

**HOLLAND PUBLIC SCHOOLS**

**REPORT ON FINANCIAL STATEMENTS**  
**(with required supplementary and**  
**additional supplementary information)**

**YEAR ENDED JUNE 30, 2020**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Education  
Holland Public Schools

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Holland Public Schools, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Holland Public Schools' basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Holland Public Schools as of June 30, 2020, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter - Change in Accounting Principle***

As discussed in Note 11 to the financial statements, Holland Public Schools implemented Governmental Accounting Standards Board Statement No. 84, Fiduciary Activities. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### *Required Supplementary Information*

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

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Holland Public Schools' basic financial statements. The additional supplementary information, as identified in the table of contents, including the schedule of expenditures of federal awards as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 25, 2020 on our consideration of Holland Public Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Holland Public Schools' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Holland Public Schools' internal control over financial reporting and compliance.

*Maney Costeiran PC*

September 25, 2020

**HOLLAND PUBLIC SCHOOLS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

This section of the Holland Public Schools ("District") annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year ended on June 30, 2020. Please read it in conjunction with the District's financial statements which immediately follow this section.

**District-Wide Financial Statements**

The first two statements are District-wide financial statements that provide short-term and long-term financial information about the District's overall financial status. These statements are required by generally accepted accounting principles (GAAP) as described in the Government Accounting Standards Board (GASB) Statement No. 34. The statements are compiled using the full accrual basis of accounting and more closely represent financial statements presented by business and industry. All of the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources, both short- and long-term, are reported. As such, these statements include capital assets, net of related depreciation, as well as the bonded debt and other long-term obligations of the District resulting in total net position.

Over time, increases or decreases in the District's net position is one indicator of whether its financial position is improving or deteriorating. To assess the District's overall financial health, one should consider additional factors which may include the State's and/or region's economic condition, changes in the District's property tax base, and age and condition of its capital assets.

**Fund Financial Statements**

For the most part, the fund financial statements are comparable to financial statements for the previous fiscal year. The fund level statements are reported on a modified accrual basis in that only those assets that are deemed "measurable" and "currently available" are reported. Liabilities are recognized to the extent that they are normally expected to be paid with current financial resources.

The formats of the fund statements comply with requirements of the Michigan Department of Education's "Accounting Manual". In the state of Michigan, school districts' major instructional and instructional support activities are reported in the General Fund. Additional activities are reported in various other funds categorized as Special Revenue, Debt Service, and Capital Projects Funds.

In the fund financial statements, capital assets purchased are considered expenditures in the year of acquisition with no asset being reported. The issuance of debt is treated as a financial resource. The current year's payments of principal and interest on long-term obligations are recorded as expenditures. The obligations for future years' debt service are not recorded in the fund financial statements.

**HOLLAND PUBLIC SCHOOLS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

**Summary of Net Position**

The following schedule summarizes the net position for the fiscal years ended June 30, 2020 and 2019:

	2020	2019
Assets		
Current and other assets	\$ 29,629,954	\$ 24,189,319
Capital assets	63,406,815	65,824,503
Total assets	<u>93,036,769</u>	<u>90,013,822</u>
Deferred outflows	<u>29,709,519</u>	<u>28,990,212</u>
Liabilities		
Long-term debt outstanding	70,871,208	74,534,122
Other liabilities	7,223,228	6,437,200
Net pension liability	80,947,948	74,618,192
Net other postemployment benefits liability	17,287,046	18,698,784
Total liabilities	<u>176,329,430</u>	<u>174,288,298</u>
Deferred inflows	<u>17,479,443</u>	<u>18,274,420</u>
Net position		
Net investment in capital assets	(5,005,456)	(6,045,153)
Restricted for capital projects - sinking fund	4,697,605	4,099,795
Restricted for debt service	11,517,046	8,387,476
Unrestricted	<u>(82,271,780)</u>	<u>(80,000,802)</u>
Total net position	<u>\$ (71,062,585)</u>	<u>\$ (73,558,684)</u>



**HOLLAND PUBLIC SCHOOLS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

**Analysis of Financial Position**

During the fiscal year ended June 30, 2020, the District's net position increased by \$1,657,841. A few of the more significant factors affecting net position during the year are discussed below:

➤ Cash Equivalents, Deposits and Investments

At June 30, 2020, the District's cash equivalents, deposits and investments amounted to \$24,478,749. This represented an increase of \$4,943,812 from the previous year, primarily as a result of decreased spending on capital improvements partly due to the COVID-19 situation, and a greater emphasis on operating a structurally balanced budget.

➤ Capital Outlay Acquisitions

For the fiscal year ended June 30, 2020, \$1,040,267 of expenditures were capitalized and recorded as assets of the District. Additionally, \$180,431 of expenditures were recorded as construction in progress. These additions to the District's capital assets will be depreciated over time as explained below.

The net effect of the new capital assets, assets disposed of during the fiscal year, and the current year's depreciation is a net decrease to capital assets in the amount of \$2,417,688 for the fiscal year ended June 30, 2020.

➤ Depreciation Expense

GASB 34 requires school districts to maintain records of annual depreciation expense and the accumulation of depreciation expense over time. The net increase in accumulated depreciation expense is a reduction in the net position.

➤ Bonded Debt

For the fiscal year ended June 30, 2020, the District's bonded debt decreased by \$3,654,134 as a result of repayment of previously-issued bonded debt. At fiscal year-end, approximately \$70.5 million was outstanding with \$3.4 million due within one year.

➤ Accumulated Compensated Absences

At June 30, 2020, the District had an obligation to employees for the portion of unearned compensated absences that they would be entitled to upon separation in the amount of approximately \$322,000.

**HOLLAND PUBLIC SCHOOLS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

**Results of Operations**

For the fiscal years ended June 30, 2020 and 2019, the results of operations, on a District-wide basis, were:

	Fiscal Year Ended June 30, 2020		Fiscal Year Ended June 30, 2019	
	Amount	%	Amount	%
<b>General revenues</b>				
Property taxes	\$ 19,502,268	33.93%	\$ 19,642,966	34.40%
State sources, unrestricted	16,800,758	29.23%	17,797,336	31.17%
Investment earnings	403,888	0.70%	408,585	0.72%
Other	925,547	1.61%	145,652	0.26%
Total general revenues	37,632,461	65.47%	37,994,539	66.55%
<b>Program revenues</b>				
Charges for services	352,842	0.61%	566,715	0.99%
Operating grants and contributions	19,491,944	33.91%	18,543,208	32.46%
Total revenues	57,477,247	100.00%	57,104,462	100.00%
<b>Expenses</b>				
Instruction	28,979,059	51.92%	27,903,447	53.06%
Support services	18,959,994	33.97%	17,352,337	33.00%
Community services	1,836,123	3.29%	1,693,962	3.22%
Food services	2,344,711	4.20%	1,975,616	3.76%
Student/school activities	353,052	0.63%	-	0.00%
Interest on long-term debt	3,346,467	6.00%	3,663,645	6.97%
Total expenses	55,819,406	100.00%	52,589,007	100.00%
Change in net position	<u>\$ 1,657,841</u>		<u>\$ 4,515,455</u>	

**HOLLAND PUBLIC SCHOOLS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

**Analysis of Significant Revenues and Expenses**

Significant revenues and expenditures are discussed in the segments below:

➤ Property Taxes

The District levied 17.5437 mills, after the impact of the required "Headlee" millage reduction, of property taxes for operations on non-principal residence exempt property for the 2019 tax year. According to Michigan law, the tax levy is based on the taxable valuation of properties. The annual taxable valuation increases are capped at the rate of increase in the prior year's Consumer Price Index or 5%, whichever is less. At the time that property is sold, its taxable valuation is readjusted to the State Equalized Value, which in theory is one half of the property's market value. At June 30, 2020, there were no unpaid property taxes.

➤ State Sources

The majority of the unrestricted state sources of revenues is comprised of the per student foundation allowance. The State of Michigan funds school districts based on a blended student enrollment which is calculated using 90% of the 2019 calendar year's fall count (October) and 10% of the 2019 calendar year's spring count (February). For the 2019-2020 fiscal year, the District received \$8,111 per student full time equivalent. The student foundation allowance amount increased by \$240 when compared to the 2018-2019 fiscal year.

On June 30, 2020 the Governor and Legislative Bodies announced a \$175 per pupil reduction in State Funding for the 2019-2020 fiscal year. As this occurred on the final day of the fiscal year, there was no ability to amend the General Fund budget. This amounted to an unfavorable amount of approximately \$600,000.

➤ Operating Grants and Contributions

The District receives a significant portion of its operating revenue from categorical grants. For the fiscal year ended June 30, 2020, federal, state, and other grants amounted to \$19,491,944. This represents an 5.12% decrease over the \$18,543,208 received for the 2018-2019 fiscal year.

**Comparative Expenditures**

A comparison of the expenditures reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances is shown below:

Expenditures	2019 - 2020	2018 - 2019	Increase (decrease)
Instruction	\$ 24,739,536	\$ 25,440,382	\$ (700,846)
Supporting services	16,777,829	16,182,793	595,036
Community services	1,527,598	1,508,053	19,545
Food service activities	2,220,690	1,824,527	396,163
Student/school activities	353,052	-	353,052
Capital outlay	1,283,335	774,549	508,786
Debt service	6,764,101	8,904,889	(2,140,788)
Total expenditures	\$ 53,666,141	\$ 54,635,193	\$ (969,052)

**HOLLAND PUBLIC SCHOOLS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

**General Fund Budgetary Highlights**

The Uniform Budgeting Act of the State of Michigan requires that the local Board of Education approve the annual operating budget prior to the start of the fiscal year on July 1. Any amendments to the original budget must be approved by the Board prior to the close of the fiscal year on June 30, 2020.

The following schedule shows a comparison of the original general fund budget, the final amended budget, and actual totals from operations for the fiscal year ending June 30, 2020.

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Final Variance with Budget</u>	<u>% Variance</u>
<b>Total revenues</b>	\$ 43,604,300	\$ 43,245,000	\$ 42,816,580	\$ (428,420)	-0.99%
<b>Expenditures</b>					
Instruction	\$ 25,802,700	\$ 25,185,500	\$ 24,739,536	\$ 445,964	1.77%
Supporting services	16,396,400	17,024,600	16,777,829	246,771	1.45%
Community services	1,520,000	1,562,500	1,527,598	34,902	2.23%
Total expenditures	<u>\$ 43,719,100</u>	<u>\$ 43,772,600</u>	<u>\$ 43,044,963</u>	<u>\$ 727,637</u>	<u>1.66%</u>
<b>Other financing sources (uses)</b>	<u>\$ 95,000</u>	<u>\$ 425,000</u>	<u>\$ 286,538</u>	<u>\$ (138,462)</u>	<u>-32.58%</u>

The original budget adopted by the Board in June 2019 was amended twice during the year. The amendments, approved in January and June 2020, reflected necessary changes to both revenues and expenditures based on projections made by the Finance Director.

**Capital Asset and Debt Administration**

**Capital Assets**

By the end of the 2019-2020 fiscal year, the District had invested approximately \$113 million as the original cost in a broad range of capital assets, including land, school buildings and facilities, school buses and other vehicles, and various types of equipment. This represents a net increase of \$1,220,698 over the prior fiscal year. Depreciation expense for the year amounted to \$3,586,699, bringing the accumulated depreciation to roughly \$50.0 million as of June 30, 2020.

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>2020 Net Book Value</u>	<u>2019 Net Book Value</u>
Land	\$ 513,275	\$ -	\$ 513,275	\$ 541,525
Construction in progress	180,431	-	180,431	-
Land improvements	6,698,747	4,101,686	2,597,061	2,606,345
Buildings and improvement	91,361,007	34,454,327	56,906,680	58,878,150
Furniture and equipment	12,486,422	9,444,255	3,042,167	3,476,580
Vehicles	2,186,583	2,019,382	167,201	321,903
Total	<u>\$ 113,426,465</u>	<u>\$ 50,019,650</u>	<u>\$ 63,406,815</u>	<u>\$ 65,824,503</u>

**HOLLAND PUBLIC SCHOOLS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

**Long-term Obligations**

At June 30, 2020, the District had approximately \$70.5 million in long-term obligations comprised of outstanding bonded debt. The bonded debt obligations decreased during the year with \$3,654,134 of previously outstanding bonds being redeemed. In addition to the bonded debt, the District has obligations for compensated absences estimated at approximately \$322,000.

