



Holland Public Schools

Annual Financial Report
Year Ended June 30, 2011

Holland Public Schools

Annual Financial Report
Year Ended June 30, 2011

Holland Public Schools

Table of Contents

Table of Contents	i-ii
Independent Auditors' Report	1-3
Management's Discussion and Analysis	5-11
Basic Financial Statements	
<i>District-Wide Financial Statements</i>	
Statement of Net Assets	17
Statement of Activities	19
<i>Fund Financial Statements</i>	
Governmental Funds	
Balance Sheet	22
Reconciliation of Fund Balances of Governmental Funds to Net Assets on the Statement of Net Assets	23
Statement of Revenues, Expenditures and Changes in Fund Balances	24-25
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	26
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget to Actual - General Fund	27
Fiduciary Funds	
Statement of Fiduciary Net Assets	28
Statement of Changes in Fiduciary Net Assets	29
<i>Notes to Financial Statements</i>	31-44
Combining, Individual Fund Financial Statements and Schedules	
General Fund	
Schedule of Revenues and Other Financing Sources - Budget to Actual	47
Schedule of Expenditures and Other Financing Uses - Budget to Actual	48-51
Nonmajor Governmental Funds	
Combining Balance Sheet	54-55
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	56-57
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget to Actual - Food Service Fund	58
Agency Fund	
Statement of Changes in Assets and Liabilities	61

Holland Public Schools

Table of Contents

Schedules of Debt Service Requirements	
1992 Refunding Bonds	65
2010 Building and Site Bonds, Series A - Qualified School Construction Bonds	66
2010 Building and Site Bonds, Series B - Build America Bonds	67
Single Audit	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	71-73
Report on Compliance With Requirements That Could Have a Direct and Material Effect on Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133	77-79
Schedule of Expenditures of Federal Awards	82-87
Note to Schedule of Expenditures of Federal Awards	91
Schedule of Findings and Questioned Costs	95

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Independent Auditors' Report

Board of Education
Holland Public Schools
Holland, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Holland Public Schools (the District) as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements. These financial statements are the responsibility of the management of the District. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Holland Public Schools at June 30, 2011, and the respective changes in financial position and budgetary comparison for the general fund for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

As described in Note 12 to the financial statements, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 25, 2011 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying schedule of expenditures of federal awards as required by OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and the combining, individual fund financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of Holland Public Schools. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

BDO USA, LLP

Certified Public Accountants
October 25, 2011

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School District of the City of Holland Management's Discussion and Analysis For Fiscal Year Ended June 30, 2011

As management of Holland Public Schools (the District), we offer this narrative overview and analysis of the financial activities of Holland Public Schools for the year ended June 30, 2011.

Generally accepted accounting principles (GAAP) require the reporting of two types of financial statements: District-Wide Financial Statements and Fund Financial Statements.

District-Wide Financial Statements

The District-wide financial statements are prepared using full accrual accounting and more closely represent those presented by business and industry. All of the District's assets and liabilities, both short and long-term, are reported. As such, these statements include capital assets, net of related depreciation, as well as the bonded debt and other long-term liabilities of the District.

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

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

Fund Financial Statements

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

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

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

District-Wide Financial Analysis

The following schedule summarizes the net assets at June 30, 2011 and 2010.

Summary of Net Assets

	2011	2010	Change
Assets			
Current assets	\$ 82,410,170	\$ 86,934,221	\$ (4,524,051)
Capital assets	53,139,785	46,972,866	6,166,919
Less: accumulated depreciation	(27,460,603)	(26,066,566)	(1,394,037)
Capital assets, net book value	25,679,182	20,906,300	4,772,882
Deferred issuance costs	457,954	479,460	(21,506)
Total Assets	108,547,306	108,319,981	227,325
Liabilities			
Current liabilities	11,131,177	10,331,331	799,846
Noncurrent liabilities	98,409,329	101,279,601	(2,870,272)
Total Liabilities	109,540,506	111,610,932	(2,070,426)
Net Assets (Deficit)			
Invested in capital assets, net of related debt	11,404,876	11,135,753	269,123
Restricted for debt service	1,280,707	641,820	638,887
Restricted for capital projects	654,645	550,496	104,149
Unrestricted	(14,333,428)	(15,619,020)	1,285,592
Total Net Assets (Deficit)	\$ (993,200)	\$ (3,290,951)	\$ 2,297,751

Current assets decreased as the District began to spend proceeds from the three debt series which closed on June 30, 2010.

Capital assets increased during the year as the District continued to invest in school facilities. The majority of the investment during 2010-2011 went to the Phase Two Renovation of New Tech High School, the renovation at addition at Holland Heights K-7, and the construction of Holland High's soccer and tennis complex. Other major investments included four new buses, and District-wide multi-function printers. The net effect increased capital assets by \$6,166,919.

Total liabilities decreased by \$2,070,426 due to the scheduled repayment of bond related debt. The District did not borrow funds through the State Aid Cash Flow borrowings program during the year.

Capital Assets

At June 30, 2011, the District had invested \$53,139,785 in a broad range of capital assets, including school buildings and facilities, site improvements, school buses and other vehicles and various types of equipment. Depreciation expense for the year amounted to approximately \$1,394,000, bringing accumulated depreciation to \$27,460,603 as of June 30, 2011.

