

HOLLAND PUBLIC SCHOOLS

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

YEAR ENDED JUNE 30, 2022

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Holland Public Schools

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Holland Public Schools, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Holland Public Schools' basic financial statements as listed in the table of contents.

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, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Holland Public Schools and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Holland Public Schools' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Holland Public Schools' ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplementary information, as identified in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Holland Public Schools' basic financial statements. The accompanying additional supplementary information, as identified in the table of contents, including the schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* 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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the additional supplementary information, including the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 27, 2022 on our consideration of Holland Public Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Holland Public Schools' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Holland Public Schools' internal control over financial reporting and compliance.

Maney Costeiran PC

September 27, 2022

**HOLLAND PUBLIC SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

This section of the Holland Public Schools ("District") annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year ended on June 30, 2022. Please read it in conjunction with the District's financial statements which immediately follow this section.

District-Wide Financial Statements

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

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

Fund Financial Statements

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

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

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

**HOLLAND PUBLIC SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

Summary of Net Position

The following schedule summarizes the net position for the fiscal years ended June 30, 2022 and 2021:

	2022	2021
ASSETS		
Current and other assets	\$ 47,413,220	\$ 48,660,589
Capital assets	61,463,513	61,987,587
TOTAL ASSETS	108,876,733	110,648,176
DEFERRED OUTFLOWS OF RESOURCES	17,629,044	24,918,725
LIABILITIES		
Long-term debt outstanding	76,749,839	82,929,820
Other liabilities	8,057,183	7,849,545
Net pension liability	55,273,297	81,905,854
Net other postemployment benefits liability	3,558,702	12,563,040
TOTAL LIABILITIES	143,639,021	185,248,259
DEFERRED INFLOWS OF RESOURCES	39,356,958	17,689,629
NET POSITION		
Net investment in capital assets	9,468,452	6,827,951
Restricted for capital projects - sinking fund	5,759,797	4,533,686
Restricted for debt service	1,968,705	2,863,802
Unrestricted	(73,687,156)	(81,596,426)
TOTAL NET POSITION	\$ (56,490,202)	\$ (67,370,987)

**HOLLAND PUBLIC SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

Analysis of Financial Position

During the fiscal year ended June 30, 2022, the District's net position increased by \$10,880,785. A few of the more significant factors affecting net position during the year are discussed below:

➤ Cash Equivalents, Deposits, and Investments

At June 30, 2022, the District's cash equivalents, deposits and investments amounted to \$39,347,152. This represented a decrease of \$3,795,593 from the previous year, primarily spending down the 2021 building and site bond.

➤ Capital Outlay Acquisitions

For the fiscal year ended June 30, 2022, \$490,760 of expenditures were capitalized and recorded as assets of the District. The District also added \$2,328,905 of expenditures to construction in progress. These additions to the District's capital assets will be depreciated over time as explained below.

The net effect of the new capital assets, assets disposed of during the fiscal year, and the current year's depreciation is a net decrease to capital assets in the amount of \$524,074 for the fiscal year ended June 30, 2022.

➤ Depreciation Expense

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

➤ Bonded Debt

For the fiscal year ended June 30, 2022, the District's bonded debt decreased by \$6,101,627. At fiscal year-end, approximately \$76.4 million was outstanding with \$4.8 million due within one year.

➤ Accumulated Compensated Absences

At June 30, 2022, the District had an obligation to employees for the portion of unearned compensated absences that they would be entitled to upon separation in the amount of approximately \$382,000.

**HOLLAND PUBLIC SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

Results of Operations

For the fiscal years ended June 30, 2022 and 2021, the results of operations, on a District-wide basis, were:

	Fiscal Year Ended June 30, 2022		Fiscal Year Ended June 30, 2021	
	Amount	%	Amount	%
REVENUES				
General revenues				
Property taxes	\$ 19,807,114	33.91%	\$ 19,191,610	33.78%
State sources, unrestricted	15,918,839	27.26%	16,867,013	29.69%
Investment earnings	(230,275)	-0.39%	18,644	0.03%
Other	179,176	0.31%	130,424	0.23%
Total general revenues	35,674,854	61.09%	36,207,691	63.73%
Program revenues				
Charges for services	272,874	0.47%	95,958	0.17%
Operating grants and contributions	22,459,145	38.44%	20,515,330	36.10%
TOTAL REVENUES	58,406,873	100.00%	56,818,979	100.00%
EXPENSES				
Instruction	23,893,677	50.27%	27,875,442	52.47%
Support services	16,367,068	34.44%	17,888,637	33.67%
Community services	1,958,516	4.12%	1,916,600	3.61%
Food services	1,940,976	4.08%	2,000,276	3.77%
Student/school activities	299,251	0.63%	181,071	0.34%
Interest on long-term debt	3,066,600	6.46%	3,265,355	6.14%
TOTAL EXPENSES	47,526,088	100.00%	53,127,381	100.00%
Change in net position	<u>\$ 10,880,785</u>		<u>\$ 3,691,598</u>	

**HOLLAND PUBLIC SCHOOLS
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

Analysis of Significant Revenues and Expenses

Significant revenues and expenditures are discussed in the segments below:

➤ Property Taxes

The District levied 18.00 mills, after the impact of the required “Headlee” millage reduction, of property taxes for operations on non-principal residence exempt property for the 2021 tax year. According to Michigan law, the tax levy is based on the taxable valuation of properties. The annual taxable valuation increases are capped at the rate of increase in the prior year’s Consumer Price Index or 5%, whichever is less. At the time that property is sold, its taxable valuation is readjusted to the State Equalized Value, which in theory is one half of the property’s market value. At June 30, 2022, there were no unpaid property taxes.

➤ State Sources

The majority of the unrestricted state sources of revenues is comprised of the per student foundation allowance. The State of Michigan funds school districts based on a blended student enrollment. For the 2021-2022 fiscal year, the District received \$8,700 per student full time equivalent. The student foundation allowance amount increased \$589 when compared to the 2020-2021 fiscal year.

➤ Operating Grants and Contributions

The District receives a significant portion of its operating revenue from categorical grants. For the fiscal year ended June 30, 2022, federal, state, and other grants amounted to \$22,460,645. This represents a 9.48% increase over the \$20,515,330 received for the 2020-2021 fiscal year. The increase in revenue from categorical grants is primarily due to grants related to COVID-19 including the Secondary School Emergency Relief and the Governor’s Emergency Education Relief.

Comparative Expenditures

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

	<u>2021 - 2022</u>	<u>2020 - 2021</u>	Increase (Decrease)
EXPENDITURES			
Instruction	\$ 26,358,658	\$ 25,197,717	\$ 1,160,941
Supporting services	17,317,114	15,961,729	1,355,385
Community services	1,968,934	1,709,948	258,986
Food service activities	2,117,065	1,801,151	315,914
Student/school activities	299,251	181,071	118,180
Capital outlay	3,237,830	2,609,950	627,880
Debt service	8,841,202	17,143,926	(8,302,724)
Other	-	219,134	(219,134)
TOTAL EXPENDITURES	<u><u>\$ 60,140,054</u></u>	<u><u>\$ 64,824,626</u></u>	<u><u>\$ (4,684,572)</u></u>

**HOLLAND PUBLIC SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

General Fund Budgetary Highlights

The Uniform Budgeting Act of the State of Michigan requires that the local Board of Education approve the annual operating budget prior to the start of the fiscal year on July 1. Any amendments to the original budget must be approved by the Board prior to the close of the fiscal year on June 30, 2022.

The following schedule shows a comparison of the original general fund budget, the final amended budget, and actual totals from operations for the fiscal year ending June 30, 2022.

	Original Budget	Final Budget	Actual	Final Variance with Budget	% Variance
Total revenues	\$ 44,158,500	\$ 47,067,300	\$ 46,418,691	\$ (648,609)	-1.38%
Expenditures					
Instruction	\$ 25,825,500	\$ 26,971,600	\$ 26,358,658	\$ 612,942	2.27%
Supporting services	17,190,000	17,843,500	17,317,114	526,386	2.95%
Community services	1,687,500	1,793,800	1,968,934	(175,134)	-9.76%
Total expenditures	\$ 44,703,000	\$ 46,608,900	\$ 45,644,706	\$ 964,194	2.07%
Other financing sources (uses)	\$ 100,000	\$ 151,000	\$ 170,972	\$ 19,972	13.23%

The original budget adopted by the Board in June 2021 was amended twice during the year. The amendments, approved in January and June 2022, reflected necessary changes to both revenues and expenditures based on projections made by the Finance Director.

Capital Asset and Debt Administration

Capital Assets

By the end of the 2021-2022 fiscal year, the District had invested approximately \$117.4 million as the original cost in a broad range of capital assets, including land, school buildings and facilities, school buses and other vehicles, and various types of equipment. This represents a net decrease of \$524,074 over the prior fiscal year. Depreciation expense for the year amounted to \$3,343,739, bringing the accumulated depreciation to about \$56.0 million as of June 30, 2022.