**Factors Bearing on the District's Future**

At the time these financial statements were prepared and audited, the District was aware of the following items that could significantly affect its financial health in the future:

- The uncertainty of student foundation funding levels, as well as funding for other K-12 education programs, reflects the continued difficult economic decisions faced by the State of Michigan, especially in light of the issue on how to fund road and bridge repairs statewide. In addition to these ongoing pressures on the State's ability to fund public education, the economic impact from the COVID-19 pandemic has resulted in a noticeable decrease in State-wide tax revenues. Because of this, the State reduced per pupil funding for the 2019-2020 fiscal year by \$175 on June 30, 2020. As that was the last day of the fiscal year, the district was unable to reduce spending and is dealing with the loss of revenue during the 2020-2021 school year.
- In August 2020, economist in the State Budget Office updated their projections for the 2020-2021 and 2021-2022 fiscal years. The updated projections showed a noticeably improved economic outlook which in-turn is likely to result in greater funding for public education than was budgeted by most school districts including Holland.
- With the expected continuation declining enrollment levels, lack of stability in the funding stream from the State, and rising costs in many areas including employee health insurance, retirement contribution costs, and utilities, District administration continues to be diligent in its efforts to maintain a reasonable level of reserves (fund balance). Measures to accomplish this include, but are not limited to, restructuring space utilization to match current enrollment levels, cooperative agreements with Ottawa Area Intermediate School District as well as neighboring public and parochial schools and strategic changes to how the District handles its non-instructional support services.
- In September 2012, the Governor signed P.A. 300 of 2012 - MPSERS Reform into law. This bill is the first step by the lawmakers to reform the Michigan Public Schools Employee Retirement System (MPSERS) in order to make it affordable and sustainable into the future. This law requires current school employees to make choices regarding their pension and retiree healthcare which could impact the District's and employee's contributions. It also sets the stage for addressing the ever-growing unfunded liability that MPSERS is facing. To date, these efforts have worked to reduce the unfunded liability on a state-wide basis.
- The District, in conjunction with its architects, continues to analyze the condition of its buildings and grounds, seeking to put the resources generated by its sinking fund tax levy to the best uses possible in order to provide a safe and appropriate environment for its students, staff, and the Holland community. While this resource is helpful for maintaining the building and grounds, and providing for safety and security and instructional technology, it cannot provide for equipment and transportation needs. Administration continues to look at options and opportunities to fund such needs in light of ongoing budgetary pressures. To address the current and future capital needs, the District has begun efforts to determine the feasibility of approaching voters for a bond issue.

**HOLLAND PUBLIC SCHOOLS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

- In the summer of 2019, the District entered into a collective bargaining agreement with its teachers. The contract runs through the 2020-21 school year and provides for annual increases for the teaching staff. Administration believes that this agreement allows financial predictability in its major expenditure component which provides for an improved ability for multi-year financial planning.

**Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report, or need additional information, please contact the Finance Director at Holland Public Schools, 320 W 24<sup>th</sup> Street, Holland, MI 49423.

## **BASIC FINANCIAL STATEMENTS**

**HOLLAND PUBLIC SCHOOLS  
STATEMENT OF NET POSITION  
JUNE 30, 2020**

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 16,065,294
Investments	7,858,150
Receivables	
Accounts	245,370
Intergovernmental	4,857,304
Inventories	8,638
Prepays	39,893
Restricted cash and cash equivalents - capital projects	555,305
Capital assets not being depreciated	693,706
Capital assets, net of accumulated depreciation	62,713,109
<b>TOTAL ASSETS</b>	<b>93,036,769</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred charge on refunding, net of amortization	1,579,530
Related to pensions	22,330,527
Related to other postemployment benefits	5,799,462
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>29,709,519</b>
<b>LIABILITIES</b>	
Accounts payable	1,417,814
Accrued salaries and related items	3,124,116
Accrued retirement	1,623,874
Accrued interest	538,710
Unearned revenue	518,714
Noncurrent liabilities	
Due within one year	3,464,478
Due in more than one year	67,406,730
Net pension liability	80,947,948
Net other postemployment benefits liability	17,287,046
<b>TOTAL LIABILITIES</b>	<b>176,329,430</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Related to pensions	6,506,338
Related to other postemployment benefits	8,278,363
Related to state aid funding for pension benefits	2,694,742
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>17,479,443</b>
<b>NET POSITION</b>	
Net investment in capital assets	(5,005,456)
Restricted for capital projects - sinking fund	4,697,605
Restricted for debt service	11,517,046
Unrestricted	(82,271,780)
<b>TOTAL NET POSITION</b>	<b>\$ (71,062,585)</b>

See notes to financial statements.



**HOLLAND PUBLIC SCHOOLS  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2020**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Governmental Activities</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Net (Expense) Revenue and Changes in Net Position</u>
Governmental activities				
Instruction	\$ 28,979,059	\$ -	\$ 12,547,173	\$ (16,431,886)
Support services	18,959,994	127,599	3,732,582	(15,099,813)
Community services	1,836,123	-	152,722	(1,683,401)
Food services	2,344,711	225,243	1,896,289	(223,179)
Student/school activities	353,052	-	403,592	50,540
Interest on long-term debt	3,346,467	-	759,586	(2,586,881)
Total governmental activities	<u>\$ 55,819,406</u>	<u>\$ 352,842</u>	<u>\$ 19,491,944</u>	<u>(35,974,620)</u>
General revenues				
Property taxes, levied for general purposes				9,603,423
Property taxes, levied for debt service				8,249,112
Property taxes, levied for sinking fund				1,649,733
State sources - unrestricted				16,800,758
Investment earnings				403,888
Other revenue				925,547
Total general revenues				<u>37,632,461</u>
<b>CHANGE IN NET POSITION</b>				1,657,841
<b>NET POSITION, beginning of year, as restated</b>				<u>(72,720,426)</u>
<b>NET POSITION, end of year</b>				<u>\$ (71,062,585)</u>

See notes to financial statements.

**HOLLAND PUBLIC SCHOOLS  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2020**

	<u>Debt Service</u>				<u>Total Nonmajor Funds</u>	<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>2010 Building and Site Bond</u>	<u>2014 Refunding Bond</u>	<u>Sinking Fund</u>		
<b>ASSETS</b>						
Cash and cash equivalents	\$ 1,393,380	\$ 10,249,840	\$ 1,159,653	\$ 1,278,420	\$ 1,984,001	\$ 16,065,294
Investments	2,550,891	-	-	3,586,546	1,720,713	7,858,150
Receivables						
Accounts	245,329	-	-	-	41	245,370
Intergovernmental	4,662,774	-	-	-	194,530	4,857,304
Due from other funds	120,306	6,174	708,638	151,118	150,000	1,136,236
Inventories	-	-	-	-	8,638	8,638
Prepays	2,918	-	-	-	36,975	39,893
Restricted cash and cash equivalents	-	-	-	-	555,305	555,305
<b>TOTAL ASSETS</b>	<b><u>\$ 8,975,598</u></b>	<b><u>\$ 10,256,014</u></b>	<b><u>\$ 1,868,291</u></b>	<b><u>\$ 5,016,084</u></b>	<b><u>\$ 4,650,203</u></b>	<b><u>\$ 30,766,190</u></b>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>LIABILITIES</b>						
Accounts payable	\$ 1,080,342	\$ -	\$ -	\$ 318,479	\$ 18,993	\$ 1,417,814
Accrued salaries and related items	3,118,123	-	-	-	5,993	3,124,116
Accrued retirement	1,623,874	-	-	-	-	1,623,874
Unearned revenue	499,759	-	-	-	18,955	518,714
Due to other funds	222,003	17,137	51,412	-	845,684	1,136,236
<b>TOTAL LIABILITIES</b>	<b><u>6,544,101</u></b>	<b><u>17,137</u></b>	<b><u>51,412</u></b>	<b><u>318,479</u></b>	<b><u>889,625</u></b>	<b><u>7,820,754</u></b>
<b>FUND BALANCES</b>						
Nonspendable						
Inventories	-	-	-	-	8,638	8,638
Prepays	2,918	-	-	-	36,975	39,893
Restricted for:						
Debt service	-	10,238,877	1,816,879	-	-	12,055,756
Capital projects	-	-	-	4,697,605	520,042	5,217,647
Food service	-	-	-	-	717,428	717,428
Committed						
Student/school activities	-	-	-	-	888,798	888,798

See notes to financial statements.

	<u>Debt Service</u>				<u>Total Nonmajor Funds</u>	<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>2010 Building and Site Bond</u>	<u>2014 Refunding Bond</u>	<u>Sinking Fund</u>		
<b>FUND BALANCES (Concluded):</b>						
Assigned for:						
Capital projects	\$ -	\$ -	\$ -	\$ -	\$ 1,588,697	\$ 1,588,697
Subsequent years expenditures	517,300	-	-	-	-	517,300
Unassigned:						
General fund	1,911,279	-	-	-	-	1,911,279
<b>TOTAL FUND BALANCES</b>	<u>2,431,497</u>	<u>10,238,877</u>	<u>1,816,879</u>	<u>4,697,605</u>	<u>3,760,578</u>	<u>22,945,436</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 8,975,598</u>	<u>\$ 10,256,014</u>	<u>\$ 1,868,291</u>	<u>\$ 5,016,084</u>	<u>\$ 4,650,203</u>	<u>\$ 30,766,190</u>
<b>Total governmental fund balances</b>						\$ 22,945,436
Amounts reported for governmental activities in the statement of net position are different because:						
Deferred outflows of resources - deferred charges on refunding, net of amortization						1,579,530
Deferred outflows of resources - related to pensions						22,330,527
Deferred inflows of resources - related to pensions						(6,506,338)
Deferred outflows of resources - related to other postemployment benefits						5,799,462
Deferred inflows of resources - related to other postemployment benefits						(8,278,363)
Deferred inflows of resources - related to state funding for pension benefits						(2,694,742)
Capital assets used in governmental activities are not financial resources and are not reported in the funds:						
The cost of the capital assets is					\$ 113,426,465	
Accumulated depreciation is					<u>(50,019,650)</u>	
						63,406,815
Long-term liabilities are not due and payable in the current period and are not reported in the funds:						
Long-term debt obligation						(70,548,818)
Compensated absences						(322,390)
Accrued interest is not included as a liability in governmental funds, it is recorded when paid						(538,710)
Net pension liability						(80,947,948)
Net other postemployment benefits liability						<u>(17,287,046)</u>
<b>Net position of governmental activities</b>						<u>\$ (71,062,585)</u>

See notes to financial statements.

**HOLLAND PUBLIC SCHOOLS**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED JUNE 30, 2020**

	<u>Debt Service</u>			<u>Sinking Fund</u>	<u>Total Nonmajor Funds</u>	<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>2010 Building and Site Bond</u>	<u>2014 Refunding Bond</u>			
<b>REVENUES</b>						
Local sources						
Property taxes	\$ 9,603,423	\$ 2,062,275	\$ 6,186,837	\$ 1,649,733	\$ -	\$ 19,502,268
Food sales	-	-	-	-	225,243	225,243
Student/school activity income	-	-	-	-	386,353	386,353
Scholarship donations	-	-	-	-	5,000	5,000
Investment earnings	50,091	217,793	26,120	70,600	51,523	416,127
Other	231,609	-	-	-	-	231,609
Total local sources	9,885,123	2,280,068	6,212,957	1,720,333	668,119	20,766,600
State sources	24,763,544	153,113	459,338	68,549	139,685	25,584,229
Federal sources	2,185,826	759,586	-	-	1,818,062	4,763,474
Incoming transfers and other	5,982,087	-	-	-	-	5,982,087
Total revenues	42,816,580	3,192,767	6,672,295	1,788,882	2,625,866	57,096,390
<b>EXPENDITURES</b>						
Current						
Instruction	24,739,536	-	-	-	-	24,739,536
Supporting services	16,777,829	-	-	-	-	16,777,829
Community services	1,527,598	-	-	-	-	1,527,598
Food service activities	-	-	-	-	2,220,690	2,220,690
Student/school activities	-	-	-	-	353,052	353,052
Capital outlay	-	-	-	1,191,072	92,263	1,283,335

See notes to financial statements.