Capital Assets at Year-End (Net of Depreciation)

Buildings and improvements	\$ 19,824,046
Land and improvements	2,980,496
Machinery, equipment and furniture	1,992,750
Transportation equipment	881,890

\$ 25,679,182

Depreciation expense is recorded on a straight-line basis over the estimated useful lives of the assets. In accordance with accounting principles generally accepted in the United States of America, depreciation expense is calculated based on the original cost of the asset less an estimated salvage value, where applicable.

Long-Term Liabilities

At June 30, 2011, the District had approximately \$98 million in long-term obligations outstanding. This represents a decrease of about \$3 million over the amount outstanding at the close of the prior fiscal year.

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

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Results of Operations

For the fiscal years ended June 30, 2011 and 2010, the results of operations on a District-wide basis were:

	2010-11	2009-10	Change
General Revenues			
Property taxes levied for general purposes	\$ 9,162,347	\$ 9,920,903	\$ (788,556)
Property taxes levied for debt service	8,183,651	3,793,670	4,389,981
Property taxes levied for capital projects	937,184	1,016,459	(79,275)
Unrestricted state aid	20,429,237	20,595,484	(166,247)
Unrestricted federal aid	2,440,787	1,169,798	1,270,989
Investment earnings	924,607	90,664	833,943
Gain on sale of assets	-	10,418	(10,418)
Miscellaneous	669,089	434,703	234,386
Total general revenues	42,746,902	37,032,099	5,714,803
Program Revenues			
Charges for services	840,756	802,611	38,145
Operating grants and contributions	12,259,145	10,983,575	1,275,570
Total program revenues	13,099,901	11,786,186	1,313,715
Total Revenues	55,846,803	48,818,285	7,028,518
Expenses			
Instruction	26,990,499	25,117,062	1,873,437
Support services	15,636,521	15,801,231	(164,710)
Community services	629,994	862,745	(232,751)
Food service	2,044,392	1,821,121	223,271
Interest on long-term debt	6,853,609	2,236,549	4,617,060
Unallocated depreciation	1,394,037	1,263,577	130,460
Total Expenses	53,549,052	47,102,285	6,446,767
Special item	-	597,997	(597,997)
Increase in Net Assets	\$ 2,297,751	\$ 1,118,003	\$ 1,179,748

In most of the above categories, the differences between the 2009-10 fiscal year and the 2010-11 fiscal year (change) would be considered well within the normal range, with a few exceptions. The notable increases in property taxes levied for debt and interest on long-term debt is attributed to the collection and repayment of the new debt.

Costs associated with instruction expenses increased by \$1,873,437 from one fiscal year to the next. The majority of this increase is attributed to increased retirement and health insurance costs.

The support services category has shown a decrease of \$164,710 from one period to the next. This is a result of the Athletic program expenses being absorbed into this General Fund category of

expenses as per GASB pronouncement No. 54. Please review the notes to financial statements located in the financial section of this report for additional information.

Analysis of Significant Revenues and Expenditures

Significant revenues and expenditures are discussed in the segments below.

State Sources

The District is funded predominately by state aid. The State of Michigan funds districts based on a blended student enrollment. The blended enrollment consists of 75% of the current year's fall count and 25% of the prior year's spring count.

Student Enrollment

The District's enrollment for the fall count of 2010-11 was 4124 students. This is a small decrease in enrollment of 43 students from the prior fall. This modest decrease can be attributed primarily to the declining economic climate in the State of Michigan as families seek employment in other states.

	Student Count	
Fall 2010	4,124	(43)
Fall 2009	4,167	32
Fall 2008	4,135	(240)
Fall 2007	4,375	(246)
Fall 2006	4,621	(234)

Property Taxes

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

The non-homestead property tax levy is part of the state aid per pupil funding formula. For the 2010-11 fiscal year, the District's net property tax revenues for general purposes were \$9,162,347. The decrease of 7.6% from the prior year was due to a slight decrease in the District's total homestead and non-homestead property taxable value.

The District levied 6.55 mills of property taxes on all classes of property located within the District for bonded debt retirement. This levy is adjusted as property values increase or decrease and is used to pay the principal and interest on bond obligations. The total of revenues for debt retirement in the current year was \$8,183,651. This is a significant increase from the prior year due to the increased levy for repayment of the \$73.25 million in new debt.

General Fund Budgetary Highlights

The Uniform Budget Act of the State of Michigan requires that the local Board of Education approve the original budget for the upcoming fiscal year prior to its starting on July 1. Any

amendments made to the operating budget must be approved by the Board prior to the close of the fiscal year on June 30.

For the 2010-11 fiscal year, the District amended the General Fund budget two times, with the Board adopting the final changes in June 2011. The following schedule shows a comparison of the original General Fund budget, the final amended General Fund budget and actual totals from operations.