	Cost	Accumulated Depreciation	2022 Net Book Value	2021 Net Book Value
Land	\$ 513,275	\$ -	\$ 513,275	\$ 513,275
Construction in progress	2,328,905	-	2,328,905	-
Land improvements	7,629,645	4,464,871	3,164,774	3,347,416
Buildings and improvements	91,884,172	39,083,785	52,800,387	55,093,205
Furniture and equipment	12,975,351	10,548,259	2,427,092	2,980,425
Vehicles	2,095,122	1,866,042	229,080	53,266
Total	\$ 117,426,470	\$ 55,962,957	\$ 61,463,513	\$ 61,987,587

**HOLLAND PUBLIC SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

Long-term Obligations

At June 30, 2022, the District had approximately \$76.4 million in long-term obligations comprised of outstanding bonded debt. The bonded debt obligations decreased during the year with \$5,730,000 of previously outstanding bonds being redeemed. In addition to the bonded debt, the District has obligations for compensated absences estimated at approximately \$382,000.

Factors Bearing on the District's Future

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

- After 28 years since Proposal A of 1994 was passed in Michigan, the State's goal of closing the funding gap was achieved with the 2021-22 State Aid Act, bringing the lowest funded districts up to the base per pupil foundation allowance set at \$8,700 for the 2021-22 school year. As a result of this, the District received an increase of \$589 per pupil over the 2020-21 school year.
- During the ongoing COVID-19 pandemic, the Federal Government passed multiple financial relief acts that provided support to states and school districts for the express purpose of addressing educational needs. These educational needs include the new challenges faced in educating students during the pandemic and the ongoing need to address subsequent learning loss. The District anticipates using funds from the Governor's Emergency Education Relief, Supplemental Elementary and Secondary School Emergency Relief, and the American Rescue Plan Elementary and Secondary Schools Emergency Relief Fund over the next two fiscal years as allowed by the legislation. These resources have improved the District's financial condition and will continue to do so until the funding streams come to an end.
- With the expected continuation of declining enrollment levels and rising costs in many areas including employee wages, employee health insurance, retirement contribution costs, and utilities, District administration continues to be diligent in its efforts to maintain a reasonable level of reserves (fund balance). Measures to accomplish this include, but are not limited to, restructuring space utilization to match current and projected enrollment levels, cooperative agreements with Ottawa Area Intermediate School District as well as neighboring public and parochial schools, and strategic changes to how the District handles its non-instructional support services.
- In September 2012, the Governor signed P.A. 300 of 2012 - MPSERS Reform into law. This bill is the first step by the lawmakers to reform the Michigan Public Schools Employee Retirement System (MPSERS) in order to make it affordable and sustainable into the future. This law requires current school employees to make choices regarding their pension and retiree healthcare which could impact the District's and employee's contributions. It also sets the stage for addressing the ever-growing unfunded liability that MPSERS is facing. To date, these efforts have worked to reduce the unfunded liability on a state-wide basis.
- On May 4, 2021, the District asked voters to consider a building and site bond proposal to address current and future capital needs. Holland's voters again voiced their support for its public schools in supporting the requested bond issue. As such, the District is using the bond resources along with the existing sinking fund tax levy to provide a safe and appropriate environment for its students, staff, and the Holland community. These resources will help improve and maintain the building and grounds, provide for safety and security, modernize instructional technology capabilities, and ensure proper equipment and transportation needs are addressed now and in the future.

**HOLLAND PUBLIC SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

Factors Bearing on the District's Future (continued)

- In the spring of 2021, the District entered into a collective bargaining agreement with its teachers. The contract runs through the 2022-23 school year and provides for annual increases for the teaching staff. Administration believes that this agreement allows financial predictability in its major expenditure component which improves the ability for multi-year financial planning. Negotiations on a successor agreement will begin in the winter of 2023.

Contacting the District's Financial Management

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

BASIC FINANCIAL STATEMENTS

**HOLLAND PUBLIC SCHOOLS
STATEMENT OF NET POSITION
JUNE 30, 2022**

	<u>Governmental Activities</u>
ASSETS	
Cash and cash equivalents	\$ 9,180,596
Investments	6,341,148
Receivables	
Accounts	63,122
Intergovernmental	7,952,452
Inventories	15,050
Prepays	35,444
Restricted investments - capital projects	23,825,408
Capital assets not being depreciated	2,842,180
Capital assets, net of accumulated depreciation	<u>58,621,333</u>
TOTAL ASSETS	<u>108,876,733</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charge on refunding, net of amortization	1,366,560
Related to pensions	11,370,359
Related to other postemployment benefits	<u>4,892,125</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>17,629,044</u>
LIABILITIES	
Accounts payable	1,595,876
Accrued salaries and related items	3,156,676
Accrued retirement	2,122,582
Accrued interest	489,615
Unearned revenue	692,434
Noncurrent liabilities	
Due within one year	4,836,388
Due in more than one year	71,913,451
Net pension liability	55,273,297
Net other postemployment benefits liability	<u>3,558,702</u>
TOTAL LIABILITIES	<u>143,639,021</u>
DEFERRED INFLOWS OF RESOURCES	
Related to pensions	21,423,615
Related to other postemployment benefits	14,645,401
Related to state aid funding for pension benefits	<u>3,287,942</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>39,356,958</u>
NET POSITION	
Net investment in capital assets	9,468,452
Restricted for capital projects - sinking fund	5,759,797
Restricted for debt service	1,968,705
Unrestricted	<u>(73,687,156)</u>
TOTAL NET POSITION	<u>\$ (56,490,202)</u>

See notes to financial statements.

**HOLLAND PUBLIC SCHOOLS
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2022**

Functions/Programs	Expenses	Program Revenues		Governmental Activities
		Charges for Services	Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
Governmental activities				
Instruction	\$ 23,893,677	\$ -	\$ 15,109,435	\$ (8,784,242)
Support services	16,367,068	149,094	4,374,515	(11,843,459)
Community services	1,958,516	-	218,508	(1,740,008)
Food services	1,940,976	123,780	2,225,995	408,799
Student/school activities	299,251	-	302,021	2,770
Interest on long-term debt	3,066,600	-	228,671	(2,837,929)
Total governmental activities	<u>\$ 47,526,088</u>	<u>\$ 272,874</u>	<u>\$ 22,459,145</u>	<u>(24,794,069)</u>
General revenues				
Property taxes, levied for general purposes				10,797,880
Property taxes, levied for debt service				7,185,203
Property taxes, levied for sinking fund				1,824,031
State sources - unrestricted				15,918,839
Investment earnings (loss), net				(230,275)
Other revenue				<u>179,176</u>
Total general revenues				<u>35,674,854</u>
CHANGE IN NET POSITION				10,880,785
NET POSITION, beginning of year				<u>(67,370,987)</u>
NET POSITION, end of year				<u>\$ (56,490,202)</u>

See notes to financial statements.

**HOLLAND PUBLIC SCHOOLS
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2022**

	General Fund	Capital Projects		Total Nonmajor Funds	Total Governmental Funds
		2021 Building and Site	Sinking Fund		
ASSETS					
Cash and cash equivalents	\$ 3,243,172	\$ -	\$ 2,319,388	\$ 3,618,036	\$ 9,180,596
Investments	905,794	-	3,598,862	1,836,492	6,341,148
Receivables					
Accounts	53,841	-	-	9,281	63,122
Intergovernmental	7,897,883	-	36	54,533	7,952,452
Due from other funds	16,680	-	6,203	189,227	212,110
Inventories	-	-	-	15,050	15,050
Prepays	35,444	-	-	-	35,444
Restricted cash investments	-	23,825,408	-	-	23,825,408
TOTAL ASSETS	\$ 12,152,814	\$ 23,825,408	\$ 5,924,489	\$ 5,722,619	\$ 47,625,330
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 648,146	\$ 818,809	\$ 107,017	\$ 21,904	\$ 1,595,876
Accrued salaries and related	3,140,141	-	-	16,535	3,156,676
Accrued retirement	2,122,582	-	-	-	2,122,582
Unearned revenue	677,245	-	-	15,189	692,434
Due to other funds	140,777	319	57,675	13,339	212,110
TOTAL LIABILITIES	6,728,891	819,128	164,692	66,967	7,779,678
FUND BALANCES					
Nonspendable					
Inventories	-	-	-	15,050	15,050
Prepays	35,444	-	-	-	35,444
Restricted for:					
Debt service	-	-	-	2,458,320	2,458,320
Capital projects	-	23,006,280	5,759,797	-	28,766,077
Food service	-	-	-	666,978	666,978
Committed					
Student/school activities	-	-	-	921,303	921,303

See notes to financial statements.