	<u>Debt Service</u>				<u>Total Nonmajor Funds</u>	<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>2010 Building and Site Bond</u>	<u>2014 Refunding Bond</u>	<u>Sinking Fund</u>		
<b>EXPENDITURES (continued)</b>						
Debt service						
Principal repayment	\$ -	\$ -	\$ 3,395,000	\$ -	\$ -	\$ 3,395,000
Interest	-	945,693	2,423,408	-	-	3,369,101
Total expenditures	<u>43,044,963</u>	<u>945,693</u>	<u>5,818,408</u>	<u>1,191,072</u>	<u>2,666,005</u>	<u>53,666,141</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(228,383)</u>	<u>2,247,074</u>	<u>853,887</u>	<u>597,810</u>	<u>(40,139)</u>	<u>3,430,249</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Proceeds from sale of capital assets	6,538	-	-	-	356,928	363,466
Transfers in	280,000	-	690,115	-	-	970,115
Transfers out	-	-	-	-	(970,115)	(970,115)
Total other financing sources (uses)	<u>286,538</u>	<u>-</u>	<u>690,115</u>	<u>-</u>	<u>(613,187)</u>	<u>363,466</u>
<b>NET CHANGE IN FUND BALANCES</b>	58,155	2,247,074	1,544,002	597,810	(653,326)	3,793,715
<b>FUND BALANCES</b>						
Beginning of year, as restated	<u>2,373,342</u>	<u>7,991,803</u>	<u>272,877</u>	<u>4,099,795</u>	<u>4,413,904</u>	<u>19,151,721</u>
End of year	<u><u>\$ 2,431,497</u></u>	<u><u>\$ 10,238,877</u></u>	<u><u>\$ 1,816,879</u></u>	<u><u>\$ 4,697,605</u></u>	<u><u>\$ 3,760,578</u></u>	<u><u>\$ 22,945,436</u></u>

See notes to financial statements.

**HOLLAND PUBLIC SCHOOLS**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND**  
**BALANCES OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2020**

<b>Net change in fund balances total governmental funds</b>	<b>\$ 3,793,715</b>
Amounts reported for governmental activities in the statement of activities differ because:	
Governmental funds report capital outlays as expenditures. In the statement of activities these costs are allocated over their estimated useful lives as depreciation:	
Depreciation expense	(3,586,699)
Capital outlay	1,220,698
Net book value of capital assets disposed	(51,687)
Accrued interest on bonds is recorded in the statement of activities when incurred; it is not recorded in governmental funds until it is paid:	
Accrued interest payable, beginning of the year	561,344
Accrued interest payable, end of the year	(538,710)
The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The effect of these differences is the treatment of long-term debt and related items and are as follows:	
Payments on debt obligations	3,395,000
Amortization of bond premium	259,134
Amortization of deferred charge on refunding	(106,485)
Compensated absences are reported on the accrual method in the statement of activities, and recorded as an expenditure when financial resources are used in the governmental funds:	
Accrued compensated absences, beginning of the year	331,170
Accrued compensated absences, end of the year	(322,390)
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 governmental funds:	
Pension related items	(4,795,657)
Other postemployment benefits related items	1,429,330
Restricted revenue reported in the governmental funds that is deferred to offset the deferred outflows related to section 147c pension benefits contributions subsequent to the measurement period:	
Pension benefit related items, beginning of year	2,763,820
Pension benefit related items, end of year	(2,694,742)
<b>Change in net position of governmental activities</b>	<b>\$ 1,657,841</b>

**HOLLAND PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Description of Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the District. *Governmental activities* normally are supported by taxes, and intergovernmental revenues.

Reporting Entity

Holland Public Schools (the "District") is governed by the Holland Public Schools Board of Education (the "Board"), which has responsibility and control over all activities related to public school education within the District. The District receives funding from local, state, and federal sources and must comply with all of the requirements of these funding source entities. However, the District is not included in any other governmental reporting entity as defined by the accounting principles generally accepted in the United States of America. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters. In addition, the District's reporting entity does not contain any component units as defined in Governmental Accounting Standards Board Statements (GASB).

Basis of Presentation - Government-wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from the governmental funds. Separate financial statements are provided for governmental funds.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Basis of Presentation - Fund Financial Statements

The fund financial statements provide information about the District's funds. The emphasis of fund financial statements is on major governmental funds. All remaining governmental funds are aggregated and reported as nonmajor funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

The District reports the following major governmental funds:

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

The *2010 bond debt service fund* accounts for the resources accumulated and payments made for principal and interest on debt related to the building and site bonds issued in 2010.

The *2014 bond debt service fund* accounts for the resources accumulated and payments made for principal and interest on debt related to the refunding bonds issued in 2014.

The capital projects *sinking fund* accounts for revenue sources that are legally restricted to expenditures for specific purposes. The District has complied with the applicable provisions of §1212(1) of the Revised School Code and the State of Michigan Department of Treasury Letter No. 01-95 relating to sinking funds.

**HOLLAND PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Basis of Presentation - Fund Financial Statements (continued)

*Other Nonmajor Funds*

The *special revenue funds* account for revenue sources that are legally restricted or committed to expenditures for specific purposes (not including expendable trusts or major capital projects). The District accounts for its food service and student/school activities in special revenue funds.

The *1992 bond debt service fund* accounts for the resources accumulated and payments made for principal and interest on debt related to the refunding bonds issued in 1992.

The *capital projects funds* account for and report financial resources that are restricted, committed, or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital projects. The District has two capital projects funds: the 2010 Prop 1 fund, and the property sales fund, both of which are considered nonmajor. Resources are from bond proceeds and the sale of property.

The 2010 capital projects fund includes capital project activities funded with bonds issued after May 1, 1994. For these capital projects, the school district has complied with the applicable provisions of §1351a of the Revised School Code.

Beginning with the year of bond issuance, the District has reported annual construction activity in the capital projects fund. The projects for which the 2010 building and site bonds were issued were in process as of June 30, 2020 and the cumulative expenditures recognized for the construction period were as follows.

The following is a summary of the revenue and expenditures for the capital projects bond activity since inception:

	<b><u>2010 Capital Projects</u></b>
Revenue and other financing sources	<u>\$ 50,392,933</u>
Expenditures and other financing uses	<u>\$ 49,835,916</u>

Revenue and other financing sources for the 2010 capital projects include the net bond proceeds of \$45,865,000.

During the course of operations, the District has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, they are eliminated in the preparation of the government-wide financial statements.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, they are eliminated in the preparation of the government-wide financial statements.



**HOLLAND PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The 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 District considers revenues to be available if they are generally collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, state and federal aid, 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. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end).

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per pupil based on a statewide formula. The foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the current year ended, the foundation allowance was based on pupil membership counts.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills on Principal Residence Exemption (PRE) property and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by Non-PRE property taxes which may be levied at a rate of up to 18 mills as well as 6 mills for Commercial Personal Property Tax. The state revenue is recognized during the foundation period and is funded through payments from October to August. Thus, the unpaid portion at June 30 is reported as an intergovernmental receivable.

**HOLLAND PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Measurement Focus and Basis of Accounting (continued)

The District also receives revenue from the state to administer certain categorical education programs. State rules required that revenue earmarked for these programs be used for its specific purpose. Certain governmental funds require an accounting to the state of the expenditures incurred. For categorical funds meeting this requirement, funds received and accrued, which are not expended by the close of the fiscal years are recorded as unearned revenue.

All other revenue items are generally considered to be measurable and available only when cash is received by the District.

Budgetary Information

*Budgetary Basis of Accounting*

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund and special revenue funds. Other funds do not have appropriated budgets.

Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances are commitments related to unperformed (executor) contracts for goods or services (i.e., purchase orders, contracts, and commitments). The District does not utilize encumbrance accounting.

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.
- b. Public hearings are conducted to obtain taxpayer comments.
- c. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (1968 PA 2). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated. Violations, if any, in the general fund are noted in the required supplementary information section.
- d. Transfers may be made for budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the School Board.
- e. The budget was amended during the year with supplemental appropriations, the last one approved prior to year ended June 30, 2020. The District does not consider these amendments to be significant.

**HOLLAND PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

*Cash and Cash Equivalents*

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of 3 months or less from the date of acquisition.

*Investments*

In accordance with Michigan Compiled Laws, the District is authorized to invest in the following investment vehicles:

- a. Bonds, securities, and other obligations 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 bank which is a member of the Federal Deposit Insurance Corporation (FDIC) or a savings and loan association which is a member of the Federal Savings and Loan Insurance Corporation (FSLIC) or a credit union which is insured by the National Credit Union Administration (NCUA), but only if the bank, savings and loan association, or credit union is eligible to be a depository of surplus funds belonging to the State under section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of the Michigan Compiled Laws.
- c. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
- d. The United States government or federal agency obligations repurchase agreements.
- e. Bankers acceptances of United States banks.
- f. Mutual funds composed of investment vehicles, which are legal for direct investment by local units of government in Michigan.

Michigan Compiled Laws allow for collateralization of government deposits, if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA 105, MCL 21.143, to secure deposits of State surplus funds, securities issued by the Federal Loan Mortgage Corporation, Federal National Mortgage Association, or Government National Mortgage Association.

*Inventories and Prepaid Items*

Inventories are valued at cost using the first-in/first-out (FIFO) method and consist of expendable supplies. The cost of such inventories is recorded as expenditures/expenses when consumed rather than when purchased.

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

**HOLLAND PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (continued)

*Capital Assets*

Capital assets, which include property, plant, equipment, and transportation vehicles, are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of 1 year. Group purchases are evaluated on a case by case basis. Donated capital assets are recorded at their estimated acquisition value at the date of donation.

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

Land and construction in progress if any are not depreciated. The other property, plant, and equipment of the District are depreciated using the straight line method over the following estimated useful lives:

<u>Capital Asset Classes</u>	<u>Lives</u>
Land improvements	5 - 30
Buildings and improvements	20 - 45
Furniture and equipment	5 - 20
Vehicles	5 - 20

*Defined Benefit Plans*

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

*Deferred Outflows*

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. The District has three items that qualify for reporting in this category. They are the deferred charge on refunding, pension and other postemployment benefits related items reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. A deferred outflow is recognized for pension and other postemployment benefit related items. These amounts are expensed in the plan year in which they apply.

**HOLLAND PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (continued)

*Deferred Inflows*

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The District has three items that qualify for reporting in this category. The first is restricted section 147c state aid deferred to offset deferred outflows related to section 147c pension benefit contributions subsequent to the measurement period. The second and third items are future resources yet to be recognized in relation to the pension and other postemployment benefit actuarial calculation. These future resources arise from differences in the estimates used by the actuary to calculate the pension and other postemployment benefit liability and the actual results. The amounts are amortized over a period determined by the actuary.

*Net Position Flow Assumption*

Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

*Fund Balance Flow Assumptions*

Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

*Fund Balance Policies*

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The District itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the District's highest level of decision-making authority. The Board of Education is the highest level of decision-making authority for the District that can, by adoption of a board action prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the board action remains in place until a similar action is taken (the adoption of another board action) to remove or revise the limitation.

**HOLLAND PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (continued)

*Fund Balance Policies (continued)*

Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as committed. The Board of Education may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Revenues and Expenditures/Expenses

*Program Revenues*

Amounts reported as *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 requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, unrestricted state aid, interest, and other internally dedicated resources are reported as general revenues rather than as program revenues.

*Property Taxes*

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The taxes are levied and become a lien as of July 1 and December 1 and are due upon receipt of the billing by the taxpayer and become a lien on the first day of the levy year. The actual due dates are September 14 and February 14, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity.

For the year ended June 30, 2020, the District levied the following amounts per \$1,000 of assessed valuation:

Fund	Mills
General fund	
Non-Principal Residence Exemption (PRE)	17.5437
Commercial Personal Property	5.5437
Debt service fund	
PRE, Non-PRE, Commercial Personal Property	6.0000
Sinking fund	
PRE, Non-PRE, Commercial Personal Property	1.2326

*Compensated Absences*

The District's policy permits employees to accumulate earned but unused sick leave benefits, which are eligible for payment upon separation from service. The liability for such leave is reported and incurred in the government-wide financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee resignations or retirements.

**HOLLAND PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Revenues and Expenditures/Expenses (continued)

*Long-term Obligations*

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method which approximates the effective interest method over the term of the related debt. Bond issuance costs are reported as expenditures in the year in which they are incurred.

