

Certified Public Accountants

A member of **THE REHMANN GROUP**

INDEPENDENT AUDITORS' REPORT

October 27, 2006

Honorable Mayor and City Council
Holland, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Holland, Michigan, as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of the City of Holland, Michigan. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented components units, each major fund, and the aggregate remaining fund information for the City of Holland, Michigan as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 27, 2006, on our consideration of the City of Holland's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3-13 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Holland's basic financial statements. The introductory section, combining and individual fund financial statements and schedules, and statistical tables are presented for purposes of additional analysis and are not a required part of the City of Holland's basic financial statements. The combining and individual fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly presented, in all material respects, in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

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

Management's Discussion and Analysis

As management of the City of Holland, we offer readers of the City of Holland financial statements this narrative overview and analysis of the financial activities of the City of Holland for the fiscal year ended June 30, 2006. We encourage readers to consider the information presented here in conjunction with additional information that is furnished in our transmittal letter, the financial statements and notes to the financial statements.

Financial Highlights

The City had many capital investment projects in process including:

- A \$8,700,000 downtown street corridor reconstruction project including Michigan, River and Pine Avenues
- A \$2,700,000 bridge and pedestrian walkway replacement project which was part of a \$7,500,000 major multi-jurisdictional effort
- A \$4,067,000 major upgrade to Highway M-40 in conjunction with MDOT
- Construction of a \$17,746,000 airport tunnel and road relocation project and a \$4,450,000 airport runway extension project were virtually completed
- Work was virtually completed on a new City Police facility, adjacent to a new county funded district court building under construction, which were financed as part of Building Authority bonds of \$19,500,000 issued in fiscal year 2003
- The City's utility funds expended a total of \$12,379,911 in capital purchases and projects
- The \$6,000,000 fixed wireless network automated meter reading project is nearing completion

The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$338,683,211 (net assets). Of this amount, \$109,512,074 was unrestricted net assets and may be used to meet the City's ongoing obligations to citizens and creditors.

The City's total net assets increased by \$7,682,362.

As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$11,419,256, a decrease of \$5,810,963 in comparison with the prior year.

At the end of the current fiscal year, unreserved and undesignated fund balance for the General Fund was \$2,542,624 or 12.8% of total General Fund expenditures (including transfers).

Overview of the Financial Statements

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

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

The *statement of net assets* presents information on all of the City of Holland assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City of Holland is improving or deteriorating.

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

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

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

The government-wide financial statements can be found on pages 14-16 of this report.

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

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

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

The City of Holland reports 41 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General, Building Authority Debt Service and Infrastructure Projects Funds, each of which are considered to be major funds. Data from the other 38 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City of Holland adopts an annual appropriated budget for its general and special revenue funds. Budgetary comparison statements or schedules have been provided herein to demonstrate compliance with those budgets.

The basic governmental fund financial statements can be found on pages 17-21 of this report.

Proprietary funds. The City of Holland maintains 2 different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City of Holland uses enterprise funds to account for its Electric, Water, and Wastewater as well as other operations. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City of Holland's various functions. The City of Holland uses internal service funds to account for its Technology, Equipment and Insurance services. Because this service predominantly benefits governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

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

The basic proprietary fund financial statements can be found on pages 22-25 of this report.

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

The basic fiduciary funds financial statement can be found on page 26 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 27-55 of this report. The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the notes. Combining and individual fund statements and schedules can be found on pages 56-88 of this report.

Government-wide Financial Analysis

Statement of Net Assets

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Holland, assets exceeded liabilities by \$338,683,211 at the close of the most recent fiscal year.

City of Holland's Net Assets

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Assets						
Current and other assets	\$30,412,579	\$ 36,658,592	\$ 103,109,648	\$ 99,413,933	\$133,522,227	\$136,072,525
Capital assets, net	113,464,444	105,517,312	166,351,786	168,992,114	279,816,230	274,509,426
Total assets	143,877,023	142,175,904	269,461,434	268,406,047	413,338,457	410,581,951
Liabilities						
Long-term liabilities	32,403,518	34,436,963	29,037,942	31,803,238	61,441,460	66,240,201
Other liabilities	3,712,572	3,972,881	9,501,214	9,368,020	13,213,786	13,340,901
Total liabilities	36,116,090	38,409,844	38,539,156	41,171,258	74,655,246	79,581,102
Net assets						
Invested in capital assets, net of related debt	77,018,752	71,140,349	137,313,844	146,437,083	214,332,596	217,577,432
Restricted	8,068,218	11,469,701	6,770,323	6,402,803	14,838,541	17,872,504
Unrestricted	22,673,963	21,156,010	86,838,111	74,394,903	109,512,074	95,550,913
Total net assets	\$107,760,933	\$103,766,060	\$230,922,278	\$227,234,789	\$338,683,211	\$331,000,849

The largest portion of the City of Holland net assets (63%) reflects its investment in capital assets (e.g., land, buildings, vehicles, equipment and infrastructure), less any related debt used to acquire those assets that is still outstanding. The City of Holland uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City of Holland 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 part of the City of Holland's net assets (4%) represents resources that are subject to external restrictions on how they may be used. The remaining balance (\$109,512,074) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City of Holland is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the previous year.

Statement of Activities

The government's net assets increased by \$7,682,362 during the current fiscal year. This growth is due primarily to capital grants received from the state and federal governments (approximately \$6.7 million) and the excess of operating revenues over expenses.

Governmental activities

Governmental activities increased the City of Holland's net assets by \$3,994,873, thereby accounting for 52% of the total growth in net assets of the City of Holland. Key elements of this increase are as follows.

Capital grants from several sources resulted in total capital grant revenue for governmental type funds of \$7,028,471. This is made-up primarily of a \$575,000 grant for airport tunnel construction and a \$2.5 million grant associated with the Highway M40, I-196 to south City limit, Project and \$864,000 grant for downtown roadway projects.

Business-type activities

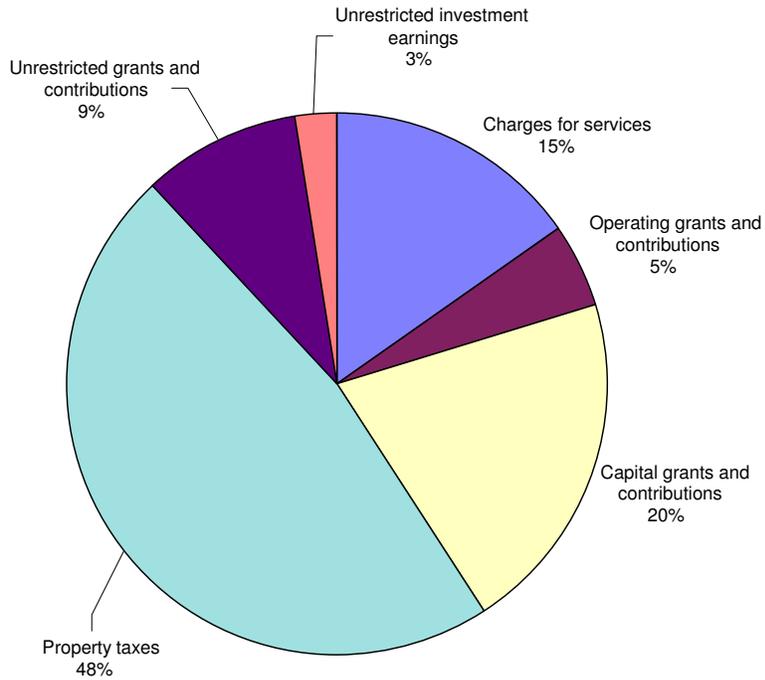
Business-type activities increased the City of Holland's net assets by \$3,687,489, thereby accounting for 48% of the total growth in the net assets of the City of Holland. Key elements of this increase are as follows.

Approximately \$3.5 million in capital grants were received by the enterprise funds. This included \$2.02 million for various airport projects and \$701,000 for MAX Transit buses, dispatch software and other equipment items.

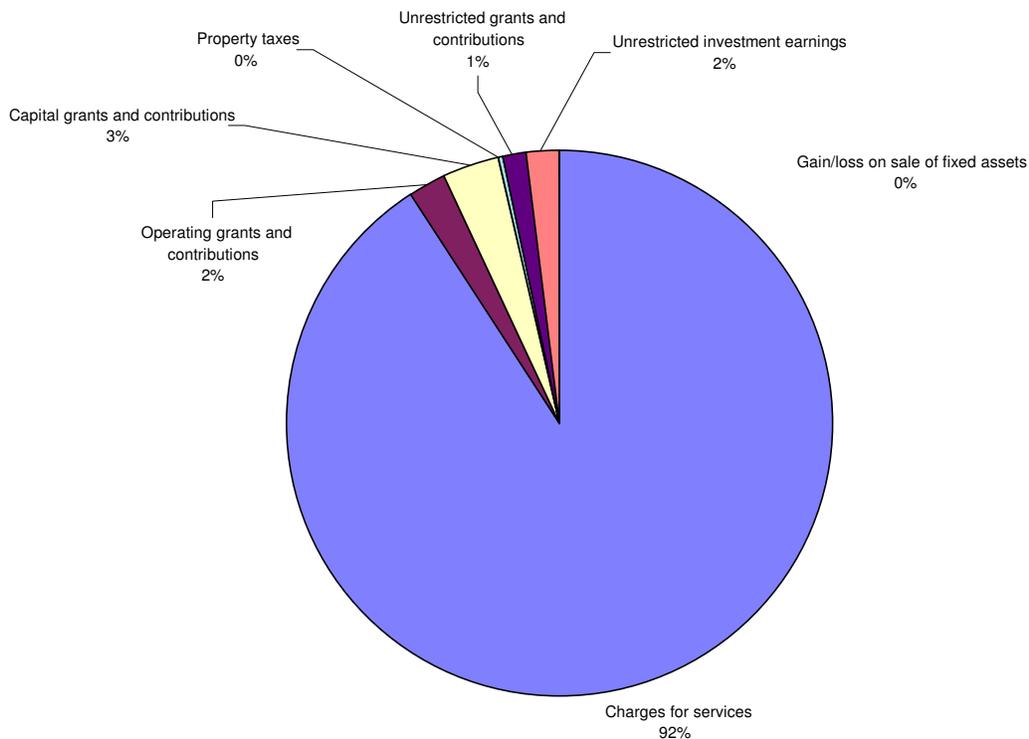
City of Holland's Changes in Net Assets

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Revenues						
Program revenues:						
Charges for services	\$ 5,283,181	\$ 4,991,409	\$ 93,456,223	\$ 81,008,458	\$ 98,739,404	\$ 85,999,867
Operating grants and contributions	1,727,564	1,961,673	2,172,593	1,701,262	3,900,157	3,662,935
Capital grants and contributions	7,028,471	14,868,097	3,513,337	3,484,614	10,541,808	18,352,711
General revenues:						
Property taxes	16,368,318	16,033,637	113,079	111,020	16,481,397	16,144,657
Intergovernmental	3,229,886	3,265,596	-	-	3,229,886	3,265,596
Unrestricted investment earnings	909,619	611,338	2,138,700	1,786,976	3,048,319	2,398,314
Gain/loss on sale of fixed assets	-	-	2,143	-	2,143	-
Total revenues	34,547,039	41,731,750	101,396,075	88,092,330	135,943,114	129,824,080
Expenses						
General government	8,643,952	6,378,392	-	-	8,643,952	6,378,392
Public safety	10,738,962	10,436,727	-	-	10,738,962	10,436,727
Public works	4,382,884	5,432,189	-	-	4,382,884	5,432,189
Welfare and social services	6,060,666	1,310,458	-	-	6,060,666	1,310,458
Culture and recreation	1,372,729	6,013,457	-	-	1,372,729	6,013,457
Interest on long-term debt	1,394,338	1,498,919	-	-	1,394,338	1,498,919
Electric utility	-	-	76,883,149	65,698,626	76,883,149	65,698,626
Water utility	-	-	7,708,629	7,235,531	7,708,629	7,235,531
Wastewater utility	-	-	5,542,208	4,858,304	5,542,208	4,858,304
Other enterprise activities	-	-	5,533,235	5,086,577	5,533,235	5,086,577
Total expenses	32,593,531	31,070,142	95,667,221	82,879,038	128,260,752	113,949,180
Change in net assets before transfers	1,953,508	10,661,608	5,728,854	5,213,292	7,682,362	15,874,900
Transfers	2,041,365	2,019,089	(2,041,365)	(2,019,089)	-	-
Change in net assets	3,994,873	12,680,697	3,687,489	3,194,203	7,682,362	15,874,900
Net assets, beginning of year, as restated	103,766,060	91,085,363	227,234,789	224,040,586	331,000,849	315,125,949
Net assets, end of year	\$107,760,933	\$103,766,060	\$230,922,278	\$227,234,789	\$338,683,211	\$331,000,849

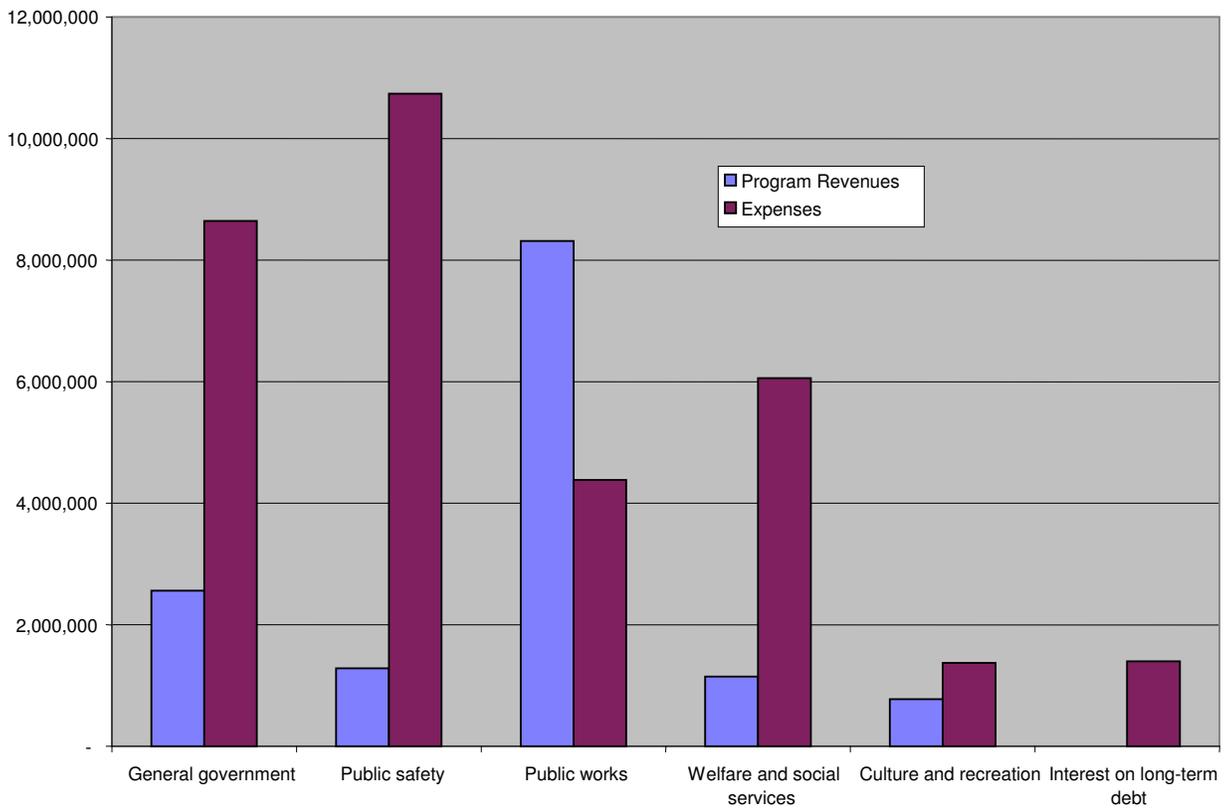
Revenues by Source - Governmental Activities



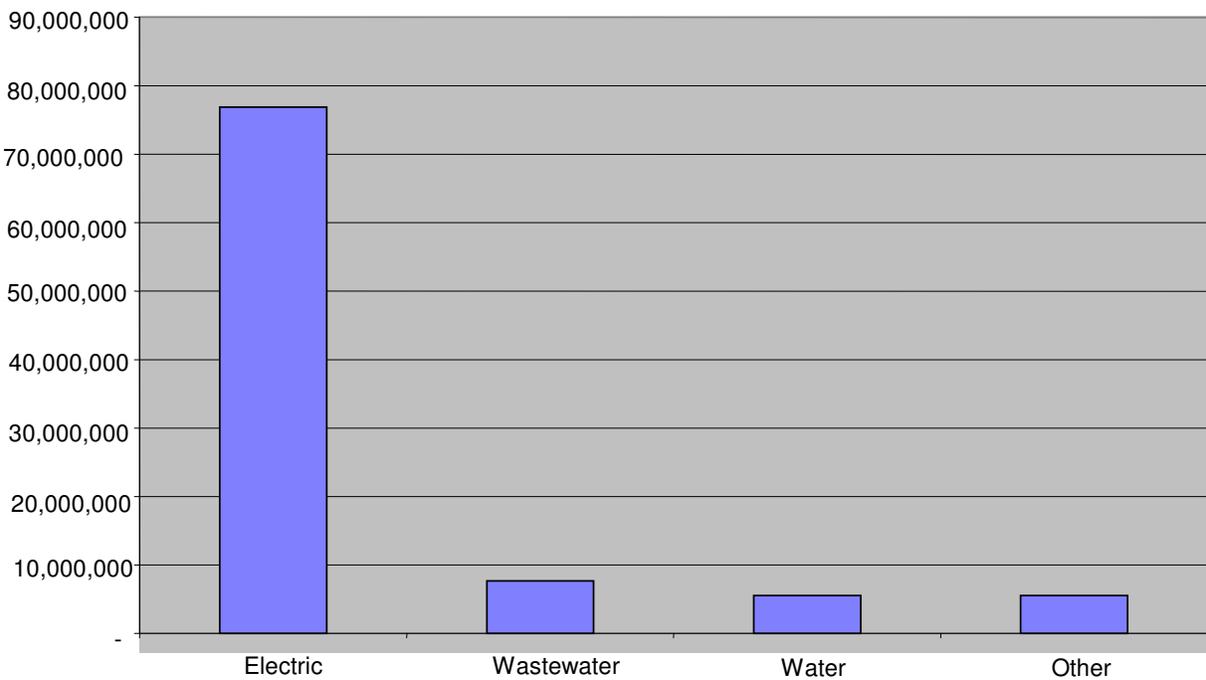
Revenues by Source - Business-type Activities



Expenses - Governmental Activities



Expenses – Business-Type Activities



Financial Analysis of the Government's Funds

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

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

The overall results of the governmental fund operations was a decrease in fund balance of \$5,810,963. This decline is primarily the result of street and facility improvement projects during the year.

Proprietary funds. The City of Holland proprietary funds provide the same type of information found in the government wide financial statements, but in more detail.

All of the major enterprise funds and the nonmajor enterprise funds aggregated reported positive changes in net assets during the year. This positive change of approximately \$3.7 million is closely related to capital contributions received during the year.

General Fund Budgetary Highlights

The original revenue budget was \$19,591,462 and as amended was \$19,667,408 which represented an increase of \$75,946. The original expenditure budget was \$19,924,284 and as amended was \$19,960,463 which represented an increase of \$36,179.

The most significant differences between the original budget and the amended budget are related to general fund revenue projections. Property tax revenue projections were increased due to board of review and tax tribunal changes. Final actuals were favorable, as compared to the increased amended budget, due to better than expected receipts on taxes previously considered uncollectible and interest and penalties on delinquent tax collections.

Interest revenue projections were decreased while state shared revenue projections and licenses and permits revenue were increased during the year as more concrete data became available. Final actuals on state shared revenues fell \$15,588 short of the amended budget.

Overall, the budgeted expenditures were \$36,179 higher than the original budgets, but final actuals came in \$332,290 less than the original budget and \$368,469 less than the amended budget. \$109,000 remained unspent in public safety due to unresolved police union increases currently in arbitration. In the second half of the fiscal year department managers were strongly encouraged to implement cost cutting measures where possible and this contributed greatly to the overall favorable expenditure budget variance.

Capital Asset and Debt Administration

The City governmental activities invested approximately \$13.1 million in additional infrastructure, buildings and equipment during the year to service city residents and visitors.

City of Holland Capital Assets
(net of depreciation)

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Land	\$ 12,580,675	\$ 8,130,836	\$ 11,929,709	\$ 1,950,096	\$ 24,510,384	\$ 20,080,932
Construction in process	9,522,532	18,717,931	8,360,527	4,128,284	17,883,059	22,846,215
Buildings, equipment, and infrastructure, net	91,361,237	78,668,545	146,061,550	152,913,734	237,422,787	231,582,279
Total	\$113,464,444	\$105,517,312	\$166,351,786	\$168,992,114	\$279,816,230	\$274,509,426

Additional information on the City of Holland capital assets can be found in note 5 on pages 41-44 of this report.

LONG-TERM DEBT

The City issued \$7,255,000 Building Authority refunding bonds during the fiscal year to realize total net cumulative savings of \$392,930 and a net present value savings of \$292,711. The City also issued \$155,000 special assessment public improvement bonds to finance the 40th Street, Graafschap Road to Washington Avenue, and the 24th Street, Homestead to Ottawa Avenues paving projects.

City of Holland Outstanding Debt

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Bonds	\$32,349,500	\$33,909,963	\$28,979,942	\$31,733,238	\$61,329,442	\$65,658,200
Premium on bonds payable	1,676	-	-	-	1,676	-
Unamortized refunding costs	(332,158)	-	-	-	(332,158)	-
Other debt	384,500	527,000	58,000	70,000	442,500	582,000
Total	\$32,403,518	\$34,436,963	\$29,037,942	\$31,803,238	\$61,441,460	\$66,240,200

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

State statutes limit the amount of general obligation debt a governmental entity may issue to 10% of the State Equalized Value. The current debt limitation for the City of Holland is \$113,336,823.

Additional information on the City of Holland long-term debt can be found in note 6 on pages 45-49 of this report.

Economic Factors and Next Year's Budgets and Rates

The economic outlook for the City's future includes expected very modest growth as significant infrastructure projects, including an upgrade to the airport, an expanded mass transit system, an upgrade to the major connector bridge to Holland Township and to major downtown arterial roadways, enhanced Eastern and Western Gateways to the City, several park improvement projects, an expanded hospital and sports fieldhouse and several development projects catering to senior citizens in the private sector and vibrant Brownfield Redevelopment projects, increase the area's appeal to residents and businesses. The unemployment rate within the City has declined by 11.5% from the high in 2003 and the labor force with the City has increased by 6.0% from the low of 2002 which are both positive trends.

It is hoped that any significant property tax appeals can be offset by increased investment earnings in the rising interest rate climate. City management works very hard to avoid any property tax rate increases and any further state revenue sharing reductions will cause the City to be creative as it continues to provide its constituents service on a reduced budget.

The overall tax rate for the City will be maintained at 14.00 mills for the ensuing FY2007 (fiscal year ended 6/30/07) budget. The taxable value base for FY2007 is rising by 3.28%. The General Fund budget for FY2007 projects a \$182,719 use of fund balance to arrive at an end of year projected fund balance of \$2,321,305, or 11.3% of FY2007 budgeted expenditures.

Requests for Information

This financial report is designed to provide a general overview of the City of Holland finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Ms. Laura Judge, City of Holland, 270 River Ave., Holland, Michigan 49423.

BASIC FINANCIAL STATEMENTS

CITY OF HOLLAND, MICHIGAN

STATEMENT OF NET ASSETS

JUNE 30, 2006

	PRIMARY GOVERNMENT			COMPONENT UNITS		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	DOWNTOWN DEVELOPMENT AUTHORITY	HOLLAND HISTORICAL TRUST	BROWNFIELD REDEVELOPMENT AUTHORITY
Assets						
Cash and pooled investments	\$ 18,513,049	\$ 13,586,732	\$ 32,099,781	\$ 164,236	\$ 276,814	\$ 30,528
Investments	-	48,089,550	48,089,550	-	557,287	-
Receivables						
Accounts	381,817	10,394,055	10,775,872	-	-	-
Pledges	-	-	-	-	303,507	-
Taxes	5,831	186,664	192,495	12	-	-
Interest	100,677	309,771	410,448	-	-	-
Leases	760,000	-	760,000	-	-	-
Other governments	1,369,148	1,103,631	2,472,779	-	-	-
Internal balances	911,729	(911,729)	-	-	-	-
Prepaid items and other assets	131,169	141,666	272,835	200	3,000	-
Inventory	71,844	9,852,644	9,924,488	-	3,185	-
Net pension asset	1,095,749	-	1,095,749	-	-	-
Restricted assets						
Cash and pooled investments	-	12,427,715	12,427,715	-	-	-
Investments	-	7,913,801	7,913,801	-	-	-
Accrued interest	-	15,148	15,148	-	-	-
Long-term assets						
Special assessments	1,723,184	-	1,723,184	-	-	-
Leases	5,222,898	-	5,222,898	-	-	-
Unamortized bond issuance costs	125,484	-	125,484	-	-	-
Capital assets						
Land	12,580,675	11,929,709	24,510,384	-	60,000	-
Construction in progress	9,522,532	8,360,527	17,883,059	-	521,789	-
Capital assets, net of depreciation	91,361,237	146,061,550	237,422,787	149,323	1,238,916	-
Total assets	143,877,023	269,461,434	413,338,457	313,771	2,964,498	30,528
Liabilities						
Accounts payable	1,118,817	8,052,657	9,171,474	10,563	51,611	3,696
Accounts payable - claims	250,000	-	250,000	-	-	-
Accrued payroll and benefits	258,956	717,871	976,827	1,189	14,342	-
Due to other governments	7,386	-	7,386	-	-	-
Accrued interest payable	291,991	478,306	770,297	-	-	-
Unearned revenue	134,781	205,301	340,082	-	-	-
Deposits	90,191	34,175	124,366	-	-	-
Noncurrent liabilities:						
Accrued compensated absences	1,560,450	12,904	1,573,354	-	-	-
Bonds payable						
Due within one year from restricted assets	-	3,030,000	3,030,000	-	-	-
Due within one year	2,337,963	513,500	2,851,463	-	-	-
Due in more than one year	30,397,713	25,494,442	55,892,155	-	-	-
Unamortized refunding costs	(332,158)	-	(332,158)	-	-	-
Total liabilities	36,116,090	38,539,156	74,655,246	11,752	65,953	3,696
Net assets						
Invested in capital assets, net of related debt	77,018,752	137,313,844	214,332,596	149,323	1,820,705	-
Restricted for:						
Cemetery endowment corpus	1,339,292	-	1,339,292	-	-	-
Cemetery maintenance	287,653	-	287,653	-	-	-
Street construction and maintenance	2,206,093	-	2,206,093	-	-	-
Debt service	649,578	-	649,578	-	-	-
Capital projects and by agreement	2,018,113	6,770,323	8,788,436	-	340,970	-
Budget stabilization	1,567,489	-	1,567,489	-	-	-
Unrestricted	22,673,963	86,838,111	109,512,074	152,696	736,870	26,832
Total net assets	\$ 107,760,933	\$ 230,922,278	\$ 338,683,211	\$ 302,019	\$ 2,898,545	\$ 26,832

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

CITY OF HOLLAND, MICHIGAN

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2006

Functions / Programs	EXPENSES	PROGRAM REVENUES		NET (EXPENSE) REVENUE	
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS		CAPITAL GRANTS AND CONTRIBUTIONS
Primary government					
Governmental activities:					
General government	\$ 8,643,952	\$ 2,450,074	\$ 69,651	\$ -	\$ (6,124,227)
Public safety	10,738,962	928,337	305,227	50,589	(9,454,809)
Public works	4,382,884	724,628	705,909	6,884,224	3,931,877
Culture and recreation	6,060,666	987,705	64,288	93,658	(4,915,015)
Welfare and social services	1,372,729	192,437	582,489	-	(597,803)
Interest on debt	1,394,338	-	-	-	(1,394,338)
Total governmental activities	<u>32,593,531</u>	<u>5,283,181</u>	<u>1,727,564</u>	<u>7,028,471</u>	<u>(18,554,315)</u>
Business-type activities:					
Electric utility	76,883,149	78,272,801	-	62,128	1,451,780
Wastewater utility	7,708,629	7,219,855	-	458,643	(30,131)
Water utility	5,542,208	5,859,601	-	273,431	590,824
Other enterprise activities	5,533,235	2,103,966	2,172,593	2,719,135	1,462,459
Total business-type activities	<u>95,667,221</u>	<u>93,456,223</u>	<u>2,172,593</u>	<u>3,513,337</u>	<u>3,474,932</u>
Total primary government	<u>\$ 128,260,752</u>	<u>\$ 98,739,404</u>	<u>\$ 3,900,157</u>	<u>\$ 10,541,808</u>	<u>\$ (15,079,383)</u>
Component units					
Downtown Development Authority	\$ 180,484	\$ 640	\$ 9,610	\$ -	\$ (170,234)
Holland Historical Trust	648,449	159,359	912,239	-	423,149
Brownfield Redevelopment Authority	130,395	-	-	-	(130,395)
Total component units	<u>\$ 959,328</u>	<u>\$ 159,999</u>	<u>\$ 921,849</u>	<u>\$ -</u>	<u>\$ 122,520</u>

(Continued)

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

CITY OF HOLLAND, MICHIGAN
STATEMENT OF ACTIVITIES (CONCLUDED)
YEAR ENDED JUNE 30, 2006

	PRIMARY GOVERNMENT			COMPONENT UNITS		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	DOWNTOWN DEVELOPMENT AUTHORITY	HOLLAND HISTORICAL TRUST	BROWNFIELD REDEVELOPMENT AUTHORITY
Changes in net assets						
Net (expense) revenue	\$ (18,554,315)	\$ 3,474,932	\$ (15,079,383)	\$ (170,234)	\$ 423,149	\$ (130,395)
General revenues:						
Property taxes	16,368,318	113,079	16,481,397	158,444	-	153,211
Intergovernmental - unrestricted	3,229,886	-	3,229,886	-	257,000	-
Investment earnings - unrestricted	909,619	2,138,700	3,048,319	7,948	69,870	2,371
Gain on sale of capital assets	-	2,143	2,143	-	-	-
Transfers - internal activities	2,041,365	(2,041,365)	-	-	-	-
Total general revenues and transfers	22,549,188	212,557	22,761,745	166,392	326,870	155,582
Change in net assets	3,994,873	3,687,489	7,682,362	(3,842)	750,019	25,187
Net assets, beginning of year, as restated	103,766,060	227,234,789	331,000,849	305,861	2,148,526	1,645
Net assets, end of year	\$ 107,760,933	\$ 230,922,278	\$ 338,683,211	\$ 302,019	\$ 2,898,545	\$ 26,832

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

CITY OF HOLLAND, MICHIGAN

BALANCE SHEET
GOVERNMENTAL FUNDS

JUNE 30, 2006

	GENERAL FUND	BUILDING AUTHORITY DEBT SERVICE	INFRASTRUCTURE PROJECTS	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<u>ASSETS</u>					
Cash and pooled investments	\$ 2,356,201	\$ 10,757	\$ 410,478	\$ 7,368,262	\$ 10,145,698
Accrued interest	100,677	-	-	-	100,677
Accounts receivable	176,005	-	10,875	133,268	320,148
Taxes receivable	4,518	-	-	1,313	5,831
Due from other governmental units	617,760	-	8,376	743,012	1,369,148
Due from other funds	2,998	-	457,922	1,192,404	1,653,324
Leases receivable	-	5,982,898	-	-	5,982,898
Special assessments receivable	-	-	6,076	1,717,108	1,723,184
Prepaid items	14,360	-	41,225	300	55,885
Total assets	\$ 3,272,519	\$ 5,993,655	\$ 934,952	\$ 11,155,667	\$ 21,356,793
<u>LIABILITIES AND FUND BALANCES</u>					
LIABILITIES:					
Accounts payable	\$ 349,721	\$ -	\$ 474,336	\$ 202,670	\$ 1,026,727
Accrued payroll and benefits	218,512	-	1,767	22,861	243,140
Due to other funds	71,471	-	145,685	516,162	733,318
Due to other governmental units	-	-	-	7,386	7,386
Deposits	90,191	-	-	-	90,191
Deferred revenue	-	5,982,898	29,222	1,824,655	7,836,775
Total liabilities	729,895	5,982,898	651,010	2,573,734	9,937,537
FUND BALANCES:					
Reserved for prepaid items	14,360	-	41,225	300	55,885
Reserved for:					
Permanent fund corpus	-	-	-	1,339,292	1,339,292
Permanent fund expendable	-	-	-	287,653	287,653
Unreserved reported in:					
General fund	2,528,264	-	-	-	2,528,264
Special revenue funds	-	-	-	4,749,558	4,749,558
Debt service funds	-	10,757	-	930,812	941,569
Capital projects	-	-	242,717	1,274,318	1,517,035
Total fund balances	2,542,624	10,757	283,942	8,581,933	11,419,256
Total liabilities and fund balances	\$ 3,272,519	\$ 5,993,655	\$ 934,952	\$ 11,155,667	\$ 21,356,793

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

CITY OF HOLLAND, MICHIGAN
 Reconciliation of Fund Balances on the Balance Sheet
 for Governmental Funds to Net Assets of
 Governmental Activities on the Statement of Net Assets
 JUNE 30, 2006

Fund balances - total governmental funds	\$	11,419,256
<p>Amounts reported for <i>governmental activities</i> in the statement of net assets are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.</p>		
Add - capital assets, net		109,251,786
<p>Internal service funds are used by management to charge the costs of certain equipment usage and self-insurance to individual governmental funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.</p>		
Add - net assets of governmental activities accounted for in the internal service funds		10,858,085
<p>Some items are recorded as revenues and expenditures in the fund statements when paid or when received. These items are recorded on the government-wide statements when incurred in the case of expenditures and when revenues are earned.</p>		
Add - net pension asset		1,095,749
Add - deferred revenue on lease from library		5,982,898
Add - deferred revenue from special assessments		1,723,184
<p>Certain liabilities, such as bonds payable, are not due and payable in the current period and therefore are not reported in the funds.</p>		
Deduct - bonds payable		(32,735,676)
Add - unamortized bond issuance costs		125,484
Add - unamortized refunding costs		332,158
Deduct - accrued interest on bonds payable		(291,991)
Net assets of governmental activities	\$	107,760,933

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

CITY OF HOLLAND, MICHIGAN

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES

YEAR ENDED JUNE 30, 2006

	GENERAL FUND	BUILDING AUTHORITY DEBT SERVICE	INFRASTRUCTURE PROJECTS	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES:					
Special assessments	\$ -	\$ -	\$ 1,355	\$ 727,143	\$ 728,498
Property taxes	11,310,868	-	56,302	5,001,148	16,368,318
Licenses and permits	517,223	-	-	-	517,223
Intergovernmental	3,271,952	-	4,137,546	4,240,765	11,650,263
Charges for services	957,644	-	-	219,083	1,176,727
Fines and fees	224,365	-	-	198,811	423,176
Contributions from private sector	-	-	196,650	345,780	542,430
Interest and rents	578,874	2,631,471	60,208	389,865	3,660,418
Miscellaneous	11,291	-	-	29,878	41,169
Total revenues	16,872,217	2,631,471	4,452,061	11,152,473	35,108,222
EXPENDITURES:					
Current					
General government	3,662,485	-	-	2,051,038	5,713,523
Public safety	9,939,991	-	-	481,031	10,421,022
Public works	1,190,873	-	-	2,227,028	3,417,901
Welfare and social services	626,040	-	-	773,054	1,399,094
Culture and recreation	3,435,978	-	-	1,757,370	5,193,348
Other	115,681	-	-	-	115,681
Debt service					
Principal retirement	-	1,430,000	-	862,963	2,292,963
Interest and fiscal charges	-	1,200,549	-	208,338	1,408,887
Bond issuance costs	-	116,356	9,128	-	125,484
Capital outlay	-	-	12,071,722	1,113,566	13,185,288
Total expenditures	18,971,048	2,746,905	12,080,850	9,474,388	43,273,191
Excess (deficiency) of revenues over expenditures	(2,098,831)	(115,434)	(7,628,789)	1,678,085	(8,164,969)
OTHER FINANCING SOURCES (USES):					
Issuance of bonds	-	7,255,000	155,000	-	7,410,000
Premium on bonds issued	-	1,676	-	-	1,676
Payment to escrow agent	-	(7,137,158)	-	-	(7,137,158)
Transfers in	2,718,480	4	4,368,698	2,946,241	10,033,423
Transfers out	(620,946)	-	-	(7,332,989)	(7,953,935)
Total other financing sources (uses)	2,097,534	119,522	4,523,698	(4,386,748)	2,354,006
NET CHANGE IN FUND BALANCES	(1,297)	4,088	(3,105,091)	(2,708,663)	(5,810,963)
FUND BALANCES - Beginning of year	2,543,921	6,669	3,389,033	11,290,596	17,230,219
FUND BALANCES - End of year	\$ 2,542,624	\$ 10,757	\$ 283,942	\$ 8,581,933	\$ 11,419,256

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

CITY OF HOLLAND, MICHIGAN

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities

YEAR ENDED JUNE 30, 2006

Net change in fund balances - total governmental funds	\$	(5,810,963)
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Amounts reported for *governmental activities* in the statement of activities are different because:

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

Add - capital outlay		10,961,991
Deduct - depreciation expense		(2,685,875)
Deduct - net book value of disposed of capital assets		(440,514)

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

Add - principal payments on long-term liabilities		2,307,963
Deduct - proceeds of long-term debt		(7,410,000)
Deduct - premium on long-term debt		(1,676)
Add - payment to escrow agent		7,137,158
Add - bond issuance costs		125,484

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

Add - income (loss) from governmental activities in internal service funds		591,879
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.

