



# Holland Public Schools

Annual Financial Report  
Year Ended June 30, 2018



# Holland Public Schools

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Annual Financial Report  
Year Ended June 30, 2018

# Holland Public Schools

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## Independent Auditor's Report

Board of Education  
Holland Public Schools  
Holland, Michigan

### 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 (the District) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

#### *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 of 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 District'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 District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of the 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.

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### *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, 2018, and the respective changes in financial position and budgetary comparison for the General Fund for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

### *Emphasis of Matter*

As described in Note 13 to the basic financial statements, the District implemented Governmental Accounting Standards Board Statements No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinions are not modified with respect to this matter.

### *Other Matters*

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, on pages 9 through 15, and the other required supplementary information 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 the District's basic financial statements. The combining, individual fund financial statements and schedules, and the schedule of expenditures of federal awards required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

*Other Reporting Required by Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 3, 2018 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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

BDO USA, LLP

October 3, 2018

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## Management's Discussion and Analysis

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## **School District of the City of Holland Management's Discussion and Analysis for Fiscal Year Ended June 30, 2018**

As management of Holland Public Schools (the District), we offer this narrative overview and analysis of the financial activities of the District for the year ended June 30, 2018. Accounting principles generally accepted in the United States of America (U.S. GAAP) require the reporting of two types of financial statements: the District-Wide Financial Statements and the Fund Financial Statements.

For the year ended June 30, 2018, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Post-employment Benefits Other Than Pensions* (OPEB). This change is significant at the district-wide level.

This new financial reporting standard requires participants in a multi-employer cost sharing plan to:

- Record a proportionate share of the net OPEB liability on the statement of net position.
- Record a proportionate share of OPEB expense as defined by GASB on the statement of activities.
- Report additional note disclosures and required supplementary information.

These changes did not result in any changes at the fund level.

### **District-Wide Financial Statements**

The District-Wide financial statements are prepared using full accrual accounting and more closely represent those 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 liabilities of the District.

The statement of net position presents information on all of the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference between them reported as net position. Over time, increases and decreases in net position can serve as a barometer of financial health and whether the District's financial position is improving or deteriorating.

The statement of activities presents information showing how the District's net position changed during the year. This statement focuses on both the gross and net cost of the various activities which are supported by the District's general tax, state aid and other revenues. This presentation is intended to summarize and simplify the user's analysis of the cost of the various governmental services.

### **Fund Financial Statements**

The fund-level statements are reported on a modified accrual basis in that only those assets that are measurable and currently available are reported. Liabilities are recognized to the extent they are normally expected to be paid with current financial resources.

The fund statements are formatted to comply with the legal requirements of the Michigan Department of Education's Accounting Manual. In the State of Michigan, school districts' major instruction and instructional support activities are reported in the General Fund. Additional activities are reported in various other funds. These include a Special Revenue Fund, Debt Service Funds and Capital Project (Sinking) Funds.

In the fund financial statements, capital assets purchased are reported as expenditures in the year of acquisition with no asset being reported. The issuance of debt is recorded 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 obligations are not recorded in the fund financial statements.

## District-Wide Financial Analysis

The following schedule summarizes the net position at June 30, 2018 and 2017:

### *Summary of Net Position*

	2018	2017*	Change
<b>Assets</b>			
Current assets	\$ 21,241,347	\$ 19,095,163	\$ 2,146,184
Capital assets	114,178,877	113,269,519	909,358
Less accumulated depreciation	(45,429,264)	(41,439,817)	(3,989,447)
Capital assets, net book value	68,749,613	71,829,702	(3,080,089)
<b>Total Assets</b>	<b>89,990,960</b>	<b>90,924,865</b>	<b>(933,905)</b>
<b>Deferred Outflows of Resources</b>			
Deferred interest on refunding	1,792,501	1,898,986	(106,485)
Related to pensions	13,716,176	8,182,622	5,533,554
Related to other post-employment benefits	1,336,287	-	1,336,287
<b>Total Deferred Outflows of Resources</b>	<b>16,844,964</b>	<b>10,081,608</b>	<b>6,763,356</b>
<b>Liabilities</b>			
Current liabilities	11,255,611	10,515,329	740,282
Noncurrent liabilities	164,287,339	146,574,475	17,712,864
<b>Total Liabilities</b>	<b>175,542,950</b>	<b>157,089,804</b>	<b>18,453,146</b>
<b>Deferred Inflows of Resources</b>			
Related to pensions	8,592,126	2,612,723	5,979,403
Related to other post-employment benefits	774,987	-	774,987
<b>Total Deferred Inflows of Resources</b>	<b>9,367,113</b>	<b>2,612,723</b>	<b>6,754,390</b>
<b>Net Position</b>			
Net investment in capital assets	(1,350,387)	1,729,702	(3,080,089)
Restricted for debt service	6,587,494	5,488,414	1,099,080
Restricted for capital projects	3,755,416	3,225,898	529,518
Restricted for food service	776,384	769,506	6,878
Unrestricted	(87,843,046)	(69,909,574)	(17,933,472)
<b>Total Net Position</b>	<b>\$ (78,074,139)</b>	<b>\$ (58,696,054)</b>	<b>\$ (19,378,085)</b>

\* The 2017 figures have not been updated for the adoption of GASB 75.



*Capital Assets and Long-Term Liabilities*

*Capital Assets*

At June 30, 2018, the District had invested approximately \$114 million in a broad range of capital assets, including school buildings and facilities, site improvements, school buses and other vehicles, and various types of equipment and technology. Depreciation expense for the year amounted to approximately \$4.1 million. At June 30, 2018, accumulated depreciation was \$45,429,264.

**Capital Assets at Year-End**

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Buildings	\$ 91,249,675
Land and improvements	7,240,290
Machinery, furniture and equipment	13,129,551
Transportation equipment	2,559,361

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|  | \$ 114,178,877 |

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Depreciation expense is recorded on a straight-line basis over the estimated useful lives of the assets. In accordance with GAAP, depreciation expense is calculated based on the original cost of the asset less an estimated salvage value, where applicable.

*Long-Term Liabilities*

At June 30, 2018, the District had approximately \$79.7 million in long-term obligations outstanding. This represents a net decrease of approximately \$5 million from the amount outstanding at the close of the prior fiscal year.

For more detailed information regarding capital assets and debt administration, please review the notes to financial statements located in the financial section of this report.

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## Results of Operations

For the fiscal years ended June 30, 2018 and 2017, the results of operations on a District-wide basis were:

	2017-18	2016-17*	Change
<b>General Revenues</b>			
Property taxes levied for general purposes	\$ 8,770,249	\$ 8,724,714	\$ 45,535
Property taxes levied for debt service	8,566,393	8,329,461	236,932
Property taxes levied for capital projects	1,392,865	885,050	507,815
Unrestricted state aid	21,305,602	21,551,794	(246,192)
Gain on sale of capital assets	56,230	174,631	(118,401)
Miscellaneous	94,061	62,383	31,678
Investment earnings	505,416	426,438	78,978
<b>Total general revenues</b>	<b>40,690,816</b>	<b>40,154,471</b>	<b>536,345</b>
<b>Program Revenues</b>			
Charges for services	606,146	566,447	39,699
Operating grants and contributions	16,093,518	15,414,011	679,507
<b>Total program revenues</b>	<b>16,699,664</b>	<b>15,980,458</b>	<b>719,206</b>
<b>Total Revenues</b>	<b>57,390,480</b>	<b>56,134,929</b>	<b>1,255,551</b>
<b>Expenses</b>			
Instruction	26,168,870	27,001,131	(832,261)
Support services	15,338,117	15,478,241	(140,124)
Community services	1,242,443	1,276,051	(33,608)
Food service	1,958,500	1,870,590	87,910
Interest on long-term debt	4,086,366	4,393,840	(307,474)
Unallocated depreciation	4,101,243	3,573,550	527,693
<b>Total Expenses</b>	<b>52,895,539</b>	<b>53,593,403</b>	<b>(697,864)</b>
Change in net position	4,494,941	2,541,526	<u>\$ 1,953,415</u>
Net Position, beginning of year, as previously reported	(58,696,054)	(61,237,580)	
Prior Period Restatement	(23,873,026)	-	
<b>Net Position, end of year</b>	<b>\$ (78,074,139)</b>	<b>\$ (58,696,054)</b>	

\* The 2017 figures have not been updated for the adoption of GASB 75.

Total revenues for the operation of the District-wide programs increased \$1,255,551 while expenses to support the District-wide programs decreased \$697,864. Looking at the two together, the District's net position improved approximately \$1.95 million when compared to the previous fiscal year.

## Analysis of Significant Revenues and Expenditures

Significant revenues and expenditures are discussed in the segments below.

### *State Sources*

The District is funded predominately by state aid. The State of Michigan funds districts based on a blended student enrollment. The blended enrollment consists of 90% of the current year's fall count and 10% of the prior year's spring count.

### *Student Enrollment*

The District's enrollment for the fall count of 2017-18 was 3,669 students. This decrease of 105 students represents a 2.9% decrease in enrollment from the prior fall. While there are many factors influencing student enrollment, regional birth rate declines continue to have an impact.

	Student Count	Change
Fall 2017	3,669	(105)
Fall 2016	3,774	(81)
Fall 2015	3,855	(171)
Fall 2014	4,026	(49)
Fall 2013	4,075	(110)

### *Property Taxes*

The District levies 18 mills of property taxes for operations on non-homestead properties. Each year, the voters of the District have approved an override to the reductions otherwise required by the Headlee Amendment. According to Michigan law, the taxable levy is based on the taxable valuation of properties. The annual taxable valuation increases are capped at the rate of the prior year's Consumer Price Index increase or 5%, whichever is less. At the time property is sold, its taxable valuation is readjusted to the State Equalized Value, which in theory is 50% of the property's market value. In May 2012, voters of the District approved a ballot resolution approving the collection of 18 mills of property taxes for the operations on non-homestead properties moving forward for a three-year period subject to the Headlee Amendment.

The non-homestead property tax levy is part of the state aid per pupil funding formula. For the 2017-18 fiscal year, the District's net property tax revenues for general purposes were \$8,770,249, which is comparable to the prior year amount of \$8,724,714.

The District levied 6.80 mills of property taxes on all classes of property located within the District for bonded debt retirement. This levy is adjusted as property values increase or decrease and is used to pay the principal and interest on bond obligations. The total tax revenues for debt retirement in the current year were \$8,566,393. This is a \$236,932 increase from the prior year.