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 while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**NOTE 2 - DEPOSITS AND INVESTMENTS**

As of June 30, 2020, the District had deposits and investments subject to the following risk:

Custodial Credit Risk - Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2020, \$16,803,897 of the District's bank balance of \$17,053,897 was exposed to custodial credit risk because it was uninsured and uncollateralized. The carrying value on the books for deposits at the end of the year was \$16,620,599.

Custodial Credit Risk - Investments

For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The District will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the District will do business.

Interest Rate Risk

In accordance with its investment policy, the District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the District's cash requirements.

**HOLLAND PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 2 - DEPOSITS AND INVESTMENTS (continued)**

Interest Rate Risk (continued)

Investment Type	Fair Value	Weighted Average Maturity (Years)
MILAF MAX	\$ 40,007	N/A
Michigan Class Investment Pool	7,818,143	0.1458
Total fair value	\$ 7,858,150	
Portfolio weighted average maturity		0.1458

One day maturity equals 0.0027, one year equals 1.00

Concentration of Credit Risk

The District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. Obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality.

Investment Type	Fair Value	Rating	Rating Agency
MILAF MAX	\$ 40,007	AAAm	Standard & Poor's
Michigan Class Investment Pool	7,818,143	AAAm	Standard & Poor's
	\$ 7,858,150		

Foreign Currency Risk

The District is not authorized to invest in investments which have this type of risk.

Fair Value Measurement

The District is required to disclose amounts within a framework established for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

- Level 1: Quoted prices in active markets for identical securities.



**HOLLAND PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 2 - DEPOSITS AND INVESTMENTS (continued)**

Fair Value Measurement (continued)

- Level 2: Prices determined using other significant observable inputs. Observable inputs are inputs that other market participants may use in pricing a security. These may include prices for similar securities, interest rates, prepayment speeds, credit risk and others.
- Level 3: Prices determined using significant unobservable inputs. In situations where quoted prices or observable inputs are unavailable or deemed less relevant, unobservable inputs may be used. Unobservable inputs reflect the District’s own assumptions about the factors market participants would use in pricing an investment and would be based on the best information available.

The asset or liability’s fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The District voluntarily invests certain excess funds in external pooled investment funds which included money market funds. One of the pooled investment funds utilized by the District is the Michigan Investment Liquid Asset Fund (MILAF). MILAF funds are considered external investment pools as defined by the GASB and as such are recorded at amortized cost which approximate fair value. The MILAF (MAX Class) fund requires notification of redemptions prior to 14 days to avoid penalties. These funds are not subject to the fair value disclosures.

	<u>Amortized Cost</u>
MILAF External Investment Pool - MAX	<u>\$ 40,007</u>

Investments in Entities that Calculate Net Asset Value per share

The District holds shares or interests in the Michigan CLASS investment pool where the fair value of the investments is measured on a recurring basis using net asset value per share (or its equivalent) of the investment companies as a practical expedient.

The Michigan CLASS investment pool invest in U.S. Treasury obligations, federal agency obligations of the U.S. government, high-grade commercial paper (rated “A1” or better), collateralized bank deposits, repurchase agreements (collateralized at 102 percent by treasuries and agencies), and approved money market funds. The program is designed to meet the needs of Michigan public sector investors. It purchases securities that are legally permissible under state statutes and are available for investment by Michigan counties, cities, townships, school districts, authorities, and other public agencies.

At the year ended June 30, 2020, the fair value, unfunded commitments, and redemption rules of those investments are as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Frequency, if Eligible</u>	<u>Redemption Notice Period</u>
Michigan Class Investment Pool	<u>\$ 7,818,143</u>	<u>\$ -</u>	No restrictions	None

**HOLLAND PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 2 - DEPOSITS AND INVESTMENTS (continued)**

Investments in Entities that Calculate Net Asset Value per share (continued)

The cash and cash equivalents and investments referred to above have been reported in either the cash and cash equivalents or investments captions on the financial statements, based upon criteria disclosed in Note 1.

The following summarizes the categorization of these amounts as of June 30, 2020:

Cash and cash equivalents	\$ 16,065,294
Investments	7,858,150
Restricted cash and cash equivalents	<u>555,305</u>
	<u><u>\$ 24,478,749</u></u>

**NOTE 3 - CAPITAL ASSETS**

A summary of changes in the District's capital assets are as follows:

	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020
Assets not being depreciated				
Land	\$ 541,525	\$ -	\$ 28,250	\$ 513,275
Construction in progress	-	180,431	-	180,431
Subtotal	<u>541,525</u>	<u>180,431</u>	<u>28,250</u>	<u>693,706</u>
Capital assets, being depreciated				
Land improvements	6,509,841	188,906	-	6,698,747
Buildings and improvements	91,385,196	305,042	329,231	91,361,007
Furniture and equipment	13,927,574	546,319	1,987,471	12,486,422
Vehicles	2,533,936	-	347,353	2,186,583
Subtotal	<u>114,356,547</u>	<u>1,040,267</u>	<u>2,664,055</u>	<u>112,732,759</u>
Accumulated depreciation				
Land improvements	3,903,496	198,190	-	4,101,686
Buildings and improvements	32,507,046	2,253,075	305,794	34,454,327
Furniture and equipment	10,450,994	980,732	1,987,471	9,444,255
Vehicles	2,212,033	154,702	347,353	2,019,382
Total accumulated depreciation	<u>49,073,569</u>	<u>3,586,699</u>	<u>2,640,618</u>	<u>50,019,650</u>
Net capital assets being depreciated	<u>65,282,978</u>	<u>(2,546,432)</u>	<u>23,437</u>	<u>62,713,109</u>
Net governmental capital assets	<u><u>\$ 65,824,503</u></u>	<u><u>\$ (2,366,001)</u></u>	<u><u>\$ 51,687</u></u>	<u><u>\$ 63,406,815</u></u>

**HOLLAND PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 3 - CAPITAL ASSETS (continued)**

Depreciation for the fiscal year ended June 30, 2020 amounted to \$3,586,699 which was allocated in the following manner:

Instruction	\$ 2,152,019
Support services	1,076,010
Food service	179,335
Community services	179,335
	\$ 3,586,699

**NOTE 4 - INTERGOVERNMENTAL RECEIVABLES**

Intergovernmental receivables at June 30, 2020 consist of the following:

Governmental units	
State revenue	\$ 4,063,577
Federal revenue	765,674
Intermediate and other sources	28,053
	\$ 4,857,304

Because of the District's favorable collection experience, no allowance for doubtful accounts has been recorded.

**NOTE 5 - INTERFUND RECEIVABLES AND PAYABLES**

Interfund receivable and payable balances at June 30, 2020 are as follows:

Receivable Fund	Payable Fund
General fund	General fund
\$ 120,306	\$ 222,003
Capital projects fund	Food service fund
150,000	112,699
Debt service funds	Student/school activities fund
714,812	7,607
Sinking fund	Capital projects fund
151,118	35,263
	Debt service funds
	758,664
\$ 1,136,236	\$ 1,136,236

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

**HOLLAND PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 6 - LONG-TERM OBLIGATIONS**

The following is a summary of long-term obligations for the District for the year ended June 30, 2020:

	General Obligation Bonds	Compensated Absences	Total
Balance, July 1, 2019	\$ 74,202,952	\$ 331,170	\$ 74,534,122
Deletions	<u>(3,654,134)</u>	<u>(8,780)</u>	<u>(3,662,914)</u>
Balance, June 30, 2020	70,548,818	322,390	70,871,208
Due within one year	<u>3,400,000</u>	<u>64,478</u>	<u>3,464,478</u>
Due in more than one year	<u>\$ 67,148,818</u>	<u>\$ 257,912</u>	<u>\$ 67,406,730</u>

Long-term obligations at June 30, 2020 is comprised of the following issues:

**General obligation bonds**

2010 Building and site bonds, Series A - \$15,000,000, due in a single principal payment on May 1, 2027 with interest at 6.30%.	\$ 15,000,000
2014 Refunding bonds - \$55,100,000, due in annual installments of \$3,355,000 to \$3,530,000 through May 1, 2035 with interest at 2.50% to 5.00%.	51,705,000
Add issuance premiums	<u>3,843,818</u>
Total general obligation bonds	70,548,818
Compensated absences	<u>322,390</u>
Total general long-term obligations	<u>\$ 70,871,208</u>

The 2010 Building and Site Bonds, Series A, Qualified School Construction Bonds require the District to deposit \$1,000,000 annually into a "set-aside" account beginning on May 1, 2013. The amount to be deposited each year should be reduced by the interest earned on the set-aside account from the previous year. The balance in the set-aside account as of June 30, 2020 was \$7,201,422. The principal repayment of \$15,000,000 due on May 1, 2027, will be repaid from the deposits made into the set-aside account and the interest earnings from that account. In addition, because the District has designated these bonds as "Qualified School Construction Bonds," the District expects to receive a direct payment from the U.S. Treasury to cover a portion of the interest to be paid on the bonds. For the year ended June 30, 2020, the District received \$759,586 in interest rate subsidy from the U.S. Treasury.

**HOLLAND PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 6 - LONG-TERM OBLIGATIONS (continued)**

The annual requirement to amortize long-term obligations outstanding, exclusive of compensated absences payments, as of June 30, 2020 are as follows:

Year Ending June 30,	General Obligation Bonds		Compensated	Total
	Principal	Interest	Absences	
2021	\$ 3,400,000	\$ 3,232,262	\$ -	\$ 6,632,262
2022	3,355,000	3,147,262	-	6,502,262
2023	3,355,000	3,013,062	-	6,368,062
2024	3,385,000	2,845,312	-	6,230,312
2025	3,410,000	2,676,062	-	6,086,062
2026 - 2030	32,370,000	7,967,060	-	40,337,060
2031 - 2035	17,430,000	2,165,976	-	19,595,976
	66,705,000	25,046,996	-	91,751,996
Issuance premium	3,843,818	-	-	3,843,818
Compensated absences	-	-	322,390	322,390
	<u>\$ 70,548,818</u>	<u>\$ 25,046,996</u>	<u>\$ 322,390</u>	<u>\$ 95,918,204</u>

Interest expense (all funds) for the year ended June 30, 2020 was approximately \$3,369,000.

**NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS**

Plan Description

The Michigan Public School Employees' Retirement System (MPERS) (System) is a cost-sharing, multiple employer, state-wide, defined benefit public employee retirement plan governed by the State of Michigan (State) originally created under Public Act 136 of 1945, recodified and currently operating under the provisions of Public Act 300 of 1980, as amended. Section 25 of this act establishes the Board's authority to promulgate or amend the provisions of the System. MPERS issues a publicly available Comprehensive Annual Financial Report that can be obtained at: [www.michigan.gov/orsschools](http://www.michigan.gov/orsschools).

The System's pension plan was established by the State to provide retirement, survivor and disability benefits to public school employees. In addition, the System's health plan provides all retirees with option of receiving health, prescription drug, dental and vision coverage under the Michigan Public School Employees' Retirement Act.

The System is administered by the Office of Retirement Services (ORS) within the Michigan Department of Technology, Management & Budget. The Department Director appoints the Office Director, with whom the general oversight of the System resides. The State Treasurer serves as the investment officer and custodian of the System.

**HOLLAND PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)**

Benefits Provided - Overall

Participants are enrolled in one of multiple plans based on date of hire and certain voluntary elections. A summary of the plans offered by MPSERS is as follows:

<u>Plan Name</u>	<u>Plan Type</u>	<u>Plan Status</u>
Basic	Defined Benefit	Closed
Member Investment Plan (MIP)	Defined Benefit	Closed
Pension Plus	Hybrid	Closed
Pension Plus 2	Hybrid	Open
Defined Contribution	Defined Contribution	Open

Benefits Provided - Pension

Benefit provisions of the defined benefit pension plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions for the Defined Benefit (DB) pension plan. Retirement benefits for DB plan members are determined by final average compensation and years of service. DB members are eligible to receive a monthly benefit when they meet certain age and service requirements. The System also provides disability and survivor benefits to DB plan members.

Prior to Pension reform of 2010 there were two plans commonly referred to as Basic and the Member Investment Plan (MIP). Basic plan member's contributions range from 0% - 4%. On January 1, 1987, the Member Investment Plan (MIP) was enacted. MIP members enrolled prior to January 1, 1990, contribute at a permanently fixed rate of 3.9% of gross wages. Members first hired January 1, 1990, or later including Pension Plus Plan members, contribute at various graduated permanently fixed contribution rates from 3.0% - 7.0%.