Deduct - decrease in net pension asset		(22,131)
Deduct - current year change in special assessments receivable		(69,432)
Deduct - library lease payment		(703,563)
Add - decrease in accrued interest on bonds payable		14,552

Change in net assets of governmental activities	\$	<u>3,994,873</u>
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The accompanying notes are an integral part of these financial statements.

CITY OF HOLLAND, MICHIGAN

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL
GENERAL FUND

YEAR ENDED JUNE 30, 2006

	ORIGINAL BUDGET	FINAL AMENDED BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
REVENUES:				
Property taxes	\$ 11,258,509	\$ 11,288,711	\$ 11,310,868	\$ 22,157
Licenses and permits	498,600	531,179	517,223	(13,956)
Intergovernmental	3,317,653	3,287,913	3,271,952	(15,961)
Charges for services	1,029,800	997,777	957,644	(40,133)
Fines and forfeits	260,000	250,000	224,365	(25,635)
Interest and rents	522,000	572,767	578,874	6,107
Miscellaneous	7,000	11,735	11,291	(444)
Total revenues	16,893,562	16,940,082	16,872,217	(67,865)
EXPENDITURES:				
Current:				
General government	3,737,209	3,748,993	3,662,485	(86,508)
Public safety	9,893,896	10,115,144	9,939,991	(175,153)
Public works	1,274,635	1,237,414	1,190,873	(46,541)
Welfare and social services	652,959	651,429	626,040	(25,389)
Culture and recreation	3,372,991	3,458,194	3,435,978	(22,216)
Other	495,000	134,617	115,681	(18,936)
Total expenditures	19,426,690	19,345,791	18,971,048	(374,743)
Excess of revenues over (under) expenditures	(2,533,128)	(2,405,709)	(2,098,831)	306,878
OTHER FINANCING SOURCES (USES):				
Transfers in	2,697,900	2,727,326	2,718,480	(8,846)
Transfers out	(497,594)	(614,672)	(620,946)	(6,274)
Total other financing sources (uses)	2,200,306	2,112,654	2,097,534	(15,120)
NET CHANGES IN FUND BALANCES	(332,822)	(293,055)	(1,297)	291,758
FUND BALANCES - Beginning of year	2,543,921	2,543,921	2,543,921	-
FUND BALANCES - End of year	\$ 2,211,099	\$ 2,250,866	\$ 2,542,624	\$ 291,758

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

CITY OF HOLLAND, MICHIGAN

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS

JUNE 30, 2006

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS			OTHER ENTERPRISE FUNDS
	ELECTRIC UTILITY	WASTEWATER UTILITY	WATER UTILITY	
<u>ASSETS</u>				
CURRENT ASSETS:				
Cash and pooled investments	\$ 8,857,560	\$ 2,049,718	\$ 2,190,816	\$ 488,638
Investments	31,504,680	15,584,870	1,000,000	-
Accrued interest	244,364	65,407	-	-
Accounts receivable	8,494,232	940,744	779,646	179,433
Taxes and special assessments receivable	-	80,643	105,975	46
Inventories	9,654,082	41,026	157,536	-
Prepaid items	131,204	5,393	5,069	-
Due from other governmental units	-	-	-	1,103,631
Due from other funds	228,791	638	25,396	-
Total current assets	59,114,913	18,768,439	4,264,438	1,771,748
NONCURRENT ASSETS:				
Restricted assets				
Cash and pooled investments	2,829,790	595,711	8,075,866	926,348
Investments	5,287,272	960,600	1,665,929	-
Accrued interest	-	6,732	8,416	-
Capital assets:				
Land	4,810,124	260,673	1,669,301	5,189,611
Construction in progress	177,395	230,708	2,424,817	5,527,607
Machinery and equipment	205,448,147	63,314,556	42,151,057	16,365,073
Accumulated depreciation	(125,606,594)	(30,974,059)	(15,258,897)	(9,377,733)
Total capital assets	84,829,072	32,831,878	30,986,278	17,704,558
Total noncurrent assets	92,946,134	34,394,921	40,736,489	18,630,906
Total assets	152,061,047	53,163,360	45,000,927	20,402,654
<u>LIABILITIES</u>				
CURRENT LIABILITIES:				
Accounts payable	7,034,208	311,414	500,837	206,198
Accrued payroll and benefits	418,492	163,805	124,583	10,991
Accrued interest payable	64,548	17,366	396,392	-
Due to other funds	8,299	255,949	211,243	691,063
Deposits	-	-	-	34,175
Unearned revenue	188,558	-	-	16,743
Bonds and lease purchases payable - Current	-	500,500	-	13,000
Bonds payable from restricted assets - Current	2,555,000	-	475,000	-
Total current liabilities	10,269,105	1,249,034	1,708,055	972,170
NONCURRENT LIABILITIES:				
Accrued compensated absences	-	-	-	12,904
Bonds payable and lease purchases payable	2,650,692	3,971,154	18,827,596	45,000
Total noncurrent liabilities	2,650,692	3,971,154	18,827,596	57,904
Total liabilities	12,919,797	5,220,188	20,535,651	1,030,074
NET ASSETS:				
Invested in capital assets, net of related debt	79,623,380	28,360,224	11,683,682	17,646,558
Restricted for capital projects and by agreement	4,152,883	1,563,043	128,049	926,348
Unrestricted	55,364,987	18,019,905	12,653,545	799,674
Total net assets	\$ 139,141,250	\$ 47,943,172	\$ 24,465,276	\$ 19,372,580

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

TOTAL	GOVERNMENTAL ACTIVITIES INTERNAL SERVICE FUNDS
\$ 13,586,732	\$ 8,367,351
48,089,550	-
309,771	-
10,394,055	61,669
186,664	-
9,852,644	71,844
141,666	75,284
1,103,631	-
254,825	10,655
<u>83,919,538</u>	<u>8,586,803</u>
12,427,715	-
7,913,801	-
15,148	-
11,929,709	-
8,360,527	-
327,278,833	9,510,794
(181,217,283)	(5,298,136)
<u>166,351,786</u>	<u>4,212,658</u>
<u>186,708,450</u>	<u>4,212,658</u>
<u>270,627,988</u>	<u>12,799,461</u>
8,052,657	342,090
717,871	15,816
478,306	-
1,166,554	18,932
34,175	-
205,301	4,088
513,500	-
3,030,000	-
<u>14,198,364</u>	<u>380,926</u>
12,904	1,560,450
25,494,442	-
<u>25,507,346</u>	<u>1,560,450</u>
<u>39,705,710</u>	<u>1,941,376</u>
137,313,844	4,212,658
6,770,323	-
86,838,111	6,645,427
<u>\$ 230,922,278</u>	<u>\$ 10,858,085</u>

CITY OF HOLLAND, MICHIGAN

STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS

YEAR ENDED JUNE 30, 2006

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS			
	ELECTRIC UTILITY	WASTEWATER UTILITY	WATER UTILITY	OTHER ENTERPRISE FUNDS
OPERATING REVENUES				
Admissions and fares	\$ -	\$ -	\$ -	\$ 218,376
Use fees and charges for services	76,680,684	5,120,291	5,416,684	1,697,072
Rentals	-	-	-	188,518
Miscellaneous	1,592,117	2,099,564	442,917	-
Total operating revenues	78,272,801	7,219,855	5,859,601	2,103,966
OPERATING EXPENSES:				
Personal services	5,028,087	1,596,619	1,141,877	584,701
Other current expenses	62,309,020	4,017,095	2,370,812	3,987,214
Depreciation	9,316,630	1,824,706	1,164,881	956,362
Total operating expenses	76,653,737	7,438,420	4,677,570	5,528,277
OPERATING INCOME (LOSS)	1,619,064	(218,565)	1,182,031	(3,424,311)
NONOPERATING REVENUES (EXPENSES):				
Property taxes	-	-	-	113,079
Federal and/or state grants	-	-	-	4,889,042
Miscellaneous private donations	-	-	-	2,686
Investment earnings	1,167,402	446,647	486,415	38,236
Interest expense	(229,412)	(256,102)	(864,638)	(4,625)
Gain (loss) on disposal of capital assets	7,759	(14,107)	2,857	(8,806)
Total nonoperating revenues (expenses)	945,749	176,438	(375,366)	5,029,612
INCOME (LOSS) - Before transfers and contributions	2,564,813	(42,127)	806,665	1,605,301
Capital contributions	62,128	458,643	273,431	-
Transfers in	28,512	10,896	8,592	347,535
Transfers out	(2,433,000)	-	-	(3,900)
CHANGES IN NET ASSETS	222,453	427,412	1,088,688	1,948,936
NET ASSETS - Beginning of year	138,918,797	47,515,760	23,376,588	17,423,644
NET ASSETS - End of year	\$ 139,141,250	\$ 47,943,172	\$ 24,465,276	\$ 19,372,580

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

TOTAL	GOVERNMENTAL ACTIVITIES INTERNAL SERVICE FUNDS
\$ 218,376	\$ -
88,914,731	6,825,538
188,518	1,655,564
4,134,598	4,767
93,456,223	8,485,869
8,351,284	1,065,589
72,684,141	6,333,112
13,262,579	656,230
94,298,004	8,054,931
(841,781)	430,938
113,079	-
4,889,042	-
2,686	-
2,138,700	222,745
(1,354,777)	-
(12,297)	(23,681)
5,776,433	199,064
4,934,652	630,002
794,202	-
395,535	100,000
(2,436,900)	(138,123)
3,687,489	591,879
227,234,789	10,266,206
\$ 230,922,278	\$ 10,858,085

CITY OF HOLLAND, MICHIGAN

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

YEAR ENDED JUNE 30, 2006

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS			OTHER ENTERPRISE FUNDS
	ELECTRIC UTILITY	WASTEWATER UTILITY	WATER UTILITY	
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from customers and users	\$ 78,092,584	\$ 7,171,477	\$ 5,972,951	\$ 2,193,508
Receipts from internal services provided	-	-	-	-
Payments to suppliers	(65,013,129)	(4,057,190)	(2,149,430)	(4,308,171)
Payments to employees	(5,028,087)	(1,596,619)	(1,141,877)	(586,276)
Net cash provided by (used in) operating activities	8,051,368	1,517,668	2,681,644	(2,700,939)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Debt service	(2,629,475)	(705,869)	(518,679)	(16,625)
Proceeds from sales of capital assets	90,246	-	131,554	-
Purchase of capital assets	(2,880,436)	(1,351,389)	(3,613,100)	(3,011,718)
Contributions	62,128	458,643	273,431	-
Net cash provided by (used in) capital and related financing activities	(5,357,537)	(1,598,615)	(3,726,794)	(3,028,343)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Property taxes	-	-	-	113,317
Federal and/or state grants	-	-	-	4,643,516
Miscellaneous private donations	-	-	-	2,686
Insurance refunds	28,512	10,896	8,592	-
Intergovernmental payments	(2,433,000)	-	-	(14)
Intergovernmental receipts	-	-	-	752,077
Net cash provided by (used in) noncapital financing activities	(2,404,488)	10,896	8,592	5,511,582
CASH FLOWS FROM INVESTING ACTIVITIES:				
Proceeds from sales of investments	41,089,639	16,598,620	1,618,396	-
Purchase of investments	(36,791,952)	(16,545,470)	(2,665,929)	-
Investment earnings	1,135,287	494,943	478,347	38,236
Net cash provided by (used in) investing activities	5,432,974	548,093	(569,186)	38,236
NET INCREASE (DECREASE) IN CASH AND POOLED INVESTMENTS	5,722,317	478,042	(1,605,744)	(179,464)
CASH AND POOLED INVESTMENTS - Beginning of year	5,965,033	2,167,387	11,872,426	1,594,450
CASH AND POOLED INVESTMENTS - End of year	\$ 11,687,350	\$ 2,645,429	\$ 10,266,682	\$ 1,414,986

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

TOTAL	GOVERNMENTAL ACTIVITIES INTERNAL SERVICE FUNDS
\$ 93,430,520	\$ -
-	8,534,902
(75,527,920)	(5,816,653)
(8,352,859)	(1,155,503)
<u>9,549,741</u>	<u>1,562,746</u>
(3,870,648)	-
221,800	76,772
(10,856,643)	(868,213)
794,202	-
<u>(13,711,289)</u>	<u>(791,441)</u>
113,317	-
4,643,516	-
2,686	-
48,000	-
(2,433,014)	(138,123)
752,077	100,000
<u>3,126,582</u>	<u>(38,123)</u>
59,306,655	-
(56,003,351)	-
2,146,813	222,745
<u>5,450,117</u>	<u>222,745</u>
4,415,151	955,927
<u>21,599,296</u>	<u>7,411,424</u>
\$ 26,014,447	\$ 8,367,351

(Continued)

CITY OF HOLLAND, MICHIGAN

STATEMENT OF CASH FLOWS (CONCLUDED)
 PROPRIETARY FUNDS

YEAR ENDED JUNE 30, 2006

BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS

	ELECTRIC UTILITY	WASTEWATER UTILITY	WATER UTILITY	OTHER ENTERPRISE FUNDS
Reconciliation of operating income to net cash provided (used) by operating activities:				
Operating income (loss)	\$ 1,619,064	\$ (218,565)	\$ 1,182,031	\$ (3,424,311)
Adjustment to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	9,316,630	1,824,706	1,164,881	956,362
Loss on disposal of assets	-	-	-	296
Changes in operating assets and liabilities:				
Accounts receivable	(119,716)	(83,022)	136,421	46,037
Inventories	(2,909,272)	(13,690)	(16,229)	-
Prepaid items	31,475	(720)	(521)	1,121
Due from other funds	(60,501)	34,644	(23,071)	-
Accounts payable	121,389	(190,408)	177,005	(322,374)
Claims payable	-	-	-	-
Accrued payroll and benefits	43,487	15,467	10,307	(1,575)
Due to other funds	2,637	149,256	50,820	-
Unearned revenue	-	-	-	-
Other accrued liabilities	6,175	-	-	43,505
Net cash provided by (used in) operating activities	\$ 8,051,368	\$ 1,517,668	\$ 2,681,644	\$ (2,700,939)
STATEMENT OF NET ASSETS CLASSIFICATIONS OF CASH AND POOLED INVESTMENTS				
Current assets	\$ 8,857,560	\$ 2,049,718	\$ 2,190,816	\$ 488,638
Restricted assets	2,829,790	595,711	8,075,866	926,348
TOTAL BALANCE SHEET CLASSIFICATION	\$ 11,687,350	\$ 2,645,429	\$ 10,266,682	\$ 1,414,986

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

TOTAL	GOVERNMENTAL ACTIVITIES INTERNAL SERVICE FUNDS
\$ (841,781)	\$ 430,938
13,262,579	656,230
296	-
(20,280)	37,129
(2,939,191)	(29,954)
31,355	599,090
(48,928)	(6,465)
(214,388)	(49,214)
-	(101,000)
67,686	11,086
202,713	10,818
-	4,088
49,680	-
\$ 9,549,741	\$ 1,562,746

\$ 13,586,732	\$ 8,367,351
12,427,715	-
\$ 26,014,447	\$ 8,367,351

(Concluded)

CITY OF HOLLAND, MICHIGAN

STATEMENT OF NET ASSETS
AGENCY FUNDS

JUNE 30, 2006

ASSETS

CURRENT ASSETS:

Cash and pooled investments	\$ 156,677
Accounts receivable	3,556
<hr/>	
Total assets	\$ 160,233

LIABILITIES

LIABILITIES:

Accounts payable	\$ 103,561
Due to other governmental units	56,672
<hr/>	
Total liabilities	\$ 160,233

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

NOTES TO FINANCIAL STATEMENTS

CITY OF HOLLAND
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

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

Blended Component Unit

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

Discrete Component Units

In addition, financial information of the following component units are included in separate columns and rows in the basic financial statements. They are reported in separate columns and rows to emphasize that they are legally separate from the City. Except for the Holland Historical Trust, the governing bodies of all of these component units are appointed by the Mayor of the City of Holland with the City Council.

Downtown Development Authority – The Downtown Development Authority was created to correct and prevent deterioration in the downtown district, encourage historical preservation, and promote economic growth within the downtown district. The Authority's budget is subject to approval by the City Council. A separate audit has not been conducted for this entity.

Holland Historical Trust – The Holland Historical Trust is a not-for-profit corporation organized under Section 501(c)(3) of the internal revenue code for the purpose of operating the Holland Museum, the Cappon House, and the Settlers House. The Trust's budget is subject to review by the City Council prior to final decision concerning a General Fund contribution toward the Trust's operations. Complete financial statements for the Trust may be obtained at the Trust's administrative office located at 31 West 10th Street, Holland, MI 49423.

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

Economic Development Corporation – The Economic Development Corporation was created to provide means and methods for the encouragement and assistance of industrial and commercial enterprises in relocating, purchasing, constructing, improving or expanding within the City so as to provide needed services and facilities of such enterprises to the residents of the City. In certain situations, members of the Board of Directors may be removed by a majority of the Holland City Council. A separate audit has not been conducted for this entity.

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

CITY OF HOLLAND
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2006

Government-wide and Fund Financial Statements

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

Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements, except for agency funds, which do not have a measurement focus. Revenues are recorded when earned and expenses are recorded when liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. After March 1, any Delinquent Taxes on real property are paid by the County which is responsible for collecting any outstanding taxes on real property as of that date. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

CITY OF HOLLAND
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2006

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

The City reports the following major governmental funds:

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

The *Building Authority Debt Service Fund* accounts for the financial resources required to service Building Authority Debt.

The *Infrastructure Projects Capital Projects Fund* accounts for the financial resources involved in funding major infrastructure projects.

The City reports the following major enterprise funds:

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

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

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

Additionally, the City reports the following fund types:

Special Revenue Funds – used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes.

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

Capital Projects Funds – used to account for the accumulation and disbursement of resources for the construction and maintenance of infrastructure and facilities.

Permanent Fund - used to record the activity and balance of the Cemetery Trust which provides funds for perpetual care of cemetery lots.

CITY OF HOLLAND
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2006

Enterprise Funds – used to report operations that provide services to citizens, financed primarily by a user charge or activities where the periodic measurement of net income is deemed appropriate for capital maintenance, public policy, management control, accountability or other purposes.

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

Agency Funds – used to account for assets held on behalf of outside parties, including other governments.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standard do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges for services. The principal operating revenues of the City's internal service funds are charges to City departments for technology, equipment and insurance services. Operating expenses for the enterprise fund include depreciation on capital assets, labor, supplies and contracted services. Operating expenses for the internal service funds include the cost of services (including claims), administrative expenses, and depreciation on capital assets. Other revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

CITY OF HOLLAND
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2006

Budgets and Budgetary Accounting

The City follows these procedures in establishing the budgetary data reflected in the financial statements.

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

Cash and Pooled Investments

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

Receivables

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

Due to/from Other Funds

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

CITY OF HOLLAND
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2006

Due From Other Governmental Units

Amounts due from other governments include amounts due from grantors for specific programs and capital projects. Program and capital grants are recorded as receivables and revenue at the time reimbursable costs are incurred. Revenues received in advance of costs being incurred are deferred.

Investments

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

State statute authorizes the City to invest in:

- a. Bonds, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution.
- c. 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.
- d. Bankers' acceptances of United States banks.
- e. 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.
- f. 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.
- g. External investment pools as authorized by Public Act 20 as amended through December 31, 1997.

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

Inventories

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

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$500 (\$5,000 for infrastructure) and an estimated useful life in excess of two years. Such assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exists. Donated capital assets are valued at their estimated fair market value on the date received. The amount reported for infrastructure includes assets added beginning in 2003.

CITY OF HOLLAND
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2006

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

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

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

	<u>Years</u>
Land improvements	20
Buildings	40
Office furniture and equipment	3-5
Vehicles	5-10
Public domain infrastructure	40
System infrastructure	20

Restricted Assets

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

Bond Discounts and Issuance Cost

Discounts and issuance costs on bonds are being amortized by the interest or straight-line methods over the repayment periods of the related bonds. Amortization is charged to interest expense.

Property Taxes

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

CITY OF HOLLAND
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2006

Deferred Revenue

Governmental funds report deferred revenue in connection with assets received or receivable that are not considered to be available to liquidate liabilities of the current period or that have not yet been earned. At the end of the current fiscal year, the various components of deferred revenue reported in the governmental funds were as follows:

Long-term lease receivable (Building authority debt)	\$5,982,898
Special assessment receivable (Miscellaneous governmental functions)	240,782
Grant drawdowns prior to meeting eligibility requirements (Culture and community improvement)	49,913
Grant drawdowns prior to meeting eligibility requirements (Municipal facilities and land improvement rights)	53,885
Special assessment receivable (Special assessment debt)	1,476,326
Special assessment receivable (Infrastructure projects)	6,076
Grant drawdowns prior to meeting eligibility requirements (Infrastructure projects)	23,146
Grant drawdowns prior to meeting eligibility requirements (Public safety grants)	<u>3,749</u>
	<u><u>\$7,836,775</u></u>

Property Taxes

The taxable value at December 31, 2005 was \$1,071,137,132. An amount of \$1,071,137,132 provides a City-wide valuation equivalency that allows for a uniform millage rate across all taxable properties, including tax-abated properties. The tax levy was based on the following rates:

	Millage Rate Used	Authorized Millage Rate By Either State Law or City Charter	
General Operating	9.4337		
Street Development and Improvement	1.0000		
Sidewalk Development and Improvement	0.0500		
Debt Service General Obligation	<u>2.0910</u>		
	12.5747	16.1346	(1)
		17.5000	(City Charter)
Dial-A-Ride/MAX	0.1000	.6000	(1)
		.6000	(2)
Library Support/Debt Service	1.3253	1.3254	(1)
		1.5000	(3)

(1) Formula limitation required by 1978 State Constitutional amendment.

(2) Voter-approved limitation dated May 3, 2005.

(3) Library support agreement between City of Holland, Park Township, Holland Township, Laketown Township and Herrick District Library dated March 21, 1997.

CITY OF HOLLAND
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2006

Interfund Transactions

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

Electric Utility Fund Transfer to the General Fund

The City Charter authorizes an annual transfer from the Electric Utility Fund to the General Fund. The current formula for determining this transfer is based upon 3.5 percent of Electric Utility Fund budgeted revenues of the same fiscal year. For fiscal year 2006, a transfer of \$2,433,000 was made.

Compensated Absences

City employees are granted vacation, sick and longevity pay in varying amounts based on length of service, which are compensable upon termination of employment except during resignation or discharge for disciplinary cause.

Vacation hours are credited to each employee on the anniversary date of hire. The number of hours is dependent upon years of service.

Sick leave hours are credited to each employee as earned during a calendar year up to a maximum of 104 hours. Bargaining and nonbargaining employees are compensated for one half of total accumulated sick leave hours in excess of 720 hours annually.

Longevity pay is an annual compensation payable to eligible employees based on years of service.

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

Bond Issuance Costs

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures. Bond issuance costs are capitalized and amortized over the life of the bonds for proprietary funds and for governmental and business-type activities on the government-wide financial statements.

CITY OF HOLLAND
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2006

Risk Management and Benefits

The City has in place a risk management program that encompasses annual retention levels, depending upon the specific coverage. Employee health and dental coverage assumes risk up to \$75,000 specific and \$3,300,000 aggregate. Vehicle liability insurance provides first-dollar coverage on all claims. The City assumes total unlimited risk for damage to its vehicles, except fire vehicles and Dial-A-Ride buses, with small deductibles for damages. Damages to all other forms of property are established with a \$100,000 deductible per incident. Retentions for general and public liability risks are currently \$100,000 per incident.

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

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

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

CITY OF HOLLAND
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2006

2. COMPLIANCE

Budgetary Compliance

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

For the year ended June 30, 2006, expenditures exceeded appropriations at the legal level of budgetary control in the following funds:

	<u>Total Appropriations</u>	<u>Amount of Expenditure</u>	<u>Budget Variance</u>
General Fund:			
Legal Services	\$ 191,600	\$ 194,058	\$ (2,458)
Personnel	285,412	298,740	(13,328)
City Treasurer	190,629	191,944	(1,315)
Parks	1,483,699	1,506,573	(22,874)
Civic Center	237,901	238,252	(351)
Transfers out - Depot Operations	23,550	24,247	(697)
Principal Shopping District Fund			
Personal services	63,305	66,151	(2,846)
Underground Storage Tank Financial Assurance Fund			
Other services and charges	13,347	23,877	(10,530)
Homeland Security Grant Fund			
Capital outlay	50,589	59,052	(8,463)
District Library Taxation Fund			
Other services and charges	1,506,024	1,509,170	(3,146)

Compliance with the Single Audit Act

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

3. DEPOSITS AND INVESTMENTS

The City's reporting entity deposits and investments as of June 30, 2006 are included on the statement of net assets under the following classifications:

	<u>June 30, 2006</u>				
	<u>Governmental Activities</u>	<u>Business- type Activities</u>	<u>Component Units</u>	<u>Agency Funds</u>	<u>Total</u>
Cash and pooled investments	\$18,513,049	\$13,586,732	\$ 471,578	\$156,677	\$ 32,728,036
Investments	-	48,089,550	557,287	-	48,646,837
Restricted assets					
Cash and pooled investments	-	12,427,715	-	-	12,427,715
Investments	-	7,913,801	-	-	7,913,801
	<u>\$18,513,049</u>	<u>\$82,017,798</u>	<u>\$1,028,865</u>	<u>\$156,677</u>	<u>\$101,716,389</u>

CITY OF HOLLAND
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2006

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

Petty cash	\$	8,015
Deposits		28,279,284
Investments		<u>73,429,090</u>
		<u>\$101,716,389</u>

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

Investment	Balance	Interest Rate	Maturity Date	Rating	Callable
City of Holland					
Fifth Third Money Market Fund	\$ 15,097	N/A	N/A	Unrated	
FHLB	1,176,756	4.410%	05/23/2008	S&P AAA	Quarterly
FHLB	2,977,500	2.800%	10/16/2006	S&P AAA	
FHLB	1,966,260	2.550%	07/28/2006	S&P AAA	
FNMA	4,168,500	2.300%	09/29/2006	S&P AAA	Quarterly
FHLB	1,968,760	2.310%	12/29/2006	S&P AAA	
FNMA	987,810	3.000%	12/29/2006	S&P AAA	Semi-annually
FNMA	1,785,942	2.000%	10/30/2006	S&P AAA	Semi-annually
FNMA	<u>1,933,120</u>	2.550%	08/17/2006	S&P AAA	
Total City of Holland	<u>\$ 17,069,745</u>				
Holland Board of Public Works					
FHLB	\$ 962,500	3.250%	04/14/2008	S&P AAA	Anytime
FHLMC	1,977,400	2.625%	11/28/2006	S&P AAA	Semi-annually
FHLB	1,913,200	3.050%	05/28/2008	S&P AAA	
FHLB	1,915,800	2.500%	12/26/2007	S&P AAA	Semi-annually
FHLB	1,915,800	2.500%	12/26/2007	S&P AAA	Semi-annually
FHLB	1,969,600	2.400%	12/29/2006	S&P AAA	Quarterly
FHLB	1,921,200	2.700%	12/28/2007	S&P AAA	
FHLB	995,800	5.025%	02/15/2007	S&P AAA	
FHLB	996,100	5.000%	01/29/2007	S&P AAA	
FHLB	1,915,000	2.500%	12/26/2007	S&P AAA	Semi-annually
FHLB	984,380	2.300%	12/29/2006	S&P AAA	
FHLB	984,380	2.310%	12/29/2006	S&P AAA	
FHLB	985,000	2.400%	12/29/2006	S&P AAA	
FHLB	991,250	2.730%	10/30/2006	S&P AAA	Quarterly
FHLMC	2,993,190	2.200%	07/28/2006	S&P AAA	Semi-annually
FNMA	1,995,620	2.150%	07/28/2006	S&P AAA	
FHLB	1,993,760	2.530%	08/11/2006	S&P AAA	Quarterly
FHLB	995,630	2.500%	08/28/2006	S&P AAA	
FNMA	1,980,620	2.750%	11/13/2006	S&P AAA	Semi-annually
FNMA	1,961,260	2.500%	02/27/2007	S&P AAA	Semi-annually
FHLB	978,130	2.550%	04/05/2007	S&P AAA	Quarterly
FFCB	1,928,120	3.170%	02/21/2008	S&P AAA	Quarterly
FNMA	2,850,000	3.200%	11/28/2008	S&P AAA	
FHLMC	946,100	3.110%	12/30/2008	S&P AAA	Quarterly
Money Market Mutual Funds	510,242	N/A	N/A	Unrated	
MPPA Trust Pool	3,952,883	N/A	Various	Unrated	
Repurchased agreements	<u>12,288,783</u>	N/A	07/01/2006	N/A	
Total Holland Board of Public Works	<u>\$ 55,802,058</u>				

CITY OF HOLLAND
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2006

Investment	Balance	Interest Rate	Maturity Date	Rating	Callable
Holland Historical Trust					
Money Market Mutual Fund	\$ 12,293	N/A	N/A	Various	
Bond Mutual Funds	107,326	N/A	N/A	Various	
Equity Mutual Funds	432,387	N/A	N/A	Various	
Holland/Zeeland Area Community Fund	<u>5,281</u>	N/A	N/A	Unrated	
Total Holland Historical Trust	<u>557,287</u>				
Total	<u>\$73,429,090</u>				

FNMA – Federal National Mortgage Association

FHLB – Federal Home Loan Bank

FFCB – Federal Farm Credit Bank

FHLMC – Federal Home Loan Mortgage Corporation

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 City's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The maturity dates for each investment are identified above for investments held at year-end.

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

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned. State law does not require and the City's investment policy does not have specific limits in excess of state law pertaining to custodial credit risk. As of year-end, \$28,574,795 of the bank balance of \$29,374,795 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial Credit Risk – Investments. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. State law does not require and the City does not have a specific policy pertaining to investment custodial credit risk which is more restrictive than state law. Of the above \$73,429,090 of investments held at year-end,

CITY OF HOLLAND
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2006

the City has a custodial credit risk exposure of \$12,288,783 because the related repurchase agreements are uninsured, unregistered and held by the government's brokerage firm which is also the counterparty for these particular securities. Custodial credit risk for the mutual funds, MPPA Trust Pool and Holland Zeeland Area Community fund cannot be determined as these investments are not evidenced by specifically identifiable securities.