	General Fund	Capital Projects		Total Nonmajor Funds	Total Governmental Funds
		2021 Building and Site	Sinking Fund		
FUND BALANCES (continued)					
Assigned for:					
Capital projects	\$ -	\$ -	\$ -	\$ 1,594,001	\$ 1,594,001
Unassigned	5,388,479	-	-	-	5,388,479
TOTAL FUND BALANCES	5,423,923	23,006,280	5,759,797	5,655,652	39,845,652
TOTAL LIABILITIES AND FUND BALANCES	\$ 12,152,814	\$ 23,825,408	\$ 5,924,489	\$ 5,722,619	\$ 47,625,330

Total governmental fund balances

\$ 39,845,652

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

Deferred outflows of resources - deferred charges on refunding, net of amortization	1,366,560
Deferred outflows of resources - related to pensions	11,370,359
Deferred inflows of resources - related to pensions	(21,423,615)
Deferred outflows of resources - related to other postemployment benefits	4,892,125
Deferred inflows of resources - related to other postemployment benefits	(14,645,401)
Deferred inflows of resources - related to state funding for pension benefits	(3,287,942)

Capital assets used in governmental activities are not financial resources and are not reported in the funds:

The cost of the capital assets is	\$ 117,426,470
Accumulated depreciation is	<u>(55,962,957)</u>

61,463,513

Long-term liabilities are not due and payable in the current period and are not reported in the funds:

Long-term debt obligation	(76,367,901)
Compensated absences	(381,938)
Accrued interest is not included as a liability in governmental funds, it is recorded when paid	(489,615)
Net pension liability	(55,273,297)
Net other postemployment benefits liability	<u>(3,558,702)</u>

Net position of governmental activities

\$ (56,490,202)

HOLLAND PUBLIC SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2022

	General Fund	Capital Projects		Total Nonmajor Funds	Total Governmental Funds
		2021 Building and Site	Sinking Fund		
REVENUES					
Local sources					
Property taxes	\$ 10,797,880	\$ -	\$ 1,824,031	\$ 7,185,203	\$ 19,807,114
Food sales	-	-	-	123,780	123,780
Student/school activities	-	-	-	302,021	302,021
Investment earnings (loss), net	10,737	(276,076)	14,215	20,849	(230,275)
Other	249,834	-	-	-	249,834
Total local sources	11,058,451	(276,076)	1,838,246	7,631,853	20,252,474
State sources	24,289,925	-	71,204	693,735	25,054,864
Federal sources	5,049,755	-	-	2,236,847	7,286,602
Incoming transfers and other	6,020,560	-	-	-	6,020,560
TOTAL REVENUES	46,418,691	(276,076)	1,909,450	10,562,435	58,614,500
EXPENDITURES					
Current					
Instruction	26,358,658	-	-	-	26,358,658
Supporting services	17,317,114	-	-	-	17,317,114
Community services	1,968,934	-	-	-	1,968,934
Food service activities	-	-	-	2,117,065	2,117,065
Student/school activities	-	-	-	299,251	299,251
Capital outlay	-	2,554,491	683,339	-	3,237,830

See notes to financial statements.

	General Fund	Capital Projects		Total Nonmajor Funds	Total Governmental Funds
		2021 Building and Site	Sinking Fund		
EXPENDITURES (continued)					
Debt service					
Principal repayment	\$ -	\$ -	\$ -	\$ 5,730,000	\$ 5,730,000
Interest	-	-	-	3,109,731	3,109,731
Other	-	-	-	1,471	1,471
TOTAL EXPENDITURES	<u>45,644,706</u>	<u>2,554,491</u>	<u>683,339</u>	<u>11,257,518</u>	<u>60,140,054</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>773,985</u>	<u>(2,830,567)</u>	<u>1,226,111</u>	<u>(695,083)</u>	<u>(1,525,554)</u>
OTHER FINANCING SOURCES (USES)					
Proceeds from sale of capital assets	25,972	-	-	-	25,972
Transfers in	145,000	-	-	-	145,000
Transfers out	-	-	-	(145,000)	(145,000)
TOTAL OTHER FINANCING SOURCES (USES)	<u>170,972</u>	<u>-</u>	<u>-</u>	<u>(145,000)</u>	<u>25,972</u>
NET CHANGE IN FUND BALANCES	944,957	(2,830,567)	1,226,111	(840,083)	(1,499,582)
FUND BALANCES					
Beginning of year	<u>4,478,966</u>	<u>25,836,847</u>	<u>4,533,686</u>	<u>6,495,735</u>	<u>41,345,234</u>
End of year	<u>\$ 5,423,923</u>	<u>\$ 23,006,280</u>	<u>\$ 5,759,797</u>	<u>\$ 5,655,652</u>	<u>\$ 39,845,652</u>

See notes to financial statements.

**HOLLAND PUBLIC SCHOOLS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2022**

Net change in fund balances total governmental funds \$ (1,499,582)

Amounts reported for governmental activities in the statement of activities differ because:

Governmental funds report capital outlays as expenditures. In the statement of activities these costs are allocated over their estimated useful lives as depreciation:

Depreciation expense	(3,343,739)
Capital outlay	2,819,665

Accrued interest on bonds is recorded in the statement of activities when incurred; it is not recorded in governmental funds until it is paid:

Accrued interest payable, beginning of the year	534,190
Accrued interest payable, end of the year	(489,615)

The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The effect of these differences is the treatment of long-term debt and related items and are as follows:

Payments on debt obligations	5,730,000
Amortization of bond premium	371,627
Amortization of deferred charge on refunding	(106,485)

Compensated absences are reported on the accrual method in the statement of activities, and recorded as an expenditure when financial resources are used in the governmental funds:

Accrued compensated absences, beginning of the year	460,292
Accrued compensated absences, end of the year	(381,938)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:

Pension related items	2,983,750
Other postemployment benefits related items	4,036,219

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

Pension benefit related items, beginning of year	3,054,343
Pension benefit related items, end of year	(3,287,942)

Change in net position of governmental activities \$ 10,880,785

**HOLLAND PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Government-wide Financial Statements

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

Reporting Entity

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

Basis of Presentation - Government-wide Financial Statements

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

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

Basis of Presentation - Fund Financial Statements

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

The District reports the following *Major Governmental Funds*:

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

The *2021 Building and Site Bond Fund* accounts for proceeds of certain bonds payable that are restricted to expenditures for capital outlay purposes approved by the voters.

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

**HOLLAND PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation - Fund Financial Statements (continued)

The District reports the following *Other Nonmajor Funds*:

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

The *Debt Service Funds* account for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds..

The *Property Sales Fund* accounts for and report financial resources that are restricted, committed, or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital projects. The District has one capital projects fund considered nonmajor: the property sales fund. Resources are from the sale of property.

The 2021 capital projects funds includes capital project activities funded with bonds issued after May 1, 1994. For these capital projects, the school district has complied with the applicable provisions of §1351a of the Revised School Code.

Beginning with the year of bond issuance, the District has reported annual construction activity in the capital projects fund. The projects for which the 2021 building and site bonds were issued were in process as of June 30, 2022 and the cumulative expenditures recognized for the construction period were as follows.

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

	2021 Capital Projects
Revenue and other financing sources	\$ 25,778,768
Expenditures and other financing uses	\$ 2,772,488

Revenue and other financing sources include the bond proceeds and premium of \$26,054,844 for 2021 capital projects fund. During 2021-2022, the fund experienced a loss in fair market value of investments of \$276,076.

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

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

HOLLAND PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus and Basis of Accounting

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

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

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

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are generally collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under leases are reported as other financing sources.

Property taxes, state and federal aid, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end).

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

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

**HOLLAND PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus and Basis of Accounting (continued)

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

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

Budgetary Information

Budgetary Basis of Accounting

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

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

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

- a. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.
- b. Public hearings are conducted to obtain taxpayer comments.
- c. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (1968 PA 2). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated. Violations, if any, in the general fund are noted in the required supplementary information section.
- d. Transfers may be made for budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the School Board.
- e. The budget was amended during the year with supplemental appropriations, the last one approved prior to year ended June 30, 2022. The District does not consider these amendments to be significant.

HOLLAND PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Cash and Cash Equivalents

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

Investments

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

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

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

Inventories and Prepaid Items

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

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

**HOLLAND PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Capital Assets

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

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

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

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

Defined Benefit Plans

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

Deferred Outflows

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

**HOLLAND PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Deferred Inflows

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

Net Position Flow Assumption

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

Fund Balance Flow Assumptions

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

Fund Balance Policies

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

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

**HOLLAND PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Fund Balance Policies (continued)

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

Revenues and Expenditures/Expenses

Program Revenues

Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, unrestricted state aid, interest, and other internally dedicated resources are reported as general revenues rather than as program revenues.

Property Taxes

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

For the year ended June 30, 2022, the District levied the following amounts per \$1,000 of assessed valuation:

Fund	Mills
General fund	
Non-Principal Residence Exemption (PRE)	18.0000
Commercial Personal Property	6.0000
Debt service fund	
PRE, Non-PRE, Commercial Personal Property	4.7300
Sinking fund	
PRE, Non-PRE, Commercial Personal Property	1.2008

Compensated Absences

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

**HOLLAND PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenues and Expenditures/Expenses (continued)

Long-term Obligations

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

NOTE 2 - DEPOSITS AND INVESTMENTS

As of June 30, 2022, the District had deposits and investments subject to the following risk.

Custodial Credit Risk - Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2022, \$7,970,746 of the District's bank balance of \$8,470,746 was exposed to custodial credit risk because it was uninsured and uncollateralized. The carrying value on the books for deposits at the end of the year was \$9,180,596.