Pension Reform 2010

On May 19, 2010, the Governor signed Public Act 75 of 2010 into law. As a result, any member of the Michigan Public School Employees' Retirement System (MPSERS) who became a member of MPSERS after June 30, 2010 is a Pension Plus member. Pension Plus is a hybrid plan that contains a pension component with an employee contribution (graded, up to 6.4% of salary) and a flexible and transferable defined contribution (DC) tax-deferred investment account that earns an employer match of 50% (up to 1% of salary) on employee contributions. Retirement benefits for Pension Plus members are determined by final average compensation and years of service. Disability and survivor benefits are available to Pension Plus members.

Pension Reform 2012

On September 4, 2012, the Governor signed Public Act 300 of 2012 into law. The legislation grants all active members who first became a member before July 1, 2010 and who earned service credit in the 12 months ending September 3, 2012, or were on an approved professional services or military leave of absence on September 3, 2012, a voluntary election regarding their pension. Any changes to a member's pension are effective as of the member's *transition date*, which is defined as the first day of the pay period that begins on or after February 1, 2013.

**HOLLAND PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)**

Pension Reform 2012 (continued)

Under the reform, members voluntarily chose to increase, maintain, or stop their contributions to the pension fund.

An amount determined by the member's election of Option 1, 2, 3, or 4 described below:

Option 1 - Members voluntarily elected to increase their contributions to the pension fund as noted below and retain the 1.5% pension factor in their pension formula. The increased contribution would begin as of their transition date and continue until they terminate public school employment.

- Basic plan members: 4% contribution
- Member Investment Plan (MIP)-Fixed, MIP-Graded, and MIP-Plus members: a flat 7% contribution

Option 2 - Members voluntarily elected to increase their contribution to the pension fund as stated in Option 1 and retain the 1.5% pension factor in their pension formula. The increased contribution would begin as of their transition date and continue until they reach 30 years of service. If and when they reach 30 years of service, their contribution rates will return to the previous level in place as of the day before their transition date (0% for Basic plan members, 3.9% for MIP-Fixed, up to 4.3% for MIP-Graded, or up to 6.4% for MIP-Plus). The pension formula for any service thereafter would include a 1.25% pension factor.

Option 3 - Members voluntarily elected not to increase their contribution to the pension fund and maintain their current level of contribution to the pension fund. The pension formula for their years of service as of the day before their transition date will include a 1.5% pension factor. The pension formula for any service thereafter will include a 1.25% pension factor.

Option 4 - Members voluntarily elected to no longer contribute to the pension fund and therefore are switched to the Defined Contribution plan for future service as of their transition date. As a DC participant they receive a 4% employer contribution to the tax-deferred 401(k) account and can choose to contribute up to the maximum amounts permitted by the IRS to a 457 account. They vest in employer contributions and related earnings in their 401(k)-account based on the following schedule: 50% at 2 years, 75% at 3 years, and 100% at 4 years of service. They are 100% vested in any personal contributions and related earnings in their 457 account. Upon retirement, if they meet age and service requirements (including their total years of service), they would also receive a pension (calculated based on years of service and final average compensation as of the day before their transition date and a 1.5% pension factor).

Members who did not make an election before the deadline defaulted to Option 3 as described above. Deferred or nonvested public school employees on September 3, 2012, who return to public school employment on or after September 4, 2012, will be considered as if they had elected Option 3 above. Returning members who made the retirement plan election will retain whichever option they chose.

Employees who first work on or after September 4, 2012 choose between two retirement plans: the Pension Plus Plan and a Defined Contribution that provides a 50% employer match up to 3% of salary on employee contributions.

Final Average Compensation (FAC) - Average of highest 60 consecutive months for Basic plan members and Pension Plus members (36 months for MIP members). FAC is calculated as of the last day worked unless the member elected Option 4, in which case the FAC is calculated at the transition date.

**HOLLAND PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)**

Pension Reform of 2017

On July 13, 2017, the Governor signed Public Act 92 of 2017 into law. The legislation closes the current hybrid plan (Pension Plus) to newly hired employees as of February 1, 2018 and creates a new optional revised hybrid plan with similar plan benefit calculations but containing a 50/50 cost share between the employee and the employer, including the cost of future unfunded liabilities. The assumed rate of return on the new hybrid plan is 6%. Further, the law provides that, under certain conditions, the new hybrid plan would close to new employees if the actuarial funded ratio falls below 85% for two consecutive years. The law includes other provisions to the retirement eligibility age, plan assumptions, and unfunded liability payment methods.

Benefits Provided - Other Postemployment Benefit (OPEB)

Benefit provisions of the postemployment healthcare plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions. Retirees have the option of health coverage, which, through 2012, was funded on a cash disbursement basis. Beginning fiscal year 2013, it is funded on a prefunded basis. The System has contracted to provide the comprehensive group medical, prescription drug, dental and vision coverage for retirees and beneficiaries. A subsidized portion of the premium is paid by the System with the balance deducted from the monthly pension of each retiree health care recipient. For members who first worked before July 1, 2008, (Basic, MIP-Fixed, and MIP-Graded plan members), the subsidy is the maximum allowed by statute. To limit future liabilities of Other Postemployment Benefits, members who first worked on or after July 1, 2008, (MIP-Plus plan members), have a graded premium subsidy based on career length where they accrue credit towards their insurance premiums in retirement, not to exceed the maximum allowable by statute. Public Act 300 of 2012 sets the maximum subsidy at 80% beginning January 1, 2013; 90% for those Medicare eligible and enrolled in the insurances as of that date.

Retiree Healthcare Reform of 2012

Public Act 300 of 2012 granted all active members of the Michigan Public School Employees Retirement System, who earned service credit in the 12 months ending September 3, 2012, or were on an approved professional services or military leave of absence on September 3, 2012, a voluntary election regarding their retirement healthcare. Any changes to a member's healthcare benefit are effective as of the member's *transition date*, which is defined as the first day of the pay period that begins on or after February 1, 2013.

Under Public Act 300 of 2012, members were given the choice between continuing the 3% contribution to retiree healthcare and keeping the premium subsidy benefit described above, or choosing not to pay the 3% contribution and instead opting out of the subsidy benefit and becoming a participant in the Personal Healthcare Fund (PHF), a portable, tax-deferred fund that can be used to pay healthcare expenses in retirement. Participants in the PHF are automatically enrolled in a 2% employee contribution into their 457 account as of their transition date, earning them a 2% employer match into a 401(k) account. Members who selected this option stop paying the 3% contribution to retiree healthcare as of the day before their transition date, and their prior contributions will be deposited into their 401(k) accounts.



**HOLLAND PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)**

Regular Retirement (no reduction factor for age)

Eligibility - A Basic plan member may retire at age 55 with 30 years credited service; or age 60 with 10 years credited service. For Member Investment Plan (MIP) members, age 46 with 30 years credited service; or age 60 with 10 years credited service; or age 60 with 5 years of credited service provided member worked through 60<sup>th</sup> birthday and has credited service in each of the last 5 years. For Pension Plus Plan (PPP) members, age 60 with 10 years of credited service.

Annual Amount - The annual pension is paid monthly for the lifetime of a retiree. The calculation of a member's pension is determined by their pension election under PA 300 of 2012.

Member Contributions

Depending on the plan selected, member contributions range from 0% - 7% for pension and 0% - 3% for other postemployment benefits. Plan members electing the Defined Contribution plan are not required to make additional contributions.

Employer Contributions

Employers are required by Public Act 300 of 1980, as amended, to contribute amounts necessary to finance the coverage of members and retiree Other Postemployment Benefits (OPEB). Contribution provisions are specified by State statute and may be amended only by action of the State Legislature.

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis.

Pension and OPEN contributions made in the fiscal year ending September 30, 2019 were determined as of the September 30, 2016 actuarial valuations. The pension and OPEB benefits, the unfunded (overfunded) actuarial accrued liabilities as of September 30, 2016 are amortized over a 20-year period beginning October 1, 2018 and ending September 30, 2038.

School districts' contributions are determined based on employee elections. There are several different benefit options included in the plan available to employees based on date of hire. Contribution rates are adjusted annually by the ORS. The range of rates is as follows:

	Pension	Other Postemployment Benefit
October 1, 2018 - September 30, 2019	13.39% - 19.59%	7.57% - 7.93%
October 1, 2019 - September 30, 2020	13.39% - 19.59%	7.57% - 8.09%

**HOLLAND PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)**

Employer Contributions (continued)

The District's pension contributions for the year ended June 30, 2020 were equal to the required contribution total. Total pension contributions were approximately \$6,623,000. Of the total pension contributions, approximately \$6,486,000 was contributed to fund the Defined Benefit Plan and approximately \$137,000 was contributed to fund the Defined Contribution Plan.

The District's OPEB contributions for the year ended June 30, 2020 were equal to the required contribution total. Total OPEB contributions were approximately \$1,910,000. Of the total OPEB contributions, approximately \$1,791,000 was contributed to fund the Defined Benefit Plan and approximately \$119,000 was contributed to fund the Defined Contribution Plan.

These amounts, for both pension and OPEB benefit, include contributions funded from State Revenue Section 147c restricted to fund the MPSERS Unfunded Actuarial Accrued Liability (UAAL) Stabilization Rate (100% for pension and 0% for OPEB).

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

*Pension Liabilities*

The net pension liability was measured as of September 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation date of September 30, 2018 and rolled-forward using generally accepted actuarial procedures. The District's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined.

<u>MPERS (Plan) Non-university Employers</u>	<u>September 30, 2019</u>	<u>September 30, 2018</u>
Total pension liability	\$ 83,442,507,212	\$ 79,863,694,444
Plan fiduciary net position	\$ 50,325,869,388	\$ 49,801,889,205
Net pension liability	\$ 33,116,637,824	\$ 30,061,805,239
Proportionate share	0.24443%	0.24822%
Net pension liability for the District	\$ 80,947,948	\$ 74,618,192

**HOLLAND PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)**

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

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

For the year ended June 30, 2020, the District recognized pension expense of \$11,282,508

At June 30, 2020, the Reporting Unit reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in proportion and differences between employer contributions and proportionate share of contributions	\$ 13,963	\$ 3,574,549
Differences between expected and actual experience	362,834	337,545
Changes of assumptions	15,849,665	-
Net difference between projected and actual plan investments earnings	-	2,594,244
Reporting Unit's contributions subsequent to the measurement date	6,104,065	-
	\$ 22,330,527	\$ 6,506,338

\$6,104,065, reported as deferred outflows of resources related to pensions resulting from District employer contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending September 30,	Amount
2020	\$ 3,720,840
2021	2,971,697
2022	2,090,291
2023	937,296

**HOLLAND PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)**

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

*OPEB Liabilities*

The net OPEB liability was measured as of September 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation date of September 30, 2018 and rolled-forward using generally accepted actuarial procedures. The District's proportion of the net OPEB liability was based on a projection of its long-term share of contributions to the OPEB plan relative to the projected contributions of all participating reporting units, actuarially determined.

<u>MPERS (Plan) Non-university Employers</u>	<u>September 30, 2019</u>	<u>September 30, 2018</u>
Total other postemployment benefit liability	\$ 13,925,860,688	\$ 13,932,170,264
Plan fiduciary net position	\$ 6,748,112,668	\$ 5,983,218,473
Net other postemployment benefit liability	\$ 7,177,748,020	\$ 7,948,951,791
Proportionate share	0.24048%	0.23524%
Net other postemployment benefit liability for the District	\$ 17,287,046	\$ 18,698,784

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

For the year ended June 30, 2020, the District recognized OPEB expense of \$362,045.

At June 30, 2020, the Reporting Unit reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in proportion and differences between employer contributions and proportionate share of contributions	\$ 426,368	\$ 1,634,627
Differences between expected and actual experience	-	6,343,106
Changes of assumptions	3,745,753	-
Net difference between projected and actual plan investments earnings	-	300,630
Reporting Unit's contributions subsequent to the measurement date	1,627,341	-
	<u>\$ 5,799,462</u>	<u>\$ 8,278,363</u>

\$1,627,341, reported as deferred outflows of resources related to OPEB resulting from District employer contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the subsequent fiscal year.

**HOLLAND PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)**

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (continued)

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending September 30,	Amount
2020	\$ (1,154,489)
2021	(1,154,489)
2022	(1,007,543)
2023	(614,797)
2022	(174,924)

Actuarial Assumptions

**Investment Rate of Return for Pension** - 6.80% a year, compounded annually net of investment and administrative expenses for the MIP, Basic, and Pension Plus groups and 6.00% a year, compounded annually net of investment and administrative expenses for the Pension Plus 2 Plan.