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

4. RESTRICTED ASSETS/NET ASSETS

Restricted assets at June 30, 2006 consist of the following:

	Enterprise Funds
Cash and pooled investments	\$12,427,715
Investments	7,913,801
Accrued interest receivable	15,148
Total assets restricted	20,356,664
Less current liabilities payable from restricted assets	3,030,000
Restricted net assets	\$17,326,664

CITY OF HOLLAND
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2006

5. CAPITAL ASSETS/CONSTRUCTION COMMITMENTS

	<u>Balance July 1, 2005</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2006</u>
Primary government				
Governmental activities				
Capital assets, not being depreciated:				
Land	\$ 12,531,468	\$ 49,498	\$ 291	\$ 12,580,675
Construction in progress	<u>18,717,931</u>	<u>9,922,874</u>	<u>19,118,273</u>	<u>9,522,532</u>
Total capital assets, not being depreciated	<u>31,249,399</u>	<u>9,972,372</u>	<u>19,118,564</u>	<u>22,103,207</u>
Capital assets, being depreciated:				
Land improvements	13,738,307	1,443,144	162,556	15,018,895
Buildings	32,518,185	123,487	39,896	32,601,776
Machinery and equipment	9,598,248	1,324,129	527,459	10,394,918
Vehicles	5,599,574	608,660	286,486	5,921,748
Infrastructure	<u>53,419,905</u>	<u>17,476,688</u>	<u>397,780</u>	<u>70,498,813</u>
Total capital assets, being depreciated	<u>114,874,219</u>	<u>20,976,108</u>	<u>1,414,177</u>	<u>134,436,150</u>
Less accumulated depreciation for:				
Land improvements	5,322,158	679,638	106,989	5,894,807
Buildings	5,334,399	910,353	36,997	6,207,755
Machinery and equipment	4,878,814	708,778	422,969	5,164,623
Vehicles	3,024,196	405,480	244,756	3,184,920
Infrastructure	<u>22,046,740</u>	<u>637,856</u>	<u>61,788</u>	<u>22,622,808</u>
Total accumulated depreciation	<u>40,606,307</u>	<u>3,342,105</u>	<u>873,499</u>	<u>43,074,913</u>
Net capital assets, being depreciated	<u>74,267,912</u>	<u>17,634,003</u>	<u>540,678</u>	<u>91,361,237</u>
Net governmental activities capital assets	<u>\$105,517,311</u>	<u>\$27,606,375</u>	<u>\$19,659,242</u>	<u>\$113,464,444</u>

CITY OF HOLLAND
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2006

	<u>Balance July 1, 2005</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2006</u>
Business-type activities				
Capital assets, not being depreciated:				
Land	\$ 11,950,096	\$ 30,370	\$ 50,757	\$ 11,929,709
Construction in progress	4,128,284	4,333,780	101,537	8,360,527
Total capital assets, not being depreciated	<u>16,078,380</u>	<u>4,364,150</u>	<u>152,294</u>	<u>20,290,236</u>
Capital assets, being depreciated:				
Land improvements	7,559,723	26,127	-	7,585,850
Buildings	4,145,034	21,621	10,258	4,156,397
Machinery and equipment	307,686,391	5,897,951	904,382	312,679,960
Vehicles	2,190,084	671,042	4,500	2,856,626
Total capital assets, being depreciated	<u>321,581,232</u>	<u>6,616,741</u>	<u>919,140</u>	<u>327,278,833</u>
Less accumulated depreciation for:				
Land improvements	4,704,234	366,663	-	5,070,897
Buildings	1,736,895	142,620	10,257	1,869,258
Machinery and equipment	161,177,427	12,423,463	702,537	172,898,353
Vehicles	1,048,942	329,833	-	1,378,775
Total accumulated depreciation	<u>168,667,498</u>	<u>13,262,579</u>	<u>712,794</u>	<u>181,217,283</u>
Net capital assets, being depreciated	<u>152,913,734</u>	<u>(6,645,838)</u>	<u>206,346</u>	<u>146,061,550</u>
Net business-type activities capital assets	<u>\$ 168,992,114</u>	<u>\$(2,281,688)</u>	<u>\$358,640</u>	<u>\$ 166,351,786</u>

CITY OF HOLLAND
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2006

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

Governmental activities	
General government	\$ 256,489
Public safety	663,529
Public works	1,099,608
Culture and recreation	661,775
Welfare and social services	4,474
Internal service activities	<u>656,230</u>
Total depreciation expense - governmental activities	<u>\$3,342,105</u>
Business-type activities	
Electric utility	\$ 9,316,630
Wastewater utility	1,824,706
Water utility	1,164,881
Refuse and recycling	61,530
Windmill island	68,318
Depot operations	81,261
Airport	349,793
Macatawa Area Public Transit System	<u>395,460</u>
Total depreciation expense - business type activities	<u>\$13,262,579</u>

CITY OF HOLLAND
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2006

Discretely Presented Component Units

	<u>Balance July 1, 2005</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2006</u>
Downtown Development Authority:				
Capital assets, being depreciated				
Land improvements	\$ 208,216	\$ -	\$ -	\$ 208,216
Machinery and equipment	6,839	-	49	6,790
Total capital assets, being depreciated	215,055	-	49	215,006
Less accumulated depreciation for:				
Land improvements	54,013	10,566	-	64,579
Machinery and equipment	782	370	48	1,104
Total accumulated depreciation	54,795	10,936	48	65,683
Net capital assets	<u>\$ 160,260</u>	<u>\$ (10,936)</u>	<u>\$ 1</u>	<u>\$ 149,323</u>
Holland Historical Trust:				
Capital assets, not being depreciated				
Land	\$ 60,000	\$ -	\$ -	\$ 60,000
Construction in progress	-	521,789	-	521,789
Capital assets, being depreciated				
Buildings and improvements	1,385,702	128,034	-	1,513,736
Land improvements	44,878	-	-	44,878
Furniture and equipment	131,283	1,250	-	132,533
Total capital assets, being depreciated	1,561,863	129,286	-	1,691,147
Less accumulated depreciation for:				
Buildings and improvements	258,516	76,664	-	335,180
Land improvements	14,191	3,634	-	17,825
Furniture and equipment	89,862	9,364	-	99,226
Total accumulated depreciation	362,569	89,662	-	452,231
Net capital assets, being depreciated	1,199,294	39,624	-	1,238,916
Total capital assets	<u>\$1,259,294</u>	<u>\$ 561,413</u>	<u>\$ -</u>	<u>\$1,820,705</u>

CITY OF HOLLAND
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2006

6. LONG-TERM DEBT

Long-term debt at June 30, 2006 is comprised of the following individual bond issues, notes payable and lease obligations:

	<u>Balance July 1, 2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2006</u>	<u>Due Within One Year</u>
Governmental Activities					
\$2,300,000 Building Authority, Library Improvement Bonds, due in annual installments of \$75,000 to \$350,000 through May 2009, interest at 4.30% to 4.375%.	\$ 1,300,000	\$ -	\$ 275,000	\$ 1,025,000	\$ 325,000
\$19,500,000 Police Improvement Bonds due in annual installments of \$315,000 to \$1,885,000 through 2022, interest at 2.0% to 5.0%. Partially refunded in 2006.	18,785,000	-	7,260,000	11,525,000	525,000
\$525,000 1992A Utility Improvement Bonds, due in annual installments of \$10,000 to \$50,000 through May 2007, interest at 5.35% to 7.00%.	40,000	-	30,000	10,000	10,000
\$2,160,000 1995A Street Improvement Bonds, due in annual installments of \$165,000 to \$280,000 through August 2005, interest at 4.05% to 5.15%.	280,000	-	280,000	-	-
\$3,750,000 1996A Street Improvement Bonds, due in annual installments of \$175,000 to \$525,000 through August 2008, interest at 3.80% to 5.40%.	1,825,000	-	325,000	1,500,000	475,000
\$380,000 1997A Utility Improvement Bonds, due in annual installments of \$15,000 to \$30,000 through June 2011, interest at 4.80% to 7.00%.	160,000	-	25,000	135,000	30,000
\$425,000 1998 Special Assessment Bonds due in annual installments of \$20,000 to \$45,000, through June 1, 2012, interest at 4.00% to 5.05%.	185,000	-	35,000	150,000	30,000
\$350,000 2001 Special Assessment Bonds due in annual installments of \$10,162 to \$44,600 through June 2014, interest at 5.8% to 5.85%.	225,000	-	25,000	200,000	25,000

CITY OF HOLLAND
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2006

	<u>Balance July 1, 2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2006</u>	<u>Due Within One Year</u>
Governmental Activities (Continued)					
\$1,310,603 City of Holland portion of 1999 Allegan County Sewage Disposal System Bonds, due in annual installments of \$98,460 to \$10,257, through April 2018, interest at 4.2% to 4.8%.	\$1,009,963	\$ -	\$ 70,463	\$ 939,500	\$ 70,463
\$800,000 2002A Public Improvement Bonds, due in annual installments of \$30,000 to \$60,000, through June 2016, interest at 4.0% to 7.0%.	650,000	-	60,000	590,000	60,000
\$5,400,000 2004 Refunded Library Improvement Bonds, due in annual installments of \$55,000 to \$435,000, through May 2017, interest at 2.0% to 4.25%.	5,345,000	-	425,000	4,920,000	435,000
\$4,170,000 2004 Refunded City Hall Improvement Bonds, due in annual installments of \$50,000 to \$475,000, through May 2016, interest at 2.0% to 4.25%.	4,120,000	-	275,000	3,845,000	290,000
\$352,000 2004 Land Contract; due in one installment of \$352,000 in 2009.	352,000	-	-	352,000	-
\$175,000 2003 Land contract due in annual installments of \$12,500 through 2013; interest at 5.0%	100,000	-	12,500	87,500	12,500
Estimated environmental clean-up costs	60,000	-	15,000	45,000	15,000
\$7,255,000 2006 Building Authority Refunding Bonds, due in annual installments of \$25,000 to \$1,880,000 through 2022; interest rates of 3.5% to 4.0%	-	7,255,000	-	7,255,000	25,000
\$155,000 Special Assessment Bonds, due in annual installments of \$10,000 to \$15,000 through 2022; interest rates of 5.06% to 5.5%	-	155,000	-	155,000	10,000
Total Installment Debt	34,436,963	7,410,000	9,112,963	32,734,000	2,337,963
Premium on Bonds Payable	-	1,676	-	1,676	-
Unamortized Refunding Costs	-	(332,158)	-	(332,158)	-
Accrued Compensated Absences	1,551,398	59,462	50,410	1,560,450	-
Total Governmental Activities	<u>\$35,988,361</u>	<u>\$7,138,980</u>	<u>\$9,163,373</u>	<u>\$33,963,968</u>	<u>\$2,337,963</u>

CITY OF HOLLAND
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2006

	<u>Balance July 1, 2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2006</u>	<u>Due Within One Year</u>
Business-Type Activities					
\$12,112,889 2002A Electric Revenue Refunding Bonds, due in annual installments of \$2,475,000 to \$2,705,000 through 2008; net of unamortized discount and deferred refunding cost of \$153,995 and \$291,605 in 2006 and 2005, respectively; interest rate of 2.0% to 2.6%.	\$ 7,581,005	\$ -	\$ 2,375,314	\$ 5,205,691	\$ 2,555,000
2001 Ottawa County Refunded Sewage Bonds (City assumed 70% of total 2001 Ottawa County Disposal Bond issue), due in annual installments of \$479,500 to \$693,000 through 2014; net of unamortized discount of \$281,077 and \$312,308 in 2006 and 2005, respectively; interest rates of 2.80% to 4.75%.	4,919,923	-	448,269	4,471,654	500,500
1997 Water Supply System Revenue Bonds, due in annual installments of \$475,000 to \$505,000 through 2008; net of unamortized discount of \$18,046 and \$77,512 in 2006 and 2005, respectively; interest rates of 2.0% to 2.6%.	961,954	9,279	-	971,233	475,000
\$7,635,000 2005A Water Supply Revenue Refunding Bonds, due in annual installments of \$635,000 to \$915,000 through 2018; net of unamortized discount and deferred refunding cost of \$410,257 in 2006; interest rates of 3.0% to 4.0%.	7,224,743	50,347	-	7,275,090	-
\$11,200,000 2005A Water Supply Revenue Bonds, due in annual installments of \$155,000 to \$1,525,000 through 2025; net of unamortized discount of \$154,388 in 2006; interest rates of 3.0% to 5.0%.	11,045,612	10,662	-	11,056,274	-
Installment purchase obligation to Huntington Bank, due in annual installments of \$12,000 to \$16,000 through 2010; interest at 5.75%.	70,000	-	12,000	58,000	13,000
Total Business-Type Activities Long-Term Debt	<u>\$ 31,803,238</u>	<u>\$ 70,288</u>	<u>\$ 2,835,583</u>	<u>\$ 29,037,942</u>	<u>\$ 3,543,500</u>

CITY OF HOLLAND
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2006

The environmental clean-up liability does not relate to a municipal landfill, but rather to monitoring and cleanup of underground fuel storage sites.

The City owns and maintains a landfill for flyash and wastewater treatment bio solids. In accordance with Michigan Department of Environmental Quality requirements, funding for closure cost estimates of \$111,000 and postclosure cost estimates of \$216,450 have been assured with a \$100,000 letter of credit and \$8,589 held in trust at June 30, 2006.

The City has recognized a liability for closure and postclosure cost of \$327,450 in the Enterprise Fund (accounts payable) based on the percentage of landfill capacity used to date. The landfill is expected to have a remaining life of at least 50 years with approximately 73% of the landfill's capacity currently utilized. These estimates are expected to fluctuate based on inflation, deflation, changes in technology, applicable laws and regulations.

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

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

The special assessment bonds represent the financing of public improvements that benefit specific districts; these districts are specially assessed, at least in part, for the cost of the improvements. At June 30, 2006, the City has cash and investments of \$923,638 available in Debt Service Funds for repayment of these bonds. In addition, there is \$1,476,326 of special assessments receivable in the future. Under Michigan law, the City is secondarily liable for payment of these bonds.

The annual requirements to pay principal and interest on long-term obligations outstanding at June 30, 2006, including unamortized discount and deferred refunding costs, are as follows:

Fiscal Year	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2007	\$ 2,337,963	\$ 1,227,607	\$ 3,388,638	\$ 1,463,507
2008	2,442,963	1,153,536	3,903,874	1,350,551
2009	2,934,963	1,061,253	1,263,068	894,419
2010	1,762,963	974,251	1,325,933	846,202
2011	1,862,963	914,607	1,363,421	795,138
2012-2016	10,759,289	3,367,827	6,417,042	3,118,723
2017-2021	8,752,896	1,269,531	5,700,212	1,927,652
2022-2025	1,880,000	37,600	5,675,754	565,093
Total	\$32,734,000	\$10,006,212	\$29,037,942	\$10,961,285

CITY OF HOLLAND

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2006

Revenue Bonds

Covenants of the revenue bond resolution provide for, among other things, restrictions on the transfer of funds, issuance of additional debt, creation of liens and the sale and lease of property.

Current Year Refunding

During fiscal year 2006, the City of Holland issued \$7,255,000 of Building Authority Refunding Bonds, Series 2006, to provide resources along with additional City funds to Purchase U.S. Government securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments on \$6,805,000 of 2002 Building Authority Bonds. As a result, \$6,805,000 of refunded bonds are considered to be defeased and the liability has been removed from the statement of net assets. This advance refunding was undertaken to reduce total debt service payment by \$392,930 which resulted in an economic gain of \$292,711. At year-end \$13,865,000 of defeased bonds were outstanding.

No Commitment Debt

Excluded from the Government-wide statements are bonds issued under the Industrial Development Revenue Bond Act of 1963, as amended, which authorizes municipalities to acquire and lease industrial sites, buildings and equipment. Also excluded are revenue bonds issued by the Economic Development Corporation to acquire and lease property to third parties. The revenue bonds issued are payable solely from the net revenue derived from the respective leases and are not a general obligation of the City. After these bonds are issued, all financial activity is taken over by the paying agent. The bonds and related lease contracts are not reflected in the City's financial statements, but are described below. Additional information regarding the status of each bond issue, including possible default, must be obtained from the paying agent or other knowledgeable source.

<u>For Whom</u>	<u>Purpose</u>	<u>Outstanding Principal at June 30, 2006</u>
Thrifty Holland, Inc.	Acquisition, construction and equipping of a retail, grocery and department store	<u>\$ 7,300,000</u>

The Thrifty Holland, Inc. bonds are Floating Rate Monthly Demand Economic Development Revenue Bonds of the Economic Development Corporation of the City of Holland. The City of Holland has no obligation for the debt beyond the resources provided for the above loans.

7. FUND EQUITY

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

CITY OF HOLLAND
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2006

8. JOINT VENTURES

The City entered into a joint venture, the Michigan Public Power Agency (MPPA), with 15 other municipal electric systems. The MPPA was formed to undertake the planning, financing, development, acquisition, construction, improvement, operation and maintenance of projects to supply electric power and energy for the present or future needs of its members. Each MPPA member is a municipal corporation organized under the laws of the State of Michigan and owns and operates a municipal electric system. The City 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 this joint venture, the City has entered into Power Sales Contracts and Projects Support Contracts. These contracts provide for the City to purchase from MPPA 15.66% of the energy generated by MPPA's 37.22% ownership in Detroit Edison's Belle River Unit #1, which became operational in August 1984, and 26.35% of MPPA's 4.8 % ownership in Consumers Energy's Campbell Unit #3, which became operational in September 1980. These contracts require the City to purchase approximately 38 and 10 megawatts of power, respectively, in 1995 and thereafter.

For the year ended June 30, 2005, the Board recognized expenses totaling \$14,290,905 under the terms of the contract which represented \$2,625,231 for fixed operating costs, \$5,281,345, for debt service and \$6,384,329 for the purchase of power. Accounts payable to MPPA totaled \$1,060,428 at June 30, 2005. For the year ended June 30, 2006, the Board recognized expenses totaling \$14,207,178 under the terms of the contract which represented \$3,997,648 for fixed operating costs, \$5,280,953 for debt service and \$4,928,577 for the purchase of power. Accounts payable to MPPA totaled \$2,798,123 at June 30, 2006. Under the terms of its contracts, the Board must make minimum annual payments equal to its share of debt service and its share of the fixed operating costs of Detroit Edison's Belle River No. 1 and Consumers Energy's Campbell Unit No. 3. The estimated required payments presented below assume no early calls or refinancing of existing revenue bonds and 3.0% annual inflation of fixed operating costs.

A summary of contract requirements with the MPPA is as follows:

Year	Belle River		Campbell		Total
	Debt Service	Fixed Operating	Debt Service	Fixed Operating	
2007	\$ 4,305,244	\$ 3,386,466	\$ 976,459	\$ 731,112	\$ 9,399,281
2008	4,305,839	3,488,060	977,157	753,045	9,524,101
2009	4,305,297	3,592,702	976,926	775,637	9,650,562
2010	4,305,373	3,700,483	796,514	798,906	9,601,276
2011	4,306,019	3,811,498	801,047	822,873	9,741,437
2012-2016	21,528,289	20,842,831	1,608,473	847,559	44,827,152
2017-2018	8,611,618	9,238,788	-	-	17,850,406
	\$ 51,667,679	\$ 48,060,828	\$ 6,136,576	\$ 4,729,132	\$ 110,594,215

CITY OF HOLLAND

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2006

Debt Service requirements expire in the years 2018 and 2012 for the Belle River and Campbell projects, respectively. The above amounts include estimated fixed operating costs for the same period as the debt service. The contracts for the City'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 City did not have an initial equity interest and does not participate in net income or losses.

9. INTERFUND TRANSACTIONS

Due to/from other funds at June 30, 2006 were:

	Due From Other Funds							Total
	General Fund	Infrastructure Projects	Nonmajor Governmental Funds	Electric Utility	Wastewater Utility	Water Utility	Internal Service Funds	
Due to other funds:								
General Fund	\$ -	\$ -	\$ -	\$ 70,833	\$ 638	\$ -	\$ -	\$ 71,471
Infrastructure Projects	-	-	145,685	-	-	-	-	145,685
Nonmajor Governmental Funds			338,465	157,958	-	19,739		516,162
Electric Utility	2,998	1,385	3,916	-	-	-	10,655	8,299
Wastewater Utility	-	245,294	-	-	-	-	-	255,949
Water Utility	-	211,243	-	-	-	-	-	211,243
Nonmajor Enterprise Funds	-	-	686,240	-	-	4,823	-	691,063
Internal Service Funds	-	-	18,098	-	-	834	-	18,932
	\$2,998	\$457,922	\$1,192,404	\$228,791	\$ 638	\$25,396	\$10,655	\$1,918,804

Interfund balances represent short-term borrowing to cover cash flow needs as well as balances payable and receivable for goods and services received from and provided to other funds.

	Transfers In									Total
	General Fund	Building Authority Debt Service	Infrastructure Projects	Non-major Governmental Funds	Electric Utility	Waste Water Utility	Water Utility	Non-major Enterprise Fund	Internal Service Funds	
Transfers out:										
General Fund	\$ -	\$ 4	\$ -	\$ 187,411	\$ -	\$ -	\$ -	\$333,535	\$100,000	\$ 620,946
Nonmajor Governmental Funds	203,580	-	4,368,698	2,750,607	-	-	-	10,100	-	7,332,989
Electric Utility	2,433,000	-	-	-	-	-	-	-	-	2,433,000
Nonmajor Enterprise Funds	-	-	-	-	-	-	-	3,900	-	3,900
Internal Service Funds	81,900	-	-	8,223	28,512	10,896	8,592	-	-	138,123
	\$2,718,480	\$ 4	\$4,368,698	\$2,946,241	\$28,512	\$10,896	\$ 8,592	\$347,535	\$100,000	\$10,528,958

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

CITY OF HOLLAND
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2006

10. POSTEMPLOYMENT BENEFITS

In addition to the pension benefits described in Note 11, the City provides postemployment health care benefits, in accordance with union contracts and approved personnel policy for full-time permanent employees, to all employees who retire from the City on or after attaining age 50 or 55 depending on employment contract, but prior to attaining age 65. Currently, 38 retirees meet those eligibility requirements. The City provides a subsidy payment for the retiree health insurance premium charged by the City's Health and Dental Insurance Fund for single person coverage up to \$200 per month or two-person coverage up to \$400 per month. No subsidy payment is made if the retiree can obtain no cost coverage through other employment or through a spouse's employment. However, retired employees who are eligible to receive hospital, surgical and medical coverage from another employer-sponsored plan may request reimbursement for any premium cost up to the maximum amounts as stated above. During the fiscal year, expenditures charged to various funds amounting to \$60,612 were recognized representing the City's subsidy toward retirees' premiums, as compared to \$90,430 for the year ended June 30, 2005. These premium subsidies are funded on a pay-as-you-go basis.

All retirees and their spouses, including surviving spouses, are eligible for participation in the retiree suffix of the City's Health Insurance Fund by paying the established premiums. The City has deliberately chosen to establish a premium to the retiree group participants at a rate that is less than what is necessary to offset actual claims and administrative costs, resulting in an additional subsidy to retirees. In total, the retiree group premiums were 79% of actual requirements for the year ended June 30, 2006 as compared to 90% for the year ended June 30, 2005. The City is not under commitment to provide the lowered premium rates to retirees.

Postemployment health care benefits are funded on a pay-as-you-go basis. Expenditures for postemployment health care benefits are recognized as retirees report claims and include a provision for estimated claims incurred but not yet reported to the City. The City's Health and Dental Insurance Fund has been in effect since April 1990 and it is planned to continue unless determined at a future time that another form or mechanism for insurance coverage would be more advantageous.

CITY OF HOLLAND
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2006

The following chart reflects the premium revenues from the retiree group as compared to actual claim costs for the same year, resulting in the City's annual cost for postemployment health care benefits:

<u>Fiscal Year Ending</u>	<u>City Costs</u>				<u>Revenues</u>	
	<u>Claims</u>	<u>Stop-Loss</u>	<u>Claims Administration</u>	<u>Total</u>	<u>Retiree Premiums</u>	<u>City Subsidy</u>
1997	\$528,729	\$17,848	\$25,231	\$571,808	\$197,924	\$373,884
1998	416,996	21,526	29,465	467,987	223,297	244,690
1999	498,712	26,328	33,068	558,108	260,442	297,666
2000	518,474	28,774	37,026	584,274	297,129	287,145
2001	701,036	32,385	41,504	774,925	337,009	437,921
2002	542,336	35,075	44,250	621,661	374,665	246,996
2003	712,522	45,827	48,367	806,716	452,917	353,799
2004	509,644	55,287	52,930	617,861	509,050	108,811
2005	375,059	61,254	52,593	488,906	441,417	47,489
2006	348,644	47,122	38,104	433,870	342,150	91,720

11. DEFINED BENEFIT PENSION PLAN

Municipal Employees Retirement System of Michigan

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

The City is required to contribute at an actuarially determined rate; the current rate varies by bargaining unit as a percentage of annual covered payroll from 6.71% to 19.55%. Participating employees are required to contribute from 0% to 8.15%, based on bargaining unit, to the Plan. The contribution requirements of the City are established and may be amended by the MERS Retirement Board.

For the year ended June 30, 2006, the City's actual and required contribution for MERS was \$1,640,144. The required contribution was determined as part of the December 31, 2003 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included: (a) a rate of return on the investment of present and future assets of 8.0%; (b) projected salary increases of 4.5% per year compounded annually, attributable to inflation; (c) additional projected salary increases of 0.0% to 8.4% per year, depending on age, attributable to seniority/merit; and (d) Post-retirement Benefits will increase based on City Commission resolution. The actuarial value of MERS assets was determined on the basis of a valuation method that assumes the fund earns the expected rate of return and includes an adjustment to reflect fair value. The City's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2005, the date of the latest actuarial valuation, was 30 years.

CITY OF HOLLAND
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2006

Three-Year Trend Information

<u>Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation (Asset)</u>
2004	\$1,327,994	99%	\$(1,140,458)
2005	1,556,421	97%	(1,117,880)
2006	1,662,274	99%	(1,095,749)

Schedule of Funding Progress

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Liability (AAL) Entry Age (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio Total</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b-a)/c)</u>
12/31/03	\$71,059,993	\$80,397,151	\$ 9,337,158	88%	\$16,098,548	58%
12/31/04	73,012,079	89,883,661	16,871,582	81%	16,658,272	101%
12/31/05	74,665,205	91,642,252	16,977,047	81%	16,381,601	104%

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

Actuarially determined contribution	\$ 1,640,144
Interest on Net Pension Asset	89,430
Adjustment to actuarially determined contribution	<u>(67,300)</u>
Annual pension cost	1,662,274
Contributions made	<u>1,640,144</u>
Decrease in Net Pension Asset	(22,130)
Net Pension Asset beginning of year	<u>1,117,880</u>
Net Pension Asset at end of year	<u><u>\$ 1,095,750</u></u>

Defined Contribution Pension Plan

The City participates in a defined contribution retirement plan which is administered by the ICMA for nonbargaining employees. The defined contribution provisions of the plan require the City to contribute 6% to 8% of covered employee payroll and to match employee contributions up to 0% to 2%. The participants direct their investments under defined contribution provisions. The City contributed \$303,176 and employees contributed \$75,626 to the defined contribution plan.

CITY OF HOLLAND
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2006

12. LITIGATION/CONTINGENT LIABILITY

In the normal course of its activities, the City has become a party in various legal actions, including property tax assessment appeals. Management of the City is of the opinion that the outcome of such actions will not have a material effect on the financial position of the City and, therefore, has not reflected loss reserves in the financial statements.

13. RISK MANAGEMENT

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

	<u>Health and Dental Insurance</u>	<u>Vehicle Insurance</u>	<u>Property Insurance</u>	<u>General Liability Insurance</u>	<u>Workers' Compensation Insurance</u>	<u>Income Protection Insurance</u>	<u>Total</u>
Estimated liability – July 1, 2004	\$ 326,000	\$ -	\$ -	\$ 25,000	\$ 54,799	\$ -	\$ 405,799
Estimated claims and premiums incurred, including changes in estimates	3,940,738	186,920	38,197	143,800	303,043	117,350	4,730,048
Claims and premiums paid	<u>3,940,738</u>	<u>186,920</u>	<u>38,197</u>	<u>143,800</u>	<u>296,100</u>	<u>117,350</u>	<u>4,723,105</u>
Estimated liability – June 30, 2005	326,000	-	-	25,000	61,742	-	412,742
Estimated claims and premiums incurred, including changes in estimates	3,827,271	156,785	35,209	183,354	190,562	76,844	4,470,025
Claims and premiums paid	<u>3,953,271</u>	<u>156,785</u>	<u>35,209</u>	<u>158,354</u>	<u>252,304</u>	<u>76,844</u>	<u>4,632,767</u>
Estimated liability – June 30, 2006	<u>\$ 200,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 50,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 250,000</u>

14. COMMITMENTS

At June 30, 2006, the City had the following outstanding commitments:

- \$3,731,643 for construction of roads, bridges, and tunnels.
- \$5,390,702 for various electrical utility projects.
- \$6,409,667 for various water utility projects.
- \$324,292 for various wastewater utility projects.

15. RESTATEMENT OF PRIOR YEAR

Net assets of governmental activities was increased by \$29,471,553 as of July 1, 2005 to reflect the retroactive addition of infrastructure assets and accumulated depreciation acquired (constructed) prior to 2002.

* * * * *

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

- - FUND TYPE: GENERAL FUND - - -

GENERAL FUND

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

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

Although not a fixed rule, an attempt is made – through the annual budgeting process – to maintain the Net Assets (i.e., fund balance) within a 10% to 15% range of the ensuing year's adopted budget appropriation for this fund.

CITY OF HOLLAND, MICHIGAN

BALANCE SHEET
GENERAL FUND

JUNE 30, 2006

ASSETS

Cash and pooled investments	\$ 2,356,201
Accrued interest	100,677
Receivables - net:	
- General and cemetery	176,005
- Other governmental units	617,760
- Property taxes	4,518
Prepaid items	14,360
Due from other funds	2,998
<u>Total assets</u>	<u>\$ 3,272,519</u>

LIABILITIES AND FUND BALANCELIABILITIES:

Accounts payable	\$ 349,721
Accrued payroll and benefits	218,512
Deposits for:	
- Advance payments of property taxes not yet due	2,959
- Duplicate payments and overpayments of property taxes	60,180
- Undistributed service charge in lieu of taxes	731
- Nature Center tours	16,750
- Fire escrow	8,784
- Police Evidence Room	787
Due to other funds	71,471
<u>Total liabilities</u>	<u>729,895</u>

FUND BALANCE:

Reserved for prepaid items	14,360
Unreserved:	
Undesignated	2,528,264
<u>Total fund balance</u>	<u>2,542,624</u>
<u>Total liabilities and fund balance</u>	<u>\$ 3,272,519</u>

CITY OF HOLLAND, MICHIGAN

SCHEDULE OF REVENUES
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL
GENERAL FUND

YEAR ENDED JUNE 30, 2006

	ORIGINAL BUDGET	FINAL AMENDED BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
TAXES:				
Property	\$ 10,623,209	\$ 10,642,692	\$ 10,658,824	\$ 16,132
Penalties and interest on delinquent taxes	100,000	113,900	120,139	6,239
Administration fee	519,600	516,294	516,278	(16)
Public service charge in lieu of property tax	14,000	14,000	14,005	5
Other miscellaneous tax revenue	1,700	1,825	1,622	(203)
Total taxes	11,258,509	11,288,711	11,310,868	22,157
LICENSES AND PERMITS:				
Business	84,600	82,000	72,814	(9,186)
Nonbusiness	414,000	449,179	444,409	(4,770)
Total licenses and permits	498,600	531,179	517,223	(13,956)
INTERGOVERNMENTAL:				
State	3,276,253	3,245,478	3,229,886	(15,592)
Federal	6,400	6,460	6,460	-
Other	35,000	35,975	35,606	(369)
Total intergovernmental	3,317,653	3,287,913	3,271,952	(15,961)
CHARGES FOR SERVICES:				
Fees	491,900	467,698	447,307	(20,391)
Services rendered	479,300	477,779	455,153	(22,626)
Sales	58,600	52,300	55,184	2,884
Total charges for services	1,029,800	997,777	957,644	(40,133)
FINES AND FORFEITS	260,000	250,000	224,365	(25,635)
INTEREST AND RENTS:				
Investment earnings	321,000	389,733	391,900	2,167
Rents	201,000	183,034	186,974	3,940
Total interest and rents	522,000	572,767	578,874	6,107
MISCELLANEOUS	7,000	11,735	11,291	(444)
TOTAL REVENUES	\$ 16,893,562	\$ 16,940,082	\$ 16,872,217	\$ (67,865)

CITY OF HOLLAND, MICHIGAN

SCHEDULE OF EXPENDITURES
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL
GENERAL FUND

YEAR ENDED JUNE 30, 2006

	ORIGINAL BUDGET	FINAL AMENDED BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
GENERAL GOVERNMENT:				
City Council	\$ 180,900	\$ 185,512	\$ 173,288	\$ (12,224)
City Manager	306,700	307,852	306,252	(1,600)
Elections	59,030	56,170	49,244	(6,926)
City Finance	672,611	683,267	681,973	(1,294)
Independent Audit	58,300	55,957	53,157	(2,800)
City Assessor	462,076	458,160	453,344	(4,816)
Legal Services	205,200	191,600	194,058	2,458
City Clerk	239,200	239,180	225,579	(13,601)
Personnel	278,500	285,412	298,740	13,328
Purchasing	36,400	35,252	34,798	(454)
City Treasurer	210,300	190,629	191,944	1,315
City Hall and Grounds	195,300	206,323	198,320	(8,003)
Cemetery	517,063	520,559	483,960	(36,599)
Volunteer Services	24,400	24,425	15,538	(8,887)
Planning Commission	291,229	308,695	302,290	(6,405)
Total General Government	3,737,209	3,748,993	3,662,485	(86,508)
PUBLIC SAFETY:				
Police	6,393,436	6,519,068	6,374,100	(144,968)
Fire	2,643,456	2,733,103	2,708,171	(24,932)
Environmental Health/Inspections	424,657	433,467	431,168	(2,299)
Construction Inspections	432,347	429,506	426,552	(2,954)
Total Public Safety	9,893,896	10,115,144	9,939,991	(175,153)
PUBLIC WORKS:				
Streets	1,107,026	1,073,960	1,032,970	(40,990)
Transportation Management/Engineering	167,609	163,454	157,903	(5,551)
Total Public Works	1,274,635	1,237,414	1,190,873	(46,541)
WELFARE AND SOCIAL SERVICES:				
Social Services	155,300	157,800	146,202	(11,598)
Ourstreet Program	192,959	201,026	194,543	(6,483)
Economic Development Assistance	128,100	137,061	135,113	(1,948)
Human Relations Commission	176,600	155,542	150,182	(5,360)
Total Welfare and Social Services	652,959	651,429	626,040	(25,389)
CULTURE AND RECREATION:				
Parks	1,461,248	1,483,699	1,506,573	22,874
Municipal Stadium	76,246	79,028	72,202	(6,826)
Nature Center	186,800	184,022	174,342	(9,680)
Cultural-Recreational	362,600	362,927	362,827	(100)
Civic Center	216,100	237,901	238,252	351
Recreation	911,297	949,122	927,447	(21,675)
Boat Launch	6,000	7,900	7,462	(438)
Market	102,700	96,872	90,431	(6,441)
Leisure Services Administration	50,000	56,723	56,442	(281)
Total Culture and Recreation	3,372,991	3,458,194	3,435,978	(22,216)
OTHER APPROPRIATIONS:				
Insurance	120,000	115,700	115,681	(19)
Contingencies	375,000	18,917	-	(18,917)
Total Other Appropriations	495,000	134,617	115,681	(18,936)
TOTAL EXPENDITURES	\$ 19,426,690	\$ 19,345,791	\$ 18,971,048	\$ (374,743)

CITY OF HOLLAND, MICHIGAN

SCHEDULE OF TRANSFERS
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL
GENERAL FUND

YEAR ENDED JUNE 30, 2006

	ORIGINAL BUDGET	FINAL AMENDED BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
TRANSFERS IN:				
Special Revenue Fund				
Budget Stabilization	\$ 136,000	\$ 136,000	\$ 136,000	\$ -
Permanent Fund				
Cemetery Trust	47,000	76,426	67,580	(8,846)
Enterprise Fund				
Electric Utility	2,433,000	2,433,000	2,433,000	-
Internal Service Fund				
Worker's Compensation Fund	81,900	81,900	81,900	-
Total transfers in	\$ 2,697,900	\$ 2,727,326	\$ 2,718,480	\$ (8,846)
TRANSFERS OUT:				
Special Revenue Funds				
Miscellaneous Government Functions				
Contested Assessments Defense	\$ 50,000	\$ 50,000	\$ 50,000	\$ -
Public Safety Grants Fund				
Anti-Drug Abuse WEMET Grants	110,650	101,350	101,937	587
Law Enforcement Block Grant Fund	-	191	112	(79)
Bulletproof Vest Grants Fund	2,500	10,448	10,448	-
Culture and Community Improvement				
Nature Grants	24,913	24,913	24,914	1
Enterprise Funds				
Windmill Island	189,731	302,332	301,194	(1,138)
Depot Operations	19,800	25,438	32,341	6,903
Internal Service Fund				
Equipment Services				
Fire Vehicle	100,000	100,000	100,000	-
Total transfers out	\$ 497,594	\$ 614,672	\$ 620,946	\$ 6,274

- - - **FUND TYPE: SPECIAL REVENUE FUNDS** - - -

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

MOTOR VEHICLE HIGHWAY MAJOR STREET FUND

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

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

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

MOTOR VEHICLE HIGHWAY LOCAL STREET FUND

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

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

ALLEGAN COUNTY ROAD TAX FUND

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

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

STREET IMPROVEMENTS RESERVE FUND

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

This fund provides financial accountability for this purpose. Primary funding is attained from a property tax levy of one mill. Outlays are in the form of interfund transfers to designated capital projects for streets, bridges, and right-of-ways.

- - - FUND TYPE: SPECIAL REVENUE FUNDS - - -
(continued)

DOWNTOWN PUBLIC PARKING SYSTEM FUND

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

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

DOWNTOWN SNOWMELT OPERATING SYSTEM FUND

As part of a 1988 Downtown Streetscape Project, the City of Holland installed steam-heated pipes and tubes into the streets and adjacent sidewalks for several blocks of the shopping district. Since that original installation, this system has gradually been extended, with a significant expansion in process during the fiscal year ended June 30, 2006. The City's municipal electric-generating plant provides temperature-regulated steam through the pipes and tubes that melt the ice and snow on paved surfaces.

Revenues are received from an annual operating special assessment levied against property owners within a designated downtown district that benefits from the snowmelt system. Additionally, transfers-in are received from the Motor Vehicle Highway Major Streets Fund and the Downtown Parking System Fund. Expenditures are applied toward operating and maintaining the snowmelt system.

DOWNTOWN PRINCIPAL SHOPPING DISTRICT FUND

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

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

CONTESTED ASSESSMENTS DEFENSE FUND

The City must defend various property assessments that are contested by owners of industrial and commercial properties.

This fund receives its financing from an annual transfer-in from the General Fund. In essence, such transfers represent a portion of the "1% Tax Administrative Fee" that the City of Holland annually levies upon the property tax rolls. The 1% fee was established by adoption of Ordinance No. 1112 (Ordinance Code: Sections 33-2.1 thru 33-2.9) that became effective May 18, 1994, to assist with offsetting the costs to administer property assessing and tax collections.

Expenditures of this fund typically include costs to defend and/or negotiate property assessments, such as professional fees & charges for legal services, independent appraisal services and independent accounting services. Also, this fund incurs expenditures for legal services and various other costs to pursue collection of certain delinquent personal property taxes, to include business establishments that are filing for bankruptcy and firms that are discontinuing operations.

- - - **FUND TYPE: SPECIAL REVENUE FUNDS** - - -
(continued)

CATV (PUBLIC ACCESS CHANNELS) FUND

In accordance with terms of a licensing agreement with the cable television firm, Comcast, Inc., the City of Holland receives an annual franchise fee equal to five percent of gross subscriber revenues. The agreement specifies that this revenue source is to be used for the promotion of community television within the city.

The City of Holland has entered in a contractual relationship with Macatawa Area Community Network (MACNET), a local media agency, for the purpose of providing local cable television programming services for and by various religious, educational, governmental, ethnic, professional, cultural and other special interest groups.

For performing these contracted services, the MACNET is compensated from this fund.

REVOLVING CASH ASSISTANCE FUND

In recent years, this long-established fund has evolved from a revolving fund that provides upfront working capital assistance for special assessment construction projects. Due to changes in the method of financing various types of special assessment construction projects, this fund no longer receives significant reimbursement revenue from special assessment installment payments.

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

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

SPECIFIED DONATIONS FUND

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

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

DANGEROUS STRUCTURES FUND

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

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

EMPLOYEES BENEFIT FUND

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

- - - **FUND TYPE: SPECIAL REVENUE FUNDS** - - -
(continued)

PROPERTY ACQUISITION FUND

Originally established with adoption of the 1988-89 fiscal year budget, this fund provides financial accountability for revenue and expenditure items relating to property acquisitions. The City Council may decide to acquire certain properties for public purposes - as opportunities arise - to develop new municipal facilities or expand existing facilities, to obtain additional waterfront properties for public purposes, or to attain additional open green space areas.

Primary funding is provided by a designated property tax millage, as established through the annual budgeting process.

Outlays include payments to sellers, as well as disbursements for incidental costs such as legal service fees, pro-rated property taxes, environmental cleanup expense, etc. Also, in certain instances, this fund may provide an internal cash transfer to another fund that is accounting for the acquisition of property.

MICH. UNDERGROUND STORAGE TANK FINANCIAL ASSURANCE (MUSTFA)

Michigan Dept of Environmental Quality (MDEQ) requires the City of Holland to provide environmental cleanup of property sites where underground fuel storage tanks have recently been removed. These sites were determined to have caused soil and underground water contamination. Site monitoring is performed by a qualified independent engineering firm, together with various clean-up procedures.