	Original Budget	Final Budget	Actual	Variance With Final Budget	% Variance
Total Revenues and Other					
Financing Sources	\$ 39,032,072	\$41,337,500	\$ 41,849,757	\$ 512,257	1.24
Expenditures and Other					
Financing Uses					
Instruction	\$ 25,848,843	\$27,024,382	\$ 27,007,447	\$ 16,935	0.06
Support services	15,197,506	15,123,118	15,113,363	9,755	0.06
Community services	963,034	630,000	629,994	6	0.00
Total Expenditures and Other					
Financing Uses	\$ 42,009,383	\$42,777,500	\$ 42,750,804	\$ 26,696	0.06

The actual revenues for the General Fund were \$41,746,259. This is above the original budget estimate of \$39,032,072 and is above the final amended budget amount of \$41,337,500 by \$512,257 or 1.22%. The actual General Fund expenditures and other financing uses were \$42,750,804. This is below the final amended budget amount of \$42,777,500.

The variance between the actual revenues and the final revenue budgets are due primarily to a one percent cushion necessary to comply with Michigan Law.

Analysis of Financial Position

The financial condition of the District declined slightly from June 30, 2010. The approximate \$900,000 decrease in the General Fund balance was the result of the District using the fund balance to offset the impact of cost increases. In previous years, the District has been able to contain costs while experiencing reductions in state aid and federal fund dollars due to declining enrollment. A District restructuring plan was implemented at the end of the 2009 fiscal year. This has and will continue to allow the District to more closely align revenues and expenditures in subsequent years.

The accumulated fund balance allows the District to provide appropriate investments to sustain long-term viability.

Factors Bearing on the District's Future

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

- With the current economic condition in the country, and especially in the State of Michigan, uncertainty surrounds the level at which districts will be funded in subsequent fiscal years.
- The State of Michigan has changed the calculation of the blended student enrollment changes for 2011-12 from 75% fall count and 25% spring count to 90% fall count and 10%

spring count. While it is difficult to predict how this will impact our District, we are encouraged by the recent stability of our student count.

- Appropriate use of grant funds will continue to be a challenge as local Districts face enhanced regulation from state and federal agencies.
- The District participates in the Michigan Public School Employees Retirement System (MPSERS). MPSERS' contribution rate was increased by 3.8% on October 1, 2011; this large increase in costs is not sustainable with stagnant revenues. The District believes that in the coming years there is the potential for much more significant actuarial increases in the MPSERS' contribution rate, primarily because retiree medical costs are not pre-funded.
- Continued focus on containing costs to match the size of the student body will be key in maintaining positive fund balance going forward.
- The 2010 bond issues passed by the stakeholders of the District will allow the District to move ahead with upgrading facilities in the next four fiscal years.

Contacting the District's Financial Management

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

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Basic Financial Statements

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District-Wide Financial Statements

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Holland Public Schools
District-Wide Financial Statements
Statement of Net Assets

<i>June 30, 2011</i>	Governmental Activities
Assets	
Current Assets	
Cash and investments (Note 3)	\$ 76,576,805
Accounts receivable	11,403
Due from other governmental units	5,665,519
Inventories	31,707
Other current assets	124,736
Total current assets	82,410,170
Noncurrent Assets	
Land	612,475
Capital assets, net of accumulated depreciation (Note 5)	25,066,707
Deferred issuance costs	457,954
Total noncurrent assets	26,137,136
Total Assets	108,547,306
Liabilities	
Current Liabilities	
Accounts payable	1,475,290
Accrued payroll and benefits	3,457,549
Accrued interest	775,015
Due to other governmental units	11,324
Unearned revenue	373,999
Current portion of long-term obligations (Note 6)	5,038,000
Total current liabilities	11,131,177
Noncurrent Liabilities	
Noncurrent portion of long-term obligations (Note 6)	98,409,329
Total Liabilities	109,540,506
Net Assets (Deficit)	
Invested in capital assets, net of related debt	11,404,876
Restricted for debt service	1,280,707
Restricted for capital projects	654,645
Unrestricted	(14,333,428)
Total Net Deficit	\$ (993,200)

See accompanying notes to financial statements.

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Holland Public Schools
District-Wide Financial Statements
Statement of Activities

<i>Year ended June 30, 2011</i>	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Primary Governmental Activities
Primary Government				
Governmental activities:				
Instruction	\$ 26,990,499	\$ 161,183	\$ 8,580,668	\$ (18,248,648)
Support services	15,636,521	220,289	2,136,232	(13,280,000)
Community services	629,994	44,561	-	(585,433)
Food service	2,044,392	414,723	1,542,245	(87,424)
Interest on long-term debt	6,853,609	-	-	(6,853,609)
Unallocated depreciation	1,394,037	-	-	(1,394,037)
Total Primary Government	\$ 53,549,052	\$ 840,756	\$ 12,259,145	(40,449,151)
General revenues:				
Property taxes levied for general purposes				9,162,347
Property taxes levied for debt service				8,183,651
Property taxes levied for capital projects				937,184
Unrestricted state aid				20,429,237
Unrestricted federal aid				2,440,787
Miscellaneous general revenues				669,089
Investment earnings				924,607
Total general revenues				42,746,902
Change in net deficit				2,297,751
Net Deficit, beginning of year				(3,290,951)
Net Deficit, end of year				\$ (993,200)

See accompanying notes to financial statements.