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**General Fund Budgetary Highlights**

The Uniform Budget Act of the State of Michigan requires that the local Board of Education approve the original budget for the upcoming fiscal year prior to its starting on July 1. Any amendments made to the operating budget must be approved by the Board of Education prior to the close of the fiscal year on June 30.

For the 2017-18 fiscal year, the District amended the General Fund budget two times, with the Board of Education adopting the final changes in June 2018. The following schedule shows a comparison of the original General Fund budget, the final amended General Fund budget and actual totals from operations:

	Original Budget	Final Budget	Actual	Variance With Final Budget	% Variance
<b>Total Revenues and Other Financing Sources</b>	\$ 43,685,564	\$45,046,900	\$ 44,078,200	\$ (968,700)	(2.2)
<b>Expenditures</b>					
Instruction	\$ 26,816,384	\$27,694,400	\$ 27,032,746	\$ 661,654	2.4
Support services	15,826,597	16,254,900	15,911,989	342,911	2.1
Community services	1,299,586	1,381,100	1,283,580	97,520	7.1
<b>Total Expenditures</b>	\$ 43,942,567	\$45,330,400	\$ 44,228,315	\$ 1,102,085	2.4

The actual revenues and other financing sources for the General Fund were \$44,078,200. This is above the original budget estimate of \$43,685,564 and is below the final amended budget amount by \$968,700 or 2.2%, mainly due to less grant funds revenues recognized in the current fiscal year. The actual General Fund expenditures and other financing uses were \$44,228,315. This is below the final amended budget amount of \$45,330,400 by \$1,102,085 or 2.4%. Like the grant revenues, expenditure of grant funds were below budgeted levels. When taken together, the General Fund ended the year with a \$133,385 favorable variance when compared to the final amended budget.

**Analysis of General Fund Balance**

The financial condition of the District’s General Fund declined from June 30, 2017. The approximate \$150,000 decrease in the General Fund’s fund balance was within the amended budget plan approved by the Board of Education. However, the continued use of the accumulated fund balance for general program operation is ultimately not sustainable, especially after considering the transfer of one-time revenues from the Property Sale Fund. The Board of Education is committed to implementing program changes that result in year-over-year reductions in the use of fund balance and close the gap between available revenue and programmed expenditures.

**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 health in the future:

- Funding to support K-12 education in Michigan is largely dependent upon appropriation levels and categories established by the Governor and legislature. Year-over-year uncertainty and variation in funding levels, coupled with changing legislative requirements

to receive funding, prove challenging to the budgeting process at the local level, especially over multiple years.

- In a declining enrollment environment, the District will continue to face challenges relating to containing operational costs and rescaling the District's programs and facilities to match the size of the student body and available revenue. To address the shrinking student levels, the Board of Education approved a District restructuring for the 2018-19 school year that ultimately reduces the number of facilities needed to educate the children it serves.
- The District is part of the state-administered pension plan, MSPERS. Recent pension reform enacted at the State level includes goals that limit of future rate increases and a reduction in the plan's unfunded liability.
- The GASB Statement No. 68 requires governmental units, including public schools, to record pension liabilities in their government-wide financial statements. For Holland Public Schools, this was estimated at \$66.9 million as of June 30, 2018. In addition, GASB Statement No. 75 requires governmental units, including public schools, to record liabilities related to other postemployment benefits in their government-wide financial statements. For Holland Public Schools, this was estimated at \$22.9 million as of June 30, 2018.
- In September, the District entered into a one-year contract extension (through August 2019) with the Holland Education Association, the collective bargaining group that represents its professional teaching staff. The agreement allows both parties the time needed to negotiate a successor agreement utilizing an interest-based bargaining approach. Financially, the agreement falls within budgeted parameters for the 2018-19 fiscal year.

### **Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, customers, and 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 financial information, please contact the Finance Director, Holland Public Schools; Holland, Michigan.

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## Basic Financial Statements

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## District-Wide Financial Statements

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**Holland Public Schools**  
**District-Wide Financial Statements**  
**Statement of Net Position**

<i>June 30, 2018</i>	Governmental Activities
<b>Assets</b>	
<b>Current Assets</b>	
Cash and investments (Note 2)	\$ 15,593,539
Accounts receivable	8,972
Due from other governmental units (Note 4)	5,448,246
Prepaid expenses	174,931
Inventories	15,550
Other current assets	109
<b>Total current assets</b>	<b>21,241,347</b>
<b>Noncurrent Assets</b>	
Land	541,525
Capital assets, net of accumulated depreciation (Note 5)	68,208,088
<b>Total noncurrent assets</b>	<b>68,749,613</b>
<b>Total Assets</b>	<b>89,990,960</b>
<b>Deferred Outflows of Resources</b>	
Deferred interest on refunding	1,792,501
Related to pensions (Note 7)	13,716,176
Related to other post-employment benefit (Note 7)	1,336,287
<b>Total Deferred Outflows of Resources</b>	<b>16,844,964</b>
<b>Liabilities</b>	
<b>Current Liabilities</b>	
Accounts payable	295,289
Accrued payroll and benefits	4,471,201
Due to other governmental units	54,270
Accrued interest	561,344
Unearned revenue	632,263
Current portion of long-term obligations (Note 6)	5,241,244
<b>Total current liabilities</b>	<b>11,255,611</b>
<b>Noncurrent Liabilities</b>	
Noncurrent portion of long-term obligations (Note 6)	74,462,085
Net pension liability (Note 7)	66,901,596
Net other post-employment benefit liability (Note 7)	22,923,658
<b>Total noncurrent liabilities</b>	<b>164,287,339</b>
<b>Total Liabilities</b>	<b>175,542,950</b>
<b>Deferred Inflows of Resources</b>	
Related to pensions (Note 7)	8,592,126
Related to other post-employment benefits (Note 7)	774,987
<b>Total Deferred Inflows of Resources</b>	<b>9,367,113</b>
<b>Net Position</b>	
Net investment in capital assets	(1,350,387)
Restricted for debt service	6,587,494
Restricted for capital projects	3,755,416
Restricted for food service	776,384
Unrestricted	(87,843,046)
<b>Total Net Position</b>	<b>\$ (78,074,139)</b>

*See accompanying notes to financial statements.*

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**Holland Public Schools**  
**District-Wide Financial Statements**  
**Statement of Activities**

<i>Year ended June 30, 2018</i>	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Primary Governmental Activities
<b>Primary Government</b>				
Governmental activities:				
Instruction	\$ 26,168,870	\$ -	\$ 5,385,306	\$ (20,783,564)
Support services	15,338,117	333,710	8,268,456	(6,735,951)
Community services	1,242,443	-	-	(1,242,443)
Food service	1,958,500	272,436	1,685,830	(234)
Interest on long-term debt	4,086,366	-	753,926	(3,332,440)
Unallocated depreciation	4,101,243	-	-	(4,101,243)
<b>Total Primary Government</b>	<b>\$ 52,895,539</b>	<b>\$ 606,146</b>	<b>\$ 16,093,518</b>	<b>(36,195,875)</b>
General revenues:				
Property taxes levied for general purposes				8,770,249
Property taxes levied for debt service				8,566,393
Property taxes levied for capital projects				1,392,865
Unrestricted state aid				21,305,602
Gain on sale of capital assets				56,230
Miscellaneous general revenues				94,061
Investment earnings				505,416
<b>Total general revenues</b>				<b>40,690,816</b>
Change in net position				4,494,941
Net Position, beginning of year, as previously reported				(58,696,054)
Prior Period Restatement (Note 13)				(23,873,026)
<b>Net Position, beginning of year, restated</b>				<b>(82,569,080)</b>
<b>Net Position, end of year</b>				<b>\$ (78,074,139)</b>

*See accompanying notes to financial statements.*

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**Fund Financial Statements**

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# Holland Public Schools

## Governmental Funds Balance Sheet

<i>June 30, 2018</i>	General	Debt Retirement QSCB-1 Fund	Capital Projects Sinking Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Cash and investments (Note 2)	\$ 2,669,221	\$ 6,946,408	\$ 3,049,693	\$ 2,928,217	\$ 15,593,539
Accounts receivable	2,231	-	-	6,741	8,972
Due from other funds (Note 3)	99,395	-	-	445,996	545,391
Due from other governmental units (Note 4)	5,434,169	183	145	13,749	5,448,246
Prepaid expenditures	39,356	-	-	135,575	174,931
Inventories	-	-	-	15,550	15,550
Other current assets	109	-	-	-	109
<b>Total Assets</b>	<b>\$ 8,244,481</b>	<b>\$ 6,946,591</b>	<b>\$ 3,049,838</b>	<b>\$ 3,545,828</b>	<b>\$ 21,786,738</b>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities</b>					
Accounts payable	\$ 270,911	\$ -	\$ 13,303	\$ 9,938	\$ 294,152
Accrued payroll liabilities	4,452,092	-	-	19,109	4,471,201
Due to other funds (Note 3)	431,137	-	15,996	99,395	546,528
Due to other governmental units (Note 4)	54,270	-	-	-	54,270
Unearned revenue	632,263	-	-	-	632,263
<b>Total liabilities</b>	<b>5,840,673</b>	<b>-</b>	<b>29,299</b>	<b>128,442</b>	<b>5,998,414</b>
<b>Fund Balances</b>					
Nonspendable:					
Inventories, prepaid expenditures and other current assets	39,465	-	-	151,125	190,590
Restricted:					
Capital projects	-	-	3,020,539	599,302	3,619,841
Debt retirement	-	6,946,591	-	578,023	7,524,614
Food service	-	-	-	760,834	760,834
Assigned for capital projects	-	-	-	1,328,102	1,328,102
Unassigned in General Fund	2,364,343	-	-	-	2,364,343
<b>Total fund balances</b>	<b>2,403,808</b>	<b>6,946,591</b>	<b>3,020,539</b>	<b>3,417,386</b>	<b>15,788,324</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 8,244,481</b>	<b>\$ 6,946,591</b>	<b>\$ 3,049,838</b>	<b>\$ 3,545,828</b>	<b>\$ 21,786,738</b>

*See accompanying notes to financial statements.*



# Holland Public Schools

## Reconciliation of Fund Balances of Governmental Funds to Net Position on the Statement of Net Position

*June 30, 2018*

Total fund balances - total governmental funds (from page 26) \$ 15,788,324

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

Capital assets used in governmental activities are not financial resources  
and, therefore, are not reported in the funds. These assets consist of:

Capital assets, at cost	\$ 114,178,877	
Accumulated depreciation	(45,429,264)	
Net capital assets		68,749,613

Deferred outflows of resources are not available to pay for current-period  
expenditures and, therefore, are not reported in the funds.