Previously, the MDEQ provided reimbursement to this fund based upon "eligibility guidelines". Since approximately mid-1995 the MDEQ has ceased funding assistance due to lack of funds. Since that time, the City of Holland has absorbed the financial burden for all costs; primarily by transfers from other funds. Expenditures include on-going costs for engineering fees to monitor, test and report to the MDEQ; together with costs for cleanup actions.

At the close of the fiscal year, the estimated long-term liability amount to complete the overall process is estimated at \$45,000, with a projected time frame that concludes in the year 2009. This liability estimate is recorded in long-term debt.

AIRPORT DONATIONS FUND

By City Charter amendment, the City of Holland is authorized to acquire, construct, improve, and operate a municipal airport financed through federal and state grants, private contributions, and airport operating revenues. The charter amendment stipulates no local tax dollars or general operating revenues of the City may be used for airport purposes without voter approval.

The City has been, and continues to be, recipient to several federal and state grants designated for the purchase of adjacent properties, as well as for substantial improvements to the Tulip City Airport facility. Any local matching requirements for these grants must be derived from local sources, for which several local area businesses and individuals pledge donations.

This fund provides financial accountability for the local private pledges representing the local governmental unit portion of costs. Primary expenditure outlays represent payments for local matching grant requirements.

MICH. ECONOMIC DEVELOPMENT CORP. (MEDC) / UNIFORM COLOR GRANT

The City of Holland is sub-recipient to a grant from the *Michigan Community Development Block Grant Program*. This grant originates from the *Michigan Strategic Fund*, administered thru the *Michigan Economic Development Corporation* (grantor) to *County of Allegan* (grantee), and then forwarded to the *City of Holland* (administrator of grant proceeds, per cooperative agreement with Allegan County). The City's role for this economic development grant program is to provide direct payment for various infrastructure improvements at a new manufacturing facility site location owned by *Uniform Color Company*.

The grant agreement provides for a total pass-thru amount of \$600,350, with the City's required local match to be in the form of in-kind services. The agreement stipulates a three-year "term of work performance", from December 1, 2002 thru November 30, 2005. Reference: City Council Actions: 02.643 dated Oct 2, 2002 and 02.793 dated Dec 4, 2002 approving grant applications, and 05.347 approving an 18-month agreement extension. (continues on next page)

- - - **FUND TYPE: SPECIAL REVENUE FUNDS** - - -
(continued)

MEDC / UNIFORM COLOR GRANT – (continued from previous page)

This fund supports multi-year revenues and expenditures spanning inception to completion of the grant. However, for annual financial reporting purposes, revenues and expenditures are also recognized by fiscal year. Open budget balances at June 30, 2006 of Estimated Revenues and Appropriations are carried forward to the ensuing fiscal year. At fiscal year- end (June 30, 2006), this grant is approximately 66% expended; and considered to be 'on hold' with an 18-month extension (per Council Action 05.347 dated June 1, 2005). The extension provides a period of time for the company, *Uniform Color Company*, to hopefully attain a stronger economic position for this proposed private-sector expansion.

POLICE CRIMINAL JUSTICE TRAINING FUND

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

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

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

POLICE COMMUNITY RELATIONS FUND

The Community Relations Unit of the Holland Police Department receives monetary contributions from citizens, churches, business firms, and civic organizations.

Proceeds are entrusted for use in assisting with emergency housing, food, and other special needs of indigent persons as determined by the Community Relations Committee. Other activities may include the coordination of community-wide efforts against alcohol and drug abuse, and promoting certain events for disadvantaged youth of the community.

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

ANTI-DRUG ABUSE ACT GRANT – “W.E.M.E.T.” FUNDS

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

These funds support multi-year revenues and expenditures spanning inception to completion of the grant. However, for annual financial reporting purposes, revenues and expenditures are also recognized by fiscal year. Open budget balances at June 30, 2006 of Estimated Revenues and Appropriations are carried forward to the ensuing fiscal year.

OFFICE OF HIGHWAY SAFETY GRANT FUNDS

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

Specific designated purposes and programs vary from one grant and/or one grant period to another, but basically the funding provides overtime wages for police and sheriff officers to target traffic violations, including intoxication issues. Various neighboring governmental agencies are, most often, joint participants to this same grant program.

These funds support multi-year revenues and expenditures spanning inception to completion of the grant. However, for annual financial reporting purposes, revenues and expenditures are also recognized by fiscal year. Open budget balances at June 30, 2006 of Estimated Revenues and Appropriations are carried forward to the ensuing fiscal year.

LAW ENFORCEMENT BLOCK GRANT FUNDS

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

These funds support multi-year revenues and expenditures spanning inception to completion of the grant. However, for annual financial reporting purposes, revenues and expenditures are also recognized by fiscal year. Open budget balances at June 30, 2006 of Estimated Revenues and Appropriations are carried forward to the ensuing fiscal year.

F.E.M.A. FIREFIGHTERS GRANT FUND

The City of Holland is recipient to grant funding from the *U.S. Dept of Homeland Security – Federal Emergency Management Agency (FEMA) Division*. This grant program, referred to as *Fire Act Grant*, provides in excess of 100 owner-occupied dwellings with installed, hard-wired smoke detection systems. Dwelling owners must meet annual income eligibility guidelines, or alternative age and/or family considerations that allow override of the income criteria.

This fund supports multi-year revenues and expenditures spanning inception to completion of the grant. However, for annual financial reporting purposes, revenues and expenditures are also recognized by fiscal year. Open budget balances at June 30, 2006 of Estimated Revenues and Appropriations are carried forward to the ensuing fiscal year.

HOMELAND SECURITY GRANT FUND

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

This fund supports multi-year revenues and expenditures spanning inception to completion of the grant period. However, for annual financial reporting purposes, revenues and expenditures are also recognized by fiscal year. Open budget balances at June 30, 2006 of Estimated Revenues and Appropriations are carried forward to the ensuing fiscal year.

TECHNOLOGY TRANSFER GRANT FUND

The City of Holland is recipient to a technology transfer program, funded annually by the U.S. Congress, which is sponsored by the *Office of National Drug Control Policy, Counterdrug Technology Assessment Center (ONDCP/CTAC)*. The *U.S. Army Electronic Proving Ground (EPG)* administers the program, which provided a thermal imager with night vision capabilities, to aid in identification of trace amounts of illegal drugs.

This one-time equipment transfer is considered closed and complete at fiscal year end.

MCOLES ACCIDENT INVESTIGATION GRANT FUND

The City of Holland is recipient to non-federal grant funding from the *Michigan Department of State Police*. This grant is administered by the *Michigan Commission on Law Enforcement Standards (MCOLES)* and provides funding for accident investigation training. The City of Holland hosts and coordinates training sessions for multiple participating area law enforcement agencies.

This fund supports multi-year revenues and expenditures spanning inception to completion of the grant period. However, for annual financial reporting purposes, revenues and expenditures are also recognized by fiscal year. Open budget balances at June 30, 2006 of Estimated Revenues and Appropriations are carried forward to the ensuing fiscal year.

- - - **FUND TYPE: SPECIAL REVENUE FUNDS** - - -
(continued)

DISTRICT LIBRARY TAXATION

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

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

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

BI-CENTENNIAL CELEBRATION GRANT

By City Council action on May 24, 2000, the unexpended cash balance of \$5,772 in the City's '*Celebration 2000 Fund*' was transferred into a new fund dedicated to the City's impending bi-centennial celebration to be held in the year 2047.

The City Council's intended purpose of this fund is to provide a mechanism for gradual enhancement of cash balance over a forty-six year period (continual investing of principal and interest earnings – compounded interest effect).

M.S.H.D.A. and N.P.P. HOUSING REHABILITATION GRANT FUNDS

The City of Holland is recipient to multiple grants funding from the *U.S. Dept of Housing and Urban Development* pursuant to provisions of the *U.S. Housing Act of 1937, as amended*; and administered by the *Michigan State Housing Development Authority (MSHDA)*. Along with this federal grant program, the *MSHDA Office of Community Development* provides another closely associated state funded grant, referred to as *Neighborhood Preservation Program (NPP)*. Designated purposes for these grants include financial assistance to correct code deficiencies in rental dwelling units occupied by low-income residents, down payment assistance for low-income homebuyers, and financial assistance offerings to promote activities for neighborhood preservation & improvement.

This fund supports multi-year revenues and expenditures spanning inception to completion of the grant. However, for annual financial reporting purposes, revenues and expenditures are also recognized by fiscal year. Open budget balances at June 30, 2006 of Estimated Revenues and Appropriations are carried forward to the ensuing fiscal year.

- - - **FUND TYPE: SPECIAL REVENUE FUNDS** - - -
(continued)

COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) ENTITLEMENT FUNDS

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

This fund supports multi-year revenues and expenditures spanning inception to completion of the grant. However, for annual financial reporting purposes, revenues and expenditures are also recognized by fiscal year. Open budget balances at June 30, 2006 of Estimated Revenues and Appropriations are carried forward to the ensuing fiscal year.

I.M.L.S. LEARNING OPPORTUNITY GRANT FUND

The City of Holland is recipient to grant funding (referred to as the *I.M.L.S. 2003 Learning Opportunities Grant*) awarded by the *Federal Institute of Museum and Library Services* (a federal agency). The grant period begins December 2003 and ends December 2006. The program provides wages & benefits of two (part-time) employees on intern program, assisting with educational programs at the City's nature preserves: *VanRaalte Farm* and *DeGraaf Nature Center*. The City must provide in-kind services with documented value that is at least equal to the amount of the grant.

This fund supports multi-year revenues and expenditures spanning inception to completion of the grant. However, for annual financial reporting purposes, revenues and expenditures are also recognized by fiscal year. Open budget balances at June 30, 2006 of Estimated Revenues and Appropriations are carried forward to the ensuing fiscal year.

NEIGHBORHOOD IMPACT PROGRAM (NIP) FUND

In April 2004, the *Federal Home Loan Bank of Indianapolis* (grantor) awarded funding to *Macatawa Bank* (grantee), with the *City of Holland's Ourstreet Program* acting in the capacity of 'administering community partner'. The grant objective is to assist low & moderate income residents (within a targeted area) with home improvement and repair projects. Approximately 14 to 15 home improvement projects are anticipated to benefit from this program.

Provisions of this arrangement allow for 10% of funding to be applied towards administrative overhead expenses of the City's Ourstreet Program, which is the only financing recorded in this fund. Actual expenditure outlays for home improvements are reported by the grantee (*Macatawa Bank*) directly to the grantor agency (*FHLB-I*).

This fund supports multi-year revenues and expenditures spanning inception to completion of the grant. However, for annual financial reporting purposes, revenues and expenditures are also recognized by fiscal year. Open budget balances at June 30, 2006 of Estimated Revenues and Appropriations are carried forward to the ensuing fiscal year.

BUDGET STABILIZATION (RAINY DAY) FUND

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

By City Ordinance and State of Michigan statutes, the balance maintained in this fund may be used to meet General Fund deficits, to alleviate the reduction of levels of essential services (if so desired by City Council), or offset costs incurred as the result of natural disasters.

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

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

- - - **FUND TYPE: DEBT SERVICE FUNDS** - - -

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

GENERAL OBLIGATION DEBT SERVICE FUND

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

- as "debt service payment" of annual principal and interest on a ten-year land contract agreement dated June 18, 2003 with the firm, *S.J.&R. Land Development, LLC*, for twenty acres of vacant land acquired for development into a municipal park & recreation area (to be located on the City's far southern jurisdictional boundary).
- as "rental payments" to the *City of Holland – Building Authority Debt Service Fund* for annual debt service requirements of the *2002 Building Authority Bond Issue, 2004 Building Authority Refunding Bond Issue, and the 2006 Building Authority Partial Refunding Bond Issue*.
- as "transfers" to the *Motor Vehicle Highway Major Fund and Local Street Fund*, as a pass-thru method of providing funding to the two street funds for financing annual debt service requirements of the *1995 and 1996 Street Improvement Bond Issues* (i.e., the two street funds transfer these same amounts to the *Act 175 Street Debt Service Fund*).

ACT 175 STREET DEBT SERVICE FUND

The Act 175 (Michigan Transportation Fund) Street Debt Service Fund accounts for annual "transfers" received from the City's Motor Vehicle Highway Major & Local Street Funds that are applied towards servicing maturity requirements on the following long-term debt:

- City of Holland - Street Improvements LTGO Bonds, Series 1995
- City of Holland - Street Improvements LTGO Bonds, Series 1996

SPECIAL ASSESSMENT DEBT SERVICE FUND

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

- City of Holland - Utility Improvements Special Assessment Bonds, Series 1992A
- City of Holland - Utility Improvements Special Assessment Bonds, Series 1997A
- City of Holland - Utility Improvements Special Assessment Bonds, Series 1998A
- County of Allegan - Sanitary Sewer Installation, Special Assessment Bonds, Series 1999
(note: 93.95% of a special assessment district in adjacent Fillmore Township was annexed on 12-31-1999)
- City of Holland - Utility Improvements Special Assessment Bonds, Series 2000A
- City of Holland - Utility Improvements Special Assessment Bonds, Series 2002A
- City of Holland – Utility Improvements Special Assessment Bonds, Series 2006A

- - - FUND TYPE: DEBT SERVICE FUNDS - - -
(continued)

BUILDING AUTHORITY DEBT SERVICE FUND

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

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

The outstanding Building Authority bond issues include:

- Building Authority - Library Renovation/Expansion Project, Series 1999
- Building Authority - Police / Transportation / Western Gateway Construction Projects, Series 2002
- Building Authority - Refunding Bonds, Series 2004 **
- Building Authority - Refunding (Partial) Bonds, Series 2006 ***

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

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

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

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

The original issue was advance refunded (partially), escrow funds have been deposited and the original (partial) bonds will be called on October 1, 2011 include:

- Building Authority – Police Building / Transportation Building / Western Gateway Projects, Series 2002
-

- - - **FUND TYPE: CAPITAL PROJECTS FUNDS** - - -

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

CAPITAL PROJECT FUNDS

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

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

Each capital project fund supports multi-year revenues and expenditures spanning inception to completion. However, for annual financial reporting purposes, revenues and expenditures are also recognized by fiscal year. Open budget balances at June 30, 2006 of Estimated Revenues and Appropriations are carried forward to the ensuing fiscal year.

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

C A P I T A L P R O J E C T S D E T A I L L I S T I N G
- M U N I C I P A L F A C I L I T I E S A N D L A N D I M P R O V E M E N T S -

CEMETERIES:

- Pilgrim Home Cemetery:
 - > Irrigation System Enhancements
 - > Columbarium (former Chapel building)

PARKS, RECREATION, AND LEISURE SERVICES:

- Kollen Park:
 - > Implementation of Phased Renovations & Improvements, Per Master Plan, and Restroom Renovation
- Civic Center:
 - > Study of New or Renovated Facility
- Parks & Various Planting Areas:
 - > Computerized Irrigation System
- Window-on-the-Waterfront:
 - > Miscellaneous Repairs and Enhancements
- Bouws Pool:
 - > Miscellaneous Repairs and Enhancements
- Neighborhood Parks:
 - > Smallenburg Park – Children's Playground
- Tennis & Basketball Courts:
 - > Resurfacing
- Van Raalte Farm:
 - > Historical Survey and Various Other Maintenance and Enhancements
- Western Gateway:
 - > Public Parking Paving, and Aesthetic Improvements

- - - FUND TYPE: CAPITAL PROJECTS FUNDS - - -
(continued)

CAPITAL PROJECTS DETAIL LISTING
- MUNICIPAL FACILITIES AND LAND IMPROVEMENTS -

PUBLIC SAFETY:

- Police Department:
 - > Police Station Facility Equipment & Systems Enhancements
- Fire Department: Architectural Design Work for Fire Stations
- Emergency Preparedness
 - > Siren System Replacement

TRANSPORTATION SERVICES:

- Street Dept Warehouse / Centralized Motor Pool:
 - > Paving Expansion at Transportation Services Facility

ALL OTHER MUNICIPAL PROJECTS & PROGRAMS:

- Neighborhood Commercial Restoration:
 - > Infrastructure Enhancements and Beautification Projects
- Ourstreet Program and Central Neighborhoods Restoration:
 - > Funding Assistance for Home Repairs/Replacements in Central City Area
- Street Corridor Beautification Enhancements:
 - > Landscaping - Tree & Shrub Planting
- Other Miscellaneous Improvement Projects:
 - > Steam Engine Landscaping and Irrigation

CAPITAL PROJECTS DETAIL LISTING
- INFRASTRUCTURE -

STREET DEVELOPMENT AND/OR REDEVELOPMENT PROJECTS:

- Downtown Area Street Projects:
 - * 7th Street West Transition, from Pine Avenue to Maple Avenue
 - > landscaping
 - * 8th Street, from Pine Avenue to River Avenue
 - > street reconstruction, to include snowmelt utility
 - * Pine Avenue, from 7th Street to River Avenue Bridge
 - > street reconstruction, to include utilities replacement and addition to snowmelt utility
 - * River Avenue, from 15th Street to the River Avenue Bridge:
 - > street reconstruction, to include replacement of utilities
- (additional note: primary project revenue through State's MDOT and MDOT Turnback payment).

- - - FUND TYPE: CAPITAL PROJECTS FUNDS - - -
(continued)

C A P I T A L P R O J E C T S D E T A I L L I S T I N G
- I N F R A S T R U C T U R E -

STREET DEVELOPMENT AND/OR REDEVELOPMENT PROJECTS – (continued):

- 23rd and 24th Streets, from Diekema Avenue to Ottawa Avenue:
 - > street extension and street reconstruction & enhancements, to include utilities
- 40th Street , from Washington Avenue to Graafschap Road:
 - > street reconstruction and enhancements, to include replacement of utilities
- Fairbanks Avenue, from 8th Street to 16th Street:
 - > street reconstruction and enhancements, to include replacement of utilities
- Guard Rail Safety Program:
 - > original installation and/or replacement of existing guardrails at several selected areas.
- Michigan/River, from 28th Street to 15th Street:
 - > street reconstruction, to include replacement of utilities
(additional note: primary project revenue through State's MDOT Turnback payment).
- Kensington Drive (in recently annexed area located on south side of City):
 - > street lighting (to serve a new neighborhood development
- Washington Avenue Tunnel, from 64th Street to Geurink Avenue:
 - > newly constructed tunnel, approaches, and roadway re-alignment, to include new utilities
(additional note: primary project financing through State's MDOT).
- 2005 Annual Resurfacing Program of Various Streets
- Highway M40, I-196 Overpass South to the City Limit:
 - > street reconstruction and upgrade to three lanes
(additional note: primary project financing through State's MDOT).
- New Street Improvement Projects In Design Phase:
 - * 40th Street, East of Waverly Road
 - > street reconstruction and enhancements, to include utilities
(additional note: primary project financing through State's MDOT).
 - * 8th Street, from Ferris Avenue to Country Club Road
 - > street reconstruction and enhancements, to include utilities
 - * Country Club Road, from 8th Street to 16th Street
 - > street reconstruction and enhancements, to include utilities

- - - FUND TYPE: CAPITAL PROJECTS FUNDS - - -
(continued)

C A P I T A L P R O J E C T S D E T A I L L I S T I N G
- I N F R A S T R U C T U R E -

INTERSECTIONS AND RAILROAD CROSSING PROJECTS

- 8th Street @ Fairbanks Avenue Intersection
 - > design phase for 'Roundabout', serving downtown's eastern entrance/exit area.
- Railroad Crossings @ Various Street Crossings
 - > total discontinuance of thru-street capability at 11th, 12th, and 17th Streets.

BRIDGE CONSTRUCTION AND / OR REPLACEMENT PROJECTS

- River Avenue Bridge
 - > total reconstruction, to include additional vehicle lanes and pedestrian/bicycle paths
(additional note: - Joint project with County of Ottawa Road Commission, and includes major financing assistance from Michigan Dept of Transportation)

DRAIN PROJECTS

- Major Drain System Project:
 - > Watershed / Storm Water Regulation (MACC Project)

TRAFFIC SIGNALIZATION PROJECTS

- Installation of New Signals or Upgrades to Existing Signals:
 - > Pine Avenue @ 8th Street Intersection

SIDEWALK PROJECTS

- Sidewalk Repair / Replacement:
 - > Designated Areas for Removal and Replacement:
 - Sidewalk Installation:
 - > Fill-In-The-Gaps Sidewalk Installation Program:
-

CITY OF HOLLAND, MICHIGAN

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2006

	SPECIAL REVENUE FUNDS			
	STREET MAINTENANCE AND IMPROVEMENTS			
	MOTOR VEHICLE HIGHWAY		ALLEGAN	STREET
	MAJOR	LOCAL	COUNTY	IMPROVEMENTS
	STREET	STREET	ROAD TAX	RESERVE
	FUND	FUND	FUND	FUND
<u>ASSETS</u>				
Cash and pooled investments	\$ 1,104,555	\$ -	\$ 93,721	\$ 763,809
Accounts receivable	1,371	2,662	-	-
Taxes receivable	-	-	-	-
Prepaid items	-	-	-	-
Due from other funds	2,363	1,552	-	-
Special assessments receivable	-	-	-	-
Due from other governmental units	336,650	93,814	-	-
Total assets	\$ 1,444,939	\$ 98,028	\$ 93,721	\$ 763,809
<u>LIABILITIES AND FUND BALANCES</u>				
LIABILITIES:				
Accounts payable	\$ 24,479	\$ 15,307	\$ -	\$ -
Accrued payroll and benefits	5,798	10,127	-	-
Due to other funds	68,099	70,594	-	-
Due to other governmental units	-	-	-	-
Deferred revenue	-	-	-	-
Total liabilities	98,376	96,028	-	-
FUND BALANCES:				
Reserved for:				
Prepaid items	-	-	-	-
Permanent fund corpus	-	-	-	-
Permanent fund expendable	-	-	-	-
Unreserved:				
Undesignated	1,346,563	2,000	93,721	763,809
Total fund balances	1,346,563	2,000	93,721	763,809
Total liabilities and fund balances	\$ 1,444,939	\$ 98,028	\$ 93,721	\$ 763,809

SPECIAL REVENUE FUNDS

DOWNTOWN OPERATIONS			MISCELLANEOUS GOVERNMENTAL FUNCTIONS		
DOWNTOWN PARKING SYSTEM FUND	DOWNTOWN SNOWMELT FUND	PRINCIPAL SHOPPING DISTRICT FUND	CONTESTED ASSESSMENTS FUND	CATV - PUBLIC ACCESS TV FUND	REVOLVING CASH ASSISTANCE FUND
\$ 83,610	\$ 434,285	\$ 54,730	\$ 40,889	\$ 64,464	\$ 142,379
-	-	36	-	50,154	-
-	-	-	-	-	-
-	-	300	-	-	-
-	-	-	-	-	-
-	-	-	-	-	240,782
-	-	-	-	-	-
\$ 83,610	\$ 434,285	\$ 55,066	\$ 40,889	\$ 114,618	\$ 383,161
\$ 3,101	\$ -	\$ 10,131	\$ 2,161	\$ -	\$ 6,000
932	-	1,196	-	-	-
9	103,931	9	-	-	-
-	-	-	-	-	-
-	-	-	-	-	240,782
4,042	103,931	11,336	2,161	-	246,782
-	-	300	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
79,568	330,354	43,430	38,728	114,618	136,379
79,568	330,354	43,730	38,728	114,618	136,379
\$ 83,610	\$ 434,285	\$ 55,066	\$ 40,889	\$ 114,618	\$ 383,161

(Continued)

CITY OF HOLLAND, MICHIGAN

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2006

SPECIAL REVENUE FUNDS		
MISCELLANEOUS GOVERNMENTAL FUNCTIONS		
SPECIFIED DONATIONS FUND	DANGEROUS STRUCTURES FUND	EMPLOYEES BENEFIT FUND

ASSETS

Cash and pooled investments	\$ 28,505	\$ 2,506	\$ 8,248
Accounts receivable	-	-	93
Taxes receivable	-	-	-
Prepaid items	-	-	-
Due from other funds	-	-	-
Special assessments receivable	-	-	-
Due from other governmental units	-	-	-
Total assets	\$ 28,505	\$ 2,506	\$ 8,341

LIABILITIES AND FUND BALANCES

LIABILITIES:

Accounts payable	\$ 191	\$ -	\$ 13
Accrued payroll and benefits	-	-	-
Due to other funds	-	-	-
Due to other governmental units	-	-	-
Deferred revenue	-	-	-
Total liabilities	191	-	13

FUND BALANCES:

Reserved for:			
Prepaid items	-	-	-
Permanent fund corpus	-	-	-
Permanent fund expendable	-	-	-
Unreserved:			
Undesignated	28,314	2,506	8,328
Total fund balances	28,314	2,506	8,328
Total liabilities and fund balances	\$ 28,505	\$ 2,506	\$ 8,341

SPECIAL REVENUE FUNDS				
PROPERTY AND IMPROVEMENTS				
PROPERTY ACQUISITION FUND	UNDERGROUND STORAGE TANK FINANCIAL ASSURANCE FUND	AIRPORT DONATIONS FUND	MEDC UNIFORM COLOR GRANT FUND	
\$ 167,812	\$ 727	\$ 6,201	\$ -	
-	11,387	-	-	
-	-	-	-	
-	-	-	-	
-	-	-	-	
-	-	-	-	
<u>\$ 167,812</u>	<u>\$ 12,114</u>	<u>\$ 6,201</u>	<u>\$ -</u>	
\$ -	\$ 12,114	\$ -	\$ -	
-	-	-	-	
-	-	-	-	
-	-	-	-	
-	-	-	-	
-	12,114	-	-	
-	-	-	-	
-	-	-	-	
-	-	-	-	
167,812	-	6,201	-	
<u>167,812</u>	<u>-</u>	<u>6,201</u>	<u>-</u>	
<u>\$ 167,812</u>	<u>\$ 12,114</u>	<u>\$ 6,201</u>	<u>\$ -</u>	

(Continued)

CITY OF HOLLAND, MICHIGAN

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2006

SPECIAL REVENUE FUNDS		
PUBLIC SAFETY		
POLICE CRIMINAL JUSTICE TRAINING FUND	POLICE COMMUNITY RELATIONS FUND	ANTI-DRUG ABUSE WEMET GRANTS FUND

ASSETS

Cash and pooled investments	\$ 189	\$ 12,678	\$ -
Accounts receivable	1,897	-	-
Taxes receivable	-	-	-
Prepaid items	-	-	-
Due from other funds	-	-	-
Special assessments receivable	-	-	-
Due from other governmental units	-	-	20,001
Total assets	\$ 2,086	\$ 12,678	\$ 20,001

LIABILITIES AND FUND BALANCES

LIABILITIES:

Accounts payable	\$ -	\$ 3,151	\$ 2,052
Accrued payroll and benefits	-	-	3,121
Due to other funds	-	-	14,828
Due to other governmental units	-	-	-
Deferred revenue	-	-	-
Total liabilities	-	3,151	20,001

FUND BALANCES:

Reserved for:			
Prepaid items	-	-	-
Permanent fund corpus	-	-	-
Permanent fund expendable	-	-	-
Unreserved:			
Undesignated	2,086	9,527	-
Total fund balances	2,086	9,527	-
Total liabilities and fund balances	\$ 2,086	\$ 12,678	\$ 20,001

SPECIAL REVENUE FUNDS			
PUBLIC SAFETY			
OHSP GRANTS FUND	LAW ENFORCEMENT BLOCK GRANTS FUND	FEMA FIREFIGHTERS GRANT FUND	HOMELAND SECURITY GRANT FUND
\$ -	\$ 4,065	\$ -	\$ -
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
21,794	10,441	-	-
<u>\$ 21,794</u>	<u>\$ 14,506</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 631	\$ 315	\$ -	\$ -
-	-	-	-
13,777	10,441	-	-
7,386	-	-	-
-	3,319	-	-
<u>21,794</u>	<u>14,075</u>	<u>-</u>	<u>-</u>
-	-	-	-
-	-	-	-
-	-	-	-
-	431	-	-
-	431	-	-
<u>\$ 21,794</u>	<u>\$ 14,506</u>	<u>\$ -</u>	<u>\$ -</u>

(Continued)

CITY OF HOLLAND, MICHIGAN
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2006

SPECIAL REVENUE FUNDS		
PUBLIC SAFETY		
TECHNOLOGY TRANSFER PROGRAM GRANT FUND	MCOLES ACCIDENT INVESTIGATION GRANT FUND	DISTRICT LIBRARY TAXATION FUND

ASSETS

Cash and pooled investments	\$	-	\$	430	\$	510
Accounts receivable		-		-		-
Taxes receivable		-		-		531
Prepaid items		-		-		-
Due from other funds		-		-		-
Special assessments receivable		-		-		-
Due from other governmental units		-		-		-
Total assets	\$	-	\$	430	\$	1,041

LIABILITIES AND FUND BALANCES

LIABILITIES:

Accounts payable	\$	-	\$	-	\$	504
Accrued payroll and benefits		-		-		-
Due to other funds		-		-		-
Due to other governmental units		-		-		-
Deferred revenue		-		430		-
Total liabilities		-		430		504

FUND BALANCES:

Reserved for:						
Prepaid items		-		-		-
Permanent fund corpus		-		-		-
Permanent fund expendable		-		-		-
Unreserved:						
Undesignated		-		-		537
Total fund balances		-		-		537
Total liabilities and fund balances	\$	-	\$	430	\$	1,041

SPECIAL REVENUE FUNDS						
CULTURE AND COMMUNITY IMPROVEMENT						
BICENTENNIAL CELEBRATION FUND	MSHDA GRANTS FUND	CDBG GRANTS FUND	IMLS NATURE GRANT FUND	NIP GRANT FUND	BUDGET STABILIZATION FUND	
\$ 7,157	\$ -	\$ 51,065	\$ -	\$ 51	\$ 1,567,524	
-	-	2,598	-	-	-	
-	-	-	-	-	-	
-	-	-	-	-	-	
-	-	-	-	-	-	
-	31,883	161,587	13,065	-	-	
<u>\$ 7,157</u>	<u>\$ 31,883</u>	<u>\$ 215,250</u>	<u>\$ 13,065</u>	<u>\$ 51</u>	<u>\$ 1,567,524</u>	
\$ -	\$ 2,368	\$ 16,390	\$ 22	\$ -	\$ 35	
-	-	1,151	536	-	-	
-	29,515	147,965	12,389	-	-	
-	-	-	-	-	-	
-	-	49,744	118	51	-	
-	31,883	215,250	13,065	51	35	
-	-	-	-	-	-	
-	-	-	-	-	-	
-	-	-	-	-	-	
7,157	-	-	-	-	1,567,489	
<u>7,157</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,567,489</u>	
<u>\$ 7,157</u>	<u>\$ 31,883</u>	<u>\$ 215,250</u>	<u>\$ 13,065</u>	<u>\$ 51</u>	<u>\$ 1,567,524</u>	

(Continued)

CITY OF HOLLAND, MICHIGAN
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2006

	DEBT SERVICE FUNDS			CAPITAL PROJECTS
	GENERAL OBLIGATION DEBT	ACT 175 STREET DEBT	SPECIAL ASSESSMENT DEBT	FACILITY AND LAND IMPROVEMENTS PROJECTS FUND
<u>ASSETS</u>				
Cash and pooled investments	\$ 6,392	\$ -	\$ 923,638	\$ 175,247
Accounts receivable	-	-	-	59,000
Taxes receivable	782	-	-	-
Prepaid items	-	-	-	-
Due from other funds	-	-	-	1,188,489
Special assessments receivable	-	-	1,476,326	-
Due from other governmental units	-	-	-	53,777
Total assets	\$ 7,174	\$ -	\$ 2,399,964	\$ 1,476,513
<u>LIABILITIES AND FUND BALANCES</u>				
LIABILITIES:				
Accounts payable	\$ -	\$ -	\$ -	\$ 103,705
Accrued payroll and benefits	-	-	-	-
Due to other funds	-	-	-	44,605
Due to other governmental units	-	-	-	-
Deferred revenue	-	-	1,476,326	53,885
Total liabilities	-	-	1,476,326	202,195
FUND BALANCES:				
Reserved for:				
Prepaid items	-	-	-	-
Permanent fund corpus	-	-	-	-
Permanent fund expendable	-	-	-	-
Unreserved:				
Undesignated	7,174	-	923,638	1,274,318
Total fund balances	7,174	-	923,638	1,274,318
Total liabilities and fund balances	\$ 7,174	\$ -	\$ 2,399,964	\$ 1,476,513

Exhibit B-1

PERMANENT TRUST			
CEMETERY PERPETUAL CARE FUND		TOTAL NONMAJOR GOVERNMENTAL FUNDS	
\$ 1,622,875		\$ 7,368,262	
4,070		133,268	
-		1,313	
-		300	
-		1,192,404	
-		1,717,108	
-		743,012	
<u>\$ 1,626,945</u>		<u>\$ 11,155,667</u>	
\$ -		\$ 202,670	
-		22,861	
-		516,162	
-		7,386	
-		1,824,655	
<u>-</u>		<u>2,573,734</u>	
-		300	
1,339,292		1,339,292	
287,653		287,653	
-		6,954,688	
<u>1,626,945</u>		<u>8,581,933</u>	
<u>\$ 1,626,945</u>		<u>\$ 11,155,667</u>	

(Concluded)

CITY OF HOLLAND, MICHIGAN

COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2006

	SPECIAL REVENUE FUNDS			
	STREET MAINTENANCE AND IMPROVEMENTS			
	MOTOR VEHICLE HIGHWAY		ALLEGAN COUNTY	STREET IMPROVEMENTS
	MAJOR STREET FUND	LOCAL STREET FUND	ROAD TAX FUND	RESERVE FUND
REVENUES:				
Special assessments	\$ -	\$ -	\$ -	\$ -
Property taxes	-	-	-	1,127,080
Intergovernmental	2,259,763	568,154	402,265	-
Charges for services	25,188	48,713	-	-
Fines and fees	-	-	-	-
Contributions from private sector	-	-	-	-
Interest and rents	67,742	586	-	9,245
Miscellaneous	-	-	-	-
Total revenues	2,352,693	617,453	402,265	1,136,325
EXPENDITURES:				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	1,071,845	1,027,940	-	-
Welfare and social services	-	-	-	-
Culture and recreation	-	-	-	-
Debt service				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	1,071,845	1,027,940	-	-
Excess (deficiency) of revenues over expenditures	1,280,848	(410,487)	402,265	1,136,325
OTHER FINANCING SOURCES (USES):				
Transfers in	674,741	435,792	-	-
Transfers out	(3,458,171)	(25,307)	(1,053,597)	(852,076)
Total other financing sources (uses)	(2,783,430)	410,485	(1,053,597)	(852,076)
NET CHANGE IN FUND BALANCES	(1,502,582)	(2)	(651,332)	284,249
FUND BALANCE - Beginning of year	2,849,145	2,002	745,053	479,560
FUND BALANCE - End of year	\$ 1,346,563	\$ 2,000	\$ 93,721	\$ 763,809

SPECIAL REVENUE FUNDS

DOWNTOWN OPERATIONS			MISCELLANEOUS GOVERNMENTAL FUNCTIONS		
DOWNTOWN PARKING SYSTEM FUND	DOWNTOWN SNOWMELT FUND	PRINCIPAL SHOPPING DISTRICT FUND	CONTESTED ASSESSMENTS FUND	CATV - PUBLIC ACCESS TV FUND	REVOLVING CASH ASSISTANCE FUND
\$ 125,915	\$ 73,285	\$ 110,313	\$ -	\$ -	\$ 160,363
-	-	-	-	-	-
-	-	-	-	-	-
4,498	-	28,659	-	-	-
-	-	-	-	196,896	-
-	-	24,570	-	-	-
2,686	15,071	1,804	-	2,391	18,375
-	-	-	20,000	-	-
133,099	88,356	165,346	20,000	199,287	178,738
-	-	-	75,791	181,326	462
119,177	-	-	-	-	-
-	127,243	-	-	-	-
-	-	-	-	-	-
-	-	195,172	-	-	-
-	-	-	-	-	-
1,434	-	-	-	-	-
-	-	800	-	-	-
120,611	127,243	195,972	75,791	181,326	462
12,488	(38,887)	(30,626)	(55,791)	17,961	178,276
-	22,500	-	50,000	-	-
(14,257)	-	-	-	-	(157,141)
(14,257)	22,500	-	50,000	-	(157,141)
(1,769)	(16,387)	(30,626)	(5,791)	17,961	21,135
81,337	346,741	74,356	44,519	96,657	115,244
\$ 79,568	\$ 330,354	\$ 43,730	\$ 38,728	\$ 114,618	\$ 136,379

(Continued)