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Fund Financial Statements

Holland Public Schools

Governmental Funds Balance Sheet

<i>June 30, 2011</i>	General	Capital Projects 2010 QSCB Fund	Capital Projects 2010 Prop 1 Fund	Capital Projects 2010 Prop 2 Fund	Other Governmental Funds	Total Governmental Funds
Assets						
Cash and investments (Note 3)	\$ 2,820,528	\$ 14,691,610	\$ 42,411,089	\$ 11,284,974	\$ 5,368,604	\$ 76,576,805
Accounts receivable	10,123	-	4,986	-	624	15,733
Due from other funds (Note 4)	18,056	101,747	-	-	-	119,803
Due from other governmental units	5,617,846	-	-	-	47,673	5,665,519
Inventories	1,890	-	-	-	29,817	31,707
Other current assets	119,126	-	-	-	-	119,126
Total Assets	\$ 8,587,569	\$ 14,793,357	\$ 42,416,075	\$ 11,284,974	\$ 5,446,718	\$ 82,528,693
Liabilities and Fund Balances						
Liabilities						
Accounts payable	\$ 1,016,980	\$ -	\$ 158,813	\$ 296,578	\$ 2,918	\$ 1,475,289
Accrued payroll liabilities	3,430,861	-	-	-	20,039	3,450,900
Due to other funds (Note 4)	-	-	101,747	-	16,776	118,523
Due to other governmental units	11,324	-	-	-	-	11,324
Deferred revenue	335,930	-	-	-	38,069	373,999
Total liabilities	4,795,095	-	260,560	296,578	77,802	5,430,035
Fund Balances						
Nonspendable:						
Inventories	121,016	-	-	-	29,817	150,833
Restricted:						
Capital projects	-	14,793,357	42,155,515	10,988,396	2,525,368	70,462,636
Debt retirement	-	-	-	-	2,346,088	2,346,088
Food service	-	-	-	-	467,643	467,643
Assigned for subsequent year expenditures	2,941,574	-	-	-	-	2,941,574
Assigned for retirement contracts payable	8,000	-	-	-	-	8,000
Unassigned in general fund	721,884	-	-	-	-	721,884
Total fund balances	3,792,474	14,793,357	42,155,515	10,988,396	5,368,916	77,098,658
Total Liabilities and Fund Balances	\$ 8,587,569	\$ 14,793,357	\$ 42,416,075	\$ 11,284,974	\$ 5,446,718	\$ 82,528,693

See accompanying notes to financial statements.

Holland Public Schools

Reconciliation of Fund Balances of Governmental Funds to Net Assets on the Statement of Net Assets

June 30, 2011

Total fund balances - total governmental funds (from page 22) \$ 77,098,658

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

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

Capital assets, at cost	\$ 53,139,785	
Accumulated depreciation	(27,460,603)	
Net capital assets	<u>25,679,182</u>	25,679,182

Other long-term assets are not available to pay for current-period
expenditures and, therefore, are deferred in the funds.

These assets consist of:

Deferred issuance costs, bond-related	457,954
---------------------------------------	---------

Claims incurred but not reported for self-insurance are not due and payable
in the current period and, therefore, are not reported in the funds. (6,650)

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

Bonds payable	(81,711,305)	
Accrued interest on bonds payable	(775,015)	
Accrued interest on capital appreciation bonds	(21,728,024)	
Retirement contracts payable	(8,000)	
Total long-term liabilities	<u>(104,222,344)</u>	(104,222,344)

Net Deficit of Governmental Activities \$ (993,200)

See accompanying notes to financial statements.

Holland Public Schools

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

<i>Year ended June 30, 2011</i>	General	Capital Projects 2010 QSCB Fund
Revenues		
Local sources:		
Property taxes	\$ 9,162,346	\$ -
Other local sources	346,038	228,830
Intermediate sources	5,102,939	-
State sources	22,840,379	-
Federal sources	4,294,557	-
Total revenues	41,746,259	228,830
Expenditures		
Instruction	27,007,447	-
Support services	15,113,363	-
Community services	629,994	-
Food service	-	-
Debt retirement:		
Redemption of principal	-	-
Interest and fiscal charges	-	-
Capital outlay	-	320,588
Total expenditures	42,750,804	320,588
Excess (deficiency) of revenues over expenditures	(1,004,545)	(91,758)
Other Financing Sources		
Insurance reimbursement	103,498	-
Changes in fund balances	(901,047)	(91,758)
Fund Balances, beginning of year, as restated (Note 12)	4,693,521	14,885,115
Fund Balances, end of year	\$ 3,792,474	\$ 14,793,357

Holland Public Schools

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

Capital Projects 2010 Prop 1 Fund	Capital Projects 2010 Prop 2 Fund	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 9,714,889	\$ 18,877,235
547,310	203,524	-	1,325,702
-	-	-	5,102,939
-	-	78,330	22,918,709
-	-	3,224,164	7,518,721
547,310	203,524	13,017,383	55,743,306
-	-	-	27,007,447
-	-	-	15,113,363
-	-	-	629,994
-	-	2,044,392	2,044,392
-	-	1,267,221	1,267,221
-	-	7,007,391	7,007,391
3,927,760	1,522,629	919,621	6,690,598
3,927,760	1,522,629	11,238,625	59,760,406
(3,380,450)	(1,319,105)	1,778,758	(4,017,100)
-	-	-	103,498
(3,380,450)	(1,319,105)	1,778,758	(3,913,602)
45,535,965	12,307,501	3,590,158	81,012,260
\$ 42,155,515	\$ 10,988,396	\$ 5,368,916	\$ 77,098,658

See accompanying notes to financial statements.