These consist of:

Deferred interest on refunding	1,792,501	
Deferred outflows of resources - related to pensions	13,716,176	
Deferred outflows of resources - related to other post-employment benefit	1,336,287	
Deferred inflows of resources - related to pensions	(8,592,126)	
Deferred inflows of resources - other post-employment benefit	(774,987)	7,477,851

Long-term liabilities, including interest payable, are not due  
and payable in the current period and, therefore, are not reported in  
the funds. Balances are as follows:

Bonds payable	(71,019,917)	
Bond premium, net	(4,362,085)	
Accrued interest on bonds payable	(561,344)	
Accrued interest on capital appreciation bonds	(4,321,327)	
Net pension liability	(66,901,596)	
Net other post-employment benefit liability	(22,923,658)	(170,089,927)
Total long-term liabilities		(170,089,927)

Net Position of Governmental Activities \$ (78,074,139)

*See accompanying notes to financial statements.*

# Holland Public Schools

## Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances

<i>Year ended June 30, 2018</i>	General	Debt Retirement QSCB-1 Fund	Capital Projects Sinking Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
Local sources:					
Property taxes	\$ 8,770,249	\$ 1,006,956	\$ 1,392,865	\$ 7,559,437	\$ 18,729,507
Other local sources	431,581	134,715	21,095	316,777	904,168
Intermediate sources	5,423,368	-	-	-	5,423,368
State sources	26,675,622	59,650	40,430	546,465	27,322,167
Federal sources	2,256,150	753,926	-	1,685,830	4,695,906
<b>Total revenues</b>	<b>43,556,970</b>	<b>1,955,247</b>	<b>1,454,390</b>	<b>10,108,509</b>	<b>57,075,116</b>
<b>Expenditures</b>					
Instruction	27,032,746	-	-	-	27,032,746
Support services	15,911,989	-	-	-	15,911,989
Community services	1,283,580	-	-	-	1,283,580
Food service	-	-	-	1,958,500	1,958,500
Debt service:					
Redemption of principal	-	-	-	955,137	955,137
Interest and fiscal charges	-	945,650	-	6,843,976	7,789,626
Other purchased services	-	-	14,122	-	14,122
Capital outlay	-	-	801,511	111,990	913,501
<b>Total expenditures</b>	<b>44,228,315</b>	<b>945,650</b>	<b>815,633</b>	<b>9,869,603</b>	<b>55,859,201</b>
Excess (deficiency) of revenues over expenditures	(671,345)	1,009,597	638,757	238,906	1,215,915
<b>Other Financing Sources (Uses)</b>					
Transfer in (out)	465,000	-	-	(465,000)	-
Proceeds from sale of assets	56,230	-	-	-	56,230
<b>Total other financing sources (uses)</b>	<b>521,230</b>	<b>-</b>	<b>-</b>	<b>(465,000)</b>	<b>56,230</b>
Changes in fund balances	(150,115)	1,009,597	638,757	(226,094)	1,272,145
<b>Fund Balances, beginning of year</b>	<b>2,553,923</b>	<b>5,936,994</b>	<b>2,381,782</b>	<b>3,643,480</b>	<b>14,516,179</b>
<b>Fund Balances, end of year</b>	<b>\$ 2,403,808</b>	<b>\$ 6,946,591</b>	<b>\$ 3,020,539</b>	<b>\$ 3,417,386</b>	<b>\$ 15,788,324</b>

*See accompanying 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

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*Year ended June 30, 2018*

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Changes in fund balances - total governmental funds (from page 28) \$ 1,272,145

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

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

Capital outlay	\$ 1,021,154	
Depreciation expense	(4,101,243)	
Net effect of capital outlays		(3,080,089)

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

Principal payments	955,137	
Payment of accrued interest on capital appreciation bonds	4,419,863	
Amortization, net	152,649	
		5,527,649

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 governmental funds.

Accrued interest on bonds	(595,996)	
Pension related items	490,269	
OPEB related items	1,510,668	
		1,404,941

Restricted revenue reported in the governmental funds that is deferred  
to offset the deferred outflows related to section 147c pension contributions  
subsequent to the measurement period:

State aid funding for pension	(629,705)	
		(629,705)

Change in Net Position of Governmental Activities		\$ <u>4,494,941</u>
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*See accompanying notes to financial statements.*

**Holland Public Schools**  
**Fiduciary Funds**  
**Statement of Fiduciary Net Position**

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<i>June 30, 2018</i>	Scholarship Trust Fund	Agency Fund
<b>Assets</b>		
Cash and investments (Note 2)	\$ 524,901	\$ 281,553
Due from other funds (Note 3)	-	1,137
<b>Total Assets</b>	<b>524,901</b>	<b>\$ 282,690</b>
<b>Liabilities</b>		
Due to student groups	-	\$ 282,690
<b>Total Liabilities</b>	<b>-</b>	<b>\$ 282,690</b>
<b>Net Position</b>	<b>\$ 524,901</b>	

*See accompanying notes to financial statements.*

**Holland Public Schools**  
**Fiduciary Funds**  
**Statement of Changes in Fiduciary Net Position**

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<i>Year ended June 30, 2018</i>	Scholarship Trust Fund
<hr/>	
<b>Additions</b>	
Contributions	\$ 3,525
Investment income	7,380
<hr/>	
Total additions	10,905
<hr/>	
<b>Deductions</b>	
Other expenses	1,432
<hr/>	
Change in net position	9,473
<b>Net Position, beginning of year</b>	<b>515,428</b>
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<b>Net Position, end of year</b>	<b>\$ 524,901</b>
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*See accompanying notes to financial statements.*

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# Holland Public Schools

## Notes to Financial Statements

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### 1. Summary of Significant Accounting Policies

The basic financial statements of Holland Public Schools (the District) have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District's significant accounting policies are described below.

#### *Reporting Entity*

The District is an independent entity with an elected Board of Education. The Board of Education consists of seven members elected to six-year terms. The Board of Education has responsibility and control over all matters affecting the District, including authority to levy taxes and determine its budget, the power to designate management, and primary accountability for fiscal matters. The basic financial statements of the District contain all funds and account groups for which the District is financially accountable.

#### *Basis of Presentation*

*District-wide financial statements:* The statement of net position and the statement of activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. The District-wide financial statements categorize activities as either governmental or business-type. All of the District's activities are classified as governmental.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include (1) charges to recipients who purchase, use or directly benefit from goods, services or privileges provided by a given function, and (2) grants and contributions that are restricted to meeting the operation or capital requirements of a particular function. Property taxes, state aid foundation and certain other items are reported as general revenues.

*Fund financial statements:* The fund financial statements provide information about the District's funds. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures. Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported in separate columns in the fund financial statements.

When both restricted and unrestricted resources are available, it is the District's policy to use restricted resources first.

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# Holland Public Schools

## Notes to Financial Statements

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### *Governmental Funds*

Governmental Funds are used to account for the District's general activity. The focus is on determination of the financial position and changes in financial position rather than on income determination. The following is a description of the Governmental Funds of the District.

*General Fund* is the general operating fund of the District. It is used to account for all financial resources, except those required to be accounted for in another fund. It is considered a major fund. Major sources of revenue include state school aid, federal grants and property taxes.

*Special Revenue Funds* are used to account for and report proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The District operates one special revenue fund: Food Service.

*Debt Retirement Funds* are used to account for and report financial resources that are restricted, committed or assigned to expenditure for principal and interest. The QSCB-1 Debt Fund is reported as a major fund. Revenue sources are mainly property taxes.

*Capital Projects Funds* are used to account for and report financial resources that are restricted, committed or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital projects. The District has three capital projects funds: the Property Sales Fund, the 1998 Sinking Fund, and the 2010 Prop 1 Fund. The 1998 Sinking Fund is reported as a major fund. The significant sources of revenues are bond proceeds and investment income.

### *Fiduciary Funds*

The *Private-Purpose Trust Fund* is used to account for funds entrusted to the District for student scholarships.

The *Agency Fund* is used to account for assets held by the District in a trustee capacity for individuals or school-related organizations. The Student Activities Agency Fund is custodial in nature and does not involve measurement of results of operations.

### *Measurement Focus and Basis of Accounting*

Measurement focus refers to what is being measured, and basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

*District-wide and fiduciary fund 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.



# Holland Public Schools

## Notes to Financial Statements

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*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 if they are collected within the current period or soon enough after to pay liabilities for the current period. The District considers most revenues available if collected within 60 days after year-end, including property taxes, state aid and interest; a 90-day window is used for entitlement funds and grants.

Expenditures 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.

### *State Foundation Revenue*

The State of Michigan provides funds through a foundation grant approach, which provides for a specific annual amount of revenue per student based on a statewide formula. The foundation is funded from state and local sources. Revenues from state sources primarily are governed by the School Aid Act and the School Code of Michigan. For the year ended June 30, 2018, the foundation allowance was based on the blended average of student membership counts taken in February 2017 and October 2017.

The state portion of the foundation is primarily provided by a state education property tax millage of six mills and an allocated portion of state sales and other taxes. The local portion of the foundation is primarily funded by non-homestead property taxes, which may be levied at a rate of up to 18 mills.

### *State Categorical Revenue*

The District also receives revenue from the state to administer certain categorical education programs. State rules require that revenue earmarked for these programs be expended for its specific purpose. Categorical funds received which are not expended by the close of the fiscal year are recorded as unearned revenue.

### *Federal Revenue*

Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

### *Budgets and Budgetary Accounting*

The budgetary data reflected in the financial statements is established by the District using the procedures outlined below:

Starting in the spring, administrative personnel and department heads work with the Superintendent of the schools to establish a proposed operating budget for the fiscal year commencing the following July 1.

Prior to June 30, an initial appropriations budget is adopted by the Board of Education for the subsequent fiscal year to comply with State of Michigan regulations.

# Holland Public Schools

## Notes to Financial Statements

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Budgets for the General and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles. Budgeted amounts are as originally adopted or as amended by the District on various dates.

Once a budget is approved, it can be amended at the function and fund level only by approval of a majority of the members of the Board of Education. Amendments are presented to the Board of Education at its regular meetings. Each amendment must have Board approval. Such amendments are made before the fact, are reflected in the official minutes of the Board of Education and are not made after the fiscal year-end, as dictated by law.

The budget is integrated with the accounting system of the District and is used as a management control device during the year.

### *Investments*

Investments are recorded at fair value based on quoted market prices.