CITY OF HOLLAND, MICHIGAN

COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2006

	SPECIAL REVENUE FUNDS		
	MISCELLANEOUS GOVERNMENTAL FUNCTIONS		
	SPECIFIED DONATIONS FUND	DANGEROUS STRUCTURES FUND	EMPLOYEES BENEFIT FUND
REVENUES:			
Special assessments	\$ -	\$ -	\$ -
Property taxes	-	-	-
Intergovernmental	-	-	-
Charges for services	-	-	7,966
Fines and fees	-	-	1,915
Contributions from private sector	33,943	-	-
Interest and rents	-	-	271
Miscellaneous	-	-	-
Total revenues	33,943	-	10,152
EXPENDITURES:			
Current			
General government	19,226	1,581	8,648
Public safety	-	-	-
Public works	-	-	-
Welfare and social services	-	-	-
Culture and recreation	-	-	-
Debt service			
Principal retirement	-	-	-
Interest and fiscal charges	-	-	-
Capital outlay	30,439	-	-
Total expenditures	49,665	1,581	8,648
Excess (deficiency) of revenues over expenditures	(15,722)	(1,581)	1,504
OTHER FINANCING SOURCES (USES):			
Transfers in	-	-	-
Transfers out	(210)	-	-
Total other financing sources (uses)	(210)	-	-
NET CHANGE IN FUND BALANCES	(15,932)	(1,581)	1,504
FUND BALANCE - Beginning of year	44,246	4,087	6,824
FUND BALANCE - End of year	\$ 28,314	\$ 2,506	\$ 8,328

SPECIAL REVENUE FUNDS

PROPERTY AND IMPROVEMENTS				PUBLIC SAFETY	
PROPERTY ACQUISITION FUND	UNDERGROUND STORAGE TANK FINANCIAL ASSURANCE FUND	AIRPORT DONATIONS FUND	MEDC UNIFORM COLOR GRANT FUND	POLICE CRIMINAL JUSTICE TRAINING FUND	POLICE COMMUNITY RELATIONS FUND
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	102	14,294	-
58,200	12,734	-	-	-	-
-	-	-	-	-	-
-	-	9,933	-	-	134
6,816	-	452	-	-	673
-	-	-	-	-	-
65,016	12,734	10,385	102	14,294	807
6,035	23,877	-	-	-	-
-	-	-	102	13,783	12,909
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	286	-	-
6,035	23,877	-	388	13,783	12,909
58,981	(11,143)	10,385	(286)	511	(12,102)
-	8,223	-	286	-	-
(17,500)	-	(10,100)	-	-	-
(17,500)	8,223	(10,100)	286	-	-
41,481	(2,920)	285	-	511	(12,102)
126,331	2,920	5,916	-	1,575	21,629
\$ 167,812	\$ -	\$ 6,201	\$ -	\$ 2,086	\$ 9,527

(Continued)

CITY OF HOLLAND, MICHIGAN

COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2006

	SPECIAL REVENUE FUNDS			
	PUBLIC SAFETY			
	ANTI-DRUG ABUSE WEMET GRANTS FUND	OHSP GRANTS FUND	LAW ENFORCEMENT BLOCK GRANTS FUND	FEMA FIREFIGHTERS GRANT FUND
REVENUES:				
Special assessments	\$ -	\$ -	\$ -	\$ -
Property taxes	-	-	-	-
Intergovernmental	105,999	93,245	24,001	14,743
Charges for services	-	-	-	-
Fines and fees	-	-	-	-
Contributions from private sector	-	-	-	-
Interest and rents	-	-	253	-
Miscellaneous	-	-	-	2,274
Total revenues	105,999	93,245	24,254	17,017
EXPENDITURES:				
Current				
General government	-	-	-	-
Public safety	207,936	79,911	-	18,865
Public works	-	-	-	-
Welfare and social services	-	-	-	-
Culture and recreation	-	-	-	-
Debt service				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Capital outlay	-	13,334	34,563	-
Total expenditures	207,936	93,245	34,563	18,865
Excess (deficiency) of revenues over expenditures	(101,937)	-	(10,309)	(1,848)
OTHER FINANCING SOURCES (USES):				
Transfers in	101,937	-	10,560	1,848
Transfers out	-	-	-	-
Total other financing sources (uses)	101,937	-	10,560	1,848
NET CHANGE IN FUND BALANCES	-	-	251	-
FUND BALANCE - Beginning of year	-	-	180	-
FUND BALANCE - End of year	\$ -	\$ -	\$ 431	\$ -

(Continued)

SPECIAL REVENUE FUNDS

PUBLIC SAFETY			CULTURE AND COMMUNITY IMPROVEMENT		
HOMELAND SECURITY GRANT FUND	TECHNOLOGY TRANSFER PROGRAM GRANT FUND	MCOLES ACCIDENT INVESTIGATION GRANT FUND	DISTRICT LIBRARY TAXATION FUND	BICENTENNIAL CELEBRATION FUND	MSHDA GRANTS FUND
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	1,505,910	-	-
59,052	16,000	28,348	-	-	163,724
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	267	-
-	-	-	-	-	-
59,052	16,000	28,348	1,505,910	267	163,724
-	-	-	-	-	-
-	-	28,348	-	-	-
-	-	-	-	-	-
-	-	-	-	-	163,724
-	-	-	1,509,170	-	-
-	-	-	-	-	-
-	-	-	-	-	-
59,052	16,000	-	-	-	-
59,052	16,000	28,348	1,509,170	-	163,724
-	-	-	(3,260)	267	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	(3,260)	267	-
-	-	-	3,797	6,890	-
\$ -	\$ -	\$ -	\$ 537	\$ 7,157	\$ -

CITY OF HOLLAND, MICHIGAN

COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2006

	CULTURE AND COMMUNITY IMPROVEMENT			
	CDBG GRANTS FUND	IMLS NATURE GRANT FUND	NIP GRANT FUND	BUDGET STABILIZATION FUND
REVENUES:				
Special assessments	\$ -	\$ -	\$ -	\$ -
Property taxes	-	-	-	-
Intergovernmental	411,161	25,479	-	-
Charges for services	-	-	-	-
Fines and fees	-	-	-	-
Contributions from private sector	190,565	-	2,635	-
Interest and rents	-	-	-	-
Miscellaneous	7,604	-	-	-
Total revenues	609,330	25,479	2,635	-
EXPENDITURES:				
Current				
General government	-	-	-	52,731
Public safety	-	-	-	-
Public works	-	-	-	-
Welfare and social services	609,330	-	-	-
Culture and recreation	-	50,393	2,635	-
Debt service				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	609,330	50,393	2,635	52,731
Excess (deficiency) of revenues over expenditures	-	(24,914)	-	(52,731)
OTHER FINANCING SOURCES (USES):				
Transfers in	7,841	24,914	-	-
Transfers out	(7,841)	-	-	(136,000)
Total other financing sources (uses)	-	24,914	-	(136,000)
NET CHANGE IN FUND BALANCES	-	-	-	(188,731)
FUND BALANCE - Beginning of year	-	-	-	1,756,220
FUND BALANCE - End of year	\$ -	\$ -	\$ -	\$ 1,567,489

DEBT SERVICE FUNDS			CAPITAL PROJECTS	PERMANENT TRUST	TOTAL NONMAJOR GOVERNMENTAL FUNDS
GENERAL OBLIGATION DEBT	ACT 175 STREET DEBT	SPECIAL ASSESSMENT DEBT	FACILITY AND LAND IMPROVEMENTS PROJECTS FUND	CEMETERY PERPETUAL CARE FUND	
\$ -	\$ -	\$ 257,267	\$ -	\$ -	\$ 727,143
2,368,158	-	-	-	-	5,001,148
-	-	-	54,435	-	4,240,765
-	-	-	-	33,125	219,083
-	-	-	-	-	198,811
-	-	-	84,000	-	345,780
15,994	-	122,149	56,076	69,014	389,865
-	-	-	-	-	29,878
2,384,152	-	379,416	194,511	102,139	11,152,473
1,681,361	-	-	-	-	2,051,038
-	-	-	-	-	481,031
-	-	-	-	-	2,227,028
-	-	-	-	-	773,054
-	-	-	-	-	1,757,370
12,500	605,000	245,463	-	-	862,963
4,998	95,048	106,858	-	-	208,338
-	-	-	959,092	-	1,113,566
1,698,859	700,048	352,321	959,092	-	9,474,388
685,293	(700,048)	27,095	(764,581)	102,139	1,678,085
17,500	700,048	-	882,294	7,757	2,946,241
(700,052)	-	-	(597,183)	(303,554)	(7,332,989)
(682,552)	700,048	-	285,111	(295,797)	(4,386,748)
2,741	-	27,095	(479,470)	(193,658)	(2,708,663)
4,433	-	896,543	1,753,788	1,820,603	11,290,596
\$ 7,174	\$ -	\$ 923,638	\$ 1,274,318	\$ 1,626,945	\$ 8,581,933

(Concluded)

CITY OF HOLLAND, MICHIGAN
 SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL

MAJOR STREET FUND

YEAR ENDED JUNE 30, 2006

	ORIGINAL BUDGET	FINAL AMENDED BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
REVENUES:				
Special assessments	\$ -	\$ -	\$ -	\$ -
Property taxes	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental	2,379,000	2,330,026	2,259,763	(70,263)
Charges for services	28,000	30,000	25,188	(4,812)
Fines and fees	-	-	-	-
Contributions from private sector	-	-	-	-
Investment earnings	67,000	91,735	67,742	(23,993)
Miscellaneous	-	-	-	-
Total revenues	2,474,000	2,451,761	2,352,693	(99,068)
EXPENDITURES:				
Current				
Personal services	525,871	503,500	458,682	(44,818)
Other services and charges	678,800	680,970	613,163	(67,807)
Capital outlay	-	-	-	-
Contingency	108,000	100,000	-	(100,000)
Total expenditures	1,312,671	1,284,470	1,071,845	(212,625)
Excess of revenues over expenditures	1,161,329	1,167,291	1,280,848	113,557
OTHER FINANCING SOURCES (USES):				
Transfers in	674,741	674,741	674,741	-
Transfers out	(5,303,746)	(4,531,500)	(3,458,171)	1,073,329
Total other financing sources (uses)	(4,629,005)	(3,856,759)	(2,783,430)	1,073,329
NET CHANGE IN FUND BALANCES	(3,467,676)	(2,689,468)	(1,502,582)	1,186,886
FUND BALANCE - Beginning of year	2,849,145	2,849,145	2,849,145	-
FUND BALANCE - End of year	\$ (618,531)	\$ 159,677	\$ 1,346,563	\$ 1,186,886

CITY OF HOLLAND, MICHIGAN
 SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL

LOCAL STREET FUND

YEAR ENDED JUNE 30, 2006

	ORIGINAL BUDGET	FINAL AMENDED BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
REVENUES:				
Special assessments	\$ -	\$ -	\$ -	\$ -
Property taxes	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental	604,700	585,254	568,154	(17,100)
Charges for services	42,000	42,000	48,713	6,713
Fines and fees	-	-	-	-
Contributions from private sector	-	-	-	-
Investment earnings	1,600	-	586	586
Miscellaneous	-	-	-	-
Total revenues	648,300	627,254	617,453	(9,801)
EXPENDITURES:				
Current				
Personal services	597,127	561,500	532,596	(28,904)
Other services and charges	562,300	536,539	495,344	(41,195)
Capital outlay	-	-	-	-
Contingency	8,000	-	-	-
Total expenditures	1,167,427	1,098,039	1,027,940	(70,099)
Excess of revenues over expenditures	(519,127)	(470,785)	(410,487)	60,298
OTHER FINANCING SOURCES (USES):				
Transfers in	544,434	516,090	435,792	(80,298)
Transfers out	(25,307)	(25,307)	(25,307)	-
Total other financing sources (uses)	519,127	490,783	410,485	(80,298)
NET CHANGE IN FUND BALANCES	-	19,998	(2)	(20,000)
FUND BALANCE - Beginning of year	2,002	2,002	2,002	-
FUND BALANCE - End of year	\$ 2,002	\$ 22,000	\$ 2,000	\$ (20,000)

CITY OF HOLLAND, MICHIGAN
 SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL

ALLEGAN COUNTY ROAD TAX FUND

YEAR ENDED JUNE 30, 2006

	ORIGINAL BUDGET	FINAL AMENDED BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
REVENUES:				
Special assessments	\$ -	\$ -	\$ -	\$ -
Property taxes	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental	415,000	418,700	402,265	(16,435)
Charges for services	-	-	-	-
Fines and fees	-	-	-	-
Contributions from private sector	-	-	-	-
Investment earnings	6,000	8,000	-	(8,000)
Miscellaneous	-	-	-	-
Total revenues	421,000	426,700	402,265	(24,435)
EXPENDITURES:				
Current				
Personal services	-	-	-	-
Other services and charges	-	-	-	-
Capital outlay	-	-	-	-
Contingency	-	-	-	-
Total expenditures	-	-	-	-
Excess of revenues over expenditures	421,000	426,700	402,265	(24,435)
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
Transfers out	(1,601,568)	(1,140,306)	(1,053,597)	86,709
Total other financing sources (uses)	(1,601,568)	(1,140,306)	(1,053,597)	86,709
NET CHANGE IN FUND BALANCES	(1,180,568)	(713,606)	(651,332)	62,274
FUND BALANCE - Beginning of year	745,053	745,053	745,053	-
FUND BALANCE - End of year	\$ (435,515)	\$ 31,447	\$ 93,721	\$ 62,274

CITY OF HOLLAND, MICHIGAN
 SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL

STREET IMPROVEMENTS RESERVE FUND

YEAR ENDED JUNE 30, 2006

	ORIGINAL BUDGET	FINAL AMENDED BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
REVENUES:				
Special assessments	\$ -	\$ -	\$ -	\$ -
Property taxes	1,127,045	1,127,080	1,127,080	-
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Fines and fees	-	-	-	-
Contributions from private sector	-	-	-	-
Investment earnings	19,000	11,700	9,245	(2,455)
Miscellaneous	-	-	-	-
Total revenues	1,146,045	1,138,780	1,136,325	(2,455)
EXPENDITURES:				
Current				
Personal services	-	-	-	-
Other services and charges	-	-	-	-
Capital outlay	-	-	-	-
Contingency	-	-	-	-
Total expenditures	-	-	-	-
Excess of revenues over expenditures	1,146,045	1,138,780	1,136,325	(2,455)
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
Transfers out	(1,862,877)	(1,549,661)	(852,076)	697,585
Total other financing sources (uses)	(1,862,877)	(1,549,661)	(852,076)	697,585
NET CHANGE IN FUND BALANCES	(716,832)	(410,881)	284,249	695,130
FUND BALANCE - Beginning of year	479,560	479,560	479,560	-
FUND BALANCE (DEFICIT) - End of year	\$ (237,272)	\$ 68,679	\$ 763,809	\$ 695,130

CITY OF HOLLAND, MICHIGAN
 SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL

DOWNTOWN PARKING SYSTEM FUND

YEAR ENDED JUNE 30, 2006

	ORIGINAL BUDGET	FINAL AMENDED BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
REVENUES:				
Special assessments	\$ 126,278	\$ 125,915	\$ 125,915	\$ -
Property taxes	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	4,300	4,300	4,498	198
Fines and fees	-	-	-	-
Contributions from private sector	-	-	-	-
Investment earnings	1,400	2,464	2,686	222
Miscellaneous	-	-	-	-
Total revenues	131,978	132,679	133,099	420
EXPENDITURES:				
Current				
Personal services	50,600	53,700	50,566	(3,134)
Other services and charges	81,720	81,980	68,611	(13,369)
Capital outlay	-	-	-	-
Debt Services				
Interest and fiscal charges	1,639	1,400	1,434	34
Principal retirement	-	-	-	-
Contingency	10,000	9,300	-	(9,300)
Total expenditures	143,959	146,380	120,611	(25,769)
Excess of revenues over expenditures	(11,981)	(13,701)	12,488	26,189
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
Transfers out	(14,257)	(14,257)	(14,257)	-
Total other financing sources (uses)	(14,257)	(14,257)	(14,257)	-
NET CHANGE IN FUND BALANCES	(26,238)	(27,958)	(1,769)	26,189
FUND BALANCE - Beginning of year	81,337	81,337	81,337	-
FUND BALANCE - End of year	\$ 55,099	\$ 53,379	\$ 79,568	\$ 26,189

CITY OF HOLLAND, MICHIGAN
 SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL

DOWNTOWN SNOWMELT FUND

YEAR ENDED JUNE 30, 2006

	ORIGINAL BUDGET	FINAL AMENDED BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
REVENUES:				
Special assessments	\$ 82,300	\$ 73,285	\$ 73,285	\$ -
Property taxes	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Fines and fees	-	-	-	-
Contributions from private sector	-	-	-	-
Investment earnings	7,400	10,500	15,071	4,571
Miscellaneous	-	-	-	-
Total revenues	89,700	83,785	88,356	4,571
EXPENDITURES:				
Current				
Personal services	-	-	-	-
Other services and charges	140,351	146,501	127,243	(19,258)
Capital outlay	-	-	-	-
Debt Services				
Interest and fiscal charges	-	-	-	-
Principal retirement	-	-	-	-
Contingency	-	-	-	-
Total expenditures	140,351	146,501	127,243	(19,258)
Excess of revenues over expenditures	(50,651)	(62,716)	(38,887)	23,829
OTHER FINANCING SOURCES (USES):				
Transfers in	22,500	22,500	22,500	-
Transfers out	-	-	-	-
Bond proceeds	-	-	-	-
Total other financing sources (uses)	22,500	22,500	22,500	-
NET CHANGE IN FUND BALANCES	(28,151)	(40,216)	(16,387)	23,829
FUND BALANCE - Beginning of year	346,741	346,741	346,741	-
FUND BALANCE - End of year	\$ 318,590	\$ 306,525	\$ 330,354	\$ 23,829

CITY OF HOLLAND, MICHIGAN
 SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL

PRINCIPAL SHOPPING DISTRICT FUND

YEAR ENDED JUNE 30, 2006

	ORIGINAL BUDGET	FINAL AMENDED BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
REVENUES:				
Special assessments	\$ 109,805	\$ 110,313	\$ 110,313	\$ -
Property taxes	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	38,250	30,040	28,659	(1,381)
Fines and fees	-	-	-	-
Contributions from private sector	27,100	25,290	24,570	(720)
Investment earnings	1,400	1,859	1,804	(55)
Miscellaneous	-	-	-	-
Total revenues	176,555	167,502	165,346	(2,156)
EXPENDITURES:				
Current				
Personal services	61,400	63,305	66,151	2,846
Other services and charges	131,700	129,780	129,021	(759)
Capital outlay	-	800	800	-
Debt Services				
Interest and fiscal charges	-	-	-	-
Principal retirement	-	-	-	-
Contingency	2,200	-	-	-
Total expenditures	195,300	193,885	195,972	2,087
Excess of revenues over expenditures	(18,745)	(26,383)	(30,626)	(4,243)
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
NET CHANGE IN FUND BALANCES	(18,745)	(26,383)	(30,626)	(4,243)
FUND BALANCE - Beginning of year	74,356	74,356	74,356	-
FUND BALANCE - End of year	\$ 55,611	\$ 47,973	\$ 43,730	\$ (4,243)

CITY OF HOLLAND, MICHIGAN
 SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL

CONTESTED ASSESSMENTS FUND

YEAR ENDED JUNE 30, 2006

	ORIGINAL BUDGET	FINAL AMENDED BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
REVENUES:				
Special assessments	\$ -	\$ -	\$ -	\$ -
Property taxes	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Fines and fees	-	-	-	-
Contributions from private sector	-	-	-	-
Investment earnings	-	-	-	-
Miscellaneous	-	20,000	20,000	-
Total revenues	-	20,000	20,000	-
EXPENDITURES:				
Current				
Personal services	-	-	-	-
Other services and charges	50,000	70,700	75,791	5,091
Capital outlay	-	-	-	-
Contingency	-	-	-	-
Total expenditures	50,000	70,700	75,791	5,091
Excess of revenues over expenditures	(50,000)	(50,700)	(55,791)	(5,091)
OTHER FINANCING SOURCES (USES):				
Transfers in	50,000	50,000	50,000	-
Transfers out	-	-	-	-
Total other financing sources (uses)	50,000	50,000	50,000	-
NET CHANGE IN FUND BALANCES	-	(700)	(5,791)	(5,091)
FUND BALANCE - Beginning of year	44,519	44,519	44,519	-
FUND BALANCE - End of year	\$ 44,519	\$ 43,819	\$ 38,728	\$ (5,091)

CITY OF HOLLAND, MICHIGAN
 SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL

CATV - PUBLIC ACCESS TV FUND

YEAR ENDED JUNE 30, 2006

	ORIGINAL BUDGET	FINAL AMENDED BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
REVENUES:				
Special assessments	\$ -	\$ -	\$ -	\$ -
Property taxes	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Fines and fees	192,000	197,000	196,896	(104)
Contributions from private sector	-	-	-	-
Investment earnings	550	1,992	2,391	399
Miscellaneous	-	-	-	-
Total revenues	192,550	198,992	199,287	295
EXPENDITURES:				
Current				
Personal services	1,110	1,110	1,118	8
Other services and charges	180,650	180,600	180,208	(392)
Capital outlay	-	-	-	-
Contingency	-	-	-	-
Total expenditures	181,760	181,710	181,326	(384)
Excess of revenues over expenditures	10,790	17,282	17,961	679
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
NET CHANGE IN FUND BALANCES	10,790	17,282	17,961	679
FUND BALANCE - Beginning of year	96,657	96,657	96,657	-
FUND BALANCE - End of year	\$ 107,447	\$ 113,939	\$ 114,618	\$ 679

CITY OF HOLLAND, MICHIGAN
 SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL

REVOLVING CASH ASSISTANCE FUND

YEAR ENDED JUNE 30, 2006

	ORIGINAL BUDGET	FINAL AMENDED BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
REVENUES:				
Special assessments	\$ 28,957	\$ 157,941	\$ 160,363	\$ 2,422
Property taxes	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Fines and fees	-	-	-	-
Contributions from private sector	-	-	-	-
Investment earnings	9,866	16,701	18,375	1,674
Miscellaneous	-	-	-	-
Total revenues	38,823	174,642	178,738	4,096
EXPENDITURES:				
Current				
Personal services	-	-	-	-
Other services and charges	-	462	462	-
Capital outlay	-	-	-	-
Contingency	-	-	-	-
Total expenditures	-	462	462	-
Excess of revenues over expenditures	38,823	174,180	178,276	4,096
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
Transfers out	(50,000)	(170,982)	(157,141)	13,841
Total other financing sources (uses)	(50,000)	(170,982)	(157,141)	13,841
NET CHANGE IN FUND BALANCES	(11,177)	3,198	21,135	17,937
FUND BALANCE - Beginning of year	115,244	115,244	115,244	-
FUND BALANCE - End of year	\$ 104,067	\$ 118,442	\$ 136,379	\$ 17,937

CITY OF HOLLAND, MICHIGAN
 SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL

SPECIFIED DONATIONS FUND

YEAR ENDED JUNE 30, 2006

	ORIGINAL BUDGET	FINAL AMENDED BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
REVENUES:				
Special assessments	\$ -	\$ -	\$ -	\$ -
Property taxes	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Fines and fees	-	-	-	-
Contributions from private sector	-	33,944	33,943	(1)
Investment earnings	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	-	33,944	33,943	(1)
EXPENDITURES:				
Current				
Personal services	-	-	-	-
Other services and charges	15,072	43,856	19,226	(24,630)
Capital outlay	29,173	34,123	30,439	(3,684)
Contingency	-	-	-	-
Total expenditures	44,245	77,979	49,665	(28,314)
Excess of revenues over expenditures	(44,245)	(44,035)	(15,722)	28,313
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
Transfers out	-	(210)	(210)	-
Total other financing sources (uses)	-	(210)	(210)	-
NET CHANGE IN FUND BALANCES	(44,245)	(44,245)	(15,932)	28,313
FUND BALANCE - Beginning of year	44,246	44,246	44,246	-
FUND BALANCE - End of year	\$ 1	\$ 1	\$ 28,314	\$ 28,313

CITY OF HOLLAND, MICHIGAN
 SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL

DANGEROUS STRUCTURES FUND

YEAR ENDED JUNE 30, 2006

	ORIGINAL BUDGET	FINAL AMENDED BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
REVENUES:				
Special assessments	\$ -	\$ -	\$ -	\$ -
Property taxes	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	22,000	-	-	-
Fines and fees	-	-	-	-
Contributions from private sector	-	-	-	-
Investment earnings	125	-	-	-
Miscellaneous	-	-	-	-
Total revenues	22,125	-	-	-
EXPENDITURES:				
Current				
Personal services	-	-	-	-
Other services and charges	24,000	1,950	1,581	(369)
Capital outlay	-	-	-	-
Contingency	-	-	-	-
Total expenditures	24,000	1,950	1,581	(369)
Excess of revenues over expenditures	(1,875)	(1,950)	(1,581)	369
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
NET CHANGE IN FUND BALANCES	(1,875)	(1,950)	(1,581)	369
FUND BALANCE - Beginning of year	4,087	4,087	4,087	-
FUND BALANCE - End of year	\$ 2,212	\$ 2,137	\$ 2,506	\$ 369

CITY OF HOLLAND, MICHIGAN
 SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL

EMPLOYEES BENEFIT FUND

YEAR ENDED JUNE 30, 2006

	ORIGINAL BUDGET	FINAL AMENDED BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
REVENUES:				
Special assessments	\$ -	\$ -	\$ -	\$ -
Property taxes	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	8,060	7,870	7,966	96
Fines and fees	2,000	1,950	1,915	(35)
Contributions from private sector	-	-	-	-
Investment earnings	225	243	271	28
Miscellaneous	-	-	-	-
Total revenues	10,285	10,063	10,152	89
EXPENDITURES:				
Current				
Personal services	-	-	-	-
Other services and charges	9,650	9,741	8,648	(1,093)
Capital outlay	-	-	-	-
Contingency	-	-	-	-
Total expenditures	9,650	9,741	8,648	(1,093)
Excess of revenues over expenditures	635	322	1,504	1,182
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
NET CHANGE IN FUND BALANCES	635	322	1,504	1,182
FUND BALANCE - Beginning of year	6,824	6,824	6,824	-
FUND BALANCE - End of year	\$ 7,459	\$ 7,146	\$ 8,328	\$ 1,182

CITY OF HOLLAND, MICHIGAN
 SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL

PROPERTY ACQUISITION FUND

YEAR ENDED JUNE 30, 2006

	ORIGINAL BUDGET	FINAL AMENDED BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
REVENUES:				
Special assessments	\$ -	\$ -	\$ -	\$ -
Property taxes	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	-	58,200	58,200	-
Fines and fees	-	-	-	-
Contributions from private sector	-	-	-	-
Investment earnings	3,300	6,115	6,816	701
Miscellaneous	-	-	-	-
Total revenues	3,300	64,315	65,016	701
EXPENDITURES:				
Current				
Personal services	-	-	-	-
Other services and charges	58,001	52,504	6,035	(46,469)
Capital outlay	-	-	-	-
Contingency	-	-	-	-
Total expenditures	58,001	52,504	6,035	(46,469)
Excess of revenues over expenditures	(54,701)	11,811	58,981	47,170
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
Transfers out	(17,500)	(17,500)	(17,500)	-
Total other financing sources (uses)	(17,500)	(17,500)	(17,500)	-
NET CHANGE IN FUND BALANCES	(72,201)	(5,689)	41,481	47,170
FUND BALANCE - Beginning of year	126,331	126,331	126,331	-
FUND BALANCE - End of year	\$ 54,130	\$ 120,642	\$ 167,812	\$ 47,170

CITY OF HOLLAND, MICHIGAN

SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL

UNDERGROUND STORAGE TANK FINANCIAL ASSURANCE FUND

YEAR ENDED JUNE 30, 2006

	ORIGINAL BUDGET	FINAL AMENDED BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
REVENUES:				
Special assessments	\$ -	\$ -	\$ -	\$ -
Property taxes	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	-	1,347	12,734	11,387
Fines and fees	-	-	-	-
Contributions from private sector	-	-	-	-
Investment earnings	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	-	1,347	12,734	11,387
EXPENDITURES:				
Current				
Personal services	-	-	-	-
Other services and charges	10,000	13,347	23,877	10,530
Capital outlay	-	-	-	-
Contingency	-	-	-	-
Total expenditures	10,000	13,347	23,877	10,530
Excess of revenues over expenditures	(10,000)	(12,000)	(11,143)	857
OTHER FINANCING SOURCES (USES):				
Transfers in	10,000	9,080	8,223	(857)
Transfers out	-	-	-	-
Total other financing sources (uses)	10,000	9,080	8,223	(857)
NET CHANGE IN FUND BALANCES	-	(2,920)	(2,920)	-
FUND BALANCE - Beginning of year	2,920	2,920	2,920	-
FUND BALANCE - End of year	\$ 2,920	\$ -	\$ -	\$ -

CITY OF HOLLAND, MICHIGAN
 SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL

AIRPORT DONATIONS FUND

YEAR ENDED JUNE 30, 2006

	ORIGINAL BUDGET	FINAL AMENDED BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
REVENUES:				
Special assessments	\$ -	\$ -	\$ -	\$ -
Property taxes	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Fines and fees	-	-	-	-
Contributions from private sector	60,000	9,933	9,933	-
Investment earnings	100	250	452	202
Miscellaneous	-	-	-	-
Total revenues	60,100	10,183	10,385	202
EXPENDITURES:				
Current				
Personal services	-	-	-	-
Other services and charges	-	-	-	-
Capital outlay	-	-	-	-
Contingency	-	-	-	-
Total expenditures	-	-	-	-
Excess of revenues over expenditures	60,100	10,183	10,385	202
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
Transfers out	(60,000)	(10,100)	(10,100)	-
Total other financing sources (uses)	(60,000)	(10,100)	(10,100)	-
NET CHANGE IN FUND BALANCES	100	83	285	202
FUND BALANCE - Beginning of year	5,916	5,916	5,916	-
FUND BALANCE - End of year	\$ 6,016	\$ 5,999	\$ 6,201	\$ 202

CITY OF HOLLAND, MICHIGAN
 SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL

MEDC UNIFORM COLOR GRANT FUND

YEAR ENDED JUNE 30, 2006

	ORIGINAL BUDGET	FINAL AMENDED BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
REVENUES:				
Special assessments	\$ -	\$ -	\$ -	\$ -
Property taxes	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental	203,964	203,964	102	(203,862)
Charges for services	-	-	-	-
Fines and fees	-	-	-	-
Contributions from private sector	-	-	-	-
Investment earnings	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	203,964	203,964	102	(203,862)
EXPENDITURES:				
Current				
Personal services	-	-	-	-
Other services and charges	130,585	130,585	102	(130,483)
Capital outlay	73,379	73,379	286	(73,093)
Contingency	-	-	-	-
Total expenditures	203,964	203,964	388	(203,576)
Excess of revenues over expenditures	-	-	(286)	(286)
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	286	286
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	286	286
NET CHANGE IN FUND BALANCES	-	-	-	-
FUND BALANCE - Beginning of year	-	-	-	-
FUND BALANCE - End of year	\$ -	\$ -	\$ -	\$ -

CITY OF HOLLAND, MICHIGAN
 SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL

POLICE CRIMINAL JUSTICE TRAINING FUND

YEAR ENDED JUNE 30, 2006

	ORIGINAL BUDGET	FINAL AMENDED BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
REVENUES:				
Special assessments	\$ -	\$ -	\$ -	\$ -
Property taxes	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental	13,000	14,000	14,294	294
Charges for services	-	-	-	-
Fines and fees	-	-	-	-
Contributions from private sector	-	-	-	-
Investment earnings	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	13,000	14,000	14,294	294
EXPENDITURES:				
Current				
Personal services	-	-	-	-
Other services and charges	13,000	14,000	13,783	(217)
Capital outlay	-	-	-	-
Contingency	-	-	-	-
Total expenditures	13,000	14,000	13,783	(217)
Excess of revenues over expenditures	-	-	511	511
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
NET CHANGE IN FUND BALANCES	-	-	511	511
FUND BALANCE - Beginning of year	1,575	1,575	1,575	-
FUND BALANCE - End of year	\$ 1,575	\$ 1,575	\$ 2,086	\$ 511

CITY OF HOLLAND, MICHIGAN
 SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL

POLICE COMMUNITY RELATIONS FUND

YEAR ENDED JUNE 30, 2006

	ORIGINAL BUDGET	FINAL AMENDED BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
REVENUES:				
Special assessments	\$ -	\$ -	\$ -	\$ -
Property taxes	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Fines and fees	-	-	-	-
Contributions from private sector	5,300	200	134	(66)
Investment earnings	800	844	673	(171)
Miscellaneous	-	-	-	-
Total revenues	6,100	1,044	807	(237)
EXPENDITURES:				
Current				
Personal services	-	-	-	-
Other services and charges	14,500	13,600	12,909	(691)
Capital outlay	-	-	-	-
Contingency	-	-	-	-
Total expenditures	14,500	13,600	12,909	(691)
Excess of revenues over expenditures	(8,400)	(12,556)	(12,102)	454
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
NET CHANGE IN FUND BALANCES	(8,400)	(12,556)	(12,102)	454
FUND BALANCE - Beginning of year	21,629	21,629	21,629	-
FUND BALANCE - End of year	\$ 13,229	\$ 9,073	\$ 9,527	\$ 454

CITY OF HOLLAND, MICHIGAN
 SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL

ANTI-DRUG ABUSE WEMET GRANTS FUND

YEAR ENDED JUNE 30, 2006

	ORIGINAL BUDGET	FINAL AMENDED BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
REVENUES:				
Special assessments	\$ -	\$ -	\$ -	\$ -
Property taxes	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental	34,012	151,223	105,999	(45,224)
Charges for services	-	-	-	-
Fines and fees	-	-	-	-
Contributions from private sector	-	-	-	-
Investment earnings	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	34,012	151,223	105,999	(45,224)
EXPENDITURES:				
Current				
Personal services	68,023	298,244	207,936	(90,308)
Other services and charges	-	-	-	-
Capital outlay	-	-	-	-
Contingency	-	-	-	-
Total expenditures	68,023	298,244	207,936	(90,308)
Excess of revenues over expenditures	(34,011)	(147,021)	(101,937)	45,084
OTHER FINANCING SOURCES (USES):				
Transfers in	34,011	147,021	101,937	(45,084)
Transfers out	-	-	-	-
Total other financing sources (uses)	34,011	147,021	101,937	(45,084)
NET CHANGE IN FUND BALANCES	-	-	-	-
FUND BALANCE - Beginning of year	-	-	-	-
FUND BALANCE - End of year	\$ -	\$ -	\$ -	\$ -

CITY OF HOLLAND, MICHIGAN

SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL

OFFICE OF HIGHWAY SAFETY PLANNING (OHSP) GRANT FUND

YEAR ENDED JUNE 30, 2006

	ORIGINAL BUDGET	FINAL AMENDED BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
REVENUES:				
Special assessments	\$ -	\$ -	\$ -	\$ -
Property taxes	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental	46,717	109,726	93,245	(16,481)
Charges for services	-	-	-	-
Fines and fees	-	-	-	-
Contributions from private sector	-	-	-	-
Investment earnings	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	46,717	109,726	93,245	(16,481)
EXPENDITURES:				
Current				
Personal services	33,866	94,323	79,255	(15,068)
Other services and charges	-	1,885	656	(1,229)
Capital outlay	12,851	13,518	13,334	(184)
Contingency	-	-	-	-
Total expenditures	46,717	109,726	93,245	(16,481)
Excess of revenues over expenditures	-	-	-	-
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
NET CHANGE IN FUND BALANCES	-	-	-	-
FUND BALANCE - Beginning of year	-	-	-	-
FUND BALANCE - End of year	\$ -	\$ -	\$ -	\$ -

CITY OF HOLLAND, MICHIGAN
 SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL

LAW ENFORCEMENT BLOCK GRANTS FUND

YEAR ENDED JUNE 30, 2006

	ORIGINAL BUDGET	FINAL AMENDED BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
REVENUES:				
Special assessments	\$ -	\$ -	\$ -	\$ -
Property taxes	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental	1,803	27,501	24,001	(3,500)
Charges for services	-	-	-	-
Fines and fees	-	-	-	-
Contributions from private sector	-	-	-	-
Investment earnings	-	-	253	253
Miscellaneous	-	-	-	-
Total revenues	1,803	27,501	24,254	(3,247)
EXPENDITURES:				
Current				
Personal services	-	-	-	-
Other services and charges	-	-	-	-
Capital outlay	2,266	38,499	34,563	(3,936)
Contingency	-	-	-	-
Total expenditures	2,266	38,499	34,563	(3,936)
Excess of revenues over expenditures	(463)	(10,998)	(10,309)	689
OTHER FINANCING SOURCES (USES):				
Transfers in	284	10,819	10,560	(259)
Transfers out	-	-	-	-
Total other financing sources (uses)	284	10,819	10,560	(259)
NET CHANGE IN FUND BALANCES	(179)	(179)	251	430
FUND BALANCE - Beginning of year	180	180	180	-
FUND BALANCE - End of year	\$ 1	\$ 1	\$ 431	\$ 430