Holland Public Schools

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

Year ended June 30, 2011

Changes in fund balances - total governmental funds (from page 25) \$ (3,913,602)

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

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

Capital outlay	\$ 6,166,919	
Depreciation expense	(1,394,037)	
Net effect of capital outlays		4,772,882

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

Principal payments	1,267,221	
Payment of accrued interest on capital appreciation bonds	3,117,779	
Amortization of deferred issuance costs	(21,506)	
		4,363,494

Claims incurred but not reported for self-insurance are not due and payable
in the current period and, therefore, are not reported in the funds. 520

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

Accrued interest on bonds	(2,942,491)	
Retirement contracts	16,948	
Net effect of long-term liabilities		(2,925,543)

Change in Net Deficit of Governmental Activities \$ 2,297,751

See accompanying notes to financial statements.

Holland Public Schools

General Fund Statement of Revenues, Expenditures and Changes in Fund Balance - Budget to Actual

<i>Year ended June 30, 2011</i>	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues				
Property taxes	\$ 9,130,058	\$ 9,181,000	\$ 9,162,346	\$ (18,654)
Other local sources	328,000	330,380	346,038	15,658
Intermediate sources	4,417,754	5,076,000	5,102,939	26,939
State sources	20,644,621	22,428,000	22,840,379	412,379
Federal sources	4,511,639	4,218,620	4,294,557	75,937
Total revenues	39,032,072	41,234,000	41,746,259	512,259
Expenditures				
Instruction	25,848,843	27,024,382	27,007,447	16,935
Support services	15,197,506	15,123,118	15,113,363	9,755
Community services	963,034	630,000	629,994	6
Total expenditures	42,009,383	42,777,500	42,750,804	26,696
Deficiency of revenues over expenditures	(2,977,311)	(1,543,500)	(1,004,545)	538,955
Other Financing Sources				
Insurance reimbursement	-	103,500	103,498	(2)
Changes in fund balance	(2,977,311)	(1,440,000)	(901,047)	538,953
Fund Balance, beginning of year, as restated (Note 12)	4,693,521	4,693,521	4,693,521	-
Fund Balance, end of year	\$ 1,716,210	\$ 3,253,521	\$ 3,792,474	\$ 538,953

See accompanying notes to financial statements.

Holland Public Schools
Fiduciary Funds
Statement of Fiduciary Net Assets

<i>June 30, 2011</i>	Scholarship Trust Fund	Agency Fund
Assets		
Cash and investments (Note 3)	\$ 504,612	\$ 290,110
Accounts receivable	-	445
<hr/>		
Total Assets	504,612	\$ 290,555
<hr/>		
Liabilities		
Accounts payable	-	\$ 31
Due to other funds (Note 4)	-	1,280
Due to student groups	-	289,244
<hr/>		
Total Liabilities	-	\$ 290,555
<hr/>		
Net Assets	\$ 504,612	

See accompanying notes to financial statements.

Holland Public Schools
Fiduciary Funds
Statement of Changes in Fiduciary Net Assets

<i>Year ended June 30, 2011</i>	Scholarship Trust Fund
<hr/>	
Additions	
Contributions	\$ 988
Investment income	3,461
<hr/>	
Total additions	4,449
<hr/>	
Deductions	
Other expenses	28,552
<hr/>	
Change in net assets	(24,103)
Net Assets, beginning of year	528,715
<hr/>	
Net Assets, end of year	\$ 504,612
<hr/>	

See accompanying notes to financial statements.

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Holland Public Schools

Notes to Financial Statements

1. Summary of Significant Accounting Policies

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

Reporting Entity

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

Basis of Presentation

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

The statement of net assets presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets.

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

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

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

Holland Public Schools

Notes to Financial Statements

Governmental Funds

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

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

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

Debt Retirement Funds are used to account for and report financial resources that are restricted, committed or assigned to expenditure for principal and interest.

Capital Projects Fund are used to account for and report financial resources that are restricted, committed or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital projects. The District has five capital projects funds: the Property Sales Fund, the 1998 Sinking Fund, the 2010 QSCB Fund, the 2010 Prop 1 Fund, and the 2010 Prop 2 Fund. The 2010 QSCB, 2010 Prop 1 Fund and 2010 Prop 2 Funds are considered major funds, and the significant sources of revenues are bond proceeds and investment income.

Fiduciary Funds

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

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

Measurement Focus and Basis of Accounting

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

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

Holland Public Schools

Notes to Financial Statements

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 generally are followed in the District-wide financial statements to the extent that those standards do not conflict with GASB guidance.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within the current period or soon enough after to pay liabilities for the current period. The District considers most revenues available if collected within 60 days after year-end, including property taxes, state aid and interest; a 90-day window is used for entitlement funds and grants.

Expenditures are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in Governmental Funds.

State Foundation Revenue

The State of Michigan provides funds through a foundation grant approach, which provides for a specific annual amount of revenue per student based on a statewide formula. The foundation is funded from state and local sources. Revenues from state sources primarily are governed by the School Aid Act and the School Code of Michigan. For the year ended June 30, 2011, the foundation allowance was based on the blended average of student membership counts taken in February and September 2010.