### *Inventories*

Inventories are stated at cost using the first-in, first-out method. Inventories consist primarily of food and cafeteria supplies. Inventories are reported as assets until consumed, at which time an expense/expenditure is recorded.

### *Interfund Receivables/Payables and Transfers*

During the course of its operations, the District has various transactions between funds to finance operations and provide services. To the extent that certain transactions had not been paid or received as of June 30, 2018, balances of interfund receivables or payables have been recorded. The District transferred \$95,000 from the Food Service Special Revenue Fund to the General Fund for indirect costs. The District also transferred \$370,000 from the Property Sales Fund to the General Fund to support General Fund operations.

### *Capital Assets*

Capital assets, which include property, buildings and equipment, are reported in the District-wide financial statements. Assets having a useful life in excess of one year and whose costs exceed \$5,000 are capitalized. Capital assets are stated at historical cost or estimated historical cost where actual cost information is not available. Donated capital assets are stated at their market value as of the donation date.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' useful lives are not capitalized. Major outlays for capital assets are capitalized as projects are constructed. Depreciation is provided for on the straight-line basis over the estimated useful lives of the assets as follows:

	Years
Land improvements	5 - 30
Buildings and additions	20 - 45
Furniture and equipment	5 - 20
Transportation equipment	5 - 20

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# Holland Public Schools

## Notes to Financial Statements

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### *Deferred Outflows/Inflows of Resources*

#### *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, and pension and other post-employment benefits (OPEB) 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 OPEB related items. These amounts are expensed in the plan year in which they apply.

#### *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 two items that qualify for reporting in this category. These items relate to future resources yet to be recognized in relation to the pension and OPEB actuarial calculation. These future resources arise from differences in the estimates used by the actuary to calculate the pension and OPEB liability and the actual results. The amounts are amortized over a period determined by the actuary.

#### *Defined Benefit Plans*

For purposes of measuring the net pension liability and OPEB, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, and pension and OPEB expense, information about the fiduciary net position of the Michigan Public School Employees Retirement System (MPSERS) and additions to/deductions from MPSERS fiduciary net position have been determined on the same basis as they are reported by MPSERS. 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.

#### *Compensated Absences*

District employees are granted vacation and sick leave in varying amounts based on individual contracts. Sick leave is accumulated at different rates for various categories of employees; however, all accumulated leave time terminates upon severance of employment. There is also a sick leave bank that is funded by employees' voluntary donations of sick time. There is no carryover provision for vacation time. In accordance with generally accepted accounting principles, there has been nothing accrued for sick and vacation time. The matured liability for compensated absences is reported in the fund financial statements.

# Holland Public Schools

## Notes to Financial Statements

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### *Long-Term Obligations*

In the District-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. Premiums and discounts on bonds issued are amortized over the life of the related bonds. Bond issue costs are expensed.

In the fund financial statements, the face amount of debt is reported as other financing sources. Bond premiums and discounts, as well as issuance costs, are recognized during the current period. Premiums and discounts are reported as other financing sources (uses); issuance costs are reported as expenditures.

### *Net Position*

Net position represents the difference between assets, deferred outflows, liabilities, and deferred inflows on the District-wide financial statements. Net position invested in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition or construction of those assets. Net position is reported as restricted when there are limitations imposed on its use, either through legislation or through external restrictions imposed by creditors, grantors, laws or regulations from other governments.

### *Fund Balance*

Fund balance represents the difference between assets and liabilities in the governmental fund financial statements. The District's fund balance is classified in the following categories:

*Nonspendable fund balance* represents amounts that cannot be spent due to legal requirements or because it is not in spendable form. The District reports nonspendable fund balance for inventories and other current assets.

*Restricted fund balance* is restricted for specific purposes imposed by grantors, bondholders, constitutional provisions or enabling legislation. The District reports restricted fund balance in the Debt Funds, Capital Projects Funds and Food Service Fund.

*Assigned fund balance* is intended to be used for specific purposes but doesn't meet the criteria for restricted or committed fund balance. The District reports assigned fund balance in the General Fund and Capital Projects Fund to report specific projects.

*Unassigned fund balance* is the residual fund balance of the General Fund.

The District's spending policy considers restricted fund balances will be spent first when both restricted and unrestricted fund balances are available. When expenditures are recorded using unrestricted fund balances, assigned amounts are spent first and then unassigned amounts.

### *Property Taxes*

Properties are assessed as of December 31, and approximately one-half of the related property taxes are levied and become a lien on July 1. The remaining taxes are levied and become a lien on December 1. These taxes are due on September 15 (August 15 for the City of Holland) and February 15, respectively, with the final collection date of February 28 before they are added to the county delinquent tax rolls.

# Holland Public Schools

## Notes to Financial Statements

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### *Use of Estimates*

The preparation of financial statements requires estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

### *Subsequent Events*

Management has evaluated subsequent events through October 3, 2018, the date the financial statements were available to be issued. Based on that evaluation, there were no matters identified that had a significant impact on the financial statements as presented.

## 2. Cash and Investments

### *Deposits*

State statutes require that certificates of deposit, savings accounts, deposit accounts and depository receipts are made with banks doing, and having a place of, business in the State of Michigan that are also members of a federal or national insurance corporation.

### *Custodial Credit Risk Related to Deposits*

Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits might not be recovered. The District's policy for mitigating custodial credit risk is to allow deposits only in approved depositories. At June 30, 2018, \$13,653,395 of the District's bank balances of \$14,153,395 was uninsured and uncollateralized.

### *Investments*

At June 30, 2018, the District had the following investments:

<i>Investment</i>	<i>Fair Value</i>
Michigan Class Fund (MI Class)	\$ 2,631,315
Michigan Liquid Asset Fund (MILAF)	38,492
<b>Total</b>	<b>\$ 2,669,807</b>

### *Interest Rate Risk*

Interest rate risk is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates. The District mitigates this risk by requiring all investments to mature or be redeemable within four years of the date of purchase. All of the District's investments have maturity dates or are redeemable in less than four years. The investments related to 2010 bond proceeds have redemption dates timed according to cash flow needs.

# Holland Public Schools

## Notes to Financial Statements

At June 30, 2018, the District had the following investments subject to interest rate risk and related maturities:

<i>Investment Type</i>	Fair Value	Maturity			
		Less Than 1 Year	1-5 Years	6-10 Years	More Than 10 Years
Michigan Class Fund (MI Class)	\$ 2,631,315	\$ 2,631,315	\$ -	\$ -	\$ -
Michigan Liquid Asset Fund (MILAF)	38,492	38,492	-	-	-
<b>Total</b>	<b>\$ 2,669,807</b>	<b>\$ 2,669,807</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

### *Credit Risk*

Credit risk is the risk that an issuer or counterparty to an investment will not fulfill its obligations.

State statutes authorize the District to invest in obligations and certain repurchase agreements of the U.S. Treasury and related governmental agencies, commercial paper rated prime at the time of purchase and maturing not more than 270 days from the date of purchase, banker's acceptances and certificates of deposit issued or created by any state or national bank insured with the applicable federal agency, and investment pools authorized by the Surplus Funds Investment Pool Act.

The District mitigates credit risk by qualifying financial institutions and dealers and limiting a single investment in securities that are not government insured to no more than 5% of the total current investment portfolio.

The District's investments in MILAF and MI Class are classified as Municipal Investment Funds. All Municipal Investment Funds are invested in accordance with the School Code. Each school district owns a pro rata share of each investment, which is held in the name of the fund. At June 30, 2018, the MILAF and the MI Class Fund were rated AAAM by Standard & Poor's.

### *Custodial Credit Risk Related to Investments*

Custodial credit risk 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 that are in the possession of an outside party. The District had no investments that were subject to custodial credit risk.

### *Concentration of Credit Risk*

Concentration of credit risk is the risk of loss attributed to the magnitude of the District's investment in a single issuer. The District does not have an investment policy that limits the amount that may be invested in any one issuer. The District minimizes concentration of credit risk by investing primarily in pooled investments. Excluding mutual funds and pooled investments, no single investment exceeded 5% of total investments at June 30, 2018.

# Holland Public Schools

## Notes to Financial Statements

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### *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 fair value hierarchy are described as follows:

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

*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 District does not have any investments subject to the fair value measurement.

### 3. Interfund Activity

Interfund balances at June 30, 2018 are as follows:

<i>Fund</i>	Interfund Receivable	Interfund Payable
General	\$ 99,395	\$ 431,137
Capital Projects Sinking Fund	-	15,996
Nonmajor Governmental Funds	445,996	99,395
Agency	1,137	-
	<hr/>	<hr/>
	\$ 546,528	\$ 546,528

### 4. Due From Other Governmental Units

Due from other governmental units at June 30, 2018 consists of the following:

<i>Fund</i>	Local	State	Federal	Total
General Fund	\$ 45,270	\$ 4,835,264	\$ 553,635	\$ 5,434,169
Debt Retirement QSCB-1 Fund	183	-	-	183
Capital Projects Sinking Fund	145	-	-	145
Nonmajor Governmental Funds	-	13,749	-	13,749
	<hr/>	<hr/>	<hr/>	<hr/>
	\$ 45,598	\$ 4,849,013	\$ 553,635	\$ 5,448,246

All balances are expected to be collected within one year.

# Holland Public Schools

## Notes to Financial Statements

### 5. Capital Assets

The following summarizes capital assets activity for the year ended June 30, 2018:

	Balance, July 1, 2017	Additions	Deletions	Balance, June 30, 2018
<b>Governmental Activities</b>				
Capital assets not depreciated:				
Land	\$ 541,525	\$ -	\$ -	\$ 541,525
Capital assets being depreciated:				
Buildings	90,929,402	320,273	-	91,249,675
Land improvements	6,698,765	-	-	6,698,765
Machinery, furniture and equipment	12,540,466	700,881	111,796	13,129,551
Transportation equipment	2,559,361	-	-	2,559,361
<b>Totals at historical cost</b>	<b>113,269,519</b>	<b>1,021,154</b>	<b>111,796</b>	<b>114,178,877</b>
Less accumulated depreciation for:				
Buildings	27,980,971	2,291,413	-	30,272,384
Land improvements	3,582,700	140,350	-	3,723,050
Machinery, furniture and equipment	8,086,050	1,436,740	111,796	9,410,994
Transportation equipment	1,790,096	232,740	-	2,022,836
<b>Total accumulated depreciation</b>	<b>41,439,817</b>	<b>4,101,243</b>	<b>111,796</b>	<b>45,429,264</b>
<b>Net Capital Assets</b>	<b>\$ 71,829,702</b>	<b>\$ (3,080,089)</b>	<b>\$ -</b>	<b>\$ 68,749,613</b>

Depreciation for the year ended June 30, 2018 was \$4,101,243. The District determined that it was impractical to allocate depreciation to various governmental activities, as the assets serve multiple functions.