Custodial Credit Risk - Investments

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

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

Interest Rate Risk

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

**HOLLAND PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

Interest Rate Risk (continued)

Investment Type	Fair Value	Weighted Average Maturity (Years)
Money Market Obligation Trust	\$ 10,599,713	N/A
U.S. Treasury Notes	13,225,695	0.3424
MILAF MAX	40,125	N/A
Michigan Class Investment Pool	<u>6,301,023</u>	<u>0.0986</u>
Total fair value	<u>\$ 30,166,556</u>	
Portfolio weighted average maturity		<u>0.3630</u>

One day maturity equals 0.0027, one year equals 1.00.

Concentration of Credit Risk

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

Investment Type	Fair Value	Rating	Rating Agency
Money Market Obligation Trust	\$ 10,599,713	AAAm	Standard & Poor's
U.S. Treasury Notes	13,225,695	AAAm	Standard & Poor's
MILAF MAX	40,125	AAAm	Standard & Poor's
Michigan Class Investment Pool	<u>6,301,023</u>	AAAm	Standard & Poor's
	<u>\$ 30,166,556</u>		

Foreign Currency Risk

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

**HOLLAND PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

Fair Value Measurement

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

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

	Level 1	Level 2	Level 3	Balance at June 30, 2022
Investments by fair value level				
U.S. Treasury Notes	\$ 13,225,695	\$ -	\$ -	\$ 13,225,695

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

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

	Amortized Cost
Money Market Obligation Trust	\$ 10,599,713
MILAF External Investment Pool - MAX	40,125
	\$ 10,639,838

**HOLLAND PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

Investments in Entities that Calculate Net Asset Value per Share

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

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

At the year ended June 30, 2022, the fair value, unfunded commitments, and redemption rules of those investments are as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Frequency, if Eligible</u>	<u>Redemption Notice Period</u>
Michigan Class Investment Pool	<u>\$ 6,301,023</u>	<u>\$ -</u>	No restrictions	None

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

The following summarizes the categorization of these amounts as of June 30, 2022:

Cash and cash equivalents	\$ 9,180,596
Investments	6,341,148
Restricted investments - capital projects	<u>23,825,408</u>
	<u>\$ 39,347,152</u>

**HOLLAND PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 3 - CAPITAL ASSETS

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

	Balance July 1, 2021	Additions	Deletions	Balance June 30, 2022
Assets not being depreciated				
Land	\$ 513,275	\$ -	\$ -	\$ 513,275
Construction in progress	-	2,328,905	-	2,328,905
Subtotal	<u>693,706</u>	<u>2,328,905</u>	<u>-</u>	<u>2,842,180</u>
Capital assets, being depreciated				
Land improvements	7,552,042	77,603	-	7,629,645
Buildings and improvements	91,872,172	12,000	-	91,884,172
Furniture and equipment	12,821,010	177,341	23,000	12,975,351
Vehicles	2,186,583	223,816	315,277	2,095,122
Subtotal	<u>114,431,807</u>	<u>490,760</u>	<u>338,277</u>	<u>114,584,290</u>
Accumulated depreciation				
Land improvements	4,204,626	260,245	-	4,464,871
Buildings and improvements	36,778,967	2,304,818	-	39,083,785
Furniture and equipment	9,840,585	730,674	23,000	10,548,259
Vehicles	2,133,317	48,002	315,277	1,866,042
Total accumulated depreciation	<u>52,957,495</u>	<u>3,343,739</u>	<u>338,277</u>	<u>55,962,957</u>
Net capital assets being depreciated	<u>61,474,312</u>	<u>(2,852,979)</u>	<u>-</u>	<u>58,621,333</u>
Net governmental capital assets	<u>\$ 61,987,587</u>	<u>\$ (524,074)</u>	<u>\$ -</u>	<u>\$ 61,463,513</u>

Depreciation for the fiscal year ended June 30, 2022 amounted to \$3,343,739 which was allocated in the following manner:

Instruction	\$ 2,006,243
Support services	1,003,122
Food service	167,187
Community services	167,187
	<u>\$ 3,343,739</u>

**HOLLAND PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 4 - INTERGOVERNMENTAL RECEIVABLES

Intergovernmental receivables at June 30, 2022 consist of the following:

Governmental units		
State revenue	\$	4,336,651
Federal revenue		3,507,471
Intermediate and other sources		<u>108,330</u>
	\$	<u><u>7,952,452</u></u>

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

NOTE 5 - INTERFUND RECEIVABLES AND PAYABLES

Interfund receivable and payable balances at June 30, 2022 are as follows:

Receivable Fund			Payable Fund		
General fund	\$	16,680	General fund	\$	140,777
Sinking fund		6,203	2021 capital projects fund		319
Nonmajor funds		<u>189,227</u>	Sinking fund		57,675
			Nonmajor funds		<u>13,339</u>
	\$	<u><u>212,110</u></u>		\$	<u><u>212,110</u></u>

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

NOTE 6 - LONG-TERM OBLIGATIONS

The following is a summary of long-term obligations for the District for the year ended June 30, 2022:

	General Obligation Bonds	Compensated Absences	Total
Balance, July 1, 2021	\$ 82,469,528	\$ 460,292	\$ 82,929,820
Deletions	<u>(6,101,627)</u>	<u>(78,354)</u>	<u>(6,179,981)</u>
Balance, June 30, 2022	76,367,901	381,938	76,749,839
Due within one year	<u>4,760,000</u>	<u>76,388</u>	<u>4,836,388</u>
Due in more than one year	<u><u>\$ 71,607,901</u></u>	<u><u>\$ 305,550</u></u>	<u><u>\$ 71,913,451</u></u>

**HOLLAND PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 - LONG-TERM OBLIGATIONS (continued)

Long-term obligations at June 30, 2022 is comprised of the following issues:

General Obligation Bonds

2010 Building and Site Bonds, Series A - \$3,525,000, due in a single principal payment on May 1, 2026, with interest at 6.30%.	\$ 3,525,000
2014 Refunding Bonds - due in annual installments of \$3,355,000 to \$3,530,000 through May 1, 2035, with interest at 2.50% to 5.00%.	44,950,000
2021 Building and Site Bonds - due in annual installments of \$165,000 to \$1,920,000 through May 1, 2045, with interest at 3.00% to 5.00%.	21,980,000
Add issuance premiums	<u>5,912,901</u>
Total general obligation bonds	76,367,901
Compensated absences	<u>381,938</u>
Total general long-term obligations	<u><u>\$ 76,749,839</u></u>

The District has designated the 2010 Building and Site Bonds, Series A as “Qualified School Construction Bonds”, therefore, the District expects to receive a direct payment from the U.S. Treasury to cover a portion of the interest to be paid on the bonds. For the year ended June 30, 2022, the District received \$228,671 in interest rate subsidy from the U.S. Treasury.

The annual requirement to amortize long-term obligations outstanding, exclusive of compensated absences payments, as of June 30, 2022 are as follows:

Year Ending June 30,	General Obligation Bonds		Compensated Absences	Total
	Principal	Interest		
2023	\$ 4,760,000	\$ 3,070,938	\$ -	\$ 7,830,938
2024	3,385,000	2,832,938	-	6,217,938
2025	3,410,000	2,663,688	-	6,073,688
2026	6,960,000	2,493,188	-	9,453,188
2027	3,615,000	2,036,362	-	5,651,362
2028 - 2032	18,840,000	7,504,460	-	26,344,460
2033 - 2037	15,075,000	3,579,202	-	18,654,202
2038 - 2042	9,580,000	1,586,400	-	11,166,400
2043 - 2045	<u>4,830,000</u>	<u>262,350</u>	-	<u>5,092,350</u>
	70,455,000	26,029,526	-	96,484,526
Issuance premium	5,912,901	-	-	5,912,901
Compensated absences	<u>-</u>	<u>-</u>	<u>381,938</u>	<u>381,938</u>
	<u><u>\$ 76,367,901</u></u>	<u><u>\$ 26,029,526</u></u>	<u><u>\$ 381,938</u></u>	<u><u>\$ 102,779,365</u></u>

Interest expense (all funds) for the year ended June 30, 2022 was approximately \$3,067,000.

**HOLLAND PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS

Plan Description

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

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

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

Benefits Provided - Overall

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

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

Benefits Provided - Pension

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

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

**HOLLAND PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Pension Reform 2010

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

Pension Reform 2012

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

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

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

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

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

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

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

**HOLLAND PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Pension Reform 2012 (continued)

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

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

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

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

Pension Reform of 2017

On July 13, 2017, the Governor signed Public Act 92 of 2017 into law. The legislation closed the Pension Plus plan to newly hired employees as of February 1, 2018 and created a new, optional Pension Plus 2 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 Pension Plus 2 plan is 6%. Further, under certain adverse actuarial conditions, the Pension Plus 2 plan will close to new employees if the actuarial funded ratio falls below 85% for two consecutive years. The law included other provisions to the retirement eligibility age, plan assumptions, and unfunded liability payment methods.