CITY OF HOLLAND, MICHIGAN
 SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL

FEMA FIREFIGHTERS GRANT FUND

YEAR ENDED JUNE 30, 2006

	ORIGINAL BUDGET	FINAL AMENDED BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
REVENUES:				
Special assessments	\$ -	\$ -	\$ -	\$ -
Property taxes	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental	14,743	14,743	14,743	-
Charges for services	-	-	-	-
Fines and fees	-	-	-	-
Contributions from private sector	-	-	-	-
Investment earnings	-	-	-	-
Miscellaneous	2,294	2,274	2,274	-
Total revenues	17,037	17,017	17,017	-
EXPENDITURES:				
Current				
Personal services	-	-	-	-
Other services and charges	18,675	18,865	18,865	-
Capital outlay	-	-	-	-
Contingency	-	-	-	-
Total expenditures	18,675	18,865	18,865	-
Excess of revenues over expenditures	(1,638)	(1,848)	(1,848)	-
OTHER FINANCING SOURCES (USES):				
Transfers in	1,638	1,848	1,848	-
Transfers out	-	-	-	-
Total other financing sources (uses)	1,638	1,848	1,848	-
NET CHANGE IN FUND BALANCES	-	-	-	-
FUND BALANCE - Beginning of year	-	-	-	-
FUND BALANCE - End of year	\$ -	\$ -	\$ -	\$ -

CITY OF HOLLAND, MICHIGAN
 SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL

HOMELAND SECURITY GRANT FUND

YEAR ENDED JUNE 30, 2006

	ORIGINAL BUDGET	FINAL AMENDED BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
REVENUES:				
Special assessments	\$ -	\$ -	\$ -	\$ -
Property taxes	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental	45,180	50,589	59,052	8,463
Charges for services	-	-	-	-
Fines and fees	-	-	-	-
Contributions from private sector	-	-	-	-
Investment earnings	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	45,180	50,589	59,052	8,463
EXPENDITURES:				
Current				
Personal services	-	-	-	-
Other services and charges	-	-	-	-
Capital outlay	45,180	50,589	59,052	8,463
Contingency	-	-	-	-
Total expenditures	45,180	50,589	59,052	8,463
Excess of revenues over expenditures	-	-	-	-
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
NET CHANGE IN FUND BALANCES	-	-	-	-
FUND BALANCE - Beginning of year	-	-	-	-
FUND BALANCE - End of year	\$ -	\$ -	\$ -	\$ -

CITY OF HOLLAND, MICHIGAN

SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL

TECHNOLOGY TRANSFER PROGRAM GRANT FUND

YEAR ENDED JUNE 30, 2006

	ORIGINAL BUDGET	FINAL AMENDED BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
REVENUES:				
Special assessments	\$ -	\$ -	\$ -	\$ -
Property taxes	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental	-	16,000	16,000	-
Charges for services	-	-	-	-
Fines and fees	-	-	-	-
Contributions from private sector	-	-	-	-
Investment earnings	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	-	16,000	16,000	-
EXPENDITURES:				
Current				
Personal services	-	-	-	-
Other services and charges	-	-	-	-
Capital outlay	-	16,000	16,000	-
Contingency	-	-	-	-
Total expenditures	-	16,000	16,000	-
Excess of revenues over expenditures	-	-	-	-
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
NET CHANGE IN FUND BALANCES	-	-	-	-
FUND BALANCE - Beginning of year	-	-	-	-
FUND BALANCE - End of year	\$ -	\$ -	\$ -	\$ -

CITY OF HOLLAND, MICHIGAN
 SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL

MCOLES ACCIDENT INVESTIGATION GRANT FUND

YEAR ENDED JUNE 30, 2006

	ORIGINAL BUDGET	FINAL AMENDED BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
REVENUES:				
Special assessments	\$ -	\$ -	\$ -	\$ -
Property taxes	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental	-	45,971	28,348	(17,623)
Charges for services	-	-	-	-
Fines and fees	-	-	-	-
Contributions from private sector	-	-	-	-
Investment earnings	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	-	45,971	28,348	(17,623)
EXPENDITURES:				
Current				
Personal services	-	-	-	-
Other services and charges	-	45,971	28,348	(17,623)
Capital outlay	-	-	-	-
Contingency	-	-	-	-
Total expenditures	-	45,971	28,348	(17,623)
Excess of revenues over expenditures	-	-	-	-
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
NET CHANGE IN FUND BALANCES	-	-	-	-
FUND BALANCE - Beginning of year	-	-	-	-
FUND BALANCE - End of year	\$ -	\$ -	\$ -	\$ -

CITY OF HOLLAND, MICHIGAN
 SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL

DISTRICT LIBRARY TAXATION FUND

YEAR ENDED JUNE 30, 2006

	ORIGINAL BUDGET	FINAL AMENDED BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
REVENUES:				
Special assessments	\$ -	\$ -	\$ -	\$ -
Property taxes	1,495,431	1,502,230	1,505,910	3,680
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Fines and fees	-	-	-	-
Contributions from private sector	-	-	-	-
Investment earnings	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	1,495,431	1,502,230	1,505,910	3,680
EXPENDITURES:				
Current				
Personal services	-	-	-	-
Other services and charges	1,495,431	1,506,024	1,509,170	3,146
Capital outlay	-	-	-	-
Debt Services				
Interest and fiscal charges	-	-	-	-
Contingency	-	-	-	-
Total expenditures	1,495,431	1,506,024	1,509,170	3,146
Excess of revenues over expenditures	-	(3,794)	(3,260)	534
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
NET CHANGE IN FUND BALANCES	-	(3,794)	(3,260)	534
FUND BALANCE - Beginning of year	3,797	3,797	3,797	-
FUND BALANCE - End of year	\$ 3,797	\$ 3	\$ 537	\$ 534

CITY OF HOLLAND, MICHIGAN
 SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL

BICENTENNIAL CELEBRATION FUND

YEAR ENDED JUNE 30, 2006

	ORIGINAL BUDGET	FINAL AMENDED BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
REVENUES:				
Special assessments	\$ -	\$ -	\$ -	\$ -
Property taxes	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Fines and fees	-	-	-	-
Contributions from private sector	-	-	-	-
Investment earnings	200	-	267	267
Miscellaneous	-	-	-	-
Total revenues	200	-	267	267
EXPENDITURES:				
Current				
Personal services	-	-	-	-
Other services and charges	-	-	-	-
Capital outlay	-	-	-	-
Debt Services				
Interest and fiscal charges	-	-	-	-
Contingency	-	-	-	-
Total expenditures	-	-	-	-
Excess of revenues over expenditures	200	-	267	267
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
NET CHANGE IN FUND BALANCES	200	-	267	267
FUND BALANCE - Beginning of year	6,890	6,890	6,890	-
FUND BALANCE - End of year	\$ 7,090	\$ 6,890	\$ 7,157	\$ 267

CITY OF HOLLAND, MICHIGAN
 SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL

MSHDA GRANTS FUND

YEAR ENDED JUNE 30, 2006

	ORIGINAL BUDGET	FINAL AMENDED BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
REVENUES:				
Special assessments	\$ -	\$ -	\$ -	\$ -
Property taxes	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental	365,900	365,900	163,724	(202,176)
Charges for services	-	-	-	-
Fines and fees	-	-	-	-
Contributions from private sector	-	-	-	-
Investment earnings	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	365,900	365,900	163,724	(202,176)
EXPENDITURES:				
Current				
Personal services	68,163	68,163	12,986	(55,177)
Other services and charges	297,737	297,737	150,738	(146,999)
Capital outlay	-	-	-	-
Debt Services				
Interest and fiscal charges	-	-	-	-
Contingency	-	-	-	-
Total expenditures	365,900	365,900	163,724	(202,176)
Excess of revenues over expenditures	-	-	-	-
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
NET CHANGE IN FUND BALANCES	-	-	-	-
FUND BALANCE - Beginning of year	-	-	-	-
FUND BALANCE - End of year	\$ -	\$ -	\$ -	\$ -

CITY OF HOLLAND, MICHIGAN
 SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL

CDBG GRANTS FUND

YEAR ENDED JUNE 30, 2006

	ORIGINAL BUDGET	FINAL AMENDED BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
REVENUES:				
Special assessments	\$ -	\$ -	\$ -	\$ -
Property taxes	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental	662,800	1,001,365	411,161	(590,204)
Charges for services	-	-	-	-
Fines and fees	-	-	-	-
Contributions from private sector	44,480	240,313	190,565	(49,748)
Investment earnings	-	-	-	-
Miscellaneous	-	6,557	7,604	1,047
Total revenues	707,280	1,248,235	609,330	(638,905)
EXPENDITURES:				
Current				
Personal services	110,510	187,304	87,145	(100,159)
Other services and charges	596,770	1,060,931	522,185	(538,746)
Capital outlay	-	-	-	-
Debt Services				
Interest and fiscal charges	-	-	-	-
Contingency	-	-	-	-
Total expenditures	707,280	1,248,235	609,330	(638,905)
Excess of revenues over expenditures	-	-	-	-
OTHER FINANCING SOURCES (USES):				
Transfers in	7,841	21,921	7,841	(14,080)
Transfers out	(7,841)	(21,921)	(7,841)	14,080
Total other financing sources (uses)	-	-	-	-
NET CHANGE IN FUND BALANCES	-	-	-	-
FUND BALANCE - Beginning of year	-	-	-	-
FUND BALANCE - End of year	\$ -	\$ -	\$ -	\$ -

CITY OF HOLLAND, MICHIGAN

SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL

IMLS LEARNING OPPORTUNITY NATURE GRANT FUND

YEAR ENDED JUNE 30, 2006

	ORIGINAL BUDGET	FINAL AMENDED BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
REVENUES:				
Special assessments	\$ -	\$ -	\$ -	\$ -
Property taxes	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental	16,402	41,315	25,479	(15,836)
Charges for services	-	-	-	-
Fines and fees	-	-	-	-
Contributions from private sector	-	-	-	-
Investment earnings	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	16,402	41,315	25,479	(15,836)
EXPENDITURES:				
Current				
Personal services	33,665	57,978	42,983	(14,995)
Other services and charges	7,650	8,250	7,410	(840)
Capital outlay	-	-	-	-
Debt Services				
Interest and fiscal charges	-	-	-	-
Contingency	-	-	-	-
Total expenditures	41,315	66,228	50,393	(15,835)
Excess of revenues over expenditures	(24,913)	(24,913)	(24,914)	(1)
OTHER FINANCING SOURCES (USES):				
Transfers in	24,913	24,913	24,914	1
Transfers out	-	-	-	-
Total other financing sources (uses)	24,913	24,913	24,914	1
NET CHANGE IN FUND BALANCES	-	-	-	-
FUND BALANCE - Beginning of year	-	-	-	-
FUND BALANCE - End of year	\$ -	\$ -	\$ -	\$ -

CITY OF HOLLAND, MICHIGAN

SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL

NEIGHBORHOOD IMPACT PROGRAM (NIP) GRANT FUND

YEAR ENDED JUNE 30, 2006

	ORIGINAL BUDGET	FINAL AMENDED BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
REVENUES:				
Special assessments	\$ -	\$ -	\$ -	\$ -
Property taxes	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Fines and fees	-	-	-	-
Contributions from private sector	223	2,685	2,635	(50)
Investment earnings	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	223	2,685	2,635	(50)
EXPENDITURES:				
Current				
Personal services	223	2,685	2,635	(50)
Other services and charges	-	-	-	-
Capital outlay	-	-	-	-
Debt Services				
Interest and fiscal charges	-	-	-	-
Contingency	-	-	-	-
Total expenditures	223	2,685	2,635	(50)
Excess of revenues over expenditures	-	-	-	-
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
NET CHANGE IN FUND BALANCES	-	-	-	-
FUND BALANCE - Beginning of year	-	-	-	-
FUND BALANCE - End of year	\$ -	\$ -	\$ -	\$ -

CITY OF HOLLAND, MICHIGAN
 SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL

BUDGET STABILIZATION FUND

YEAR ENDED JUNE 30, 2006

	ORIGINAL BUDGET	FINAL AMENDED BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
REVENUES:				
Special assessments	\$ -	\$ -	\$ -	\$ -
Property taxes	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Fines and fees	-	-	-	-
Contributions from private sector	-	-	-	-
Investment earnings	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	-	-	-	-
EXPENDITURES:				
Current				
Personal services	-	-	-	-
Other services and charges	10,000	64,000	52,731	(11,269)
Capital outlay	-	-	-	-
Contingency	-	-	-	-
Total expenditures	10,000	64,000	52,731	(11,269)
Excess of revenues over expenditures	(10,000)	(64,000)	(52,731)	11,269
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
Transfers out	(136,000)	(136,000)	(136,000)	-
Total other financing sources (uses)	(136,000)	(136,000)	(136,000)	-
NET CHANGE IN FUND BALANCES	(146,000)	(200,000)	(188,731)	11,269
FUND BALANCE - Beginning of year	1,872,659	1,756,220	1,756,220	-
FUND BALANCE - End of year	\$ 1,872,659	\$ 1,556,220	\$ 1,567,489	\$ 11,269

CITY OF HOLLAND, MICHIGAN
 SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL

CEMETERY PERPETUAL CARE FUND

YEAR ENDED JUNE 30, 2006

	ORIGINAL BUDGET	FINAL AMENDED BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
REVENUES:				
Special assessments	\$ -	\$ -	\$ -	\$ -
Property taxes	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	62,000	34,300	33,125	(1,175)
Fines and fees	-	-	-	-
Contributions from private sector	-	-	-	-
Investment earnings	48,639	77,860	69,014	(8,846)
Miscellaneous	-	-	-	-
Total revenues	110,639	112,160	102,139	(10,021)
EXPENDITURES:				
Current				
Personal services	-	-	-	-
Other services and charges	-	-	-	-
Capital outlay	-	-	-	-
Contingency	-	-	-	-
Total expenditures	-	-	-	-
Excess of revenues over expenditures	110,639	112,160	102,139	(10,021)
OTHER FINANCING SOURCES (USES):				
Transfers in	7,757	7,757	7,757	-
Transfers out	(304,545)	(333,771)	(303,554)	30,217
Total other financing sources (uses)	(296,788)	(326,014)	(295,797)	30,217
NET CHANGE IN FUND BALANCES	(186,149)	(213,854)	(193,658)	20,196
FUND BALANCE - Beginning of year	1,820,603	1,820,603	1,820,603	-
FUND BALANCE - End of year	\$ 1,634,454	\$ 1,606,749	\$ 1,626,945	\$ 20,196

- - - **FUND TYPE: ENTERPRISE FUNDS** - - -

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

ELECTRIC UTILITY FUND

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

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

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

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

WASTEWATER UTILITY FUND

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

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

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

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

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

WATER UTILITY FUND

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

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

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

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

REFUSE AND RECYCLING PICKUP FUND

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

At June 30, 2006, the residential customer count for this service is:

- Single-family residences and multi-family housing developments of up to 4-family units = 8,793
- Multi-family housing developments of greater than 4-family units = 5

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

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

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

WINDMILL ISLAND FUND

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

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

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

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

DEPOT OPERATIONS FUND

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

- a passenger loading/unloading stop for Amtrak Railroad – Greyhound Bus –, MAX local-area bus system (in the ensuing fiscal year Indian Trails will take over the bus service).
- administrative offices - for the local *Tourist Bureau / Tulip Time Festival*.

Financing is received primarily from office and building space rentals, together with transfers from other City funds. Outlay items include general operating, maintenance, and security. No long-term debt exists in this fund.

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

MUNICIPAL AIRPORT FUND

Since 1986, the City of Holland has owned and operated the Tulip City Airport. The initial purchase and major enhancements to the airport have been financed primarily by grants from the Federal Aviation Administration and the Michigan Bureau of Aeronautics, along with several contributions from the private sector. Per requirements of a City Charter amendment, no local tax dollars may be used for airport purposes without specific voter approval.

This fund provides financial accountability for certain operational and maintenance expenses of the airport facility. Revenues are generated as a result of contractual agreements for uses and privileges at the airport. An annual franchise fee is paid to this fund by a Fixed Base Operator (FBO), a private sector company that is given authorization by the City to manage and operate the airport. In exchange for the franchise fee, the FBO is authorized to retain profits from various airport operations, such as aircraft maintenance, flight training, charter flights, aircraft storage, gasoline sales, etc. Other revenue sources include *T-Hanger* leases, private hanger land-leases, and agricultural land-leases.

The Michigan Bureau of Aeronautics administers and provides financial oversight/accounting of major capital acquisitions and improvements to the airport. However, this fund reflects the total capital assets and federal and state capital grant revenues for acquisitions and major improvements.

Two long-term *Installment Purchase Obligation* debt instruments (originally issued in 1989 and 1995) provided financing for construction of three T-Hanger buildings for smaller-sized aircraft. At June 30, 2006, there remains an outstanding liability balance on the 1995 obligation; whereas the final maturity on the 1989 obligation occurred in fiscal year 2005. Debt service is financed by monthly rental income received from users of the T-Hanger facilities.

It is anticipated that during the ensuing fiscal year an Airport Authority, to include several local jurisdictions, will be formed and much planning is ongoing toward that end goal.

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

MACATAWA AREA PUBLIC TRANSIT SYSTEM FUND

The City of Holland, together with the neighboring municipalities of Holland Charter Township and City of Zeeland, have entered into a joint agreement to provide public busing transportation services. This system is officially titled the Macatawa Area Express System ("MAX" = short-name).

The MAX serves the citizens of these communities with both a fixed-route bus system, as well as a demand-response personalized system. The system is meant to benefit all local area citizens, but especially seniors, handicapped, and low-income people for whom local mobility would otherwise be impeded or near impossible. Various passenger fare ticket programs are made available that provide both a cost-savings and more efficiency for using the system, especially for routine and frequent users.

Daily administration and operations is contracted to a private-sector firm to perform this function, to include routine management, dispatching, and hiring & supervision of drivers.

The program is heavily subsidized by federal & state assistance grants, together with local property taxation. Passenger fares generate a small portion of total revenues. No long-term debt presently exists for this fund.

On June 7, 2006 the City of Holland adopted a resolution to form the Macatawa Area Express Transportation Authority with an incorporation date of 7/1/06, along with Holland Charter Township. The authority is authorized to levy a tax up to 0.4 mills if approved by the voters at the November 11, 2006 election. The millage cannot be increased to an amount exceeding 0.4 mills without the prior approval of the City of Holland and Holland Charter Township as well as a majority of the voters within the Authority boundaries. Between July 1, 2006 and June 30, 2007 the Authority exists under an "interim period" status.

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

CITY OF HOLLAND, MICHIGAN
 COMBINING STATEMENT OF NET ASSETS
 NONMAJOR ENTERPRISE FUNDS

JUNE 30, 2006

<u>ASSETS</u>	REFUSE AND RECYCLING PICKUP	WINDMILL ISLAND	DEPOT OPERATIONS
CURRENT ASSETS:			
Cash and pooled investments	\$ 35,653	\$ 59,491	\$ 10,641
Accounts receivable	150,585	10,678	522
Taxes and special assessments receivable	-	-	-
Due from other governmental units	-	-	-
Total current assets	186,238	70,169	11,163
NONCURRENT ASSETS:			
Restricted assets			
Cash and pooled investments	325,000	-	-
Total restricted assets	325,000	-	-
CAPITAL ASSETS:			
Land	-	99,809	291,300
Construction in Process	-	-	-
Machinery and equipment	479,203	2,034,265	2,213,994
Accumulated depreciation	(210,333)	(1,134,429)	(924,576)
Total capital assets	268,870	999,645	1,580,718
Total noncurrent assets	593,870	999,645	1,580,718
Total assets	780,108	1,069,814	1,591,881
 <u>LIABILITIES</u>			
CURRENT LIABILITIES:			
Accounts payable	76,351	14,749	3,597
Accrued payroll and benefits	279	8,748	71
Due to other funds	-	1,694	2,305
Deposits	-	34,175	-
Deferred revenue	-	-	5,190
Bonds and lease purchases payable - Current	-	-	-
Total current liabilities	76,630	59,366	11,163
NONCURRENT LIABILITIES:			
Earned employee compensated absences	-	10,803	-
Bonds payable and lease purchases payable	-	-	-
Total noncurrent liabilities	-	10,803	-
Total liabilities	76,630	70,169	11,163
NET ASSETS:			
Invested in capital assets, net of related debt	268,870	999,645	1,580,718
Restricted for capital projects and by agreement	325,000	-	-
Unrestricted	109,608	-	-
Total net assets	\$ 703,478	\$ 999,645	\$ 1,580,718

Exhibit C-1

MUNICIPAL AIRPORT	MACATAWA AREA PUBLIC TRANSIT SYSTEM	TOTAL
\$ 243,370	\$ 139,483	\$ 488,638
4,600	13,048	179,433
-	46	46
15,452	1,088,179	1,103,631
263,422	1,240,756	1,771,748
-	601,348	926,348
-	601,348	926,348
4,798,502	-	5,189,611
5,521,589	6,018	5,527,607
7,716,841	3,920,770	16,365,073
(5,415,253)	(1,693,142)	(9,377,733)
12,621,679	2,233,646	17,704,558
12,621,679	2,834,994	18,630,906
12,885,101	4,075,750	20,402,654
5,762	105,739	206,198
-	1,893	10,991
97	686,967	691,063
-	-	34,175
2,853	8,700	16,743
13,000	-	13,000
21,712	803,299	972,170
-	2,101	12,904
45,000	-	45,000
45,000	2,101	57,904
66,712	805,400	1,030,074
12,563,679	2,233,646	17,646,558
-	601,348	926,348
254,710	435,356	799,674
\$ 12,818,389	\$ 3,270,350	\$ 19,372,580

CITY OF HOLLAND, MICHIGAN

COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
NONMAJOR ENTERPRISE FUNDS

YEAR ENDED JUNE 30, 2006

	REFUSE AND RECYCLING PICKUP	WINDMILL ISLAND	DEPOT OPERATIONS
OPERATING REVENUES			
Admissions and fares	\$ -	\$ -	\$ -
Use fees and charges for services	1,217,273	312,360	-
Rentals	-	24,725	36,757
Total operating revenues	1,217,273	337,085	36,757
OPERATING EXPENSES:			
Personal services	121,953	341,058	10,877
Other current expenses	999,653	216,831	62,120
Depreciation	61,530	68,318	81,261
Total operating expenses	1,183,136	626,207	154,258
OPERATING INCOME (LOSS)	34,137	(289,122)	(117,501)
NONOPERATING REVENUES (EXPENSES):			
Property taxes	-	-	-
Federal and/or state grants	-	-	-
Miscellaneous private donations	2,621	65	-
Investment earnings	12,659	894	-
Interest expense	-	-	-
Gain (loss) on disposal of capital assets	(333)	(8,473)	-
Total nonoperating revenues (expenses)	14,947	(7,514)	-
INCOME (LOSS) - Before transfers	49,084	(296,636)	(117,501)
Transfers in	-	301,194	36,241
Transfers out	-	-	-
CHANGES IN NET ASSETS	49,084	4,558	(81,260)
NET ASSETS - Beginning of year	654,394	995,087	1,661,978
NET ASSETS - End of year	\$ 703,478	\$ 999,645	\$ 1,580,718

Exhibit C-2

MUNICIPAL AIRPORT	MACATAWA AREA PUBLIC TRANSIT SYSTEM	TOTAL
\$ -	\$ 218,376	\$ 218,376
22,760	144,679	1,697,072
127,036	-	188,518
149,796	363,055	2,103,966
-	110,813	584,701
80,998	2,627,612	3,987,214
349,793	395,460	956,362
430,791	3,133,885	5,528,277
(280,995)	(2,770,830)	(3,424,311)
-	113,079	113,079
2,017,772	2,871,270	4,889,042
-	-	2,686
8,059	16,624	38,236
(4,625)	-	(4,625)
-	-	(8,806)
2,021,206	3,000,973	5,029,612
1,740,211	230,143	1,605,301
10,100	-	347,535
-	(3,900)	(3,900)
1,750,311	226,243	1,948,936
11,068,078	3,044,107	17,423,644
\$ 12,818,389	\$ 3,270,350	\$ 19,372,580

CITY OF HOLLAND, MICHIGAN

COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS

YEAR ENDED JUNE 30, 2006

	REFUSE AND RECYCLING PICKUP	WINDMILL ISLAND	DEPOT OPERATIONS
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers and users	\$ 1,210,340	\$ 374,312	\$ 36,362
Payments to suppliers	(1,025,587)	(257,206)	(60,024)
Payments to employees	(122,149)	(338,239)	(10,876)
Net cash provided by (used in) operating activities	62,604	(221,133)	(34,538)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Principal payments on long-term debt	-	-	-
Interest on long-term debt	-	-	-
Purchase of capital assets	(111,898)	(88,688)	-
Net cash provided by (used in) capital and related financing activities	(111,898)	(88,688)	-
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Property taxes	-	-	-
Federal and/or state grants	-	-	-
Miscellaneous private donations	2,621	65	-
Intergovernmental payments	(14)	-	-
Intergovernmental receipts	-	301,514	36,335
Net cash provided by (used in) noncapital financing activities	2,607	301,579	36,335
CASH FLOWS FROM INVESTING ACTIVITIES:			
Investment earnings	12,659	894	-
Net cash provided by (used in) investing activities	12,659	894	-
NET INCREASE (DECREASE) IN CASH AND POOLED INVESTMENTS	(34,028)	(7,348)	1,797
CASH AND POOLED INVESTMENTS - Beginning of year	394,681	66,839	8,844
CASH AND POOLED INVESTMENTS - End of year	\$ 360,653	\$ 59,491	\$ 10,641
STATEMENT OF NET ASSETS CLASSIFICATIONS OF CASH AND POOLED INVESTMENTS:			
Current assets	\$ 35,653	\$ 59,491	\$ 10,641
Restricted assets	325,000	-	-
TOTAL STATEMENT OF NET ASSETS CLASSIFICATION	\$ 360,653	\$ 59,491	\$ 10,641

Exhibit C-3

MUNICIPAL AIRPORT	MACATAWA AREA PUBLIC TRANSIT SYSTEM	TOTAL
\$ 152,649	\$ 419,845	\$ 2,193,508
(77,032)	(2,888,322)	(4,308,171)
-	(115,012)	(586,276)
75,617	(2,583,489)	(2,700,939)
(12,000)	-	(12,000)
(4,625)	-	(4,625)
(2,108,972)	(702,160)	(3,011,718)
(2,125,597)	(702,160)	(3,028,343)
-	113,317	113,317
1,983,111	2,660,405	4,643,516
-	-	2,686
-	-	(14)
10,197	404,031	752,077
1,993,308	3,177,753	5,511,582
8,059	16,624	38,236
8,059	16,624	38,236
(48,613)	(91,272)	(179,464)
291,983	832,103	1,594,450
\$ 243,370	\$ 740,831	\$ 1,414,986
\$ 243,370	\$ 139,483	\$ 488,638
-	601,348	926,348
\$ 243,370	\$ 740,831	\$ 1,414,986

(Continued)

CITY OF HOLLAND, MICHIGAN
 COMBINING STATEMENT OF CASH FLOWS
 NONMAJOR ENTERPRISE FUNDS

YEAR ENDED JUNE 30, 2006

	REFUSE AND RECYCLING PICKUP	WINDMILL ISLAND	DEPOT OPERATIONS
Reconciliation of operating income to net cash provided (used) by operating activities:			
Operating income (loss)	\$ 34,137	\$ (289,122)	\$ (117,501)
Adjustment to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation	61,530	68,318	81,261
Loss on disposal of assets	-	-	-
Changes in operating assets and liabilities:			
Accounts receivable	(6,933)	5,402	(522)
Prepaid items	-	1,121	-
Accounts payable	(25,934)	(41,496)	2,096
Accrued payroll and benefits	(196)	2,819	1
Deferred revenue	-	31,825	127
Net cash provided by (used in) operating activities	\$ 62,604	\$ (221,133)	\$ (34,538)

Exhibit C-3

MUNICIPAL AIRPORT	MACATAWA AREA PUBLIC TRANSIT SYSTEM	TOTAL
\$ (280,995)	\$ (2,770,830)	\$ (3,424,311)
349,793	395,460	956,362
	296	296
-	48,090	46,037
-	-	1,121
3,966	(261,006)	(322,374)
-	(4,199)	(1,575)
2,853	8,700	43,505
\$ 75,617	\$ (2,583,489)	\$ (2,700,939)

(Concluded)

- - - **FUND TYPE: INTERNAL SERVICE FUNDS** - - -

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

COMPUTER SERVICES FUND

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

Basic functions of the Technology Services Dept include:

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

Established user fee charges to departments include the following elements:

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

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

PHOTOCOPY SERVICES FUND

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

Established user fee charges to departments include the following elements:

- recovery of costs for supplies, such as photocopier paper, machine toner, etc.
- recovery of overhead costs for maintenance to equipment
- surcharge to accumulate reserves for future equipment replacements.

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

- - - **FUND TYPE: INTERNAL SERVICES FUNDS** - - -
(continued)

POSTAGE SERVICES FUND

An automated postage meter machine provides centralized support services to all City Hall departments for U.S. Postal Service mailing purposes. Applicable postage rates are affixed to individual pieces of mail by the metered machine.

Established user fee charges to departments include the following elements:

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

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

COMMUNICATION SERVICES FUND

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

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

Established user fee charges to departments include the following elements:

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

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

FUEL DISPENSING

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

Fuel is purchased in bulk quantities, and stored in large underground tanks. Users (departments) are billed monthly for gasoline and diesel fuel, as recorded and summarized by computer-generated records of gallons dispensed.

Established user fee charges to departments include the following elements:

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

The contractual arrangement between the City and School District for shared facility and operation is determined not to be a joint-venture operation, as defined in *Governmental Accounting Standards Board (GASB) – Statement No. 14*.

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

- - - **FUND TYPE: INTERNAL SERVICE FUNDS** - - -
(continued)

CENTRALIZED VEHICLE/EQUIPMENT FUND

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

GENERAL VEHICLE & EQUIPMENT POOL

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

STREETS VEHICLE & EQUIPMENT POOL

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

CENTRAL MAINTENANCE ACTIVITY

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

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

FIRE VEHICLES & EQUIPMENT POOL FUND

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

Primary financing for this fund is an annual operating transfer from the General Fund derived from a schedule – updated annually – projecting both short-term and long-term cash requirements. Other revenue sources may include Sale of Existing Capital Assets and Investment Income.

- - - **FUND TYPE: INTERNAL SERVICE FUNDS** - - -
(continued)

WORKERS COMPENSATION FUND

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

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

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

EMPLOYEE DISABILITY INCOME PROTECTION FUND

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

The 'short-term' disability coverage continues for up to a maximum of 48 weeks. A commercial long-term disability plan then provides continuation of coverage (for certain groups), providing 60% of the first \$10,000 of employee's monthly income, up to age 65. The commercial carrier for this plan administers disability claim cases.

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

EMPLOYEE & RETIREE HEALTH / DENTAL FUND

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

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

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

- - - **FUND TYPE: INTERNAL SERVICE FUNDS** - - -
(continued)

VEHICLE DAMAGE & LIABILITY FUND

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

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

Revenues to this fund are generated primarily from internally-developed premium charges to various departments and funds.

Expenses are primarily for self-retention vehicle damage claims, as well as commercial insurance premiums for stop-loss (excess) coverage.

PROPERTY DAMAGE FUND

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

Revenues to this fund are generated primarily from internally-developed premium charges to various departments and funds.

Expenses are primarily for self-retention property damage claims, as well as commercial insurance premiums for stop-loss (excess) coverage.

GENERAL LIABILITY & PROFESSIONAL LIABILITY FUND

The City of Holland partially self-insures coverage for the cost of General Liability claims against the City. Coverage's for Public Officials Liability and Law Enforcement Liability are also included in this fund. Administration of claims is handled by a contracted third-party administrator. Commercial insurance coverage is purchased for each individual claim occurrence that exceeds a self-funded retention of \$100,000. The commercial policies provide stop-loss protection at \$100,000 'per occurrence' and 'aggregate' after \$1,000,000 of individual occurrences. The commercial policies also provide additional 'umbrella coverage' up to \$15,000,000 'per occurrence'.