### 6. Long-Term Obligations

The following is a summary of changes in long-term obligations for the District for the year ended June 30, 2018:

	Balance, July 1, 2017	Additions	Deductions	Balance, June 30, 2018	Due Within One Year
Bonds payable	\$ 71,975,054	\$ -	\$ 955,137	\$ 71,019,917	\$ 919,917
Premium on bonds	4,621,219	-	259,134	4,362,085	-
Accrued interest on capital appreciation bonds	8,145,194	595,996	4,419,863	4,321,327	4,321,327
	<b>\$ 84,741,467</b>	<b>\$ 595,996</b>	<b>\$ 5,634,134</b>	<b>\$ 79,703,329</b>	<b>\$ 5,241,244</b>



# Holland Public Schools

## Notes to Financial Statements

Bonds payable as of June 30, 2018 are comprised of the following individual issues:

	Principal Outstanding	Remaining Interest Requirements
1992 Refunding Bonds, Capital Appreciation Bonds, due in annual installments of \$919,917 due on May 1, 2019, interest at 6.80%.	\$ 919,917	\$ 4,615,083
2010 Building and Site Bonds, Series A - Qualified School Construction Bonds, single principal payment due on May 1, 2027, interest at 6.30%.	15,000,000	8,505,000
2014 Refunding Bonds, due in annual installments of \$3,355,000 to \$3,530,000 from May 1, 2020 through May 1, 2035, interest at 2.50% to 5.00%.	55,100,000	23,278,120
	\$ 71,019,917	\$ 36,398,203

The 1992 bond issue consists of capital appreciation bonds. Starting May 1, 2011, the bonds mature annually through 2019. Interest accrues on these bonds semi-annually in November and May, even though the interest is not paid until maturity.

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, 2018 was \$6,000,000. The principal repayment of \$15,000,000, due on May 1, 2027, will be paid 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. The District was expecting the federal subsidy interest rate to be 5.39% for the year ended June 30, 2018, but only 5.03% was reimbursed by the U.S. Treasury.

### *Debt Service Requirements*

The annual requirements to service the bonds outstanding to maturity including both principal and interest are as follows:

Year ending June 30,	Principal	Interest	Total
2019	\$ 919,917	\$ 7,983,145	\$ 8,903,062
2020	3,395,000	3,368,062	6,763,062
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 - 2028	32,150,000	11,577,060	43,727,060
2029 - 2033	17,495,000	3,669,674	21,164,674
2034 - 2035	6,950,000	407,676	7,357,676
	\$ 71,019,917	\$ 36,398,203	\$ 107,418,120

# Holland Public Schools

## Notes to Financial Statements

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### 7. Defined Benefit Plan and Other Post-Retirement Benefits (OPEB)

#### *Plan Description*

The District contributes to the statewide Michigan Public School Employees' Retirement System (MPERS or the System), 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 of Education'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 <http://www.michigan.gov/orsschools/0,4653,7-206-36585---,00.html>.

#### *Benefits Provided*

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. MPERS also provides disability and survivor benefits to DB plan members.

#### *Pension Reform 2010*

On May 9, 2010, the governor signed Public Act 75 of 2010 into law. As a result, any member of MPERS who became a member after June 30, 2010 is a Pension Plus member. The Pension Plus Plan pairs a guaranteed retirement income (defined benefit) with a flexible and transferable retirement savings (defined contribution) account.

#### *Pension Reform 2012*

On September 4, 2012, the governor signed Public Act 300 of 2012 into law. As a result, members of MPERS who first worked before July 1, 2010 and earned service credit in the 12 months ended September 3, 2012 can voluntarily choose to increase, maintain or stop their contributions to the pension fund by electing from four plan options. Members who first work on or after September 4, 2012 are able to elect the Pension Plus plan or a defined contribution plan.

#### *Pension Reform 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.

# Holland Public Schools

## Notes to Financial Statements

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### *Regular Retirement (no reduction factor for age)*

*Eligibility* - Age 55 with 30 years credited service; or age 60 with 10 years credited service. For Member Investment Plan (MIP) members, any age 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 60th birthday and has credited service in each of the last 5 years. For Pension Plus (PPP) members, age 60 with 10 years of credited service.

*Annual amount* - Total credited service as of the Transition Date times 1.5% of final average compensation.

### *Pension Plus*

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

*Option 1* - Credited Service after the Transition Date times 1.5% times Final Average Compensation (FAC).

*Option 2* - Credited Service after the Transition Date (until total service reaches 30 years) times 1.5% times FAC, PLUS Credited Service after the Transition Date and over 30 years times 1.25% times FAC.

*Option 3* - Credited Service after the Transition Date times 1.25% times FAC.

*Option 4* - None (Member will receive benefit through a Defined Contribution plan).

FAC - Average of highest 60 consecutive months (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.

### *Member Contributions*

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

### *Employer Contributions*

Employer contributions to MPSERS 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.

**Holland Public Schools**  
**Notes to Financial Statements**

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The District contributions to MPSERS for the current and two preceding years were as follows:

<i>Year ended June 30,</i>	Employer Contribution
2018	\$ 8,915,872
2017	8,472,782
2016	8,276,938

In 2018, the District recorded \$2,707,950 of employer contributions for the MPSERS unfunded liabilities obligations in excess of the statutory cap. Funds were received from the State of Michigan through state aid payments to offset the employer contribution.

*Pension*

*Pension Liabilities*

At June 30, 2018, the District reported a liability of \$66,901,596 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. 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. At September 30, 2017, the District's proportion was 0.25817%.

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

For the year ended June 30, 2018, the District recognized pension expense of approximately \$3,900,000. At June 30, 2018, 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
Change in assumptions	\$ 7,329,601	\$ -
Net difference between projected and actual earnings on pension plan investments	581,421	(328,272)
Net difference between projected and actual experience	-	(3,198,336)
Changes in proportion and differences between reporting unit contributions and proportionate share of contributions	100,918	(2,357,568)
Reporting unit contributions subsequent to the measurement date	5,704,236	(2,707,950)
<b>Total</b>	<b>\$ 13,716,176</b>	<b>\$ (8,592,126)</b>

# Holland Public Schools

## Notes to Financial Statements

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Deferred outflows of resources resulting from District employer contributions of \$5,704,236 made subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. A portion of these deferred outflows are offset by section 147c pension contributions received from the State of Michigan subsequent to the measurement date.

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 June 30,*

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2019	\$ 543,215
2020	1,658,872
2021	368,139
2022	(442,462)

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### *Other Post-Employment Benefits*

#### *Introduction*

Benefit provisions of the post-employment 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. Beginning fiscal year 2013, it is funded on a prefunded basis. MPSERS has contracted to provide the comprehensive group medical, hearing, dental and vision coverage for retirees and beneficiaries. A subsidized portion of the premium is paid by MPSERS 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 Post-Employment 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.

Public Act 75 of 2010 requires each actively employed member of MPSERS after June 30, 2010 to annually contribute 3% of their compensation to offset employer contributions for health care benefits of current retirees.

#### *Retiree Healthcare Reform of 2012*

Public Act 300 of 2012, granted all active members of MPSERS, 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 December 1, 2012.

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

# Holland Public Schools

## Notes to Financial Statements

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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.

### *Regular Retirement (no reduction factor for age)*

*Eligibility* - 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 60th birthday and has credited service in each of the last 5 years. For Pension Plus (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 post-employment 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 Post-Employment 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.

The District's OPEB contributions for the year ended June 30, 2018, were equal to the statutory required contribution amount of approximately \$1,750,000.

### *OPEB Liabilities*

At June 30, 2018, the District reported a liability of \$22,923,658 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of September 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation date of September 30, 2016 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 Districts, actuarially determined. At September 30, 2017, the District's proportion was 0.25886%.

# Holland Public Schools

## Notes to Financial Statements

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

For the year ended June 30, 2018, the District recognized OPEB expense of \$239,580. At June 30, 2018, the District 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
Differences between expected and actual experience	\$ -	\$ (244,070)
Net difference between projected and actual earnings on pension plan investments	-	(530,917)
Changes in proportion and differences between reporting unit contributions and proportionate share of contributions	27,393	-
Reporting unit contributions subsequent to the measurement date	1,308,894	-
<b>Total</b>	<b>\$ 1,336,287</b>	<b>\$ (774,987)</b>

\$1,308,894, 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.

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 June 30,*

2019		\$ (181,155)
2020		(181,155)
2021		(181,155)
2022		(181,155)
2023		(22,974)

***Actuarial Assumptions***

*Investment rate of return for pension* - 8.0% a year, compounded annually net of investment and administrative expenses for the Non-Hybrid groups and 7.0% a year, compounded annually net of investment and administrative expenses for the Hybrid group (Pension Plus plan).

*Investment rate of return for OPEB* - 7.5% a year, compounded annually net of investment and administrative expenses

*Salary increases* - The rate of pay increase used for individual members is 3.5%.

*Inflation* - 2.5%

# Holland Public Schools

## Notes to Financial Statements

*Mortality assumptions* - The healthy life post-retirement mortality table used in this valuation of the System was the RP-2000 Combined Healthy Mortality Table, adjusted for mortality improvements to 2020 using projection scale AA. The final rates used include no margin for future mortality improvement. This assumption is used to measure the probabilities of each benefit payment being made after retirement.

*Experience study* - The annual actuarial valuation report of the System used for these statements is dated September 30, 2016. Assumption changes as a result of an experience study for the periods 2007 through 2012 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2014 valuation.

*The long-term expected rate of return on pension plan investments* - The rate was 8.0% (7.0% Pension Plus Plan) net of investment and administrative expenses was determined using a 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 post-employment benefit* - 7.5% for year one and graded to 3.5% to year 12.

*Additional assumptions for other post-employment 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 1 or more dependents.

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

<i>Investment Category</i>	Target Allocation	Long-Term Expected Real Rate of Return*
Domestic equity pools	28.0%	5.6 %
Alternative investment pools	18.0	8.7
International equity	16.0	7.2
Fixed income pools	10.5	(0.1)
Real estate and infrastructure pools	10.0	4.2
Absolute return pools	15.5	5.0
Short-term investment pools	2.0	(0.9)
<b>Total</b>	<b>100.0%</b>	

\* Long-term rate of return does not include 2.3% inflation.