Benefits Provided - Other Postemployment Benefit (OPEB)

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

**HOLLAND PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Retiree Healthcare Reform of 2012

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

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

Regular Retirement (no reduction factor for age)

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

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

Member Contributions

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

Employer Contributions

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

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

**HOLLAND PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Employer Contributions (continued)

Pension and OPEB contributions made in the fiscal year ending September 30, 2021 were determined as of the September 30, 2018 actuarial valuations. The pension and OPEB benefits, the unfunded (overfunded) actuarial accrued liabilities as of September 30, 2018 are amortized over an 18-year period beginning October 1, 2020 and ending September 30, 2038.

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

	Pension	Other Postemployment Benefit
October 1, 2020 - September 30, 2021	13.39% - 19.78%	7.57% - 8.43%
October 1, 2021 - September 30, 2022	13.73% - 20.14%	7.23% - 8.09%

The District's pension contributions for the year ended June 30, 2022 were equal to the required contribution total. Total pension contributions were approximately \$7,648,000. Of the total pension contributions, approximately \$7,415,000 was contributed to fund the Defined Benefit Plan and approximately \$233,000 was contributed to fund the Defined Contribution Plan.

The District's OPEB contributions for the year ended June 30, 2022 were equal to the required contribution total. Total OPEB contributions were approximately \$1,989,000. Of the total OPEB contributions, approximately \$1,836,000 was contributed to fund the Defined Benefit Plan and approximately \$153,000 was contributed to fund the Defined Contribution Plan.

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

**HOLLAND PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

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

Pension Liabilities

The net pension liability was measured as of September 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation date of September 30, 2020 and rolled-forward using generally accepted actuarial procedures. The District's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined.

<u>MPSEERS (Plan) Non-university Employers</u>	<u>September 30, 2021</u>	<u>September 30, 2020</u>
Total pension liability	\$ 86,392,473,395	\$ 85,290,583,799
Plan fiduciary net position	\$ 62,717,060,920	\$ 50,939,496,006
Net pension liability	\$ 23,675,412,475	\$ 34,351,087,793
Proportionate share	0.23346%	0.23844%
Net pension liability for the District	\$ 55,273,297	\$ 81,905,854

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

For the year ended June 30, 2022, the District recognized pension expense of \$4,431,251.

At June 30, 2022, the Reporting Unit reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in proportion and differences between employer contributions and proportionate share of contributions	\$ -	\$ 3,327,934
Differences between expected and actual experience	856,207	325,494
Changes of assumptions	3,484,231	-
Net difference between projected and actual plan investments earnings	-	17,770,187
Reporting Unit's contributions subsequent to the measurement date	7,029,921	-
	<u>\$ 11,370,359</u>	<u>\$ 21,423,615</u>

**HOLLAND PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

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

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

\$7,029,921, reported as deferred outflows of resources related to pensions resulting from District employer contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

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

<u>Year Ending September 30,</u>	<u>Amount</u>
2022	\$ (3,031,447)
2023	(4,111,356)
2024	(4,946,884)
2025	(4,993,490)

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

OPEB Liabilities

The net OPEB liability was measured as of September 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation date of September 30, 2020 and rolled-forward using generally accepted actuarial procedures. The District's proportion of the net OPEB liability was based on a projection of its long-term share of contributions to the OPEB plan relative to the projected contributions of all participating reporting units, actuarially determined.

<u>MPERS (Plan) Non-university Employers</u>	<u>September 30, 2021</u>	<u>September 30, 2020</u>
Total other postemployment benefit liability	\$ 12,046,393,511	\$ 13,206,903,534
Plan fiduciary net position	\$ 10,520,015,621	\$ 7,849,636,555
Net other postemployment benefit liability	\$ 1,526,377,890	\$ 5,357,266,979
Proportionate share	0.23315%	0.23450%
Net other postemployment benefit liability for the District	\$ 3,558,702	\$ 12,563,040

**HOLLAND PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

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

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

For the year ended June 30, 2022, the District recognized OPEB benefit of \$2,200,553.

At June 30, 2022, the Reporting Unit reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in proportion and differences between employer contributions and proportionate share of contributions	\$ 239,512	\$ 1,359,928
Differences between expected and actual experience	-	10,158,060
Changes of assumptions	2,974,898	445,156
Net difference between projected and actual plan investments earnings	-	2,682,257
Reporting Unit's contributions subsequent to the measurement date	1,677,715	-
	\$ 4,892,125	\$ 14,645,401

\$1,677,715, 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 September 30,	Amount
2022	\$ (3,174,664)
2023	(2,789,364)
2024	(2,356,182)
2025	(2,238,357)
2026	(771,237)
2027	(101,187)

**HOLLAND PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Actuarial Assumptions

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

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

Salary Increases - The rate of pay increase used for individual members is 2.75% - 11.55%, including wage inflation at 2.75%.

Inflation - 3.0%.

Mortality Assumptions:

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

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

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

Experience Study - The annual actuarial valuation report of the System used for these statements is dated September 30, 2020. Assumption changes as a result of an experience study for the periods 2012 through 2017 have been adopted by the System for use in the determination of the total pension and OPEB liability beginning with the September 30, 2018 valuation.

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

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

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

Healthcare Cost Trend Rate for Other Postemployment Benefit - Pre 65, 7.75% for year one and graded to 3.5% in year fifteen. Post 65, 5.25% for year one and graded to 3.5% in year fifteen.

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

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

**HOLLAND PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Actuarial Assumptions (continued)

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

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

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

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

The target asset allocation at September 30, 2021 and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Investment Category</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return*</u>
Domestic Equity Pools	25.0%	5.4%
International Equity Pools	15.0%	7.5%
Private Equity Pools	16.0%	9.1%
Real Estate and Infrastructure Pools	10.0%	5.4%
Fixed Income Pools	10.5%	-0.7%
Absolute Return Pools	9.0%	2.6%
Real Return/Opportunistic Pools	12.5%	6.1%
Short Term Investment Pools	2.0%	-1.3%
	<u>100.0%</u>	

* Long term rates of return are net of administrative expenses and 2.0% inflation.

Rate of Return - For fiscal year ended September 30, 2021, the annual money-weighted rate of return on pension and OPEB plan investments, net of pension and OPEB plan investment expense, was 27.3% and 27.14% respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

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

**HOLLAND PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Actuarial Assumptions (continued)

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

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

	Pension		
	1% Decrease	Discount Rate	1% Increase
Reporting Unit's proportionate share of the net pension liability	\$ 79,025,825	\$ 55,273,297	\$ 35,580,894

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

	Other Postemployment Benefit		
	1% Decrease	Discount Rate	1% Increase
Reporting Unit's proportionate share of the net other postemployment benefit liability	\$ 6,612,710	\$ 3,558,702	\$ 966,939

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

	Other Postemployment Benefit		
	1% Trend Decrease	Healthcare Cost Trend Rates	1% Trend Increase
Reporting Unit's proportionate share of the net other postemployment benefit liability	\$ 866,160	\$ 3,558,702	\$ 6,588,135

**HOLLAND PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

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 2021 Annual Comprehensive Financial Report.

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

NOTE 8 - RISK MANAGEMENT

The District is exposed to various risk of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees’ and natural disasters. The District purchases commercial insurance to cover any losses that may result from the above-described activities. No settlement has occurred in excess of coverage for the year ended June 30, 2022.

NOTE 9 - TRANSFERS

The food service fund transferred \$145,000 to the general fund for indirect costs.

NOTE 10 - TAX ABATEMENTS

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

The property taxes abated for all funds by municipality under these programs are as follows:

<u>Municipality</u>	<u>Taxes Abated</u>
City of Holland	\$ 427,911
Holland Township	197,822
Laketown Township	11,733
Park Township	2,734
	\$ 640,200

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

There are no abatements made by the District.

**HOLLAND PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 11 - CHANGE IN ACCOUNTING PRINCIPLE

For the year ended June 30, 2022, the District implemented the following new pronouncement: GASB Statement No. 87, *Leases*.

Summary:

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

There was no material impact on the District's financial statement after the adoption of GASB Statement No. 87.

NOTE 12 - UPCOMING ACCOUNTING PRONOUNCEMENT

In May 2020, the GASB issued Statement No. 96, *Subscription-based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset - an intangible asset - and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. The District is currently evaluating the impact this standard will have on the financial statements when adopted during the 2022-2023 fiscal year.