**Investment Rate of Return for OPEB** - 6.95% a year, compounded annually net of investment and administrative expenses.

**Salary Increases** - The rate of pay increase used for individual members is 2.75%.

**Inflation** - 3.0%.

**Mortality Assumptions:**

*Retirees:* RP-2014 Male and Female Healthy Annuitant Mortality Tables scaled by 82% for males and 78% for females and adjusted for morality improvements using projection scale MP-2017 from 2006.

*Active:* RP-2014 Male and Female Employee Annuitant Mortality Tables scaled 100% and adjusted for morality improvements using projection scale MP-2017 from 2006.

*Disabled Retirees:* RP-2014 Male and Female Disabled Annuitant Mortality Tables scaled 100% and adjusted for morality improvements using projection scale MP-2017 from 2006.

**Experience Study** - The annual actuarial valuation report of the System used for these statements is dated September 30, 2018. Assumption changes as a result of an experience study for the periods 2012 through 2017 have been adopted by the System for use in the determination of the total pension and OPEB liability beginning with the September 30, 2017 valuation.

**HOLLAND PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)**

Actuarial Assumptions (continued)

**The Long-term Expected Rate of Return on Pension and Other Postemployment Benefit Plan Investments**

The pension rate was 6.80% (MIP, Basic, and Pension Plus Plan) and 6.00% for Pension Plus 2 Plan, and the other postemployment benefit rate was 6.95%, net of investment and administrative expenses was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

**Cost of Living Pension Adjustments** - 3.0% annual non-compounded for MIP members.

**Healthcare Cost Trend Rate for Other Postemployment Benefit** - 7.5% for year one and graded to 3.5% in year twelve.

**Additional Assumptions for Other Postemployment Benefit Only** - Applies to individuals hired before September 4, 2012:

Opt Out Assumption - 21% of eligible participants hired before July 1, 2008 and 30% of those hired after June 30, 2008 are assumed to opt out of the retiree health plan.

Survivor Coverage - 80% of male retirees and 67% of female retirees are assumed to have coverage continuing after the retiree's death.

Coverage Election at Retirement - 75% of male and 60% of female future retirees are assumed to elect coverage for one or more dependents.

The target asset allocation at September 30, 2019 and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Investment Category</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return*</u>
Domestic Equity Pools	28.0%	5.5%
Private Equity Pools	18.0%	8.6%
International Equity Pools	16.0%	7.3%
Fixed Income Pools	10.5%	1.2%
Real Estate and Infrastructure Pools	10.0%	4.2%
Absolute Return Pools	15.5%	5.4%
Short Term Investment Pools	2.0%	0.8%
	<u>100.0%</u>	

\* Long term rates of return are net of administrative expenses and 2.3% inflation.

**HOLLAND PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)**

Actuarial Assumptions (continued)

**Rate of Return** - For fiscal year ended September 30, 2019, the annual money-weighted rate of return on pension and OPEB plan investments, net of pension and OPEB plan investment expense, was 5.14% and 5.37% respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**Pension Discount Rate** - A single discount rate of 6.80% was used to measure the total pension liability (6.00% for the Pension Plus 2 Plan). This discount rate was based on the long-term rate of return on pension plan investments of 6.80% (6.00% for the Pension Plus 2 Plan). The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that contributions from school districts will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**OPEB Discount Rate** - A single discount rate of 6.95% was used to measure the total OPEB liability. This discount rate was based on the long-term expected rate of return on OPEB plan investments of 6.95%. The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that school districts contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate** - The following presents the Reporting Unit's proportionate share of the net pension liability calculated using a single discount rate of 6.80% (6.00% for the Pension Plus 2 Plan), as well as what the Reporting Unit's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	Pension		
	1% decrease	Discount Rate	1% increase
Reporting Unit's proportionate share of the net pension liability	<u>\$ 105,237,511</u>	<u>\$ 80,947,948</u>	<u>\$ 60,811,064</u>

**HOLLAND PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)**

Actuarial Assumptions (continued)

**Sensitivity of the Net OPEB Liability to Changes in the Discount Rate** - The following presents the Reporting Unit's proportionate share of the net OPEB liability calculated using a single discount rate of 6.95%, as well as what the Reporting Unit's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	Other Postemployment Benefit		
	1% decrease	Discount Rate	1% increase
Reporting Unit's proportionate share of the net other postemployment benefit liability	\$ 21,205,160	\$ 17,287,046	\$ 13,996,919

**Sensitivity to the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates** - The following presents the Reporting Unit's proportionate share of the net other postemployment benefit liability calculated using the healthcare cost trend rate of 7.5% (decreasing to 3.5%), as well as what the Reporting Unit's proportionate share of the net other postemployment benefit liability would be if it were calculated using a healthcare cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	Other Postemployment Benefit		
	1% trend decrease	Current Healthcare Cost Trend Rates	1% trend increase
Reporting Unit's proportionate share of the net other postemployment benefit liability	\$ 13,857,432	\$ 17,287,046	\$ 21,204,695

Pension and OPEB Plan Fiduciary Net Position

Detailed information about the pension and OPEB's fiduciary net position is available in the separately issued Michigan Public School Employees Retirement System 2019 Comprehensive Annual Financial Report.

**Payable to the Pension and OPEB Plan** - At year end the School District is current on all required pension and other postemployment benefit plan payments. Amounts accrued at year end for accounting purposes are separately stated in the financial statements as a liability titled accrued retirement. These amounts represent current payments for June paid in July, accruals for summer pay primarily for teachers, and the contributions due from State Revenue Section 147c restricted to fund the MPSERS Unfunded Actuarial Accrued Liability (UAAL).



**HOLLAND PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 8 - RISK MANAGEMENT**

The District is exposed to various risk of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees' and natural disasters. The District purchases commercial insurance to cover any losses that may result from the above described activities. No settlement has occurred in excess of coverage for the year ended June 30, 2020.

**NOTE 9 - TRANSFERS**

The food service fund transferred \$130,000 to the general fund for indirect costs. The property sales fund transferred \$150,000 of property sale proceeds to the general fund for use in operations. The 1992 bond debt service fund transferred \$690,115 to the 2014 bond debt service fund to close out the fund.

**NOTE 10 - TAX ABATEMENTS**

The District receives reduced property tax revenues as a result of Industrial Facilities Tax exemptions, Brownfield Redevelopment Agreements, and Payments in Lieu of Taxes (PILOT) granted by cities, villages and townships. Industrial facility exemptions are intended to promote construction of new industrial facilities, or to rehabilitate historical facilities; Brownfield Redevelopment Agreements are intended to reimburse taxpayers that remediate environmental contamination on their properties; PILOT programs apply to multiple unit housing for citizens of low income and the elderly. The property taxes abated for all funds by municipality under these programs are as follows:

Municipality	Taxes Abated
City of Holland	\$ 786,425
Holland Township	1,769
	\$ 788,194

The taxes abated for the general fund operating millage is considered by the State of Michigan when determining the District's section 22 funding of the State School Aid Act.

There are no abatements made by the District.

**HOLLAND PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 11 - NEW ACCOUNTING STANDARD**

For the year ended June 30, 2020, the District implemented the following new pronouncement: GASB Statement No. 84, Fiduciary Activities.

**Summary:**

Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*, was issued by the GASB in January 2017. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities for all state and local governments. The focus on the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Districts with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position.

The restatement of the beginning of the year fund balances and net position is as follows:

	Fund Balances	
	Student/ School Activity Fund	Total Governmental Funds
Fund balances as of July 1, 2019, as previously stated	\$ -	\$ 18,313,463
Adoption of GASB Statement 84	838,258	838,258
Fund balance as of July 1, 2019, as restated	\$ 838,258	\$ 19,151,721
	Net position	
	Governmental Activities	Private Purpose Trust Fund
Net position as of July 1, 2019, as previously stated	\$ (73,558,684)	\$ 543,613
Adoption of GASB Statement 84	838,258	(543,613)
Net position as of July 1, 2019, as restated	\$ (72,720,426)	\$ -

**HOLLAND PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 12 - UPCOMING ACCOUNTING PRONOUNCEMENTS**

Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, was issued by the GASB in June 2017 and will be effective for the District's 2022-year end. The objective of this Statement is to increase the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use the underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

**REQUIRED SUPPLEMENTARY INFORMATION**

**HOLLAND PUBLIC SCHOOLS  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
YEAR ENDED JUNE 30, 2020**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>REVENUES</b>				
Local sources	\$ 10,456,800	\$ 9,808,300	\$ 9,885,123	\$ 76,823
State sources	25,097,500	25,321,800	24,763,544	(558,256)
Federal sources	2,750,000	2,328,800	2,185,826	(142,974)
Incoming transfers and other	5,300,000	5,786,100	5,982,087	195,987
Total revenues	<u>43,604,300</u>	<u>43,245,000</u>	<u>42,816,580</u>	<u>(428,420)</u>
<b>EXPENDITURES</b>				
Current				
Instruction				
Basic programs	18,390,200	17,874,300	17,710,784	163,516
Added needs	7,412,500	7,311,200	7,028,752	282,448
Total instruction	<u>25,802,700</u>	<u>25,185,500</u>	<u>24,739,536</u>	<u>445,964</u>
Supporting services				
Pupil	4,715,000	4,951,400	5,024,040	(72,640)
Instructional staff	2,429,900	2,317,100	2,077,646	239,454
General administration	561,000	590,200	571,685	18,515
School administration	2,010,000	1,971,200	1,979,653	(8,453)
Business	426,000	433,100	431,288	1,812
Operation/maintenance	3,158,000	3,773,700	3,890,231	(116,531)
Pupil transportation	1,120,500	1,026,700	994,113	32,587
Central services	998,000	1,010,800	900,391	110,409
Athletics and other	978,000	950,400	908,782	41,618
Total supporting services	<u>16,396,400</u>	<u>17,024,600</u>	<u>16,777,829</u>	<u>246,771</u>
Community services	1,520,000	1,562,500	1,527,598	34,902
Total expenditures	<u>43,719,100</u>	<u>43,772,600</u>	<u>43,044,963</u>	<u>727,637</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>				
	<u>(114,800)</u>	<u>(527,600)</u>	<u>(228,383)</u>	<u>299,217</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Sale of capital assets	-	-	6,538	6,538
Transfers in	95,000	425,000	280,000	(145,000)
Total other financing sources (uses)	<u>95,000</u>	<u>425,000</u>	<u>286,538</u>	<u>(138,462)</u>
<b>NET CHANGE IN FUND BALANCE</b>				
	<u>\$ (19,800)</u>	<u>\$ (102,600)</u>	<u>58,155</u>	<u>\$ 160,755</u>
<b>FUND BALANCE</b>				
Beginning of year			<u>2,373,342</u>	
End of year			<u>\$ 2,431,497</u>	

**HOLLAND PUBLIC SCHOOLS  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF THE REPORTING UNIT'S PROPORTIONATE SHARE  
OF THE NET PENSION LIABILITY  
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT PLAN  
LAST 10 FISCAL YEARS (DETERMINED AS OF PLAN YEAR ENDED SEPTEMBER 30)**

	2019	2018	2017	2016	2015	2014
Reporting Unit's proportion of net pension liability (%)	0.24443%	0.24822%	0.25817%	0.26938%	0.27014%	0.26935%
Reporting Unit's proportionate share of net pension liability	\$ 80,947,948	\$ 74,618,192	\$ 66,901,596	\$ 67,208,009	\$ 65,982,925	\$ 59,327,915
Reporting Unit's covered-employee payroll	\$ 20,990,969	\$ 21,303,461	\$ 21,950,188	\$ 22,126,619	\$ 21,075,186	\$ 22,878,618
Reporting Unit's proportionate share of net pension liability as a percentage of its covered-employee payroll	385.63%	314.04%	304.79%	303.74%	313.08%	259.32%
Plan fiduciary net position as a percentage of total pension liability (Non-university employers)	60.31%	62.36%	64.21%	63.27%	63.17%	66.20%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, the District presents information for those years for which information is available.