# Holland Public Schools

## Notes to Financial Statements

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*Pension Discount rate* - The discount rate used to measure the total pension liability was 7.5% (7.0% for Pension Plus Plan). The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from school districts will be made at contractually required rates, actuarially determined. 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 active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*OPEB Discount rate* - The discount rate of 7.5% was used to measure the total OPEB liability. 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 District's proportionate share of the net pension liability calculated using the discount rate of 7.5% (7.0% for Pension Plus Plan), as well as what the District'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:

	1% Lower (6.5%)	Discount Rate (7.5%)	1% Higher (8.5%)
Reporting Unit's proportionate share of the net pension liability	\$ 87,150,528	\$ 66,901,596	\$ 49,853,286

### *Sensitivity of the Net OPEB Liability to Changes in the Discount Rate*

The following presents the District's proportionate share of the net OPEB liability calculated using the discount rate of 7.5%, as well as what the District'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:

	1% Lower (6.5%)	Discount Rate (7.5%)	1% Higher (8.5%)
Reporting Unit's proportionate share of the net OPEB liability	\$ 26,850,230	\$ 22,923,658	\$ 19,591,229

### *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 Comprehensive Annual Financial Report.

# Holland Public Schools

## Notes to Financial Statements

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### *Payable to the Pension and OPEB Plan*

At year end the School District was current on all required pension and other post-employment 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 funded from state revenue section 147c restricted to fund the MPSERS Unfunded Actuarial Accrued Liability (UAAL) Stabilization Rate.

### *Other Information*

On December 20, 2017, the Michigan Supreme Court affirmed that Public Act 75 of 2010 is unconstitutional as it substantially impaired the employee's employment contracts by involuntarily reducing the employee's wages by 3%. As a result, the funds collected pursuant to Public Act 75 before the effective date of Public Act 300 of 2012, must be refunded to the employees in accordance with the Michigan Court of Claims judgment on the aforementioned court case. Effective September 30, 2017, the 3% contribution collected under Public Act 75, which amounted to approximately \$554 million (including interest), was posted as a liability on the plan's CAFR report.

## **8. Risk Management and Benefits**

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omission; injuries to employees; and natural disasters. The District has purchased commercial insurance for all the above types of risks. Settled claims have not exceeded the commercial coverage in any of the last three years.

## **9. Sinking Fund**

The District's Capital Projects Funds include capital project activities funded with a sinking fund millage. For this fund, the District has complied with the applicable provisions of Section 1212(1) of the Revised School Code and the Michigan Department of Treasury Letter No. 01-95.

## **10. Contingencies**

In the normal course of its activities, the District becomes a party in various legal actions. Management has determined that the outcome of any such actions will not have a material effect on the financial position of the District.

The District participates in a number of federal programs that require compliance with specific terms and conditions and are subject to audits by the contracting agencies. Management believes that the effect of any disallowed expenditures would be immaterial to the financial statements.

## **11. Commitments**

The District has entered into an agreement with a third party under which the District is obligated to pay approximately \$59,000 per month for various custodial services. The agreement was for the period June 30, 2011 through June 30, 2014, and has been renewed on an annual basis.

**Holland Public Schools**  
**Notes to Financial Statements**

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**12. Tax Abatements**

The District is required to disclose significant tax abatements as required by GASB Statement No.77, *Tax Abatement Disclosures*.

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:

<i>Municipality</i>	Taxes Abated
City of Holland	\$ 820,102
Holland Township	3,670
	<hr/>
	\$ 823,772

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 significant abatements made by the District.

**13. New Accounting Standards Adopted**

For the year ended June 30, 2018, the District implemented the following new pronouncements: GASB Statement No. 75, *Accounting and Financial Reporting for Post-employment Benefits Other Than Pensions*.

*Summary*

GASB Statement No. 75 requires governments that participate in defined benefit OPEB plans to report in the statement of net position a net OPEB liability. The net OPEB liability is the difference between the total OPEB liability (the present value of projected benefit payments to employees based on their past service) and the assets (mostly investments reported at fair value) set aside in a trust and restricted to paying benefits to current employees, retirees, and their beneficiaries. The Statement requires cost-sharing employers to record a liability and expense equal to their proportionate share of the collective net OPEB liability and expense for the cost-sharing plan. The Statement also will improve the comparability and consistency of how governments calculate the OPEB liabilities and expense.

**Holland Public Schools**  
**Notes to Financial Statements**

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

	Governmental Activities
Net position as previously stated, July 1, 2017	\$ (58,696,054)
Adoption of GASB Statement 75:	
Net liability	(24,179,381)
Deferred outflows related to OPEB	1,079,709
Deferred inflows related to OPEB	(773,354)
<b>Net Position as Restated, July 1, 2017</b>	<b>\$ (82,569,080)</b>

## Required Supplementary Information

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**Holland Public Schools**  
**Schedule of Budgetary Comparison**  
**General Fund**

<i>Year ended June 30, 2018</i>	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
<b>Revenues</b>				
Local sources	\$ 9,086,007	\$ 9,184,500	\$ 9,201,830	\$ 17,330
Intermediate sources	5,332,989	5,502,700	5,423,368	(79,332)
State sources	26,218,025	26,972,800	26,675,622	(297,178)
Federal sources	2,163,543	2,481,900	2,256,150	(225,750)
<b>Total revenues</b>	<b>42,800,564</b>	<b>44,141,900</b>	<b>43,556,970</b>	<b>(584,930)</b>
<b>Expenditures</b>				
Current:				
Instruction:				
Basic programs	19,128,074	19,836,700	19,612,853	223,847
Added needs	7,688,310	7,857,700	7,419,893	437,807
<b>Total instruction</b>	<b>26,816,384</b>	<b>27,694,400</b>	<b>27,032,746</b>	<b>661,654</b>
Support services:				
Student services	4,015,596	4,590,400	4,505,806	84,594
Instructional staff	2,199,606	1,974,800	1,948,047	26,753
General administration	568,761	549,000	517,447	31,553
School administration	2,196,713	2,239,600	2,216,464	23,136
Business	413,843	414,500	410,137	4,363
Operations and maintenance	3,205,408	3,212,200	3,166,075	46,125
Student transportation	900,812	965,400	959,909	5,491
Central services	1,395,727	1,253,100	1,148,458	104,642
Athletics	930,131	955,400	939,222	16,178
Other support services	-	100,500	100,424	76
<b>Total support services</b>	<b>15,826,597</b>	<b>16,254,900</b>	<b>15,911,989</b>	<b>342,911</b>
Community services	1,299,586	1,381,100	1,283,580	97,520
<b>Total expenditures</b>	<b>43,942,567</b>	<b>45,330,400</b>	<b>44,228,315</b>	<b>1,102,085</b>
Excess (deficiency) of revenues over expenditures	(1,142,003)	(1,188,500)	(671,345)	517,155
<b>Other Financing Sources</b>				
Transfers in	885,000	905,000	465,000	(440,000)
Proceeds from the sale of capital assets	-	-	56,230	56,230
<b>Total other financing sources</b>	<b>885,000</b>	<b>905,000</b>	<b>521,230</b>	<b>(383,770)</b>
Changes in fund balance	(257,003)	(283,500)	(150,115)	133,385
<b>Fund Balance, beginning of year</b>	<b>2,553,923</b>	<b>2,553,923</b>	<b>2,553,923</b>	<b>-</b>
<b>Fund Balance, end of year</b>	<b>\$ 2,296,920</b>	<b>\$ 2,270,423</b>	<b>\$ 2,403,808</b>	<b>\$ 133,385</b>

## Holland Public Schools

### Schedule of the Reporting Unit's Proportionate Share of the Net Pension Liability Michigan Public School Employees Retirement Plan, Last 10 Fiscal Years (amounts were determined as of September 30 of each fiscal year)

<i>September 30,</i>	2017	2016	2015	2014
Reporting unit's proportion of net pension liability	0.2581653%	0.2693796%	0.2701447%	0.2693500%
Reporting unit's proportionate share of net pension liability	\$ 66,901,596	\$ 67,208,009	\$ 65,982,925	\$ 59,327,915
Reporting unit's covered-employee payroll	\$ 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	304.79%	303.74%	313.08%	259.32%
Plan fiduciary net position as a percentage of total pension liability	64.21%	63.27%	63.17%	66.20%

**Note:** 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

### Schedule of the Reporting Unit's Pension Contributions Michigan Public School Employees Retirement Plan, Last 10 Fiscal Years (amounts were determined as of June 30 of each fiscal year)

<i>June 30,</i>	2018	2017	2016	2015
Statutorily required contributions	\$ 6,473,769	\$ 5,068,762	\$ 4,667,502	\$ 3,871,319
Contributions in relation to statutorily required contributions	6,473,769	5,068,762	4,667,502	3,871,319
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -
Reporting unit's covered-employee payroll	\$ 21,387,306	\$ 21,716,769	\$ 21,369,670	\$ 21,371,357
Contributions as a percentage of covered-employee payroll	30.27%	23.34%	21.84%	18.11%

**Note:** 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

### Schedule of the Reporting Unit's Proportionate Share of the Net OPEB Liability Michigan Public School Employees Retirement Plan, Last 10 Fiscal Years (amounts were determined as of September 30 of each fiscal year)

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<i>September 30,</i>	2017
Reporting unit's proportion of net OPEB liability	0.2588644%
Reporting unit's proportionate share of net OPEB liability	\$ 22,923,658
Reporting unit's covered-employee payroll	\$ 21,950,188
Reporting unit's proportionate share of net OPEB liability as a percentage of its covered-employee payroll	104.43%
Plan fiduciary net position as a percentage of total OPEB liability	36.39%

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**Note:** 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

## Schedule of the Reporting Unit's OPEB Contributions Michigan Public School Employees Retirement Plan, Last 10 Fiscal Years (amounts were determined as of June 30 of each fiscal year)

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<i>June 30,</i>		2018
Statutorily required contributions	\$	1,750,248
Contributions in relation to statutorily required contributions		1,750,248
<b>Contribution Deficiency (Excess)</b>	\$	-
Reporting unit's covered-employee payroll	\$	21,387,306
Contributions as a percentage of covered-employee payroll		8.18%

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**Note:** 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.