REQUIRED SUPPLEMENTARY INFORMATION

**HOLLAND PUBLIC SCHOOLS
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2022**

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Local sources	\$ 10,756,600	\$ 10,947,500	\$ 11,058,451	\$ 110,951
State sources	22,800,200	24,786,000	24,289,925	(496,075)
Federal sources	5,043,200	5,451,400	5,049,755	(401,645)
Incoming transfers and other	5,558,500	5,882,400	6,020,560	138,160
TOTAL REVENUES	44,158,500	47,067,300	46,418,691	(648,609)
EXPENDITURES				
Current				
Instruction				
Basic programs	18,485,500	19,268,300	18,694,653	573,647
Added needs	7,340,000	7,703,300	7,664,005	39,295
Total instruction	25,825,500	26,971,600	26,358,658	612,942
Supporting services				
Pupil support	5,190,200	5,249,000	5,212,424	36,576
Instructional staff	2,185,600	2,309,900	1,881,957	427,943
General administration	640,700	754,300	683,973	70,327
School administration	2,172,000	2,189,400	2,183,041	6,359
Business services	435,300	453,400	438,692	14,708
Operation/maintenance	3,472,600	3,614,800	3,582,875	31,925
Pupil transportation	975,400	1,145,400	1,177,021	(31,621)
Central services	1,125,600	1,134,700	1,166,912	(32,212)
Athletics and other	992,600	992,600	990,219	2,381
Total supporting services	17,190,000	17,843,500	17,317,114	526,386
Community services	1,687,500	1,793,800	1,968,934	(175,134)
TOTAL EXPENDITURES	44,703,000	46,608,900	45,644,706	964,194
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(544,500)	458,400	773,985	315,585
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	-	26,000	25,972	(28)
Transfers in	100,000	125,000	145,000	20,000
TOTAL OTHER FINANCING SOURCES (USES)	100,000	151,000	170,972	19,972
NET CHANGE IN FUND BALANCE	\$ (444,500)	\$ 609,400	944,957	\$ 335,557
FUND BALANCE				
Beginning of year			4,478,966	
End of year			<u>\$ 5,423,923</u>	

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Reporting Unit's proportion of net pension liability (%)	0.23346%	0.23844%	0.24443%	0.24822%	0.25817%	0.26938%	0.27014%	0.26935%
Reporting Unit's proportionate share of net pension liability	\$ 55,273,297	\$ 81,905,854	\$ 80,947,948	\$ 74,618,192	\$ 66,901,596	\$ 67,208,009	\$ 65,982,925	\$ 59,327,915
Reporting Unit's covered-employee payroll	\$ 21,067,861	\$ 20,844,356	\$ 20,990,969	\$ 21,303,461	\$ 21,950,188	\$ 22,126,619	\$ 21,075,186	\$ 22,878,618
Reporting Unit's proportionate share of net pension liability as a percentage of its covered-employee payroll	262.36%	392.94%	385.63%	350.26%	304.79%	303.74%	313.08%	259.32%
Plan fiduciary net position as a percentage of total pension liability (Non-university employers)	72.60%	59.72%	60.31%	62.36%	64.21%	63.27%	63.17%	66.20%

This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-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 TEN FISCAL YEARS (DETERMINED AS OF THE YEAR ENDED JUNE 30)**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required contributions	\$ 7,415,001	\$ 6,864,632	\$ 6,486,851	\$ 6,464,832	\$ 6,473,769	\$ 5,068,762	\$ 4,667,502	\$ 3,871,319
Contributions in relation to statutorily required contributions	<u>7,415,001</u>	<u>6,864,632</u>	<u>6,486,851</u>	<u>6,464,832</u>	<u>6,473,769</u>	<u>5,068,762</u>	<u>4,667,502</u>	<u>3,871,319</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Reporting Unit's covered-employee payroll	\$ 19,419,948	\$ 19,366,324	\$ 20,307,750	\$ 21,271,715	\$ 21,387,306	\$ 21,716,769	\$ 21,369,670	\$ 21,371,357
Contributions as a percentage of covered-employee payroll	38.18%	35.45%	31.94%	30.39%	30.27%	23.34%	21.84%	18.11%

This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-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 TEN FISCAL YEARS (DETERMINED AS OF PLAN YEAR ENDED SEPTEMBER 30)

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Reporting Unit's proportion of net OPEB liability (%)	0.23315%	0.23450%	0.24048%	0.23524%	0.25886%
Reporting Unit's proportionate share of net OPEB liability	\$ 3,558,702	\$ 12,563,040	\$ 17,287,046	\$ 18,698,784	\$ 22,923,658
Reporting Unit's covered-employee payroll	\$ 21,067,861	\$ 20,844,356	\$ 20,990,969	\$ 21,303,461	\$ 21,950,188
Reporting Unit's proportionate share of net OPEB liability as a percentage of its covered-employee payroll (%)	16.89%	60.27%	82.35%	87.77%	104.43%
Plan fiduciary net position as a percentage of total OPEB liability (Non-university employers)	87.33%	59.44%	48.46%	42.95%	36.39%

This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-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 TEN FISCAL YEARS (DETERMINED AS OF THE PLAN YEAR ENDED JUNE 30)**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Statutorily required contributions	\$ 1,835,666	\$ 1,809,429	\$ 1,791,375	\$ 1,765,988	\$ 1,750,248
Contributions in relation to statutorily required contributions	<u>1,835,666</u>	<u>1,809,429</u>	<u>1,791,375</u>	<u>1,765,988</u>	<u>1,750,248</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Reporting Unit's covered-employee payroll	\$ 19,419,948	\$ 19,366,324	\$ 20,307,750	\$ 21,271,715	\$ 21,387,306
Contributions as a percentage of covered-employee payroll	9.45%	9.34%	8.82%	8.30%	8.18%

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

**HOLLAND PUBLIC SCHOOLS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2022**

NOTE 1 - PENSION INFORMATION

Benefit Changes - there were no changes of benefit terms in 2021.

Changes of Assumptions - there were no changes of assumptions in 2021.

NOTE 2 - OPEB INFORMATION

Benefit Changes - there were no changes of benefit terms in 2021.

Changes of Assumptions - the assumption changes for 2021 were:

Healthcare cost trend rate was broken into two groups, Pre 65 and Post 65. The Pre 65 rate is 7.75% Year 1 graded to 3.50% Year 15. The Post 65 rate is 5.25% Year 1 graded to 3.50% Year 15. The prior healthcare cost trend rate was reported as one group with a rate of 7.00% Year 1 graded to 3.50% Year 15.

ADDITIONAL SUPPLEMENTARY INFORMATION

**HOLLAND PUBLIC SCHOOLS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUND TYPES
JUNE 30, 2022**

	Special Revenue		Debt Service			Property Sales	Totals
	Food Service	Student/School Activities	2010 Building and Site Bond	2014 Building and Site Bond	2021 Building and Site Bond		
ASSETS							
Cash and cash equivalents	\$ 534,758	\$ 704,179	\$ 785,544	\$ 906,390	\$ 687,165	\$ -	\$ 3,618,036
Investments	-	242,491	-	-	-	1,594,001	1,836,492
Receivables							
Accounts	9,281	-	-	-	-	-	9,281
Intergovernmental	54,389	-	24	65	55	-	54,533
Due from other funds	109,650	-	3,744	10,127	65,706	-	189,227
Inventories	15,050	-	-	-	-	-	15,050
TOTAL ASSETS	\$ 723,128	\$ 946,670	\$ 789,312	\$ 916,582	\$ 752,926	\$ 1,594,001	\$ 5,722,619
LIABILITIES AND FUND BALANCES							
LIABILITIES							
Accounts payable	\$ 9,376	\$ 12,028	\$ -	\$ -	500	\$ -	\$ 21,904
Accrued salaries and related items	16,535	-	-	-	-	-	16,535
Unearned revenue	15,189	-	-	-	-	-	15,189
Due to other funds	-	13,339	-	-	-	-	13,339
TOTAL LIABILITIES	41,100	25,367	-	-	500	-	66,967
FUND BALANCES							
Nonspendable							
Inventories	15,050	-	-	-	-	-	15,050
Restricted for:							
Food service	666,978	-	-	-	-	-	666,978
Debt service	-	-	789,312	916,582	752,426	-	2,458,320
Committed							
Student/school activities	-	921,303	-	-	-	-	921,303
Assigned for:							
Capital projects	-	-	-	-	-	1,594,001	1,594,001
TOTAL FUND BALANCES	682,028	921,303	789,312	916,582	752,426	1,594,001	5,655,652
TOTAL LIABILITIES AND FUND BALANCES	\$ 723,128	\$ 946,670	\$ 789,312	\$ 916,582	\$ 752,926	\$ 1,594,001	\$ 5,722,619

**HOLLAND PUBLIC SCHOOLS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUND TYPES
YEAR ENDED JUNE 30, 2022**

	Special Revenue		Debt Service			Property Sales	Total
	Food Service	Student/School Activities	210 Building and Site Bond	2014 Building and Site Bond	2021 Building and Site Bond		
REVENUES							
Local sources							
Property taxes	\$ -	\$ -	\$ 1,199,830	\$ 3,236,491	\$ 2,748,882	\$ -	\$ 7,185,203
Food sales	123,780	-	-	-	-	-	123,780
Student/school activities	-	302,021	-	-	-	-	302,021
Investment earnings	931	1,252	3,141	9,350	2,312	3,863	20,849
Total local sources	124,711	303,273	1,202,971	3,245,841	2,751,194	3,863	7,631,853
State sources	220,882	-	127,907	344,946	-	-	693,735
Federal sources	2,008,176	-	228,671	-	-	-	2,236,847
TOTAL REVENUES	2,353,769	303,273	1,559,549	3,590,787	2,751,194	3,863	10,562,435
EXPENDITURES							
Current							
Food service activities	2,117,065	-	-	-	-	-	2,117,065
Student/school activities	-	299,251	-	-	-	-	299,251
Debt service							
Principal repayment	-	-	1,000,000	3,355,000	1,375,000	-	5,730,000
Interest	-	-	284,200	2,202,263	623,268	-	3,109,731
Other	-	-	677	294	500	-	1,471
TOTAL EXPENDITURES	2,117,065	299,251	1,284,877	5,557,557	1,998,768	-	11,257,518
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	236,704	4,022	274,672	(1,966,770)	752,426	3,863	(695,083)
OTHER FINANCING SOURCES (USES)							
Transfers out	(145,000)	-	-	-	-	-	(145,000)
NET CHANGE IN FUND BALANCES	91,704	4,022	274,672	(1,966,770)	752,426	3,863	(840,083)
FUND BALANCES							
Beginning of year	590,324	917,281	514,640	2,883,352	-	1,590,138	6,495,735
End of year	\$ 682,028	\$ 921,303	\$ 789,312	\$ 916,582	\$ 752,426	\$ 1,594,001	\$ 5,655,652