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

During 2011, the state reduced the foundation grant to the District in the amount of \$482,676. The loss in state funds was offset by federal monies awarded through the American Recovery and Reinvestment Act (ARRA) of 2009.

State Categorical Revenue

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

Federal Revenue

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

Holland Public Schools

Notes to Financial Statements

Budgets and Budgetary Accounting

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

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

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

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

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

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

Investments

Investments are recorded at fair value based on quoted market prices. Net unrealized losses on investments as of June 30, 2011 were approximately \$146,000.

Inventories

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

Capital Assets

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

Holland Public Schools

Notes to Financial Statements

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

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

Compensated Absences

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

Long-Term Obligations

In the District-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. In the fund financial statements, the face amount of new debt issued is reported as other financing sources.

Net Assets

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

Fund Balance

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

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

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

Holland Public Schools

Notes to Financial Statements

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

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

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

Property Taxes

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

Interfund Activity

During the course of its operations, the District has various transactions between funds. The District annually transfers funds to the Capital Projects Funds as needed for specific projects. To the extent that certain transactions had not been paid or received as of June 30, 2011, balances of interfund receivables or payables have been recorded.

Use of Estimates

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

2. Stewardship, Compliance and Accountability

At June 30, 2011, the following funds had expenditures in excess of budget.

<i>Fund</i>	Budget	Actual	Variance
Food Service	\$ 1,943,000	\$ 2,044,392	\$ 101,392

Revenues and/or fund balance were sufficient to cover the excess expenditures.

3. Cash and Investments

Deposits

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

Holland Public Schools

Notes to Financial Statements

Custodial Credit Risk Related to Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits might not be recovered. The District's policy for mitigating custodial credit risk is to allow deposits only in approved depositories. At June 30, 2011, \$11,712,199 of the District's bank balances of \$12,462,199 was uninsured and uncollateralized.

Investments

At June 30, 2011, the District had the following investments:

<i>Investment</i>	<i>Fair Value</i>
Fifth Third Institutional Money Market Funds	\$ 2,784,481
U.S. Government Agencies	62,768,691
Michigan Class Fund (MI Class)	3,277,863
Michigan Liquid Asset Fund (MILAF)	37,520
Total	\$ 68,868,555

Interest Rate Risk

Interest rate risk is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates. The District mitigates this risk by requiring all investments to mature or be redeemable within four years of the date of purchase. All of the District's investments have maturity dates or are redeemable in of less than four years. The investments related to 2010 bond proceeds have redemption dates timed according to cash flow needs. At June 30, 2011, the District had the following investments subject to interest rate risk and related maturities:

<i>Investment Type</i>	<i>Fair Value</i>	<i>Maturity</i>			
		<i>Less Than 1 Year</i>	<i>1-5 Years</i>	<i>6-10 Years</i>	<i>More Than 10 Years</i>
Money Market Funds	\$ 2,784,481	\$ 2,784,481	\$ -	\$ -	\$ -
Michigan Class Fund (MI CLASS)	3,277,863	3,277,863	-	-	-
Michigan Liquid Asset Fund (MILAF)	37,520	37,520	-	-	-
U.S. Government Agencies	62,768,691	-	5,249,800	4,396,670	53,122,221
Total	\$ 68,868,555	\$ 6,099,864	\$ 5,249,800	\$ 4,396,670	\$ 53,122,221

Credit Risk

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

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

Holland Public Schools

Notes to Financial Statements

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

The District's investments in MILAF and MI Class are classified as Municipal Investment Funds. All Municipal Investment Funds are invested in accordance with the School Code. Each school district owns a pro rata share of each investment, which is held in the name of the Fund. At June 30, 2011, the Michigan Liquid Asset Fund, Michigan Class Fund and the Fifth Third Institutional Money Market Funds were rated AAAM by Standard & Poor's. The District's investment in U.S. Government Agencies is comprised of \$5,051,105 of U.S. Treasury/Agency Securities and \$57,717,586 of asset-backed securities. The U.S. Treasury/Agency Securities are Rated AAA by Standard & Poor's; the asset-backed securities are not rated.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the District's investment in a single issuer. The District does not have an investment policy that limits the amount that may be invested in any one issuer. The City minimizes concentration of credit risk by investing primarily in U.S. government guaranteed and pooled investments. Excluding U.S. government agencies, mutual funds and pooled investments, no single investment exceeded 5% of total investments at June 30, 2011.

4. Interfund Activity

Interfund balances at June 30, 2011 are as follows:

<i>Fund</i>	Interfund Receivable	Interfund Payable
General	\$ 18,056	\$ -
Capital Projects 2010 QSCB	101,747	-
Capital Projects 2010 Prop 1	-	101,747
Non-major governmental funds	-	16,776
Agency	-	1,280
	<hr/>	<hr/>
	\$ 119,803	\$ 119,803

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Holland Public Schools
Notes to Financial Statements

5. Capital Assets

The following summarizes capital assets activity for the year ended June 30, 2011.