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Combining, Individual Fund Financial Statements  
and Schedules

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## Nonmajor Governmental Funds

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**Holland Public Schools**  
**Nonmajor Governmental Funds**  
**Combining Balance Sheet**

<i>June 30, 2018</i>	Special Revenue	Debt Retirement	
	Food Service	Old Debt Fund	Refunded BAB
<b>Assets</b>			
Cash and investments	\$ 861,257	\$ 374,986	\$ 201,906
Accounts receivable	6,741	-	-
Due from other funds	-	-	-
Due from other governmental units	12,618	790	341
Prepaid expenses	-	-	-
Inventories	15,550	-	-
<b>Total Assets</b>	<b>\$ 896,166</b>	<b>\$ 375,776</b>	<b>\$ 202,247</b>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities</b>			
Accounts payable	\$ 1,278	\$ -	\$ -
Accrued payroll liabilities	19,109	-	-
Due to other funds	99,395	-	-
<b>Total liabilities</b>	<b>119,782</b>	<b>-</b>	<b>-</b>
<b>Fund Balances</b>			
Nonspendable - inventories and prepaid expenditures	15,550	-	-
Restricted for capital projects	-	-	-
Restricted for debt retirement	-	375,776	202,247
Restricted for food service	760,834	-	-
Assigned for capital projects	-	-	-
<b>Total fund balances</b>	<b>776,384</b>	<b>375,776</b>	<b>202,247</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 896,166</b>	<b>\$ 375,776</b>	<b>\$ 202,247</b>



**Holland Public Schools**  
**Nonmajor Governmental Funds**  
**Combining Balance Sheet**

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Capital Projects		
Property Sales Fund	2010 Prop 1 Fund	Total
\$ 898,102	\$ 591,966	\$ 2,928,217
-	-	6,741
430,000	15,996	445,996
-	-	13,749
-	135,575	135,575
-	-	15,550
\$ 1,328,102	\$ 743,537	\$ 3,545,828
\$ -	\$ 8,660	\$ 9,938
-	-	19,109
-	-	99,395
-	8,660	128,442
-	135,575	151,125
-	599,302	599,302
-	-	578,023
-	-	760,834
1,328,102	-	1,328,102
1,328,102	734,877	3,417,386
\$ 1,328,102	\$ 743,537	\$ 3,545,828

# Holland Public Schools

## Nonmajor Governmental Funds

### Combining Statement of Revenues, Expenditures and Changes in Fund Balances

<i>Year ended June 30, 2018</i>	Special Revenue	Debt Retirement	
	Food Service	Old Debt Fund	Refunded BAB
<b>Revenues</b>			
Local sources	\$ 275,460	\$ 5,201,306	\$ 2,372,668
State sources	99,088	307,199	140,178
Federal sources	1,685,830	-	-
<b>Total revenues</b>	<b>2,060,378</b>	<b>5,508,505</b>	<b>2,512,846</b>
<b>Expenditures</b>			
Food service	1,958,500	-	-
Debt service:			
Redemption of principal	-	955,137	-
Interest and fiscal charges	-	4,420,613	2,423,363
Capital outlay	-	-	-
<b>Total expenditures</b>	<b>1,958,500</b>	<b>5,375,750</b>	<b>2,423,363</b>
Excess (deficiency) of revenues over expenditures	101,878	132,755	89,483
<b>Other Financing Sources (Uses)</b>			
Transfers out	(95,000)	-	-
Changes in fund balances	6,878	132,755	89,483
<b>Fund Balances, beginning of year</b>	<b>769,506</b>	<b>243,021</b>	<b>112,764</b>
<b>Fund Balances, end of year</b>	<b>\$ 776,384</b>	<b>\$ 375,776</b>	<b>\$ 202,247</b>

# Holland Public Schools

## Nonmajor Governmental Funds

### Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Capital Projects			
Property Sales Fund	2010 Prop 1 Fund	Total	
\$ 24,029	\$ 2,751	\$ 7,876,214	
-	-	546,465	
-	-	1,685,830	
24,029	2,751	10,108,509	
-	-	1,958,500	
-	-	955,137	
-	-	6,843,976	
-	111,990	111,990	
-	111,990	9,869,603	
24,029	(109,239)	238,906	
(370,000)	-	(465,000)	
(345,971)	(109,239)	(226,094)	
1,674,073	844,116	3,643,480	
\$ 1,328,102	\$ 734,877	\$ 3,417,386	

# Holland Public Schools

## Food Service Fund Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget to Actual

<i>Year ended June 30, 2018</i>	Final Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>			
Local sources	\$ 256,000	\$ 275,460	\$ 19,460
State sources	77,000	99,088	22,088
Federal sources	1,683,700	1,685,830	2,130
<b>Total revenues</b>	<b>2,016,700</b>	<b>2,060,378</b>	<b>43,678</b>
<b>Expenditures</b>			
Food service	2,035,000	1,958,500	76,500
<b>Other Financing Use</b>			
Transfer out	(105,000)	(95,000)	(10,000)
Changes in fund balance	(123,300)	6,878	130,178
Fund Balance, beginning of year	769,506	769,506	-
<b>Fund Balance, end of year</b>	<b>\$ 646,206</b>	<b>\$ 776,384</b>	<b>\$ 130,178</b>

## Agency Fund

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# Holland Public Schools

## Agency Fund Statement of Changes in Assets and Liabilities

	Balance, July 1, 2017	Additions	Deletions	Balance, June 30, 2018
<b>Assets</b>				
Cash and investments	\$ 284,860	\$ 565,877	\$ 569,184	\$ 281,553
Due from other funds	5,530	586,233	590,626	1,137
<b>Total Assets</b>	<b>\$ 290,390</b>	<b>\$ 1,152,110</b>	<b>\$ 1,159,810</b>	<b>\$ 282,690</b>
<b>Liabilities</b>				
Accounts payable	\$ 544	\$ 641,760	\$ 642,304	\$ -
Due to student groups	289,846	624,488	631,644	282,690
<b>Total Liabilities</b>	<b>\$ 290,390</b>	<b>\$ 1,266,248</b>	<b>\$ 1,273,948</b>	<b>\$ 282,690</b>

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## Schedules of Debt Service Requirements

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**Holland Public Schools**  
**1992 Refunding Bonds**  
**Schedule of Bonded Indebtedness**

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<i>Maturity Date</i> <i>May 1,</i>	Interest Rate	Annual Funding Requirements		
		Principal	Interest	Total
2019	6.80 %	\$ 919,917	\$ 4,615,083	\$ 5,535,000

**Purpose:**

The Refunding Bonds were issued by the issuer pursuant to (i) the provisions of Chapter VI of Act 202, Public Acts of Michigan, 1943, as amended, and (ii) resolutions adopted by the Board of Education of the issuer on February 17, 1993 and June 12, 1993, in order to provide funds necessary to refund the portion of the issuer's 1989 School Building and Site Bonds (General Obligation - Unlimited Tax), consisting of Capital Appreciation Bonds which are due and payable May 1, 2019 (the Refunded Bonds) issued in the original principal amount of \$31,878,497.

**Redemption Prior to Maturity:**

Bonds are not subject to redemption prior to maturity.

## Holland Public Schools

### 2010 Building and Site Bonds, Series A - Qualified School Construction Bonds Schedule of Bonded Indebtedness

<i>Maturity Date</i> <i>May 1,</i>	Interest Rate	Annual Funding Requirements		
		Principal	Interest	Total
2019	6.30 %	\$ -	\$ 945,000	\$ 945,000
2020	6.30	-	945,000	945,000
2021	6.30	-	945,000	945,000
2022	6.30	-	945,000	945,000
2023	6.30	-	945,000	945,000
2024	6.30	-	945,000	945,000
2025	6.30	-	945,000	945,000
2026	6.30	-	945,000	945,000
2027	6.30	15,000,000	945,000	15,945,000
		\$ 15,000,000	\$ 8,505,000	\$ 23,505,000

**Purpose:**

The Bonds were issued by the issuer pursuant to (i) the provisions of Act 34, Public Acts of Michigan, 2001, as amended, and Act 451, public Acts of Michigan, 1976, as amended (ii) resolutions adopted by the Board of Education of the issuer on June 28, 2010, in order to provide funds 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.

**Redemption Prior to Maturity:**

Bonds are subject to optional redemption beginning May 1, 2020 and subject to extraordinary optional and mandatory redemption from unexpended proceeds of the bonds.

**Holland Public Schools**  
**2014 Refunding Bonds**  
**Schedule of Bonded Indebtedness**

<i>Maturity Date</i> <i>May 1,</i>	Interest Rate	Annual Funding Requirements		
		Principal	Interest	Total
2019	- %	\$ -	\$ 2,423,062	\$ 2,423,062
2020	4.00	3,395,000	2,423,062	5,818,062
2021	2.50	3,400,000	2,287,262	5,687,262
2022	4.00	3,355,000	2,202,262	5,557,262
2023	5.00	3,355,000	2,068,062	5,423,062
2024	5.00	3,385,000	1,900,312	5,285,312
2025	5.00	3,410,000	1,731,062	5,141,062
2026	5.00	3,435,000	1,560,562	4,995,562
2027	5.00	3,450,000	1,388,812	4,838,812
2028	5.00	3,470,000	1,216,312	4,686,312
2029	5.00	3,485,000	1,042,812	4,527,812
2030	3.50	3,530,000	868,562	4,398,562
2031	5.00	3,495,000	745,012	4,240,012
2032	3.63	3,510,000	570,262	4,080,262
2033	5.00	3,475,000	443,026	3,918,026
2034	3.75	3,490,000	269,276	3,759,276
2035	4.00	3,460,000	138,400	3,598,400
		\$ 55,100,000	\$ 23,278,120	\$ 78,378,120

**Purpose:**

The Bonds were issued by the District pursuant to (i) the provisions of Act 34, Public Acts of Michigan, 2001, as amended, and Act 451, Public Acts of Michigan, 1976, as amended (ii) resolutions adopted by the Board of Education of the issuer on April 28, 2014, in order to provide funds to refund the outstanding 2010 School Building and Site Bonds, Series B which are subject to extraordinary optional redemption on any date and are due and payable May 1, 2020 through May 1, 2025, inclusive, and the term bonds due and payable May 1, 2030 and May 1, 2035 (the Prior Bonds); paying the applicable redemption premium; and paying the costs of issuing the Bonds.

**Redemption Prior to Maturity:**

Bonds are subject to optional redemption beginning May 1, 2024.

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## Single Audit

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## 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*

Board of Education  
Holland Public Schools  
Holland, Michigan

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 (the District) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Holland Public Schools' basic financial statements, and have issued our report thereon dated October 3, 2018.

### Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District'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.