**HOLLAND PUBLIC SCHOOLS
BONDED DEBT
JUNE 30, 2022**

2010 Building and Site Bonds - Series A

Principal Due May 1	Interest Due		Debt Service Requirement for Fiscal Year	
	May 1	November 1	June 30,	Amount
\$ -	\$ 142,538	\$ 142,538	2023	\$ 285,076
-	142,538	142,538	2024	285,076
-	142,538	142,538	2025	285,076
<u>3,525,000</u>	<u>142,538</u>	<u>142,538</u>	2026	<u>3,810,076</u>
<u>\$ 3,525,000</u>	<u>\$ 570,152</u>	<u>\$ 570,152</u>		<u>\$ 4,665,304</u>

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

**HOLLAND PUBLIC SCHOOLS
BONDED DEBT
JUNE 30, 2022**

2014 Refunding Bonds

Principal Due May 1	Interest Due		Debt Service Requirement for Fiscal Year	
	May 1	November 1	June 30,	Amount
\$ 3,355,000	\$ 1,034,031	\$ 1,034,031	2023	\$ 5,423,062
3,385,000	950,156	950,156	2024	5,285,312
3,410,000	865,531	865,531	2025	5,141,062
3,435,000	780,281	780,281	2026	4,995,562
3,450,000	694,406	694,406	2027	4,838,812
3,470,000	608,156	608,156	2028	4,686,312
3,485,000	521,406	521,406	2029	4,527,812
3,530,000	434,281	434,281	2030	4,398,562
3,495,000	372,506	372,506	2031	4,240,012
3,510,000	285,131	285,131	2032	4,080,262
3,475,000	221,513	221,513	2033	3,918,026
3,490,000	134,638	134,638	2034	3,759,276
3,460,000	69,200	69,200	2035	3,598,400
<u>\$ 44,950,000</u>	<u>\$ 6,971,236</u>	<u>\$ 6,971,236</u>		<u>\$ 58,892,472</u>

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

**HOLLAND PUBLIC SCHOOLS
BONDED DEBT
JUNE 30, 2022**

2021 Building and Site Bonds

Principal Due November 1	Interest Due		Debt Service Requirement for Fiscal Year	
	May 1	November 1	June 30,	Amount
\$ 1,405,000	\$ 358,900	\$ 358,900	2023	\$ 2,122,800
-	323,775	323,775	2024	647,550
-	323,775	323,775	2025	647,550
-	323,775	323,775	2026	647,550
165,000	323,775	323,775	2027	812,550
270,000	319,650	319,650	2028	909,300
270,000	312,900	312,900	2029	895,800
270,000	306,150	306,150	2030	882,300
270,000	299,400	299,400	2031	868,800
270,000	292,650	292,650	2032	855,300
270,000	285,900	285,900	2033	841,800
270,000	281,850	281,850	2034	833,700
270,000	277,800	277,800	2035	825,600
1,920,000	273,750	273,750	2036	2,467,500
1,920,000	244,950	244,950	2037	2,409,900
1,920,000	216,150	216,150	2038	2,352,300
1,915,000	187,350	187,350	2039	2,289,700
1,915,000	158,625	158,625	2040	2,232,250
1,915,000	129,900	129,900	2041	2,174,800
1,915,000	101,175	101,175	2042	2,117,350
1,915,000	72,450	72,450	2043	2,059,900
1,915,000	43,725	43,725	2044	2,002,450
1,000,000	15,000	15,000	2045	1,030,000
<u>\$ 21,980,000</u>	<u>\$ 5,473,375</u>	<u>\$ 5,473,375</u>		<u>\$ 32,926,750</u>

The above bonds were issued June 30, 2021 for the purpose of erecting additions to school buildings; remodeling, including security improvements to, furnishing and refurnishing and equipping, and re-equipping school buildings; erecting school support buildings; acquiring and installing instructional technology and instructional technology equipment for school buildings; purchasing school buses; equipping, developing and improving playgrounds, play fields, athletic fields and facilities, driveways, parking areas and sites. The bonds carry an interest rate of 3.00% to 5.00%. The amount of the original issue was \$23,355,000.

**HOLLAND PUBLIC SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2022**

Federal Grantor/Pass-through Grantor/ Program Title	Federal Assistance Listing Number	Pass-through Grantor's Number	Approved Grant Award Amount	Accrued (Unearned) Revenue 7/1/2021	(Memo Only) Prior Year Expenditures	Current Year Expenditures	Current Year Cash Receipts	Accrued (Unearned) Revenue 6/30/2022
<u>U.S. Department of Agriculture</u>								
Passed through Michigan Department of Education								
Child Nutrition Cluster								
Non-cash assistance (donated foods)								
National School Lunch Program	10.555	N/A	\$ 145,488	\$ -	\$ -	\$ 145,488	\$ 145,488	\$ -
Cash Assistance								
COVID-19 National School Lunch Program	10.555	221961	1,015,158	-	-	1,015,158	1,003,514	11,644
COVID-19 National School Lunch Program		211961	179,422	-	-	179,422	179,422	-
COVID-19 National School Lunch Program		211965	1,702	-	-	1,702	1,702	-
COVID-19 National School Lunch Program		220910	59,002	-	-	59,002	59,002	-
Total ALN 10.555			<u>1,400,772</u>	<u>-</u>	<u>-</u>	<u>1,400,772</u>	<u>1,389,128</u>	<u>11,644</u>
COVID-19 School Breakfast Program	10.553	221971	365,203	-	-	365,203	337,814	27,389
COVID-19 School Breakfast Program		211971	56,349	-	-	56,349	56,349	-
Total ALN 10.553			<u>421,552</u>	<u>-</u>	<u>-</u>	<u>421,552</u>	<u>394,163</u>	<u>27,389</u>
COVID-19 Summer Food Service Program for Children	10.559	220900	10,632	-	-	10,632	-	10,632
COVID-19 Summer Food Service Program for Children		210904	186,048	82,429	-	103,619	186,048	-
Total ALN 10.559			<u>196,680</u>	<u>82,429</u>	<u>-</u>	<u>114,251</u>	<u>186,048</u>	<u>10,632</u>
Total cash assistance			<u>1,873,516</u>	<u>82,429</u>	<u>-</u>	<u>1,791,087</u>	<u>1,823,851</u>	<u>49,665</u>
Total Child Nutrition Cluster			<u>2,019,004</u>	<u>82,429</u>	<u>-</u>	<u>1,936,575</u>	<u>1,969,339</u>	<u>49,665</u>
Child and Adult Care Food Program	10.558	222010	3,197	-	-	3,197	3,197	-
Child and Adult Care Food Program		212010	433	-	-	433	433	-
Child and Adult Care Food Program		221920	45,002	-	-	45,002	45,002	-
Child and Adult Care Food Program		211920	6,094	-	-	6,094	6,094	-
Child and Adult Care Food Program		211925	13,812	-	-	13,812	13,812	-
Total ALN 10.558			<u>68,538</u>	<u>-</u>	<u>-</u>	<u>68,538</u>	<u>68,538</u>	<u>-</u>
COVID-19 Pandemic EBT Local Level Costs	10.649	210980	3,063	-	-	3,063	3,063	-
Total U.S. Department of Agriculture			<u>2,090,605</u>	<u>82,429</u>	<u>-</u>	<u>2,008,176</u>	<u>2,040,940</u>	<u>49,665</u>

The accompanying notes are an integral part of this schedule.