	Balance, July 1, 2010	Additions	Deletions	Balance, June 30, 2011
Governmental Activities				
Capital assets not depreciated:				
Land	\$ 612,475	\$ -	\$ -	\$ 612,475
Capital assets being depreciated:				
Buildings	36,358,953	3,134,916	-	39,493,869
Land improvements	3,269,872	1,523,135	-	4,793,007
Furniture and equipment	4,777,302	1,063,512	-	5,840,814
Transportation equipment	1,954,264	445,356	-	2,399,620
Totals at historical cost	46,972,866	6,166,919	-	53,139,785
Less accumulated depreciation for:				
Buildings	18,894,603	775,220	-	19,669,823
Land improvements	2,329,096	95,890	-	2,424,986
Furniture and equipment	3,436,993	411,071	-	3,848,064
Transportation equipment	1,405,874	111,856	-	1,517,730
Total accumulated depreciation	26,066,566	1,394,037	-	27,460,603
Net Capital Assets	\$ 20,906,300	\$ 4,772,882	\$ -	\$ 25,679,182

Depreciation for the year ended June 30, 2011 was \$1,394,037. The District determined that it was impractical to allocate depreciation to various governmental activities as the assets serve multiple functions. The District had approximately \$1,100,000 of idle assets at June 30, 2011.

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Holland Public Schools

Notes to Financial Statements

6. Long-Term Obligations

The following is a summary of changes in long-term obligations for the District for the year ended June 30, 2011.

	Balance, July 1, 2010	Additions	Deductions	Balance, June 30, 2011	Due Within One Year
Bonds payable	\$ 82,978,526	\$ -	\$ 1,267,221	\$ 81,711,305	\$ 1,713,949
Accrued interest on capital appreciation bonds	22,678,327	2,167,476	3,117,779	21,728,024	3,316,051
Retirement contracts payable	24,948	-	16,948	8,000	8,000
	\$ 105,681,801	\$ 2,167,476	\$ 4,401,948	\$ 103,447,329	\$ 5,038,000

The retirement contracts liability is normally liquidated by the General Fund.

Bonds payable June 30, 2011 are comprised of the following individual issues:

	Principal Outstanding	Remaining Interest Requirements
1992 Refunding Bonds, Capital Appreciation Bonds, due in annual installments of \$919,917 to \$1,213,949 from May 1, 2012 through May 1, 2019, interest at 6.75% to 6.80%.	\$ 8,461,305	\$ 31,643,695
2010 School Building and Site Bonds, Series A, Qualified School Construction Bonds, single principal payment due on May 1, 2027, interest at 6.30%.	15,000,000	15,120,000
2010 School Building and Site Bonds, Series B, Build America Bonds, due in annual installments of \$500,000 to \$3,625,000 from May 1, 2012 through May 1, 2035, interest at 1.85% to 6.79%.	58,250,000	62,161,072
	\$ 81,711,305	\$ 108,924,767

The 1992 bond issue consists of capital appreciation bonds. The bonds, upon which no interest is paid, appreciate in value over time to \$44,490,000. Starting May 1, 2011, the bonds mature annually through 2019. Interest accrues on these bonds semi-annually in November and May, even though the interest is not paid until maturity.

The 2010 Building and Site Bonds, Series A, Qualified School Construction Bonds require the District to deposit \$1,000,000 annually into a "set-aside" account beginning on May 1, 2013. The amount to be deposited each year should be reduced by the interest earned on the set-aside account from the previous year. The principal repayment of \$15,000,000, due on May 1, 2027, will be paid from the deposits made into the set-aside account and the interest earnings from that account. In addition, because the District has designated these bonds as "Qualified School

Holland Public Schools

Notes to Financial Statements

Construction Bonds," the District expects to receive a direct payment from the United States Treasury to cover a portion of the interest to be paid on the bonds. The federal subsidy interest rate is 5.39%.

The 2010 Building and Site Bonds, Series B, Build America Bonds require one principal payment of \$500,000 on May 1, 2012, then annual payments between \$3,600,000 and \$3,625,000 beginning May 1, 2020 through May 1, 2035. In addition, because the District has designated these bonds as "Build America Bonds," the District expects to receive a direct payment from the United States Treasury to cover 35% of the annual interest due on the bonds. The interest requirements for the Series A and B 2010 Bonds are shown at the gross amount in the accompanying schedule of maturities.

Early Retirement Incentive/Retirees Insurance

The District had an early retirement incentive plan that offered an initial payment of \$5,300 within 30 days following the last working day, or January 5 of the next calendar year. Each subsequent year a payment of \$1,600 is made, with a maximum of seven annual payments. Under this plan, the District also offers health insurance for the five years following retirement, or until the teacher reaches 62 years of age. This plan was not offered during the fiscal year ended June 30, 2011.