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

COMPENSATED ABSENCES FUND

This fund is used to account for liabilities related to accumulated vacation, longevity, unused sick, comp time and related mandatory fringes across the General Fund and Special Revenue Funds

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

CITY OF HOLLAND, MICHIGAN
 COMBINING STATEMENT OF NET ASSETS
 INTERNAL SERVICE FUNDS

JUNE 30, 2006

TECHNOLOGY SERVICES

<u>ASSETS</u>	<u>COMPUTER SERVICES</u>	<u>PHOTOCOPY SERVICES</u>	<u>POSTAGE SERVICES</u>	<u>COMMUNICATION SERVICES</u>
CURRENT ASSETS:				
Cash and pooled investments	\$ 190,985	\$ 101,575	\$ 188	\$ 7,475
Accounts receivable	951	-	-	-
Prepaid Items	-	-	250	-
Inventories	-	-	7,074	-
Due from other funds	-	-	-	-
Total current assets	191,936	101,575	7,512	7,475
CAPITAL ASSETS:				
Machinery and equipment	1,055,252	135,045	13,818	139,540
Accumulated depreciation	(813,204)	(87,084)	(5,847)	(95,668)
Total capital assets	242,048	47,961	7,971	43,872
Total assets	433,984	149,536	15,483	51,347
<u>LIABILITIES</u>				
CURRENT LIABILITIES:				
Accounts payable	2,562	1,001	-	-
Claims payable	-	-	-	-
Accrued payroll and benefits	5,530	-	-	-
Deferred Revenue	-	-	-	-
Due to other funds	399	-	-	-
Total liabilities	8,491	1,001	-	-
NONCURRENT LIABILITIES:				
Earned employee compensated absences	27,702	-	-	-
Total liabilities	36,193	1,001	-	-
NET ASSETS:				
Invested in capital assets	242,048	47,961	7,971	43,872
Unrestricted	155,743	100,574	7,512	7,475
Total net assets	\$ 397,791	\$ 148,535	\$ 15,483	\$ 51,347

EQUIPMENT SERVICES			INSURANCE SERVICES			
FUEL DISPENSING	CENTRALIZED VEHICLE/ EQUIPMENT	FIRE VEHICLE	WORKERS COMP	DISABILITY INCOME	HEALTH AND DENTAL	
\$ 49,285	\$ 2,423,492	\$ 440,844	\$ 539,271	\$ 70,417	\$ 2,076,374	
20,367	3,397	-	664	633	35,657	
-	-	-	5,000	-	50,034	
36,377	28,393	-	-	-	-	
8,214	2,441	-	-	-	-	
114,243	2,457,723	440,844	544,935	71,050	2,162,065	
50,906	6,241,043	1,875,190	-	-	-	
(32,451)	(3,528,791)	(735,091)	-	-	-	
18,455	2,712,252	1,140,099	-	-	-	
132,698	5,169,975	1,580,943	544,935	71,050	2,162,065	
46,544	38,126	-	1,095	-	252	
-	-	-	-	-	200,000	
-	10,286	-	-	-	-	
-	4,088	-	-	-	-	
18,414	69	-	-	-	-	
64,958	52,569	-	1,095	-	200,252	
-	61,098	-	-	-	-	
64,958	113,667	-	1,095	-	200,252	
18,455	2,712,252	1,140,099	-	-	-	
49,285	2,344,056	440,844	543,840	71,050	1,961,813	
\$ 67,740	\$ 5,056,308	\$ 1,580,943	\$ 543,840	\$ 71,050	\$ 1,961,813	

(Continued)

CITY OF HOLLAND, MICHIGAN
 COMBINING STATEMENT OF NET ASSETS
 INTERNAL SERVICE FUNDS

JUNE 30, 2006

INSURANCE SERVICES

<u>ASSETS</u>	<u>VEHICLE</u>	<u>PROPERTY</u>	<u>LIABILITY</u>	<u>COMPENSATED ABSENCES</u>	<u>TOTAL</u>
CURRENT ASSETS:					
Cash and pooled investments	\$ 171,788	\$ 568,498	\$ 255,509	\$ 1,471,650	\$ 8,367,351
Accounts receivable	-	-	-	-	61,669
Prepaid Items	-	-	20,000	-	75,284
Inventories	-	-	-	-	71,844
Due from other funds	-	-	-	-	10,655
Total current assets	171,788	568,498	275,509	1,471,650	8,586,803
CAPITAL ASSETS:					
Machinery and equipment	-	-	-	-	9,510,794
Accumulated depreciation	-	-	-	-	(5,298,136)
Total capital assets	-	-	-	-	4,212,658
Total assets	171,788	568,498	275,509	1,471,650	12,799,461
<u>LIABILITIES</u>					
CURRENT LIABILITIES:					
Accounts payable	1,125	-	1,385	-	92,090
Claims payable	-	-	50,000	-	250,000
Accrued payroll and benefits	-	-	-	-	15,816
Deferred Revenue	-	-	-	-	4,088
Due to other funds	-	-	50	-	18,932
Total liabilities	1,125	-	51,435	-	380,926
Earned employee compensated absences	-	-	-	1,471,650	1,560,450
	1,125	-	51,435	1,471,650	1,941,376
NET ASSETS:					
Invested in capital assets	-	-	-	-	4,212,658
Unrestricted	170,663	568,498	224,074	-	6,645,427
Total net assets	\$ 170,663	\$ 568,498	\$ 224,074	\$ -	\$ 10,858,085

(Concluded)

CITY OF HOLLAND, MICHIGAN

COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS
INTERNAL SERVICE FUNDS

YEAR ENDED JUNE 30, 2006

	TECHNOLOGY SERVICES			
	COMPUTER SERVICES	PHOTOCOPY SERVICES	POSTAGE SERVICES	COMMUNICATION SERVICES
OPERATING REVENUES:				
Premiums	\$ -	\$ -	\$ -	\$ -
Charges for services	585,195	21,549	24,978	95,641
Rentals	-	-	-	-
Miscellaneous	-	-	-	-
Total operating revenues	585,195	21,549	24,978	95,641
OPERATING EXPENSES:				
Personal services	399,345	-	-	-
Other current expenses	108,191	22,077	25,169	100,269
Depreciation expense	126,226	10,785	1,244	10,252
Total operating expenses	633,762	32,862	26,413	110,521
OPERATING INCOME (LOSS)	(48,567)	(11,313)	(1,435)	(14,880)
NONOPERATING REVENUES (EXPENSES):				
Investment earnings	5,237	4,149	47	353
Gain (loss) on disposal of capital assets	(12,725)	(3,125)	-	-
Total nonoperating revenues (expenses)	(7,488)	1,024	47	353
INCOME (LOSS) - Before transfers	(56,055)	(10,289)	(1,388)	(14,527)
TRANSFERS:				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Net transfers in (out)	-	-	-	-
CHANGE IN NET ASSETS	(56,055)	(10,289)	(1,388)	(14,527)
NET ASSETS - Beginning of year	453,846	158,824	16,871	65,874
NET ASSETS - End of year	\$ 397,791	\$ 148,535	\$ 15,483	\$ 51,347

EQUIPMENT SERVICES			INSURANCE SERVICES		
FUEL DISPENSING	CENTRALIZED VEHICLE/EQUIPMENT	FIRE VEHICLE	WORKERS COMP	DISABILITY INCOME	HEALTH AND DENTAL
\$ -	\$ -	\$ -	\$ 310,152	\$ 101,911	\$ 4,397,965
638,297	337,894	-	-	-	-
-	1,655,564	-	-	-	-
-	3,365	-	833	-	75
638,297	1,996,823	-	310,985	101,911	4,398,040
2,075	646,002	-	-	-	-
632,220	812,419	-	252,304	76,844	3,953,271
2,545	421,719	83,459	-	-	-
636,840	1,880,140	83,459	252,304	76,844	3,953,271
1,457	116,683	(83,459)	58,681	25,067	444,769
668	90,623	15,020	18,716	1,927	52,790
-	14,686	(22,517)	-	-	-
668	105,309	(7,497)	18,716	1,927	52,790
2,125	221,992	(90,956)	77,397	26,994	497,559
-	-	100,000	-	-	-
-	(8,223)	-	(129,900)	-	-
-	(8,223)	100,000	(129,900)	-	-
2,125	213,769	9,044	(52,503)	26,994	497,559
65,615	4,842,539	1,571,899	596,343	44,056	1,464,254
\$ 67,740	\$ 5,056,308	\$ 1,580,943	\$ 543,840	\$ 71,050	\$ 1,961,813

(Continued)

CITY OF HOLLAND, MICHIGAN

COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS
INTERNAL SERVICE FUNDS

YEAR ENDED JUNE 30, 2006

	INSURANCE SERVICES				TOTAL
	VEHICLE	PROPERTY	LIABILITY	COMPENSATED ABSENCES	
OPERATING REVENUES:					
Premiums	\$ 146,620	\$ 31,756	\$ 115,413	\$ -	\$ 5,103,817
Charges for services	-	-	-	18,167	1,721,721
Rentals	-	-	-	-	1,655,564
Miscellaneous	494	-	-	-	4,767
Total operating revenues	147,114	31,756	115,413	18,167	8,485,869
OPERATING EXPENSES:					
Personal services	-	-	-	18,167	1,065,589
Other current expenses	156,785	35,209	158,354	-	6,333,112
Depreciation expense	-	-	-	-	656,230
Total operating expenses	156,785	35,209	158,354	18,167	8,054,931
OPERATING INCOME (LOSS)	(9,671)	(3,453)	(42,941)	-	430,938
NONOPERATING REVENUES (EXPENSES):					
Investment earnings	4,413	21,041	7,761	-	222,745
Gain (loss) on disposal of capital assets	-	-	-	-	(23,681)
Total nonoperating revenues (expenses)	4,413	21,041	7,761	-	199,064
INCOME (LOSS) - Before transfers	(5,258)	17,588	(35,180)	-	630,002
TRANSFERS:					
Transfers in	-	-	-	-	100,000
Transfers out	-	-	-	-	(138,123)
Net transfers in (out)	-	-	-	-	(38,123)
CHANGE IN NET ASSETS	(5,258)	17,588	(35,180)	-	591,879
NET ASSETS - Beginning of year	175,921	550,910	259,254	-	10,266,206
NET ASSETS - End of year	\$ 170,663	\$ 568,498	\$ 224,074	\$ -	\$ 10,858,085

(Concluded)

CITY OF HOLLAND, MICHIGAN

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS

YEAR ENDED JUNE 30, 2006

	TECHNOLOGY SERVICES			
	COMPUTER SERVICES	PHOTOCOPY SERVICES	POSTAGE SERVICES	COMMUNICATION SERVICES
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from interfund services provided	\$ 592,334	\$ 21,549	\$ 24,978	\$ 93,264
Payments to suppliers	(114,219)	(22,284)	(28,632)	(100,269)
Payments to employees	(405,030)	-	-	-
Net cash provided by (used in) operating activities	73,085	(735)	(3,654)	(7,005)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Proceeds from sale of capital assets	-	-	-	-
Purchase of capital assets	(74,012)	(18,836)	-	(2,015)
Net cash used in capital and related financing activities	(74,012)	(18,836)	-	(2,015)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Intergovernmental payments	-	-	-	-
Intergovernmental receipts	-	-	-	-
Net cash provided by (used in) noncapital financing activities	-	-	-	-
CASH FLOWS FROM INVESTING ACTIVITIES:				
Investment earnings	5,237	4,149	47	353
NET INCREASE (DECREASE) IN CASH AND POOLED INVESTMENTS	4,310	(15,422)	(3,607)	(8,667)
CASH AND POOLED INVESTMENTS - Beginning of year	186,675	116,997	3,795	16,142
CASH AND POOLED INVESTMENTS - End of year	\$ 190,985	\$ 101,575	\$ 188	\$ 7,475
Reconciliation of operating income to net cash provided (used) by operating activities				
Operating income (loss)	\$ (48,567)	\$ (11,313)	\$ (1,435)	\$ (14,880)
Adjustment to reconcile operating income (loss) to net cash provided from operating activities:				
Depreciation	126,226	10,785	1,244	10,252
Changes in operating assets and liabilities:				
Accounts receivable	6,740	-	-	-
Prepaid items	-	-	-	-
Inventories	-	-	-	-
Due from other funds	399	-	(3,463)	-
Accounts payable	(6,028)	(207)	-	-
Claims payable	-	-	-	-
Due to other funds	-	-	-	(2,377)
Accrued payroll and benefits	(5,685)	-	-	-
Deferred revenue	-	-	-	-
Net cash provided by (used in) operating activities	\$ 73,085	\$ (735)	\$ (3,654)	\$ (7,005)

EQUIPMENT SERVICES			INSURANCE SERVICES			
FUEL DISPENSING	CENTRALIZED VEHICLE/ EQUIPMENT	FIRE VEHICLE	WORKERS COMP	DISABILITY INCOME	HEALTH AND DENTAL	
\$ 634,798	\$ 2,000,842	\$ -	\$ 347,491	\$ 101,886	\$ 4,403,023	
(628,723)	(811,321)	-	(316,705)	(76,844)	(3,354,360)	
(2,075)	(647,398)	-	-	-	(126,000)	
4,000	542,123	-	30,786	25,042	922,663	
-	76,772	-	-	-	-	
-	(773,350)	-	-	-	-	
-	(696,578)	-	-	-	-	
-	(8,223)	-	(129,900)	-	-	
-	-	100,000	-	-	-	
-	(8,223)	100,000	(129,900)	-	-	
668	90,623	15,020	18,716	1,927	52,790	
4,668	(72,055)	115,020	(80,398)	26,969	975,453	
44,617	2,495,547	325,824	619,669	43,448	1,100,921	
\$ 49,285	\$ 2,423,492	\$ 440,844	\$ 539,271	\$ 70,417	\$ 2,076,374	
\$ 1,457	\$ 116,683	\$ (83,459)	\$ 58,681	\$ 25,067	\$ 444,769	
2,545	421,719	83,459	-	-	-	
(15,412)	2,195	-	36,506	(25)	4,983	
-	-	-	-	-	599,090	
(19,506)	(10,448)	-	-	-	-	
(1,163)	(2,333)	-	-	-	-	
23,003	11,546	-	(64,401)	-	(179)	
-	-	-	-	-	(126,000)	
13,076	69	-	-	-	-	
-	(1,396)	-	-	-	-	
-	4,088	-	-	-	-	
\$ 4,000	\$ 542,123	\$ -	\$ 30,786	\$ 25,042	\$ 922,663	

(Continued)

CITY OF HOLLAND, MICHIGAN
 COMBINING STATEMENT OF CASH FLOWS
 INTERNAL SERVICE FUNDS
 YEAR ENDED JUNE 30, 2006

	INSURANCE SERVICES		
	VEHICLE	PROPERTY	LIABILITY
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from interfund services provided	\$ 147,614	\$ 33,398	\$ 115,558
Payments to suppliers	(156,272)	(35,209)	(171,815)
Payments to employees	-	-	25,000
Net cash provided by (used in) operating activities	(8,658)	(1,811)	(31,257)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Proceeds from sale of capital assets	-	-	-
Purchase of capital assets	-	-	-
Net cash used in capital and related financing activities	-	-	-
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Intergovernmental payments	-	-	-
Intergovernmental receipts	-	-	-
Net cash provided by (used in) noncapital financing activities	-	-	-
CASH FLOWS FROM INVESTING ACTIVITIES:			
Investment earnings	4,413	21,041	7,761
NET INCREASE (DECREASE) IN CASH AND POOLED INVESTMENTS	(4,245)	19,230	(23,496)
CASH AND POOLED INVESTMENTS - Beginning of year	176,033	549,268	279,005
CASH AND POOLED INVESTMENTS - End of year	\$ 171,788	\$ 568,498	\$ 255,509
Reconciliation of operating income to net cash provided (used) by operating activities			
Operating income (loss)	\$ (9,671)	\$ (3,453)	\$ (42,941)
Adjustment to reconcile operating income (loss) to net cash provided from operating activities:			
Depreciation	-	-	-
Changes in operating assets and liabilities:			
Accounts receivable	500	1,642	-
Prepaid items	-	-	-
Inventories	-	-	-
Due from other funds	-	-	95
Accounts payable	513	-	(13,461)
Claims payable	-	-	25,000
Due to other funds	-	-	50
Accrued payroll and benefits	-	-	-
Deferred revenue	-	-	-
Net cash provided by (used in) operating activities	\$ (8,658)	\$ (1,811)	\$ (31,257)

Exhibit D-3

COMPENSATED		TOTAL	
ABSENCES			
\$	18,167	\$	8,534,902
	-		(5,816,653)
	-		(1,155,503)
	<u>18,167</u>		<u>1,562,746</u>
	-		76,772
	-		(868,213)
	-		(791,441)
	-		(138,123)
	-		100,000
	-		(38,123)
	-		<u>222,745</u>
	18,167		955,927
	<u>1,453,483</u>		<u>7,411,424</u>
\$	<u>1,471,650</u>	\$	<u>8,367,351</u>
\$	-	\$	430,938
	-		656,230
	-		37,129
	-		599,090
	-		(29,954)
	-		(6,465)
	-		(49,214)
	-		(101,000)
	-		10,818
	18,167		11,086
	-		<u>4,088</u>
\$	<u>18,167</u>	\$	<u>1,562,746</u>

(Concluded)

- - - **FUND TYPE: FIDUCIARY FUNDS** - - -

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

- trust funds
 - agency funds
-

CURRENT TAX COLLECTIONS FUND (an Agency Fund)

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

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

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

OUTSIDE AGENCIES COLLECTIONS FUND (an Agency Fund)

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

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

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

EMPLOYEES FLEXIBLE SPENDING AGENCY FUND (an Agency Fund)

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

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

Employee payroll withholdings may also be designated for required employee premium payments to the City's Self-Funded Employee Health & Dental Insurance Plan. Such employee payments are not disbursed to the third-party administrator, but are distributed directly to the City's self-insurance fund.

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

- - - **FUND TYPE: FIDUCIARY FUNDS** - - -
(continued)

IMPREST PAYROLL FUND (an Agency Fund)

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

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

Disbursements out of the fund include:

- payments to various governmental agencies and private-sector entities, representing mandatory and elective withholdings from employees 'gross pay'
- payment of 'net pay' to employees, in the form of checks or as employee-designated electronic direct deposits to financial institutions.

CITY OF HOLLAND, MICHIGAN

COMBINING BALANCE SHEET
FIDUCIARY FUNDS

JUNE 30, 2006

	AGENCY FUNDS					
	CURRENT TAX COLLECTIONS	OUTSIDE AGENCIES COLLECTIONS	EMPLOYEES' FLEXIBLE SPENDING PLAN	IMPREST PAYROLL	TOTALS	
<u>ASSETS</u>						
CURRENT ASSETS:						
Cash and pooled investments	\$ -	\$ 49,635	\$ 23,454	\$ 83,588	\$ 156,677	
Accounts receivable	-	-	-	3,556	3,556	
Total assets	\$ -	\$ 49,635	\$ 23,454	\$ 87,144	\$ 160,233	
<u>LIABILITIES AND FUND EQUITY</u>						
LIABILITIES:						
Accounts payable	\$ -	\$ 44,703	\$ 23,454	\$ 35,404	\$ 103,561	
Due to other governmental units	-	4,932	-	51,740	56,672	
Total liabilities	\$ -	\$ 49,635	\$ 23,454	\$ 87,144	\$ 160,233	

CITY OF HOLLAND, MICHIGAN

COMBINING STATEMENT OF CHANGES IN
ASSETS AND LIABILITIES
AGENCY FUNDS

YEAR ENDED JUNE 30, 2006

	BALANCE JULY 1, 2005		ADDITIONS		REDUCTION	BALANCE JUNE 30, 2006
<u>CURRENT TAX COLLECTIONS FUND</u>						
<u>ASSETS</u>						
Cash and pooled investments	\$ -	\$	53,720,002	\$	53,720,002	\$ -
Accounts receivable	-		514,480		514,480	-
Total assets	\$ -	\$	54,234,482	\$	54,234,482	\$ -
<u>LIABILITIES</u>						
Due to other funds	\$ -	\$	81,533	\$	81,533	\$ -
Due to other governmental units	-		53,689,917		53,689,917	-
Total liabilities	\$ -	\$	53,771,450	\$	53,771,450	\$ -
<u>OUTSIDE AGENCIES COLLECTION FUND</u>						
<u>ASSETS</u>						
Cash and pooled investments	\$ 169,545	\$	1,089,207	\$	1,209,117	\$ 49,635
Accounts receivable	-		2,360		2,360	-
Total assets	\$ 169,545	\$	1,091,567	\$	1,211,477	\$ 49,635
<u>LIABILITIES</u>						
Accounts payable	\$ 163,803	\$	1,048,883	\$	1,167,983	\$ 44,703
Due to other governmental units	5,742		515,310		516,120	4,932
Total liabilities	\$ 169,545	\$	1,564,193	\$	1,684,103	\$ 49,635
<u>EMPLOYEES' FLEXIBLE SPENDING PLAN</u>						
<u>ASSETS</u>						
Cash and pooled investments	\$ 10,249	\$	284,994	\$	271,789	\$ 23,454
Accounts receivable	4,822		111,026		115,848	-
Total assets	\$ 15,071	\$	396,020	\$	387,637	\$ 23,454
<u>LIABILITIES</u>						
Accounts payable	\$ 1,110	\$	7,007	\$	(15,337)	\$ 23,454
Other accrued liabilities and deposits	13,961		284,016		297,977	-
Total liabilities	\$ 15,071	\$	291,023	\$	282,640	\$ 23,454

(Continued)

CITY OF HOLLAND, MICHIGAN

COMBINING STATEMENT OF CHANGES IN
ASSETS AND LIABILITIES
AGENCY FUNDS

YEAR ENDED JUNE 30, 2006

	BALANCE JULY 1, 2005	ADDITIONS	REDUCTION	BALANCE JUNE 30, 2006
<u>IMPREST PAYROLL FUND</u>				
<u>ASSETS</u>				
Cash and pooled investments	\$ 60,317	\$ 43,615,547	\$ 43,592,276	\$ 83,588
Account receivable	-	3,086	(470)	3,556
Total assets	\$ 60,317	\$ 43,618,633	\$ 43,591,806	\$ 87,144
<u>LIABILITIES</u>				
Accounts payable	\$ 24,503	\$ 1,088,432	\$ 1,077,531	\$ 35,404
Due to other governmental units	32,777	3,553,641	3,534,678	51,740
Other accrued liabilities and deposits	3,037	9,242,681	9,245,718	-
Total liabilities	\$ 60,317	\$ 13,884,754	\$ 13,857,927	\$ 87,144
<u>TOTALS - ALL FUNDS</u>				
<u>ASSETS</u>				
Cash and pooled investments	\$ 240,111	\$ 98,709,750	\$ 98,793,184	\$ 156,677
Accounts receivable	4,822	630,952	632,218	3,556
Total assets	\$ 244,933	\$ 99,340,702	\$ 99,425,402	\$ 160,233
<u>LIABILITIES</u>				
Accounts payable	\$ 189,416	\$ 2,144,322	\$ 2,230,177	\$ 103,561
Due to other funds	-	81,533	81,533	-
Due to other governmental units	38,519	57,758,868	57,740,715	56,672
Other accrued liabilities and deposits	16,998	9,526,697	9,543,695	-
Total liabilities	\$ 244,933	\$ 69,511,420	\$ 69,596,120	\$ 160,233

(Concluded)

- - - FUND TYPE: COMPONENT UNIT FUNDS - - -

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

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

BROWNFIELD REDEVELOPMENT AUTHORITY FUNDS

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

- (1) State of Michigan Single Business Tax Credits
- (2) a City of Holland Tax Increment Financing (TIF).

By Action No. 01.613 dated September 19, 2001, the Holland City Council adopted a resolution to establish a Brownfield Redevelopment Authority for the City of Holland, together with a governing board of directors.

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

As of the fiscal year ending June 30, 2006 seven individual Brownfield Redevelopment Projects have been approved, with the current status of each project delineated as follows:

BROWNFIELD REDEVELOPMENT PROJECT SITES	T I F Capture Base Year	Brownfield Construction Activity
570 East 16 th Street (former General Electric location)	2002	In Progress
29 East 6 th Street (former City refuse landfill location)	2002	Completed
635 East 48 th Street (former Textron Micromatics location)	2002	Completed
345 East 48 th Street (former Lifesavers location)	2004	In Progress
13 West 4 th Street (current Steketee VanHuis location)	2003	Not Started
573 Columbia Avenue (former Baker Furniture location)	2004	In Progress
[Note: 'Tax Increment Financing' (TIF) capture provisions for this specific project are delayed for up to seven years because this same Brownfield Project is also established as a 'Neighborhood Enterprise Zone' (NEZ), freezing property taxes at a fixed dollar level for the duration of this seven year NEZ period.]		
141 East 8 th Street (former muffler repair shop location)	2005	In Progress

- - - **COMPONENT UNITS** - - -
(continued)

DOWNTOWN DEVELOPMENT AUTHORITY FUND

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

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

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

HOLLAND HISTORICAL TRUST FUND

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

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

This fund provides financial accountability for the administration, operations and general maintenance of three local area historical buildings: Holland Museum, Cappon House and the Settlers House.

- - - **FUND TYPE: PERMANENT FUNDS** - - -

Permanent Funds are governmental funds reporting upon legally restricted resources to the extent that only earnings, and not principal, may be used for purposes supporting the government's programs and benefit the citizenry.

CEMETERY PERPETUAL CARE FUND

As required by State of Michigan statutes and directives, this fund provides financial accountability for fifty percent of revenues from the sale of cemetery lots (which includes perpetual care service). Perpetual Care is a one-time charge assessed upon sale of individual cemetery lots. The other fifty percent of cemetery lot sales is credited to General Fund revenues.

Revenues accumulate in the Cemetery Perpetual Care Fund, with the cash balance being continuously invested. Investment earnings are credited to this fund. However, an amount approximately equivalent to annual investment earnings is transferred to the General Fund to assist in defraying the cost of operating the Cemetery Department.

The principal within this fund (represented by accumulated revenues of cemetery lot sales) is designated as non-expendable. Legally appropriated amounts of the expendable fund balance may be transferred to Capital Projects that are specific to enhancements and/or development of municipal cemetery facilities.

CITY OF HOLLAND, MICHIGAN
BALANCE SHEET
DOWNTOWN DEVELOPMENT AUTHORITY

JUNE 30, 2006

ASSETS

CURRENT ASSETS:

Cash and pooled investments	\$	164,236
Taxes receivable		12
Prepaid Items		200
<hr/>		
Total assets	\$	164,448

LIABILITIES AND FUND BALANCE

LIABILITIES:

Accounts payable	\$	10,563
Accrued payroll and fringe benefits		1,189
<hr/>		
Total liabilities		11,752

FUND BALANCES:

Reserved for prepaid items		200
Unreserved:		
Undesignated		152,496
<hr/>		
Total fund balances		152,696
<hr/>		
Total liabilities and fund balances	\$	164,448

CITY OF HOLLAND, MICHIGAN

Reconciliation of Fund Balances on the Balance Sheet
for the Downtown Development Authority to Net Assets of
the Governmental Activities on the Statement of Net Assets

JUNE 30, 2006

Fund balances - total governmental funds \$ 152,696

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

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

Add - capital assets, net 149,323

Net assets of governmental activities \$ 302,019

CITY OF HOLLAND, MICHIGAN
 STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCE
 DOWNTOWN DEVELOPMENT AUTHORITY

YEAR ENDED JUNE 30, 2006

REVENUES:	
Property taxes	\$ 158,444
Intergovernmental	4,610
Charges for services	640
Investment earnings	7,948
Contributions and bequests	5,000
<hr/>	
Total revenues	176,642
<hr/>	
EXPENDITURES:	
Personal services	66,047
Current operating expenditures	103,500
<hr/>	
Total expenditures	169,547
<hr/>	
NET CHANGE IN FUND BALANCES	7,095
<hr/>	
FUND BALANCES - Beginning of year	145,601
<hr/>	
FUND BALANCES - End of year	\$ 152,696
<hr/>	

CITY OF HOLLAND, MICHIGAN

Reconciliation of the Statement of Revenues, Expenditures
and Change in Fund Balances of the Downtown Development
Authority to the Statement of Activities

YEAR ENDED JUNE 30, 2006

Net change in fund balances - total governmental funds \$ 7,095

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

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

Deduct - net capital asset disposals	(1)
Deduct - depreciation expense	<u>(10,936)</u>

Change in net assets of governmental activities	<u><u>\$ (3,842)</u></u>
---	--------------------------

CITY OF HOLLAND, MICHIGAN
 SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCE
 BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL
 DOWNTOWN DEVELOPMENT AUTHORITY
 YEAR ENDED JUNE 30, 2006

	ORIGINAL BUDGET	FINAL AMENDED BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
REVENUES:				
Property taxes	\$ 158,722	\$ 157,655	\$ 158,444	\$ 789
Intergovernmental	4,610	4,610	4,610	-
Charges for services	-	550	640	90
Contributions from private sector	5,000	5,000	5,000	-
Investment earnings	5,300	8,655	7,948	(707)
Total revenues	173,632	176,470	176,642	172
EXPENDITURES:				
Personal services	67,100	68,400	66,047	(2,353)
Other services and charges	103,700	109,840	103,500	(6,340)
Contingency	5,000	-	-	-
Capital outlay	-	-	-	-
Total expenditures	175,800	178,240	169,547	(8,693)
NET CHANGE IN FUND BALANCES	(2,168)	(1,770)	7,095	8,865
FUND BALANCES - Beginning of year	145,601	145,601	145,601	-
FUND BALANCES - End of year	\$ 143,433	\$ 143,831	\$ 152,696	\$ 8,865

CITY OF HOLLAND, MICHIGAN
 BALANCE SHEET
 BROWNFIELD REDEVELOPMENT AUTHORITY

JUNE 30, 2006

ASSETS

CURRENT ASSETS:

Cash and pooled investments	\$	30,528
Total assets		\$ 30,528

LIABILITIES AND FUND BALANCES

LIABILITIES:

Accounts payable	\$	3,696
------------------	----	-------

FUND BALANCES:

Unreserved:		
Undesignated		26,832
Total fund balances		26,832
Total liabilities and fund balances		\$ 30,528

CITY OF HOLLAND, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BROWNFIELD REDEVELOPMENT AUTHORITY

YEAR ENDED JUNE 30, 2006

REVENUES:		
Property taxes	\$	153,211
Investment earnings		2,371
<hr/>		
Total revenues		155,582
<hr/>		
EXPENDITURES:		
Current operating expenditures		130,395
<hr/>		
NET CHANGE IN FUND BALANCE		25,187
<hr/>		
FUND BALANCE - Beginning of year		1,645
<hr/>		
FUND BALANCE - End of year	\$	26,832
<hr/>		

CITY OF HOLLAND, MICHIGAN
 SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCE
 BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL
 BROWNFIELD REDEVELOPMENT AUTHORITY
 YEAR ENDED JUNE 30, 2006

	ORIGINAL BUDGET	FINAL AMENDED BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
REVENUES:				
Property taxes	\$ 175,108	\$ 153,212	\$ 153,211	\$ (1)
Investment earnings	-	1,342	2,371	1,029
Total revenues	175,108	154,554	155,582	1,028
EXPENDITURES:				
Other services and charges	175,430	130,892	130,395	(497)
NET CHANGE IN FUND BALANCES	(322)	23,662	25,187	1,525
FUND BALANCES - Beginning of year	1,645	1,645	1,645	-
FUND BALANCES - End of year	\$ 1,323	\$ 25,307	\$ 26,832	\$ 1,525

CITY OF HOLLAND
NET ASSETS BY COMPONENT
FOR THE LAST FOUR FISCAL YEARS

	Fiscal Year			
	2006	2005	2004	2003
Governmental activities				
Invested in capital assets, net of related debt	\$ 77,018,752	\$ 41,668,796	\$ 27,487,076	\$ 4,326,052
Restricted	8,068,218	11,469,701	3,412,885	3,041,791
Unrestricted	22,673,963	21,156,010	30,711,466	41,516,219
Total governmental activities net assets	\$ 107,760,933	\$ 74,294,507	\$ 61,611,427	\$ 48,884,062
Business-type activities				
Invested in capital assets, net of related debt	\$ 137,313,844	\$ 146,437,084	\$ 142,754,355	\$ 139,109,944
Restricted	6,770,323	6,402,803	10,712,670	10,089,985
Unrestricted	86,838,111	74,394,902	70,573,561	71,126,895
Total business-type activities net assets	\$ 230,922,278	\$ 227,234,789	\$ 224,040,586	\$ 220,326,824
Primary Government				
Invested in capital assets, net of related debt	\$ 214,332,596	\$ 188,105,880	\$ 170,241,431	\$ 143,435,996
Restricted	14,838,541	17,872,504	14,125,555	13,131,776
Unrestricted	109,512,074	95,550,912	101,285,027	112,643,114
Total primary government net assets	\$ 338,683,211	\$ 301,529,296	\$ 285,652,013	\$ 269,210,886

CITY OF HOLLAND
CHANGES IN NET ASSETS
FOR THE LAST FOUR FISCAL YEARS

	Fiscal Year			
	2006	2005	2004	2003
Expense				
Governmental activities:				
General government	\$ 8,643,952	\$ 6,376,009	\$ 6,055,106	\$ 5,076,083
Public Safety	10,738,962	10,544,833	9,787,165	9,567,243
Public Works	4,382,884	5,324,083	3,330,034	3,267,272
Culture and recreation	6,060,666	6,013,457	5,725,045	5,755,879
Welfare and social services	1,372,729	1,310,458	1,371,551	1,390,845
Interest on debt	1,394,338	1,498,919	2,150,038	1,621,923
Total governmental activities expenses	<u>32,593,531</u>	<u>31,067,759</u>	<u>28,418,939</u>	<u>26,679,245</u>
Business-type activities:				
Electric Utility	76,883,149	65,698,626	59,519,913	56,964,153
Wastewater Utility	7,708,629	7,235,531	7,068,457	7,019,711
Water Utility	5,542,208	4,858,304	4,927,953	4,574,975
Other enterprise activities	5,533,235	5,086,577	4,793,862	4,524,561
Total business-type activities expenses	<u>95,667,221</u>	<u>82,879,038</u>	<u>76,310,185</u>	<u>73,083,400</u>
Total primary government expenses	<u>\$ 128,260,752</u>	<u>\$ 113,946,797</u>	<u>\$ 104,729,124</u>	<u>\$ 99,762,645</u>
Program Revenues				
Governmental activities:				
Charges for services:				
General government	\$ 2,450,074	\$ 2,418,923	\$ 2,639,966	\$ 1,993,105
Public safety	928,337	952,885	893,450	836,797
Culture and recreation	987,705	968,203	904,771	901,904
Other activities	917,065	651,398	520,492	465,134
Operating grants and contributions	1,727,564	1,961,673	1,813,765	1,625,468
Capital grants and contributions	7,028,471	14,868,097	13,085,189	3,710,288
Total governmental activities program revenues	<u>14,039,216</u>	<u>21,821,179</u>	<u>19,857,633</u>	<u>9,532,696</u>
Business-type activities:				
Charges for services:				
Electric Utility	78,272,801	67,001,967	64,819,973	64,463,883
Wastewater Utility	7,219,855	6,634,140	6,912,837	7,099,310
Water Utility	5,859,601	5,213,380	5,251,241	4,924,641
Other enterprise activities	2,103,966	2,158,971	1,731,232	1,690,390
Operating grants and contributions	2,172,593	1,701,262	1,829,910	1,796,648
Capital grants and contributions	3,513,337	3,484,614	1,136,306	1,487,949
Total business-type activities program revenue	<u>99,142,153</u>	<u>86,194,334</u>	<u>81,681,499</u>	<u>81,462,821</u>
Total primary government program revenue	<u>\$ 113,181,369</u>	<u>\$ 108,015,513</u>	<u>\$ 101,539,132</u>	<u>\$ 90,995,517</u>

(Continued)

CITY OF HOLLAND
CHANGES IN NET ASSETS
FOR THE LAST FOUR FISCAL YEARS

	Fiscal Year			
	2006	2005	2004	2003
Net (Expense)/Revenue				
Governmental activities	\$ (18,554,315)	\$ (9,246,580)	\$ (8,561,306)	\$ (17,146,549)
Business-type activities	3,474,932	3,315,296	5,371,314	8,379,421
Total primary government net expense	<u>\$ (15,079,383)</u>	<u>\$ (5,931,284)</u>	<u>\$ (3,189,992)</u>	<u>\$ (8,767,128)</u>
General Revenues and Other Changes in Net Assets				
Governmental Activities:				
Property taxes	\$ 16,368,318	\$ 16,033,637	\$ 15,286,387	\$ 14,898,818
Intergovernmental	3,229,886	3,265,596	3,412,306	3,700,383
Investment earnings	909,619	611,338	479,191	986,897
Miscellaneous	-	-	-	(156,220)
Transfers	2,041,365	2,019,089	2,110,785	1,378,919
Total governmental activities	<u>22,549,188</u>	<u>21,929,660</u>	<u>21,288,669</u>	<u>20,808,797</u>
Business-type activities:				
Property taxes	113,079	111,020	217,306	234,954
Investment earnings	2,138,700	1,786,976	235,927	2,037,688
Miscellaneous	2,143	-	-	19,348
Transfers	(2,041,365)	(2,019,089)	(2,110,785)	(1,378,919)
Total business-type activities	<u>212,557</u>	<u>(121,093)</u>	<u>(1,657,552)</u>	<u>913,071</u>
Total primary government	<u>\$ 22,761,745</u>	<u>\$ 21,808,567</u>	<u>\$ 19,631,117</u>	<u>\$ 21,721,868</u>
Change in Net Assets				
Governmental activities	\$ 3,994,873	\$ 12,683,080	\$ 12,727,363	\$ 3,662,248
Business-type activities	3,687,489	3,194,203	3,713,762	9,292,492
Total primary government	<u>\$ 7,682,362</u>	<u>\$ 15,877,283</u>	<u>\$ 16,441,125</u>	<u>\$ 12,954,740</u>

(Concluded)

CITY OF HOLLAND
 FUND BALANCES FOR GOVERNMENTAL FUNDS
 FOR THE LAST FOUR FISCAL YEARS

	Fiscal Year			
	2006	2005	2004	2003
General Fund				
Reserved	\$ 14,360	\$ -	\$ -	\$ -
Unreserved	2,528,264	2,543,921	2,551,853	2,789,935
Total general fund	\$ 2,542,624	\$ 2,543,921	\$ 2,551,853	\$ 2,789,935
All Other Governmental Funds				
Reserved				
Prepaid Items	\$ 41,525	\$ -	\$ -	\$ -
Permanent trust funds	-	-	1,827,723	1,758,561
Permanent fund corpus	1,339,292	1,236,292	-	-
Permanent fund expendable	287,653	584,311	-	-
Unreserved, reported in:				
Special revenue funds	4,749,558	6,815,229	8,102,964	10,238,226
Capital projects funds	1,517,035	5,142,821	-	214,983
Debt service funds	941,569	907,645	937,873	948,239
Other funds	-	-	5,119,179	15,178,311
Total all other governmental funds	\$ 8,876,632	\$14,686,298	\$15,987,739	\$28,338,320

CITY OF HOLLAND
 CHANGES IN FUND BALANCES FOR GOVERNMENTAL FUNDS
 FOR THE LAST FOUR FISCAL YEARS

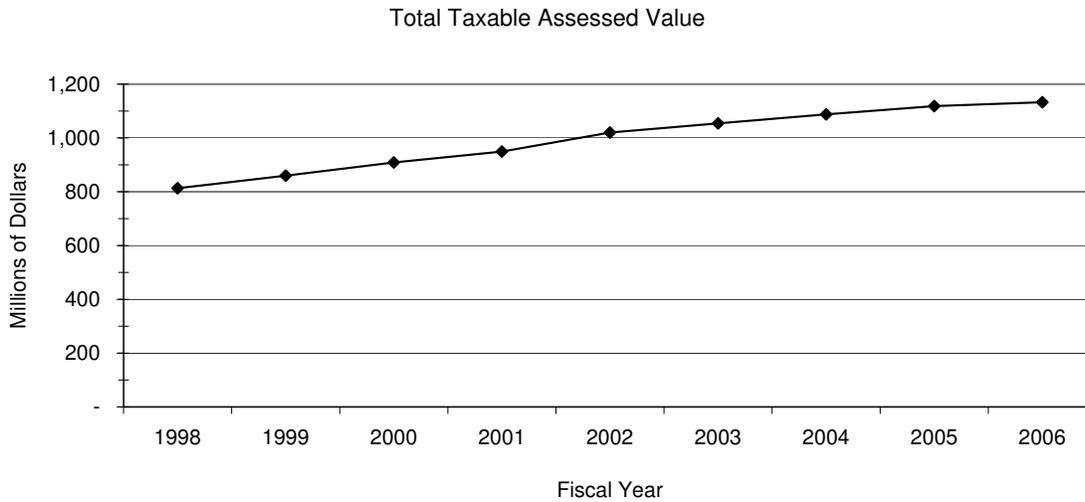
	Fiscal Year			
	2006	2005	2004	2003
Revenues				
Taxes	\$16,368,318	\$16,033,637	\$ 15,633,888	\$15,190,306
Licenses, fees and permits	517,223	510,922	482,360	450,298
Fines and penalties	423,176	450,799	434,164	430,223
Contributions from private sector	542,430	456,891	811,369	599,173
Charges for services	1,176,727	1,118,339	1,032,832	1,065,981
Special assessments	728,498	583,084	609,316	546,185
Intergovernmental	11,650,263	19,848,219	17,815,507	8,705,043
Investment earnings	3,660,418	3,317,548	3,161,838	2,805,317
Other revenues	41,169	125,155	24,538	34,637
Total revenues	<u>35,108,222</u>	<u>42,444,594</u>	<u>40,005,812</u>	<u>29,827,163</u>
Expenditures				
General government	5,713,523	5,748,867	5,566,723	4,880,548
Public safety	10,301,845	10,438,435	9,529,234	9,022,053
Public works	3,290,658	3,043,671	3,024,687	3,068,727
Welfare and social services	1,399,094	1,369,692	582,131	543,109
Culture and recreation	5,439,768	5,196,498	5,844,799	5,773,547
Other	115,681	147,246	144,212	216,841
Debt service				
Principal	2,292,963	2,079,475	1,829,475	1,286,975
Interest and fiscal changes	1,534,371	1,489,744	2,266,535	1,421,970
Capital outlay	13,185,288	16,301,232	26,310,205	10,282,213
Total expenditures	<u>43,273,191</u>	<u>45,814,860</u>	<u>55,098,001</u>	<u>36,495,983</u>
Deficiency of revenues under expenditures	<u>\$ (8,164,969)</u>	<u>\$ (3,370,266)</u>	<u>\$ (15,092,189)</u>	<u>\$ (6,668,820)</u>
Other Financing Sources (Uses)				
Bond issue and land contract	\$ 7,410,000	\$ -	\$ 480,000	\$19,675,000
Bond Premium	1,676	-	-	-
Payment to Escrow Agent	(7,137,158)	-	-	-
Transfers in	10,033,423	8,919,203	7,835,073	9,688,603
Transfers out	(7,953,935)	(6,858,314)	(5,811,547)	(7,368,213)
Total other financing sources (uses)	<u>2,354,006</u>	<u>2,060,889</u>	<u>2,503,526</u>	<u>21,995,390</u>
Net change in fund balances	<u>\$ (5,810,963)</u>	<u>\$ (1,309,377)</u>	<u>\$ (12,588,663)</u>	<u>\$15,326,570</u>
Debt service as a percentage of noncapital expenditures	12.7%	12.1%	14.2%	10.3%

**CITY OF HOLLAND
 ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY
 FOR THE LAST NINE FISCAL YEARS**

Fiscal Year Ended June 30	Residential Property	Commercial Property	Industrial Property	Other Property*	Less: Tax-Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate
1998	\$ 378,693,690	\$ 183,033,428	\$ 318,860,198	\$ 5,797,467	\$ 73,397,750	\$ 812,987,033	\$13.4830
1999	396,059,672	195,831,762	335,998,564	5,871,997	74,159,800	859,602,195	14.2273
2000	410,154,781	207,418,840	362,558,939	5,635,136	77,017,650	908,750,046	14.1827
2001	426,485,335	219,886,744	376,412,034	6,865,685	80,350,300	949,299,498	14.1827
2002	448,617,062	237,946,637	404,771,983	6,933,247	78,213,700	1,020,055,229	14.1827
2003	474,597,871	239,774,170	405,105,419	7,213,887	72,615,350	1,054,075,997	14.0000
2004	496,712,932	258,448,815	394,638,205	7,505,158	69,610,550	1,087,694,560	14.0000
2005	524,341,222	262,986,849	393,924,363	6,434,551	69,356,000	1,118,330,985	14.0000
2006	550,750,436	267,849,019	369,982,684	6,732,436	62,517,050	1,132,797,525	14.0000

*Other property includes agricultural, developmental and utilities.