**HOLLAND PUBLIC SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2022**

Federal Grantor/Pass-through Grantor/ Program Title	Federal Assistance Listing Number	Pass-through Grantor's Number	Approved Grant Award Amount	Accrued (Unearned) Revenue 7/1/2021	(Memo Only) Prior Year Expenditures	Current Year Expenditures	Current Year Cash Receipts	Accrued (Unearned) Revenue 6/30/2022
U.S. Department of Education								
Passed through Michigan Department of Education								
Title I Grants to Local Educational Agencies	84.010	221530-2122	\$ 1,057,564	\$ -	\$ -	\$ 731,035	\$ -	\$ 731,035
Title I Grants to Local Educational Agencies		211530-2021	880,067	14,970	617,226	-	14,970	-
Total ALN 84.010			1,937,631	14,970	617,226	731,035	14,970	731,035
English Language Acquisition State Grants	84.365	220580-2122	83,097	-	-	43,190	-	43,190
English Language Acquisition State Grants		210580-2021	81,002	7,592	42,332	5,104	12,696	-
English Language Acquisition State Grants		220570-2122	14,232	-	-	3,209	-	3,209
English Language Acquisition State Grants		210570-2021	13,124	1,021	7,167	-	1,021	-
Total ALN 84.365			191,455	8,613	49,499	51,503	13,717	46,399
Supporting Effective Instruction State Grants	84.367	220520-2122	344,415	-	-	237,197	-	237,197
Supporting Effective Instruction State Grants		210520-2021	298,562	11,648	75,262	23,851	35,499	-
Total ALN 84.367			642,977	11,648	75,262	261,048	35,499	237,197
Student Support and Academic Enrichment	84.424	220750-2122	77,205	-	-	73,035	-	73,035
Student Support and Academic Enrichment		210750-2021	98,424	1,067	78,632	-	1,067	-
Total ALN 84.424			175,629	1,067	78,632	73,035	1,067	73,035
Education Stabilization Fund								
COVID-19 Governor's Emergency Education Relief Funds (GEER I)	84.425C	201200-2122	268,081	-	82,733	185,348	185,348	-
COVID-19 Governor's Emergency Education Relief Funds (GEER II Teacher and Support Staff Payments)	84.425C	211202-2122	43,750	-	-	43,750	-	43,750
COVID-19 Elementary and Secondary School Emergency Relief Fund (ESSER I Formula Funds)	84.425D	203710-1920	684,151	4,955	669,121	-	4,955	-
COVID-19 Elementary and Secondary School Emergency Relief Fund (ESSER II Summer Program K-8)	84.425D	213722-2122	106,700	-	-	104,835	-	104,835
COVID-19 Elementary and Secondary School Emergency Relief Fund (ESSER II Credit Recovery 9-12)	84.425D	213742-2122	68,750	-	-	55,623	-	55,623
COVID-19 Elementary and Secondary School Emergency Relief Fund (ESSER II - Formula)	84.425D	213712-2021	2,481,597	-	-	1,063,544	-	1,063,544
COVID-19 Elementary and Secondary School Emergency Relief Fund (ESSER III - Formula)	84.425U	203710-1920	3,292,700	-	-	833,774	-	833,774
Passed through Ottawa Area Intermediate School District								
COVID-19 Elementary and Secondary School Emergency Relief Fund (ARP Homeless I & II)	84.425W	211010-2122	6,886	-	-	5,615	5,349	266
Total ALN 84.425			6,952,615	4,955	751,854	2,292,489	195,652	2,101,792

The accompanying notes are an integral part of this schedule.

**HOLLAND PUBLIC SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2022**

Federal Grantor/Pass-through Grantor/ Program Title	Federal Assistance Listing Number	Pass-through Grantor's Number	Approved Grant Award Amount	Accrued (Unearned) Revenue 7/1/2021	(Memo Only) Prior Year Expenditures	Current Year Expenditures	Current Year Cash Receipts	Accrued (Unearned) Revenue 6/30/2022
<u>U.S. Department of Education (continued)</u>								
Passed through Ottawa Area Intermediate School District (continued)								
Special Education Cluster								
Special Education Grants to States	84.027A	220450-2122	\$ 1,109,369	\$ -	\$ -	\$ 1,109,370	\$ 1,008,405	\$ 100,965
Special Education Grants to States	84.027A	210450-2021	1,178,545	507,420	1,178,545	-	507,420	-
COVID-19 Special Education Grants to States (ARP)	84.027X	221280-2122	<u>254,627</u>	<u>-</u>	<u>-</u>	<u>73,117</u>	<u>-</u>	<u>73,117</u>
Total ALN 84.027			<u>2,542,541</u>	<u>507,420</u>	<u>1,178,545</u>	<u>1,182,487</u>	<u>1,515,825</u>	<u>174,082</u>
Special Education Preschool Grants	84.173A	220460-2122	39,692	-	-	39,692	35,620	4,072
Special Education Preschool Grants	84.173A	210460-2021	33,022	238	30,610	-	238	-
COVID-19 Special Education Grants to States (ARP)	84.173X	221280-2122	<u>26,012</u>	<u>-</u>	<u>-</u>	<u>7,982</u>	<u>-</u>	<u>7,982</u>
Total ALN 84.173			<u>98,726</u>	<u>238</u>	<u>30,610</u>	<u>47,674</u>	<u>35,858</u>	<u>12,054</u>
Total Special Education Cluster			<u>2,641,267</u>	<u>507,658</u>	<u>1,209,155</u>	<u>1,230,161</u>	<u>1,551,683</u>	<u>186,136</u>
Education for Homeless Children and Youth	84.196	212320-2021	<u>2,873</u>	<u>2,834</u>	<u>2,873</u>	<u>-</u>	<u>2,834</u>	<u>-</u>
Total U.S. Department of Education			<u>12,544,447</u>	<u>551,745</u>	<u>2,784,501</u>	<u>4,639,271</u>	<u>1,815,422</u>	<u>3,375,594</u>
<u>U.S. Department of Treasury</u>								
Passed through Ottawa Area Intermediate School District								
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	222390-GSRP2122	<u>432,000</u>	<u>-</u>	<u>-</u>	<u>305,638</u>	<u>251,250</u>	<u>54,388</u>
<u>U.S. Department of Health and Human Services</u>								
Passed through Ottawa Area Intermediate School District								
Medicaid Cluster								
Medical Assistance Program	93.778	N/A	<u>6,022</u>	<u>-</u>	<u>-</u>	<u>6,022</u>	<u>6,022</u>	<u>-</u>
Passed through Ottawa County Health Department								
COVID - 19 Epidemiology and Laboratory Capacity for Infectious Diseases	93.323	N/A	<u>98,824</u>	<u>-</u>	<u>-</u>	<u>98,824</u>	<u>71,000</u>	<u>27,824</u>
TOTAL FEDERAL AWARDS			<u>\$ 15,171,898</u>	<u>\$ 634,174</u>	<u>\$ 2,784,501</u>	<u>\$ 7,057,931</u>	<u>\$ 4,184,634</u>	<u>\$ 3,507,471</u>

The accompanying notes are an integral part of this schedule.

**HOLLAND PUBLIC SCHOOLS
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2022**

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Holland Public Schools under programs of the federal government for the year ended June 30, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Holland Public Schools, it is not intended to and does not present the financial position or changes in net position of Holland Public Schools.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Management has utilized the NexSys cash management system and the Grant Auditor Report in preparing the Schedule of Expenditures of Federal Awards. The District does not pass-through federal awards.

NOTE 3 - RECONCILING WITH AUDITED FINANCIAL STATEMENTS

Federal expenditures are reported as revenue in the following funds in the financial statements for the year ending June 30, 2022:

General fund	\$ 5,049,755
Other nonmajor governmental funds	<u>2,236,847</u>
Total federal revenue in the fund financial statements	7,286,602
Less: Federal assistance funding not subject to single audit	<u>(228,671)</u>
Expenditures per schedule of expenditures of federal awards	<u><u>\$ 7,057,931</u></u>



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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***

To the Board of Education of
Holland Public Schools

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Holland Public Schools, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Holland Public Schools' basic financial statements, and have issued our report thereon dated September 27, 2022.

Report on Internal Control Over Financial Reporting

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

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

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

Report on 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

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

Maney Costeiran PC

September 27, 2022



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

To the Board of Education of
Holland Public Schools

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Holland Public Schools' compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Holland Public Schools' major federal programs for the year ended June 30, 2022. 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.

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, 2022.

Basis for Opinion on Each Major Federal Program

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* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Holland Public Schools and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Holland Public Schools' compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Holland Public Schools' federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Holland Public Schools' compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Holland Public Schools' compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Holland Public Schools' compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Holland Public Schools' internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 Holland Public Schools' internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

Maney Costeiran PC

September 27, 2022

**HOLLAND PUBLIC SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2022**

Section I - Summary of Auditor's Results

Financial Statements

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

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes X None
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? _____ Yes X None reported

Noncompliance material to financial statements noted? _____ Yes X None

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ Yes X None
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? _____ Yes X None reported

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

Unmodified

Any audit findings that are required to be reported in accordance with Title 2 CFR Section 200.516(a)?

_____ Yes X No

Identification of major programs:

Assistance Listing Numbers	Name of Federal Program or Cluster
84.010	Title I Grants to Local Educational Agencies
84.425	COVID-19 Elementary and Secondary School Emergency Relief Fund

Dollar threshold used to distinguish between Type A and Type B programs:

\$750,000

Auditee qualified as low-risk auditee?

 X Yes _____ No

Section II - Financial Statement Findings

None

Section III - Federal Award Findings and Question Costs

None

**HOLLAND PUBLIC SCHOOLS
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2022**

There were no audit findings in the prior audit period.