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## 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 result of that testing, and not to provide an opinion on the effectiveness of the District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BDO USA, LLP

October 3, 2018

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## Independent Auditor's Report on Compliance for Each Major Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

Board of Education  
Holland Public Schools  
Holland, Michigan

### Report on Compliance for Each Major Federal Program

We have audited Holland Public Schools' (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2018. 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 the District's 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*. 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 the District's 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 opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's 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, 2018.

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## 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 the District's 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 the District's 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. However, material weaknesses may exist that have not been identified.

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.

BDO USA, LLP

October 3, 2018

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## Schedule of Expenditures of Federal Awards

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# Holland Public Schools

## Schedule of Expenditures of Federal Awards

<i>Year ended June 30, 2018</i>	Grant/Project Number	Federal CFDA Number	Approved Awards Amount	Prior Year Expenditures (memorandum only)
<b>Federal Grantor Pass-Through Grantor Program/Project Number</b>				
<b>Clusters</b>				
<b>Child Nutrition Cluster - U.S. Department of Agriculture -</b>				
Passed through Michigan Department of Education:				
Noncash Assistance (Commodities):				
National School Lunch Program Entitlement Commodities 2017-2018	N/A	10.555	\$ 131,731	\$ -
Cash Assistance:				
National School Lunch Program 2016-17	171960	10.555	1,013,436	872,391
National School Lunch Program 2016-17	171980	10.555	5,112	4,666
National School Lunch Program 2017-18	181960	10.555	870,812	-
National School Lunch Program 2017-18	181960	10.555	5,171	-
<b>National School Lunch Program (including commodities) Subtotal</b>			<b>2,026,262</b>	<b>877,057</b>
National School Breakfast Program 2016-17	171970	10.553	356,995	312,619
National School Breakfast Program 2017-18	181970	10.553	312,075	-
<b>National School Breakfast Program Subtotal</b>			<b>669,070</b>	<b>312,619</b>
Summer Food Service Program 2016-17	170900	10.559	79,585	-
Summer Food Service Program 2016-17	171900	10.559	8,216	-
<b>Summer Food Service Program Subtotal</b>			<b>87,801</b>	<b>-</b>
<b>Total Child Nutrition Cluster</b>			<b>2,783,133</b>	<b>1,189,676</b>
<b>Special Education Cluster - U.S. Department of Education</b>				
Passed through Ottawa Area Intermediate School District:				
IDEA - Preschool Incentive				
IDEA Preschool 1617	170460	84.173	30,471	30,471
IDEA Preschool 1718	180460	84.173	30,002	-
<b>Total IDEA Preschool Incentive</b>			<b>60,473</b>	<b>30,471</b>
IDEA - Flow Through				
IDEA Flow Through 1617	170450	84.027	1,114,396	1,114,396
IDEA Flow Through 1718	180450	84.027	1,084,707	-
<b>Total IDEA Flow Through</b>			<b>2,199,103</b>	<b>1,114,396</b>
<b>Total Special Education Cluster</b>			<b>2,259,576</b>	<b>1,144,867</b>

# Holland Public Schools

## Schedule of Expenditures of Federal Awards

Accrued Revenue at July 1, 2017	Current Year Receipts	Current Year Expenditures	Accrued Revenue at June 30, 2018	Current Year Passed-Through to Subrecipients
\$ -	\$ 131,731	\$ 131,731	\$ -	\$ -
-	141,045	141,045	-	-
-	446	446	-	-
-	870,812	870,812	-	-
-	5,171	5,171	-	-
-	1,149,205	1,149,205	-	-
-	44,376	44,376	-	-
-	312,075	312,075	-	-
-	356,451	356,451	-	-
-	79,585	79,585	-	-
-	8,216	8,216	-	-
-	87,801	87,801	-	-
-	1,593,457	1,593,457	-	-
11,648	11,648	-	-	-
-	20,353	30,002	9,649	-
11,648	32,001	30,002	9,649	-
375,825	375,825	-	-	-
-	654,063	1,084,707	430,644	-
375,825	1,029,888	1,084,707	430,644	-
387,473	1,061,889	1,114,709	440,293	-

# Holland Public Schools

## Schedule of Expenditures of Federal Awards

<i>Year ended June 30, 2018</i>	Grant/Project Number	Federal CFDA Number	Approved Awards Amount	Prior Year Expenditures (memorandum only)
<b>Other Federal Awards</b>				
Passed through Michigan Department of Education:				
Adult Education - U.S. Department of Education				
Adult Education 1617	171120/175487	84.002	\$ 16,000	\$ 16,000
Adult Education 1617	171130/171487	84.002	60,000	60,000
<b>Total Adult Education</b>			<b>76,000</b>	<b>76,000</b>
Title I, Part A - U.S. Department of Education				
Title I Part A 1617	171530	84.010	1,020,036	925,051
Title I Part A 1718	181530	84.010	994,960	-
<b>Total Title I Part A</b>			<b>2,014,996</b>	<b>925,051</b>
Title III-English Language Acquisition - U.S. Department of Education				
Title III Part A 1718	180570	84.365	11,665	-
Title III Part A 1718	180580	84.365	52,379	-
<b>Total Title III Part A</b>			<b>64,044</b>	<b>-</b>
Title IIA-Improving Teacher Quality - U.S. Department of Education				
Title II Part A 1617	170520	84.367	324,662	263,881
Title II Part A 1718	180520	84.367	251,829	-
<b>Total Title II Part A</b>			<b>576,491</b>	<b>263,881</b>
Title IV Part A- Student Support and Academic Enrichment- U.S. Department of Education				
Title IV Part A 1718	180750	84.424	14,311	-
Child and Adult Care Food Program - U.S. Department of Agriculture				
Child and Adult Care Food Program 2016-17	171920	10.558	94,137	85,645
Child and Adult Care Food Program 2016-17	172010	10.558	6,845	6,234
Child and Adult Care Food Program 2017-18	181920	10.558	77,823	-
Child and Adult Care Food Program 2017-18	182010	10.558	5,448	-
<b>Total Child and Adult Care Food Program</b>			<b>184,253</b>	<b>91,879</b>
<b>Total non-cluster programs passed through the Michigan Department of Education</b>			<b>2,930,095</b>	<b>1,356,811</b>
Passed through Ottawa Area Intermediate School District:				
Mckinney Vento Homeless Grant - U.S. Department of Education				
Mckinney Vento 1617	172320	84.196	4,409	3,848
Mckinney Vento 1718	182320	84.196	5,838	-
<b>Total Mckinney Vento</b>			<b>10,247</b>	<b>3,848</b>
Medicaid Outreach - U.S. Department of Health and Human Services				
Medicaid Outreach - 1718	N/A	93.778	3,596	-
<b>Total non-cluster programs passed through Ottawa Area Intermediate School District</b>			<b>13,843</b>	<b>3,848</b>
Passed through Kent Area Intermediate School District:				
Title III-English Language Acquisition - U.S. Department of Education				
Title III 1617	170570	84.365	2,753	2,753
Title III 1617	170580	84.365	46,852	46,036
<b>Total non-cluster programs passed through Kent Intermediate School District</b>			<b>49,605</b>	<b>48,789</b>
<b>Total Federal Awards</b>			<b>\$ 8,036,252</b>	<b>\$ 3,743,991</b>

# Holland Public Schools

## Schedule of Expenditures of Federal Awards

Accrued Revenue at July 1, 2017	Current Year Receipts	Current Year Expenditures	Accrued Revenue at June 30, 2018	Current Year Passed-Through to Subrecipients
\$ 11,260	\$ 11,260	\$ -	\$ -	\$ -
38,503	38,503	-	-	-
49,763	49,763	-	-	-
45,900	64,564	18,664	-	-
-	766,931	829,130	62,199	-
45,900	831,495	847,794	62,199	-
-	7,270	7,270	-	-
-	39,878	49,674	9,796	-
-	47,148	56,944	9,796	-
31,220	42,280	11,060	-	-
-	168,723	200,740	32,017	-
31,220	211,003	211,800	32,017	-
-	10,610	14,311	3,701	-
-	8,492	8,492	-	-
-	611	611	-	-
-	77,823	77,823	-	-
-	5,448	5,448	-	-
-	92,374	92,374	-	-
126,883	1,242,393	1,223,223	107,713	-
3,848	4,398	550	-	-
-	-	5,629	5,629	-
3,848	4,398	6,179	5,629	-
-	3,596	3,596	-	-
3,848	7,994	9,775	5,629	-
2,753	2,753	-	-	-
10,798	11,614	816	-	-
13,551	14,367	816	-	-
\$ 531,755	\$ 3,920,100	\$ 3,941,980	\$ 553,635	\$ -

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# Holland Public Schools

## Notes to Schedule of Expenditures of Federal Awards

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### 1. Basis for 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, 2018. 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.

### 2. Summary of Significant Account Policies

Expenditures are recorded under the modified accrual basis of accounting. Revenues are recognized when the qualifying expenditures have been incurred and all other grant requirements have been met, based on the cost principles contained in the Uniform Guidance.

Amounts reported in the Grant Section Auditor's Report reconcile with this Schedule.

Inventory values are based on the USDA value for donated food commodities, and include spoilage.

Pass-through entity identifying numbers are presented where available. Holland Public Schools has elected to not use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

### 3. Reconciliation to Financial Statements

*Year ended June 30, 2018*

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Federal revenue per financial statements	\$ 4,695,906
Less federal interest rate subsidy	(753,926)
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<b>Expenditures of Federal Awards</b>	<b>\$ 3,941,980</b>

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# Holland Public Schools

## Schedule of Findings and Questioned Costs Year Ended June 30, 2018

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

*Financial Statements*

Type of auditor's report issued on whether the financial statements audited were prepared in accordance with GAAP: unmodified

Internal control over financial reporting:

Material weakness(es) identified? no

Significant deficiency(ies) identified? none reported

Noncompliance material to financial statements noted? no

*Federal Awards*

Internal control over major programs:

Material weakness(es) identified? no

Significant deficiency(ies) identified? none reported

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200, 516(a)? no

Identification of major programs:

<i>CFDA Number</i>	<i>Name of Federal Program or Cluster</i>
10.553, 10.555, 10.559	Child Nutrition Cluster

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

Auditee qualified as low-risk auditee? yes

**Section II - Findings Related to the Financial Statements**

There were no findings which are required to be reported under *Government Auditing Standards*.

**Section III - Findings and Questioned Costs Related to Federal Awards**

There were no findings or questioned costs required to be reported under *Government Auditing Standards* for the year ended June 30, 2018.

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