**HOLLAND PUBLIC SCHOOLS  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF THE REPORTING UNIT'S PENSION CONTRIBUTIONS  
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT PLAN  
LAST 10 FISCAL YEARS (DETERMINED AS OF THE YEAR ENDED JUNE 30)**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required contributions	\$ 6,486,851	\$ 6,464,832	\$ 6,473,769	\$ 5,068,762	\$ 4,667,502	\$ 3,871,319
Contributions in relation to statutorily required contributions	<u>6,486,851</u>	<u>6,464,832</u>	<u>6,473,769</u>	<u>5,068,762</u>	<u>4,667,502</u>	<u>3,871,319</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Reporting Unit's covered-employee payroll	\$ 20,307,750	\$ 21,271,715	\$ 21,387,306	\$ 21,716,769	\$ 21,369,670	\$ 21,371,357
Contributions as a percentage of covered-employee payroll	31.94%	30.39%	30.27%	23.34%	21.84%	18.11%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, the District presents information for those years for which information is available.

**HOLLAND PUBLIC SCHOOLS  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF THE REPORTING UNIT'S PROPORTIONATE SHARE  
OF THE NET OPEB LIABILITY  
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT PLAN  
LAST 10 FISCAL YEARS (DETERMINED AS OF PLAN YEAR ENDED SEPTEMBER 30)**

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Reporting Unit's proportion of net OPEB liability (%)	0.24048%	0.23524%	0.25886%
Reporting Unit's proportionate share of net OPEB liability	\$ 17,287,046	\$ 18,698,784	\$ 22,923,658
Reporting Unit's covered-employee payroll	\$ 20,990,969	\$ 21,303,461	\$ 21,950,188
Reporting Unit's proportionate share of net OPEB liability as a percentage of its covered-employee payroll (%)	82.35%	87.77%	104.43%
Plan fiduciary net position as a percentage of total OPEB liability (Non-university employers)	48.46%	42.95%	36.39%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, the District presents information for those years for which information is available.



**HOLLAND PUBLIC SCHOOLS  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF THE REPORTING UNIT'S OPEB CONTRIBUTIONS  
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT PLAN  
LAST 10 FISCAL YEARS (DETERMINED AS OF THE PLAN YEAR ENDED JUNE 30)**

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Statutorily required contributions	\$ 1,791,375	\$ 1,765,988	\$ 1,750,248
Contributions in relation to statutorily required contributions	<u>1,791,375</u>	<u>1,765,988</u>	<u>1,750,248</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Reporting Unit's covered-employee payroll	\$ 20,307,750	\$ 21,271,715	\$ 21,387,306
Contributions as a percentage of covered-employee payroll	8.82%	8.30%	8.18%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, the District presents information for those years for which information is available.

**HOLLAND PUBLIC SCHOOLS  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2020**

**NOTE 1 - PENSION INFORMATION**

Benefit changes - there were no changes of benefit terms in 2019.

Changes of assumptions - the assumption changes for 2019 were:

Discount rate for MIP and Basic plans decreased to 6.80% from 7.05%.

Discount rate for Pension Plus decreased to 6.80% from 7.00%.

**NOTE 2 - OPEB INFORMATION**

Benefit changes - there were no changes of benefit terms in 2019.

Changes of assumptions - the assumption changes for 2019 were:

Discount rate decreased to 6.95% from 7.15%.

Healthcare cost trend rate decreased to 7.50% Year 1 graded to 3.50% Year 12 from 7.50% Year 1 graded to 3.00% Year 12.

## **ADDITIONAL SUPPLEMENTARY INFORMATION**

**HOLLAND PUBLIC SCHOOLS  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUND TYPES  
JUNE 30, 2020**

	<u>Special Revenue</u>		<u>Debt</u>	<u>Capital Projects</u>		<u>Totals</u>
	<u>Food Service</u>	<u>Student/ School Activites</u>	<u>Service 1992 Refunding</u>	<u>2010 Prop 1</u>	<u>Property Sales</u>	
<b>ASSETS</b>						
ASSETS						
Cash and cash equivalents	\$ 677,406	\$ 616,480	\$ 690,115	\$ -	\$ -	\$ 1,984,001
Investments	-	282,016	-	-	1,438,697	1,720,713
Receivables:						
Accounts	41	-	-	-	-	41
Intergovernmental	194,530	-	-	-	-	194,530
Due from other funds	-	-	-	-	150,000	150,000
Inventories	8,638	-	-	-	-	8,638
Prepays	-	-	-	36,975	-	36,975
Restricted cash and cash equivalents	-	-	-	555,305	-	555,305
<b>TOTAL ASSETS</b>	<b>\$ 880,615</b>	<b>\$ 898,496</b>	<b>\$ 690,115</b>	<b>\$ 592,280</b>	<b>\$ 1,588,697</b>	<b>\$ 4,650,203</b>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>LIABILITIES</b>						
Accounts payable	\$ 16,902	\$ 2,091	\$ -	\$ -	\$ -	\$ 18,993
Accrued salaries and related items	5,993	-	-	-	-	5,993
Unearned revenue	18,955	-	-	-	-	18,955
Due to other funds	112,699	7,607	690,115	35,263	-	845,684
<b>TOTAL LIABILITIES</b>	<b>154,549</b>	<b>9,698</b>	<b>690,115</b>	<b>35,263</b>	<b>-</b>	<b>889,625</b>
<b>FUND BALANCES</b>						
Nonspendable						
Inventories	8,638	-	-	-	-	8,638
Prepays	-	-	-	36,975	-	36,975
Restricted for:						
Capital projects	-	-	-	520,042	-	520,042
Food service	717,428	-	-	-	-	717,428
Committed						
Student/school activity	-	888,798	-	-	-	888,798
Assigned for:						
Capital projects	-	-	-	-	1,588,697	1,588,697
<b>TOTAL FUND BALANCES</b>	<b>726,066</b>	<b>888,798</b>	<b>-</b>	<b>557,017</b>	<b>1,588,697</b>	<b>3,760,578</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 880,615</b>	<b>\$ 898,496</b>	<b>\$ 690,115</b>	<b>\$ 592,280</b>	<b>\$ 1,588,697</b>	<b>\$ 4,650,203</b>

**HOLLAND PUBLIC SCHOOLS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUND TYPES  
YEAR ENDED JUNE 30, 2020**

	<u>Special Revenue</u>		<u>Debt</u>	<u>Capital Projects</u>		<u>Totals</u>
	<u>Food Service</u>	<u>Student/School Activities</u>	<u>Service 1992 Refunding</u>	<u>2010 Prop 1</u>	<u>Property Sales</u>	
<b>REVENUES</b>						
Local sources						
Food sales	\$ 225,243	\$ -	\$ -	\$ -	\$ -	\$ 225,243
Student/school activity income	-	386,353	-	-	-	386,353
Scholarship donations	-	5,000	-	-	-	5,000
Investment earnings	6,176	12,239	5,975	1,999	25,134	51,523
Total local sources	231,419	403,592	5,975	1,999	25,134	668,119
State sources	139,685	-	-	-	-	139,685
Federal sources	1,818,062	-	-	-	-	1,818,062
Total revenues	2,189,166	403,592	5,975	1,999	25,134	2,625,866
<b>EXPENDITURES</b>						
Current						
Food service activities	2,220,690	-	-	-	-	2,220,690
Capital outlay	-	-	-	92,263	-	92,263
Student/school activities	-	353,052	-	-	-	353,052
Total expenditures	2,220,690	353,052	-	92,263	-	2,666,005
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(31,524)</u>	<u>50,540</u>	<u>5,975</u>	<u>(90,264)</u>	<u>25,134</u>	<u>(40,139)</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Proceeds from sale of capital assets	213	-	-	-	356,715	356,928
Transfers out	(130,000)	-	(690,115)	-	(150,000)	(970,115)
Total other financing sources (uses)	(129,787)	-	(690,115)	-	206,715	(613,187)
<b>NET CHANGE IN FUND BALANCES</b>	<u>(161,311)</u>	<u>50,540</u>	<u>(684,140)</u>	<u>(90,264)</u>	<u>231,849</u>	<u>(653,326)</u>
<b>FUND BALANCES</b>						
Beginning of year, as restated	887,377	838,258	684,140	647,281	1,356,848	4,413,904
End of year	<u>\$ 726,066</u>	<u>\$ 888,798</u>	<u>\$ -</u>	<u>\$ 557,017</u>	<u>\$ 1,588,697</u>	<u>\$ 3,760,578</u>

**HOLLAND PUBLIC SCHOOLS  
BONDED DEBT  
JUNE 30, 2020**

2010 Building and Site Bonds - Series A

Principal Due May 1,	Interest Due		Debt Service Requirement for Fiscal Year	
	May 1,	November 1,	June 30,	Amount
\$ -	\$ 472,500	\$ 472,500	2021	\$ 945,000
-	472,500	472,500	2022	945,000
-	472,500	472,500	2023	945,000
-	472,500	472,500	2024	945,000
-	472,500	472,500	2025	945,000
-	472,500	472,500	2026	945,000
15,000,000	472,500	472,500	2027	15,945,000
<u>\$ 15,000,000</u>	<u>\$ 3,307,500</u>	<u>\$ 3,307,500</u>		<u>\$ 21,615,000</u>

The above bonds were issued May 4, 2010 for the purpose of erecting, furnishing and equipping additions to and remodeling, refurbishing and re-equipping, including HVAC controls and boilers, two former elementary buildings for new educational purposes, and remodeling, refurbishing and re-equipping K-7 buildings; acquiring and installing educational technology system improvements; and developing and improving sites. The bonds carry an interest rate of 6.30%. The amount of the original issue was \$15,000,000.

**HOLLAND PUBLIC SCHOOLS  
BONDED DEBT  
JUNE 30, 2020**

2014 Refunding Bonds

Principal Due May 1,	Interest Due		Debt Service Requirement for Fiscal Year	
	May 1,	November 1,	June 30,	Amount
\$ 3,400,000	\$ 1,143,631	\$ 1,143,631	2021	\$ 5,687,262
3,355,000	1,101,131	1,101,131	2022	5,557,262
3,355,000	1,034,031	1,034,031	2023	5,423,062
3,385,000	950,156	950,156	2024	5,285,312
3,410,000	865,531	865,531	2025	5,141,062
3,435,000	780,281	780,281	2026	4,995,562
3,450,000	694,406	694,406	2027	4,838,812
3,470,000	608,156	608,156	2028	4,686,312
3,485,000	521,406	521,406	2029	4,527,812
3,530,000	434,281	434,281	2030	4,398,562
3,495,000	372,506	372,506	2031	4,240,012
3,510,000	285,131	285,131	2032	4,080,262
3,475,000	221,513	221,513	2033	3,918,026
3,490,000	134,638	134,638	2034	3,759,276
3,460,000	69,200	69,200	2035	3,598,400
<u>\$ 51,705,000</u>	<u>\$ 9,215,998</u>	<u>\$ 9,215,998</u>		<u>\$ 70,136,996</u>

The above bonds were issued June 12, 2014 for the purpose of refunding the 2010 Building and Site Bonds, Series B, Build America Bonds. The bonds carry an interest rate of 2.50% to 5.00%. The amount of the original issue was \$55,100,000.