Note: Only nine years of information were available.



CITY OF HOLLAND
 DIRECT AND OVERLAPPING PROPERTY TAX RATES
 FOR THE LAST TEN FISCAL YEARS
 (Rate per \$1,000 of assessed value)

Fiscal Year	City Direct Rates						State of Michigan	Ottawa Area Intermediate Schools
	Basic Rate	General Obligation Debt Service	Capital Projects	Herrick District Library	MAX Public Transit	Total Direct		
1997	8.8498	1.1216	1.8348	0.9811	0.3750	13.1623	6.0000	3.4730
1998	8.9900	1.1216	1.6078	1.4886	0.2750	13.4830	6.0000	3.4664
1999	8.8790	1.2840	2.5470	1.3673	0.1500	14.2273	6.0000	3.4588
2000	8.8000	1.2500	2.6000	1.3827	0.1500	14.1827	6.0000	4.3353
2001	8.9389	1.1000	2.6000	1.3938	0.1500	14.1827	6.0000	4.2999
2002	8.8389	1.1108	2.6000	1.3830	0.2500	14.1827	6.0000	4.2854
2003	9.0000	1.3620	2.0376	1.3770	0.2234	14.0000	6.0000	4.2688
2004	9.2421	1.5000	1.7000	1.3579	0.2000	14.0000	5.0000	4.2305
2005	9.4590	2.0000	1.1000	1.3410	0.1000	14.0000	6.0000	4.2192
2006	9.4337	2.0910	1.0500	1.3253	0.1000	14.0000	6.0000	4.2109

1.8439 must be added to the city direct rate, for the fiscal year 2005, for all properties in the Downtown Development Authority (DDA) area. This rate applies to approximately 7.5% of the City of Holland's tax base.

* Overlapping rates:

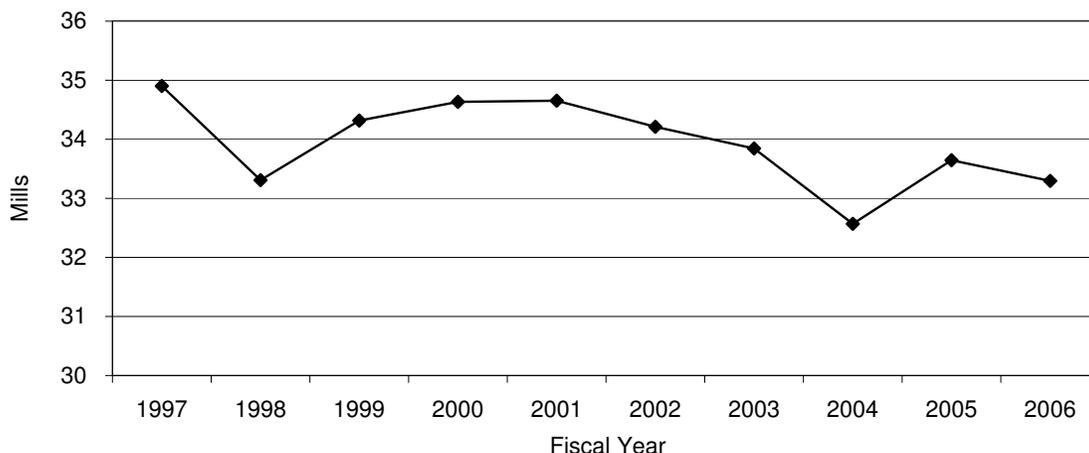
The City of Holland is located in both Ottawa and Allegan County and Holland, Hamilton and Zeeland School District. The county and school tax paid by property owners depends on the location of their property. Approximately 80% of the City of Holland is located in Ottawa County and 20% in Allegan County.

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

Overlapping Rates*

Holland Community Swimming Pool	Counties		School Districts					
	Ottawa	Allegan	Holland		Hamilton		Zeeland	
			Principal Residence	Non-Principal Residence	Principal Residence	Non-Principal Residence	Principal Residence	Non-Principal Residence
	1.0500	4.7165	6.0061	6.5000	24.5000	2.4000	20.4000	6.6300
1.4600	4.6985	6.0533	4.2000	22.2000	2.4000	20.3208	6.6275	24.6275
1.5000	4.4804	6.0164	4.6500	22.6500	5.4000	23.1881	7.0222	25.0222
1.4876	4.3812	6.9406	4.2468	22.2468	7.4000	25.4000	8.0236	26.0236
1.7500	4.3760	6.8551	4.0441	22.0441	7.4000	25.4000	8.0116	26.0116
1.7282	4.2722	6.7631	3.7426	21.7426	7.4000	25.4000	8.0074	26.0074
1.6667	4.1672	6.7583	3.7412	21.7412	7.4000	25.4000	7.9965	25.9965
1.5900	4.1611	6.6879	3.5868	21.5868	7.4000	25.4000	8.0010	26.0010
1.5700	4.2593	6.6275	3.5968	21.5968	7.4000	25.4000	8.0300	26.0300
1.5400	4.2579	5.6592	3.2868	21.2868	7.0000	25.0000	8.0300	26.0300

Total Tax Levies



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

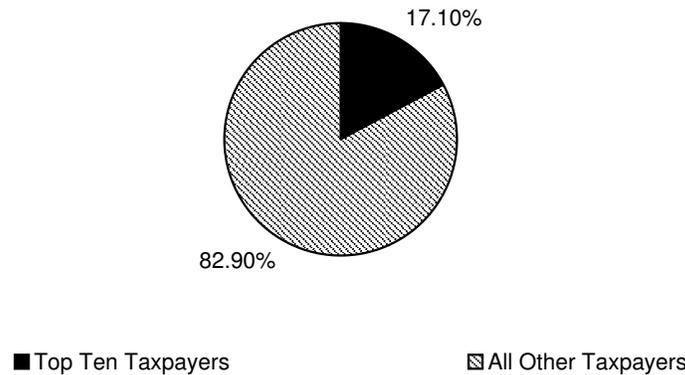
**CITY OF HOLLAND
PRINCIPAL PROPERTY TAX PAYERS
FOR THE CURRENT FISCAL YEAR AND NINE YEARS AGO**

Taxpayer	2006			1997		
	Taxable Assessed Value	Rank	Percentage of Total Cit Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Cit Taxable Assessed Value
Johnson Controls Interiors	\$ 66,124,563	1	5.83 %	\$ -		- %
Haworth, Inc	44,544,480	2	3.93	39,460,250	2	5.15
ARC Holland Real Estate - Freedom Village Retirement	19,471,812	3	1.72	13,366,100	4	1.74
Hydro Automotive Structures	11,648,051	4	1.03	5,776,654	10	0.75
H.J. Heinz Co	11,411,048	5	1.01	7,693,231	6	1.00
Lumir Corp	9,737,926	6	0.86	-----		----
ABC Beverage Management In	8,648,588	7	0.76	7,390,668	7	0.96
New West Michigan Ind Inv LL	7,909,900	8	0.70	-----		----
L & W Engineering Co	7,242,357	9	0.64	-----		----
Herman Miller, Inc	7,042,118	10	0.62	9,748,355	5	1.27
Prince Corp	-----		----	32,087,500	3	4.19
Planters Lifesaver Co	-----		----	41,637,700	1	5.43
1451 M-40	-----		----	6,674,600	8	0.87
Holland Hitch	-----		----	5,814,832	9	0.76
	<u>\$ 193,780,843</u>		<u>17.10</u>	<u>\$ 169,649,890</u>		<u>22.12</u>

Source: City of Holland Assessor's Office

2006 Total Taxable Value is \$1,132,797,525, which includes IFT's at equivalency valuation.

Concentration of 2006 Taxpayers

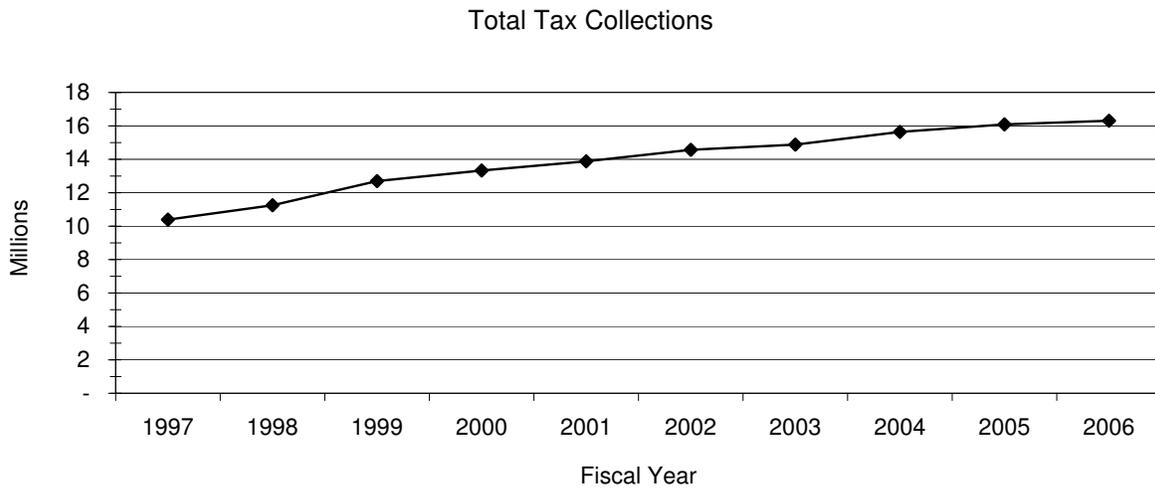


**CITY OF HOLLAND
PROPERTY TAX LEVIES AND COLLECTIONS
FOR THE LAST TEN FISCAL YEARS**

Fiscal Year Ended June 30	Taxes Levied for the Fiscal Year*	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
1997	\$ 10,386,530	\$10,385,277	99.99 %	N/A	\$ 10,385,277	99.99 %
1998	11,264,034	11,247,338	99.85	N/A	11,247,338	99.85
1999	12,709,308	12,695,733	99.89	N/A	12,695,733	99.89
2000	13,330,230	13,313,672	99.88	17,673	13,331,345	100.01
2001	13,918,773	13,858,935	99.57	23,703	13,882,638	99.74
2002	14,957,549	14,521,784	97.09	49,147	14,570,931	97.42
2003	15,221,185	14,826,300	97.41	56,851	14,883,151	97.78
2004	15,682,955	15,596,119	99.45	48,349	15,644,468	99.75
2005	16,111,453	16,015,933	99.41	69,882	16,085,815	99.84
2006	16,312,191	16,306,423	99.96	-	16,306,423	99.96

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

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



CITY OF HOLLAND
RATIOS OF OUTSTANDING DEBT BY TYPE
FOR THE LAST TEN FISCAL YEARS

Fiscal Year	Governmental Activities				
	General Obligation Bonds	Building Authority Bonds*	Michigan Transportation Bonds	Special Assessment Bonds	Environmental Clean-up Costs
1997	\$ -	\$ 4,950,000	\$ 5,745,000	\$ 885,000	\$ 182,700
1998	-	11,890,000	5,395,000	1,165,000	165,000
1999	-	13,840,000	5,010,000	1,060,000	150,000
2000	-	13,465,000	4,590,000	2,524,838	135,000
2001	-	12,990,000	4,135,000	2,332,863	120,000
2002	-	12,465,000	3,665,000	2,935,892	105,000
2003	175,000	31,365,000	3,185,000	2,728,913	90,000
2004	464,500	30,830,000	2,665,000	2,496,942	75,000
2005	452,000	29,550,000	2,105,000	2,269,963	60,000
2006	439,500	28,570,000	1,500,000	2,179,500	45,000

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

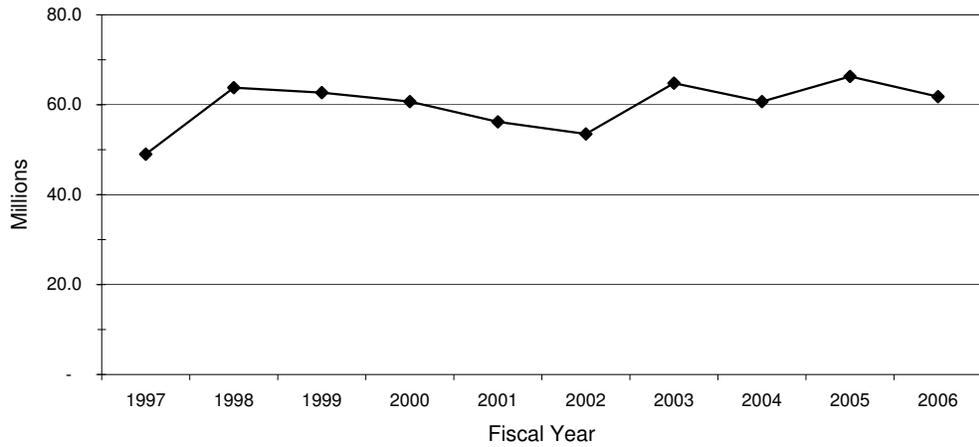
The city issued \$7.3 million in refunded building authority bonds in 2006.

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

Business-Type Activities

Windmill Island Bonds	Airport Bonds	Loan Payable	County Bonds	Water Bonds	Electric Bonds	Total Primary Government	Percentage of Personal Income**	Per Capita**
\$ 317,716	\$ 325,277	\$ 3,125	\$ 8,190,596	\$ -	\$ 28,348,274	\$ 48,947,688	N/A %	N/A
273,096	301,277	-	7,385,000	10,855,881	26,318,029	63,748,283	N/A	N/A
223,476	275,277	-	7,108,500	10,563,466	24,455,652	62,686,371	N/A	N/A
173,859	246,277	-	6,814,500	10,264,424	22,471,021	60,684,919	N/A	N/A
119,239	215,277	-	6,503,000	9,940,735	19,783,893	56,140,007	8.51	1,601
59,619	182,277	-	6,135,231	9,596,705	18,342,982	53,487,706	8.11	1,527
-	146,277	-	5,749,962	9,227,299	12,112,889	64,780,340	9.92	1,866
-	108,277	-	5,343,692	8,837,488	9,858,096	60,678,995	9.28	1,746
-	70,000	-	4,919,923	19,232,309	7,581,005	66,240,200	10.16	1,912
-	58,000	-	4,471,654	19,302,597	5,205,691	61,771,942	9.53	1,794

PRIMARY GOVERNMENT DEBT



CITY OF HOLLAND
RATIOS OF GENERAL BONDED DEBT OUTSTANDING
FOR THE LAST TEN FISCAL YEARS

Fiscal Year	General Bonded Debt Outstanding			Percentage of Actual Taxable Value* of Property	Per Capita**
	General Obligation Bonds	Building Authority Bonds	Total		
1997	\$ -	\$ 4,950,000	\$ 4,950,000	N/A	\$ 148
1998	-	11,890,000	11,890,000	1.46 %	354
1999	-	13,840,000	13,840,000	1.61	411
2000	-	13,465,000	13,465,000	1.48	400
2001	-	12,990,000	12,990,000	1.37	371
2002	-	12,465,000	12,465,000	1.22	356
2003	175,000	31,365,000	31,540,000	2.99	909
2004	464,500	30,830,000	31,294,500	2.88	901
2005	452,000	29,550,000	30,002,000	2.68	866
2006	439,500	28,570,000	29,009,500	2.56	843

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

* See Exhibit I-1 for property value data.

** Population data can be found in Exhibit K-1.

CITY OF HOLLAND
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF JUNE 30, 2006

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable*	Estimated Share of Overlapping Debt
Debt repaid with property taxes			
Ottawa Area Intermediate School District	\$ 8,410,439	10.47%	\$ 880,573
Hamilton School District	30,710,000	20.96%	6,436,816
Holland School District	22,923,526	79.20%	18,155,433
Zeeland School District	102,605,524	0.02%	20,521
Allegan County	28,652,457	10.92%	3,128,848
Ottawa County	98,822,533	7.66%	7,569,806
Holland Area Community Swimming Pool Authority	8,140,000	79.20%	6,446,880
Subtotal, overlapping debt			42,638,877
City direct debt			28,475,654
Total direct and overlapping debt			\$ 71,114,531

Sources: Assessed value data used to estimate applicable percentages provided by the 2006 Allegan and 2006 Ottawa Equalization Reports. Debt outstanding data provided by each governmental unit.

Note: Overlapping governments are those that coincide, at least in part, within the geographic boundaries of the city. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of Holland. This process recognizes that, when considering the city's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

* For debt repaid with property taxes, the percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of another governmental unit's taxable assessed value that is within the city's boundaries and dividing it by each unit's total taxable assessed value.

CITY OF HOLLAND
LEGAL DEBT MARGIN INFORMATION
FOR THE LAST TEN FISCAL YEARS

	Fiscal Year				
	1997	1998	1999	2000	2001
Debt Limit	\$ 76,642,222	\$ 81,298,703	\$ 85,960,220	\$ 90,875,005	\$ 94,929,950
Total net debt applicabile to limit	<u>13,505,910</u>	<u>19,736,501</u>	<u>21,316,062</u>	<u>25,201,358</u>	<u>23,920,167</u>
Legal debt margin	<u>\$ 63,136,312</u>	<u>\$ 61,562,202</u>	<u>\$ 64,644,158</u>	<u>\$ 65,673,647</u>	<u>\$ 71,009,783</u>
Total net debt applicable to the limit as a percentage of debt limit	21.39%	32.06%	32.97%	38.37%	33.69%

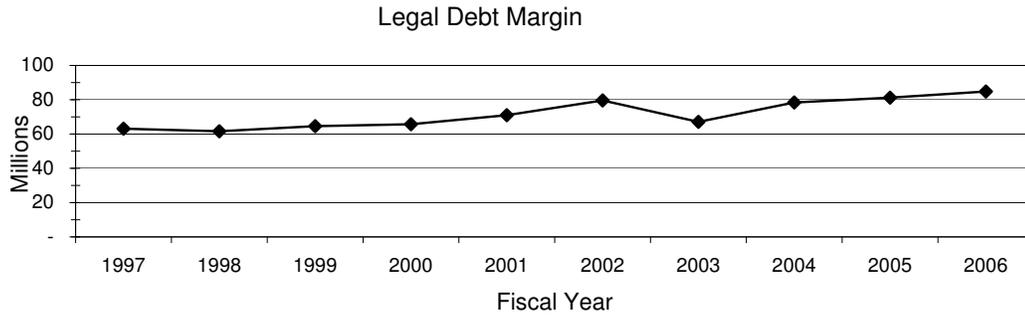
Note: The City of Holland is legally indebted for the Building Authority Bonds issued in 1999 and 2004 for the Herrick District Library Expansion Project. Payment of approximately 62.1% of the debt is committed to be paid by three area local governmental jurisdictions based upon an executed Library Support Agreement. A uniform millage rate is levied annually across the four (including the City of Holland) participating governmental units to support this debt repayment. For practical purpose 62.1% of \$5,945,000, or \$3,691,845, should be added to the Legal Debt Margin shown above.

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

Legal Debt Margin Calculation for Fiscal Year 2006

Assessed value	\$ 1,132,797,525
Debt limit (10% of assessed value)	113,279,753
Debt applicable to limit:	
General obligation bonds	439,500
Building authority bonds	22,625,000
County bonds	5,411,154
Less: Amount set aside for repayment of debt	<u>(17,931)</u>
Total net debt applicable to limit	<u>28,457,723</u>
Legal debt margin	<u><u>\$ 84,822,030</u></u>

<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
\$ 102,005,523	\$ 105,407,600	\$ 108,769,456	\$ 111,833,099	\$ 113,279,753
<u>22,414,826</u>	<u>38,328,920</u>	<u>30,405,457</u>	<u>30,561,460</u>	<u>28,457,723</u>
<u><u>\$ 79,590,697</u></u>	<u><u>\$ 67,078,680</u></u>	<u><u>\$ 78,363,999</u></u>	<u><u>\$ 81,271,639</u></u>	<u><u>\$ 84,822,030</u></u>
28.16%	57.14%	38.80%	37.60%	33.55%



CITY OF HOLLAND
 PLEDGED-REVENUE COVERAGE
 FOR THE LAST TEN FISCAL YEARS

Water Revenue Bonds						
Fiscal Year	Utility Service Charges	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
1997	\$ 3,078,033	\$ 2,781,244	\$ 296,789	\$ -	\$ -	-
1998	3,235,995	2,782,642	453,353	-	274,570	1.65
1999	3,745,739	3,585,853	159,886	300,000	543,365	0.19
2000	4,212,442	3,597,719	614,723	315,000	531,054	0.73
2001	4,163,215	3,976,810	186,405	335,000	517,399	0.22
2002	4,531,347	3,837,553	693,794	355,000	502,559	0.81
2003	4,924,641	4,086,454	838,187	380,000	486,383	0.97
2004	5,251,241	4,399,197	852,044	400,000	469,918	0.98
2005	5,213,380	4,361,641	851,739	7,875,534	368,866	0.10
2006	5,859,601	4,677,570	1,182,031	-	864,638	1.37

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

Electric Revenue Bonds

Fiscal Year	Utility Service Charges	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
1997	\$ 48,211,234	\$ 40,557,145	\$ 7,654,089	\$ 1,564,739	\$ 1,766,701	2.30
1998	50,772,158	42,073,851	8,698,307	2,088,649	1,646,421	2.33
1999	54,062,413	46,106,130	7,956,283	1,936,040	1,496,954	2.32
2000	58,242,489	48,469,635	9,772,854	2,062,909	1,338,657	2.87
2001	65,355,287	53,510,216	11,845,071	2,774,684	1,161,439	3.01
2002	63,597,866	53,019,357	10,578,509	1,489,972	1,049,417	4.17
2003	64,463,883	56,134,987	8,328,896	6,493,955	829,166	1.14
2004	64,819,973	59,062,650	5,757,323	2,254,793	405,568	2.16
2005	67,001,967	65,382,432	1,619,535	2,415,000	316,350	0.59
2006	78,272,801	76,653,737	1,619,064	2,475,000	229,412	0.60

(Continued)

CITY OF HOLLAND
 PLEDGED-REVENUE COVERAGE
 FOR THE LAST TEN FISCAL YEARS (CONCLUDED)

Fiscal Year	Special Assessment Bonds				Coverage
	Special Assessment Collections	Debt Service			
		Principal	Interest		
1997	\$ 620,116	\$ 250,000	\$ 47,668	2.08	
1998	550,354	145,000	55,488	2.75	
1999	365,168	105,000	62,678	2.18	
2000	509,263	130,000	56,317	2.73	
2001	211,193	191,975	124,878	0.67	
2002	639,273	196,975	113,954	2.06	
2003	321,621	206,975	142,923	0.92	
2004	451,133	231,975	132,415	1.24	
2005	298,087	226,975	118,420	0.86	
2006	477,146	245,462	105,818	1.36	

CITY OF HOLLAND
 DEMOGRAPHIC AND ECONOMIC STATISTICS
 FOR THE LAST TEN CALENDAR YEARS

Year	Estimated Population (1)	Personal Income (thousands of dollars)	Per Capita Personal Income (2)	Unemployment Rate (3)
1996	33,474	N/A	N/A	3.0%
1997	33,595	N/A	N/A	2.6%
1998	33,634	N/A	N/A	2.4%
1999	33,652	N/A	N/A	2.4%
2000	35,048	\$ 659,709	\$ 18,823	3.5%
2001	35,023	659,238	N/A	5.4%
2002	34,710	653,346	N/A	7.1%
2003	34,748	654,062	N/A	7.8%
2004	34,637	651,972	N/A	7.3%
2005	34,429	648,057	N/A	6.7%

Sources:

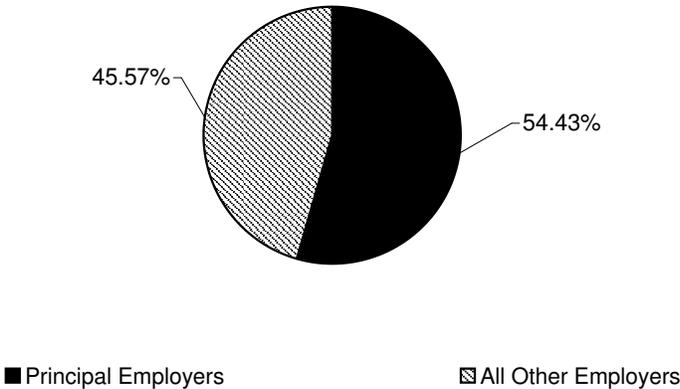
- (1) United States Census Bureau
- (2) United States Census Bureau - 2000 Census (last reported)
- (3) Michigan Department of Labor & Economic Growth

CITY OF HOLLAND
 PRINCIPAL EMPLOYERS
 FOR THE CURRENT YEAR

Employer	2006		
	Employees	Rank	Percentage of Total City Employment
Johnson Controls Interiors	2,705	1	15.87 %
Haworth Inc	1,608	2	9.43
Holland Community Hospital	1,600	3	9.39
Hope College	750	4	4.40
Tiara Yachts	750	5	4.40
Louis Padnos Iron & Metal Co.	450	6	2.64
Freedom Village	400	7	2.35
L&W Engineering	353	8	2.07
Dr Pepper/Seven-Up Bottling	345	9	2.02
Thermotron Industries	317	10	1.86
	<u>9,278</u>		<u>54.43</u>

Sources:
 Michigan Department of Labor & Economic Growth
 Principal Employers

2006 Principal Employers



Note: Employment Information from 9 years ago is unavailable.

CITY OF HOLLAND
 FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION
 FOR THE LAST TEN FISCAL YEARS

Function	Full-time Equivalent Employees as of June 30									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
General government										
Management services	4.75	4.75	4.65	5.20	4.60	4.60	4.65	3.55	3.65	3.65
Fiscal services	15.00	14.00	14.00	14.00	14.00	15.00	14.90	14.90	14.90	13.90
City clerk	3.40	2.90	3.15	4.08	3.88	3.88	3.88	3.88	3.00	3.00
Human resources	2.35	2.35	2.35	2.35	2.35	2.35	2.35	2.25	2.25	2.25
Building	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Cemetery	4.10	4.25	4.70	4.25	4.25	4.25	4.25	4.15	4.15	4.15
Planning	2.70	2.70	2.70	2.70	2.70	3.05	2.90	2.40	3.50	3.50
Technology	5.00	5.00	5.00	5.00	6.00	6.00	6.00	5.00	5.00	5.00
Public safety										
Police	73.65	73.80	73.80	73.80	73.80	76.00	76.00	75.00	74.50	74.50
Fire	58.00	58.00	59.00	59.00	59.00	59.00	59.00	58.00	58.00	58.00
Environmental health & inspections	8.00	9.00	9.00	9.80	11.80	11.80	11.90	11.90	11.50	11.50
Public works										
Streets	22.15	22.15	22.15	22.15	22.15	22.15	19.40	20.04	19.74	19.74
Engineering	0.00	0.00	0.00	0.00	0.00	0.00	2.90	2.90	2.90	2.90
Transit	1.50	1.50	1.60	2.70	2.60	2.60	2.25	2.43	0.98	0.83
Centralized vehicle maintenance	7.50	7.50	7.70	7.40	7.65	7.65	7.65	6.90	8.78	8.93
Welfare and social services										
Ourstreet / Human relations	3.80	3.80	4.55	4.55	4.60	5.80	5.80	6.00	5.05	5.05
Economic development assistance	1.85	1.85	1.85	1.85	1.85	1.50	1.85	1.85	2.10	2.30
Downtown development	2.00	2.15	2.15	2.15	2.15	2.15	2.15	2.15	2.05	2.05
Culture and recreation										
Recreation	5.55	5.60	5.80	5.60	5.60	5.60	5.60	5.60	4.60	4.60
Parks	17.05	17.80	15.80	14.80	15.60	15.60	15.75	14.75	14.65	13.65
Civic Center	2.85	2.85	2.30	2.50	2.50	2.50	2.50	2.50	1.75	1.75
Board of Public Works Utilities	171.50	171.50	171.50	172.50	174.50	178.00	182.00	182.00	187.00	187.00
Total	413.70	414.45	414.75	417.38	422.58	430.48	434.68	429.15	431.05	429.25

Source: City of Holland Finance Office

CITY OF HOLLAND
OPERATING INDICATORS BY FUNCTION
FOR THE LAST TEN FISCAL YEARS

Function	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Cemetery										
Burials	294	271	311	297	286	295	298	283	260	257
Police										
Physical arrests	2,016	2,227	2,678	2,828	2,902	2,871	3,084	3,096	2,972	2,933
Parking violations	8,624	6,802	7,410	6,254	8,760	7,769	6,930	4,581	5,678	5,187
Traffic violations	11,460	10,429	12,522	10,352	9,827	9,442	10,524	8,430	7,946	7,436
Fire										
Emergency responses	2,718	2,802	2,601	2,587	2,731	2,538	2,511	2,597	2,562	2,670
Fires	128	322	264	274	270	164	188	212	118	129
Medical Emergencies	1,865	1,850	1,692	1,619	1,633	1,599	1,661	1,742	1,644	1,752
Inspections	2,270	2,781	1,380	1,101	992	407	49	75	112	129
Public works										
Street resurfacing (miles)	7.0	6.7	6.9	7.9	9.5	6.6	6.4	6.7	6.5	6.8
Street cut permits	267	321	374	304	343	356	285	282	371	327
Community & neighborhood services										
Number of construction permits:										
Industrial & commercial	125	109	136	163	127	108	98	132	110	116
Residential	724	680	697	683	724	787	825	709	631	603
Institutional & municipal	"Information not available"			25	21	31	24	35	30	33
Value of construction permits (thousands of dollars)										
Industrial & commercial	27,605	21,608	16,216	23,192	21,949	22,316	13,717	27,518	12,687	25,759
Residential	10,239	11,215	9,780	9,952	9,936	12,711	25,661	16,517	17,574	15,435
Institutional & municipal	"Information not available"			10,318	7,500	29,114	20,786	35,235	44,336	19,096
Culture and recreation										
Program participants	14,406	17,070	19,091	18,508	15,472	16,531	16,817	16,067	17,795	20,784
Pool attendance	15,893	15,985	11,777	13,582	14,633	10,661	11,639	11,106	11,500	13,317

<u>Function</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Water										
Service connections	11,599	11,816	11,903	12,317	12,790	12,927	13,039	13,209	13,162	13,139
Average daily consumption (thousands of gallons)	13,156	13,017	13,554	12,756	12,079	12,876	13,336	12,161	13,260	13,387
Wastewater										
Service connections	11,232	11,425	11,418	11,671	11,744	11,861	12,024	12,097	12,107	12,143
Average daily consumption (thousands of gallons)	8,369	8,023	7,929	8,375	8,867	8,950	8,345	9,071	8,941	8,839
Transit										
Total route miles	318,250	325,104	334,318	442,629	642,151	619,309	628,112	642,101	670,062	718,395
Passengers	153,645	153,944	152,457	142,195	176,592	185,741	170,620	172,946	184,807	203,874

Source: Various city departments

CITY OF HOLLAND
CAPITAL ASSET STATISTICS BY FUNCTION
FOR THE LAST TEN FISCAL YEARS

Function	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
General Government										
Cemeteries	2	2	2	2	2	2	2	2	2	2
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol Units	23	24	24	20	20	17	18	18	18	18
Fire Stations	3	3	3	3	3	3	3	3	3	3
Public works										
Streets (miles)	142.80	142.80	145.01	151.15	151.15	151.15	151.7	157.1	159.3	148.6
Streetlights	2,136	2,172	2,184	2,234	4,224	4,354	4,383	4,435	4,495	4,632
Culture and recreation										
Park acreage	353.3	371	371	423.2	423.8	423.8	423.8	448	448	448
Parks	18	19	19	20	21	21	21	24	24	24
Baseball/softball diamonds	8	8	8	8	8	8	9	9	9	9
Soccer fields	9	9	9	9	9	9	9	9	9	9
Swimming pools	1	1	1	1	1	1	1	1	1	1
Tennis courts	20	20	20	20	20	21	21	21	21	21
Stadiums	1	1	1	1	1	1	1	1	1	1
Nature centers	1	1	1	1	1	1	1	1	1	1
Tourist attractions	1	1	1	1	1	1	1	1	1	1
Community centers	1	1	1	1	1	1	1	1	1	1
Water										
Water mains (miles)	192.27	193.80	216.40	216.53	220.24	221.51	221.88	221.09	226.45	229.54
Fire hydrants	1,885	2,014	2,032	2,071	2,071	2,081	2,112	2,110	2,166	2,195
Maximum daily capacity of plant (thousands of gallons)	28,000	38,500	38,500	38,500	38,500	38,500	38,500	38,500	38,500	38,500
Wastewater										
Sanitary sewers (miles)	161.10	162.80	166.10	158.31	161.47	164.70	164.74	165.49	177.46	182.52
Storm sewers (miles)	121.5	133.0	133.0	134.0	134.0	134.0	134.0	134.0	131.9	155.0
Maximum daily capacity of plant (thousands of gallons)	16,000	16,000	16,000	16,000	12,000	12,000	12,000	12,000	12,000	12,000
Transit										
Number of vehicles	12	12	12	19	20	20	21	21	23	26

Source: Various city departments

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