**HOLLAND PUBLIC SCHOOLS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2020**

Federal Grantor/Pass-through Grantor Program Title	Federal CFDA Number	Pass-through Grantor's Number	Approved Grant Award Amount	Accrued (unearned) Revenue July 1, 2019	Prior Year Expenditures (memo only)	Current Year Expenditures	Current Year Cash Receipts	Accrued Revenue June 30, 2020
<b>U.S. Department of Agriculture</b>								
Passed through Michigan Department of Education								
Child Nutrition Cluster								
Non-Cash Assistance (Donated Foods)								
National School Lunch Program	10.555		\$ 139,402	\$ -	\$ 136,367	\$ 139,402	\$ 139,402	\$ -
National School Lunch Program - Bonus	10.555		181	-	-	181	181	-
Non-Cash Assistance Subtotal			<u>139,583</u>	<u>-</u>	<u>136,367</u>	<u>139,583</u>	<u>139,583</u>	<u>-</u>
Cash Assistance								
National School Lunch Program	10.555	191960	98,572	8,046	982,572	132,749	140,795	-
National School Lunch Program	10.555	191980	3,688	-	3,688	545	545	-
National School Lunch Program	10.555	201960	548,018	-	-	548,018	548,018	-
National School Lunch Program	10.555	201980	2,612	-	-	2,612	2,612	-
COVID-19 National School Lunch Program	10.555	200902	603,857	-	-	603,857	445,748	158,109
Total Nation School Lunch Program			<u>1,256,747</u>	<u>8,046</u>	<u>986,260</u>	<u>1,287,781</u>	<u>1,137,718</u>	<u>158,109</u>
Total CFDA #10.555			<u>1,396,330</u>	<u>8,046</u>	<u>1,122,627</u>	<u>1,427,364</u>	<u>1,277,301</u>	<u>158,109</u>
School Breakfast Program	10.553	191970	376,037	5,549	376,037	50,471	56,020	-
School Breakfast Program	10.553	201970	199,081	-	-	199,081	199,081	-
Total CFDA #10.553			<u>575,118</u>	<u>5,549</u>	<u>376,037</u>	<u>249,552</u>	<u>255,101</u>	<u>-</u>
Summer Food Service Program for Children	10.559	190900	75,867	-	-	75,867	75,867	-
Summer Food Service Program for Children	10.559	191900	7,847	-	-	7,847	7,847	-
Total CFDA #10.559			<u>83,714</u>	<u>-</u>	<u>-</u>	<u>83,714</u>	<u>83,714</u>	<u>-</u>
Cash Assistance Subtotal			<u>1,915,579</u>	<u>13,595</u>	<u>1,362,297</u>	<u>1,621,047</u>	<u>1,476,533</u>	<u>158,109</u>
Total Child Nutrition Cluster			<u>2,055,162</u>	<u>13,595</u>	<u>1,498,664</u>	<u>1,760,630</u>	<u>1,616,116</u>	<u>158,109</u>
Child and Adult Care Food Program	10.558	191920	73,948	-	73,948	6,782	6,782	-
Child and Adult Care Food Program	10.558	192010	5,247	-	5,247	472	472	-
Child and Adult Care Food Program	10.558	201920	46,945	-	-	46,945	46,945	-
Child and Adult Care Food Program	10.558	202010	3,231	-	-	3,233	3,233	-
Total CFDA #10.558			<u>129,371</u>	<u>-</u>	<u>79,195</u>	<u>57,432</u>	<u>57,432</u>	<u>-</u>
Total U.S. Department of Agriculture			<u>2,184,533</u>	<u>13,595</u>	<u>1,577,859</u>	<u>1,818,062</u>	<u>1,673,548</u>	<u>158,109</u>



**HOLLAND PUBLIC SCHOOLS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2020**

Federal Grantor/Pass-through Grantor Program Title	Federal CFDA Number	Pass-through Grantor's Number	Approved Grant Award Amount	Accrued (unearned) Revenue July 1, 2019	Prior Year Expenditures (memo only)	Current Year Expenditures	Current Year Cash Receipts	Accrued Revenue June 30, 2020
<b>U.S. Department of Education</b>								
Passed through Michigan Department of Education								
Title I Grants to Local Educational Agencies	84.010	191530	\$ 947,858	\$ 77,285	\$ 808,838	\$ 86,796	\$ 164,081	\$ -
Title I Grants to Local Educational Agencies	84.010	201530	888,183	-	-	785,230	686,617	98,613
Total CFDA #84.010			<u>1,836,041</u>	<u>77,285</u>	<u>808,838</u>	<u>872,026</u>	<u>850,698</u>	<u>98,613</u>
English Language Acquisition State Grants	84.365	190580	51,268	5,485	43,108	4,612	10,097	-
English Language Acquisition State Grants	84.365	200570	13,746	-	-	4,227	4,227	-
English Language Acquisition State Grants	84.365	200580	51,364	-	-	20,137	19,158	979
Total CFDA #84.365			<u>116,378</u>	<u>5,485</u>	<u>43,108</u>	<u>28,976</u>	<u>33,482</u>	<u>979</u>
Supporting Effective Instruction State Grants	84.367	190520	284,525	14,871	185,930	3,151	18,022	-
Supporting Effective Instruction State Grants	84.367	200520	285,538	-	-	116,655	113,156	3,499
Total CFDA #84.367			<u>570,063</u>	<u>14,871</u>	<u>185,930</u>	<u>119,806</u>	<u>131,178</u>	<u>3,499</u>
Student Support and Academic Enrichment Program	84.424	190750	62,446	(7,560)	59,502	-	(7,560)	-
Student Support and Academic Enrichment Program	84.424	200750	71,094	-	-	33,629	27,066	6,563
Total CFDA #84.424			<u>133,540</u>	<u>(7,560)</u>	<u>59,502</u>	<u>33,629</u>	<u>19,506</u>	<u>6,563</u>
Total passed through Michigan Department of Education			<u>2,656,022</u>	<u>90,081</u>	<u>1,097,378</u>	<u>1,054,437</u>	<u>1,034,864</u>	<u>109,654</u>

**HOLLAND PUBLIC SCHOOLS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2020**

<u>Federal Grantor/Pass-through Grantor Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Grantor's Number</u>	<u>Approved Grant Award Amount</u>	<u>Accrued (unearned) Revenue July 1, 2019</u>	<u>Prior Year Expenditures (memo only)</u>	<u>Current Year Expenditures</u>	<u>Current Year Cash Receipts</u>	<u>Accrued Revenue June 30, 2020</u>
U.S. Department of Education (continued)								
Passed through Ottawa Area Intermediate School District								
Special Education Cluster								
Special Education Grants to States	84.027	190450	\$ 1,135,340	\$ 483,769	\$ 1,135,340	\$ -	\$ 483,769	\$ -
Special Education Grants to States	84.027	200450	1,086,973	-	-	1,086,973	602,699	484,274
Total CFDA #84.027			<u>2,222,313</u>	<u>483,769</u>	<u>1,135,340</u>	<u>1,086,973</u>	<u>1,086,468</u>	<u>484,274</u>
Special Education Preschool Grants	84.173	190460	31,491	13,315	31,491	-	13,315	-
Special Education Preschool Grants	84.173	200460	29,316	-	-	29,316	18,379	10,937
Total CFDA #84.173			<u>60,807</u>	<u>13,315</u>	<u>31,491</u>	<u>29,316</u>	<u>31,694</u>	<u>10,937</u>
Total Special Education Cluster			<u>2,283,120</u>	<u>497,084</u>	<u>1,166,831</u>	<u>1,116,289</u>	<u>1,118,162</u>	<u>495,211</u>
Education for Homeless Children and Youth	84.196	192320	2,725	2,725	2,725	1,494	4,219	-
Education for Homeless Children and Youth	84.196	202320	4,857	-	-	3,866	1,166	2,700
Total CFDA #84.196			<u>7,582</u>	<u>2,725</u>	<u>2,725</u>	<u>5,360</u>	<u>5,385</u>	<u>2,700</u>
Total passed through Ottawa Area Intermediate School District			<u>2,290,702</u>	<u>499,809</u>	<u>1,169,556</u>	<u>1,121,649</u>	<u>1,123,547</u>	<u>497,911</u>
Total U.S. Department of Education			<u>4,946,724</u>	<u>589,890</u>	<u>2,266,934</u>	<u>2,176,086</u>	<u>2,158,411</u>	<u>607,565</u>
<u>U.S. Department of Health and Human Services:</u>								
Passed through Ottawa Area Intermediate School District								
Medicaid Cluster:								
Medical Assistance Program	93.778		9,740	-	5,983	9,740	9,740	-
TOTAL FEDERAL AWARDS			<u>\$ 7,140,997</u>	<u>\$ 603,485</u>	<u>\$ 3,850,776</u>	<u>\$ 4,003,888</u>	<u>\$ 3,841,699</u>	<u>\$ 765,674</u>

**HOLLAND PUBLIC SCHOOLS  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2020**

**NOTE 1 - BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Holland Public Schools under programs of the federal government for the year ended June 30, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Holland Public Schools, it is not intended to and does not present the financial position or changes in net position of Holland Public Schools.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts (if any) shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available. Holland Public Schools has elected to not use the 10-percent de minimus indirect cost rate allowed under the Uniform Guidance.

Management has utilized the Grant Auditor Report in preparing the Schedule of Expenditures of Federal Awards. The District does not pass through federal awards.

**NOTE 3 - RECONCILING WITH AUDITED FINANCIAL STATEMENTS**

Federal expenditures are reported as revenue in the following funds in the financial statements for the year ending June 30, 2020:

General fund	\$ 2,185,826
2010 Building and site bonds	759,586
Food service fund	<u>1,804,467</u>
Total per financial statements	4,749,879
Less federal interest rate subsidy	<u>(759,586)</u>
Total expenditures reported on the Schedule of Expenditures of Federal Awards:	<u><u>\$ 4,003,888</u></u>

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

To the Board of Education  
Holland Public Schools

We have audited, 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Holland Public Schools as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Holland Public Schools' basic financial statements and have issued our report thereon dated September 25, 2020.

**Internal Control Over Financial Reporting**

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

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

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

## **Compliance and Other Matters**

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

## **Purpose of this Report**

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

*Maney Costeiran PC*

September 25, 2020

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR  
FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Education  
Holland Public Schools

**Report on Compliance for Each Major Federal Program**

We have audited Holland Public Schools' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Holland Public Schools' major federal programs for the year ended June 30, 2020. Holland Public Schools' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Holland Public Schools' major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Holland Public Schools' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our unmodified opinion on compliance for major federal programs. However, our audit does not provide a legal determination of Holland Public Schools' compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, Holland Public Schools complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

### **Report on Internal Control Over Compliance**

Management of Holland Public Schools is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Holland Public Schools' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Holland Public Schools' internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Maney Costeiran PC*

September 25, 2020

**HOLLAND PUBLIC SCHOOLS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2020**

**Section I - Summary of Auditor's Results**

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***Financial Statements***

Type of auditor's report issued based on financial statements prepared in accordance with generally accepted accounting principles: *Unmodified*

Internal control over financial reporting:

- Material weakness(es) identified: \_\_\_ Yes   X   No
- Significant deficiency(ies) identified? \_\_\_ Yes   X   None reported
- Noncompliance material to financial statements noted? \_\_\_ Yes   X   No

***Federal Awards***

Internal control over major programs:

- Material weakness(es) identified: \_\_\_ Yes   X   No
- Significant deficiency(ies) identified? \_\_\_ Yes   X   None reported

Type of auditor's report issued on compliance for major programs: *Unmodified*

Any audit findings that are required to be reported in accordance with Title 2 CFR Section 200.516(a)? \_\_\_ Yes   X   No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.027 & 84.173	Special Education Cluster

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee?   X   Yes \_\_\_ No

**Section II - Financial Statement Findings**

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None noted

**Section III - Federal Award Findings and Questioned Costs**

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None noted



**HOLLAND PUBLIC SCHOOLS  
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2020**

There were no audit findings required to be reported on this schedule for the previous two years.

September 25, 2020

To the Board of Education  
Holland Public Schools

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Holland Public Schools for the year ended June 30, 2020. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards* and OMB's Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

#### Significant Audit Matters

##### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Holland Public Schools are described in Note 1 to the financial statements. During fiscal year 2020, the District implemented Governmental Accounting Standard No. 84, *Fiduciary Activities*. The application of existing policies was not changed during fiscal year 2020. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

Estimates have been used to calculate the net pension liability and the net other postemployment benefit liability:

We evaluated the key factors and assumptions used to develop the balance of the net pension liability and net other postemployment benefit liability in determining that they are reasonable in relation to the financial statements taken as a whole.

Management’s estimate in calculating the liability for employee compensated absences:

We evaluated the key factors and assumptions used to develop the balance of employee compensated absences in determining that it is reasonable in relation to the financial statements taken as a whole.

Management’s determination of the estimated life span of the capital assets:

We evaluated the key factors and assumptions used by management to develop the estimated life span of the capital assets in determining that it is reasonable in relation to the financial statements taken as a whole. In addition, certain amounts included in capital assets have been estimated based on an outside appraisal company.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. We did not identify any sensitive disclosures.

The financial statement disclosures are neutral, consistent, and clear.

*Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

*Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

*Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor’s report. We are pleased to report that no such disagreements arose during the course of our audit.

*Management Representations*

We have requested certain representations from management that are included in the management representation letter dated September 25, 2020.

*Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the District’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

*Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

*Other Matters*

We applied certain limited procedures to the required supplementary information (RSI) which are required and supplement the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the other supplementary information, which accompany the financial statements but are not RSI. With respect to this other supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the other supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

A separate management letter was not issued.

*Restriction on Use*

This information is intended solely for the use of the Board of Education and management of Holland Public Schools and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

*Manes Costeiran PC*