Debt Service Requirements

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

<i>Year ending June 30,</i>	Principal	Interest	Total
2012	\$ 1,713,949	\$ 7,966,141	\$ 9,680,090
2013	1,168,542	8,132,298	9,300,840
2014	1,116,834	8,334,006	9,450,840
2015	1,067,391	8,488,449	9,555,840
2016	1,027,787	8,673,053	9,700,840
2017 - 2021	10,066,802	36,271,918	46,338,720
2022 - 2026	18,000,000	19,084,000	37,084,000
2027 - 2031	33,050,000	9,513,528	42,563,528
2032 - 2035	14,500,000	2,461,374	16,961,374
	\$ 81,711,305	\$ 108,924,767	\$ 190,636,072

7. Employee Retirement System - Defined Benefit Plan

Plan Description

The District contributes to the statewide Michigan Public School Employees' Retirement System (MPSERS), a cost-sharing, multiple-employer defined benefit pension plan administered by the nine-member board of the MPSERS. The MPSERS was established by the State of Michigan under Public Act 136 of 1945 to provide retirement, survivor and disability benefits to public school employees. In addition, the health plan provides all retirees with the option of receiving health, dental and vision coverage under the Michigan Public School Employees' Retirement Act. The

Holland Public Schools

Notes to Financial Statements

MPERS currently operates under the provisions of Public Act 300 of 1980, as amended. The MPERS issues a publicly available financial report that includes financial statements and required supplementary information for MPERS. That report may be obtained by contacting the Michigan Public School Employees' Retirement System, P.O. Box 30171, Lansing, Michigan 48909.

The regular retirement benefit is based on a member's years of credited service and final average compensation. Final average compensation is calculated based on the member's highest total wages earned during a specific period of consecutive calendar months, divided by the service credit accrued during that same period.

Pension Reform 2010

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

Funding Policy

Basic Plan members make no contributions. Member Investment Plan (MIP) members enrolled in MIP prior to January 1, 1990 contribute a permanently fixed rate of 3.9% of gross wages. Members first hired between January 1, 1990 and June 30, 2008, and returning members who did not work between January 1, 1987 and December 31, 1989, contribute at the following graduated permanently fixed contribution rate: 3.0% of the first \$5,000; 3.6% of \$5,001 through \$15,000; 4.3% of all wages over \$15,000. Members first hired July 1, 2008 or later, including Pension Plus Plan members, contribute at the following graduated permanently fixed contribution rates: 3.0% of the first \$5,000; 3.6% of \$5,001 through \$15,000; 6.4% of all wages over \$15,000.

The District is required to contribute the full actuarial funding contribution amount to fund pension benefits. Employer contributions to MPERS are determined on an actuarial basis using the entry age normal actuarial cost method for both pension benefits and OPEB. The rates for the year ended June 30, 2011 were 16.94% from July 1, 2010 through September 30, 2010. From October 1, 2010 through October 31, 2010, the rates were 19.41% and 17.91% for the Pension Plus Plan. From November 1, 2010 through June 30, 2011, rates were 20.66% and 19.16% for the Pension Plus Plan. In addition, the District is required to match 50% up to 1% of the employee's contribution in the Pension Plus Plan. The contribution requirements of plan members and the District are established and may be amended by the MPERS Board of Trustees.

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

<i>Year ended June 30,</i>	Employer Contribution
2011	\$ 4,749,939
2010	3,925,540
2009	3,991,774

Holland Public Schools

Notes to Financial Statements

Other Postemployment Benefits

Retirees have the option of health coverage, which is currently funded on a cash disbursement basis. A significant portion of the premium is paid by MPSERS, with the balance deducted from the monthly pension of each retiree health care recipient. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions. Public Act 75 of 2010 requires each actively employed member of MPSERS after June 30, 2010 to contribute 3.0% (or 1.5%) of their compensation to offset employer contributions for health care benefits of current retirees. For each school year that begins on or after July 1, 2011, members shall contribute 3.0% of compensation into the health care funding account. Effective April 1, 2011, a court order eliminated this requirement. The court order is being appealed by the State of Michigan.

8. Risk Management and Benefits

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

9. Sinking Fund

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

10. Contingencies

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

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

11. Commitments

The District has entered into an agreement with a third party under which the District is obligated to pay approximately \$65,000 per month for various custodial services. The agreement is for the period June 30, 2011 through June 30, 2014, after which the agreement is renewable for one-year periods unless cancelled by either party.

The District also has an agreement with an outside vendor to purchase printing and copying services. This agreement was entered into in December 2004 and was for a term of four-and-a-half years, and renews for additional one-year periods unless cancelled by either party. Expenditures for the year ended June 30, 2011 were approximately \$200,000.

At June 30, 2011, the District had construction commitments of approximately \$13,640,000.

Holland Public Schools
Notes to Financial Statements

12. New Pronouncement

In 2011, the District implemented Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The pronouncement changes the classifications of fund balance and provides a new definition for special revenue funds.

July 1, 2010

Fund balance, General Fund, as previously reported	\$ 4,633,574
Reclassification of Athletics fund balance	59,947
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Fund Balance, General Fund, as restated	\$ 4,693,521

General Fund

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Holland Public Schools
General Fund
Schedule of Revenues and Other Financing Sources
Budget and Actual

<i>Year ended June 30, 2011</i>	Final Budget	Actual	Variance Positive (Negative)
Revenues			
Local Sources			
Property tax, other taxes and interest	\$ 9,181,000	\$ 9,162,346	\$ (18,654)
Fees and charges	20,000	20,185	185
Investment income	17,500	19,940	2,440
Other	292,880	305,913	13,033
Total revenues from local sources	9,511,380	9,508,384	(2,996)
Intermediate Sources	5,076,000	5,102,939	26,939
State Sources			
Unrestricted grants	20,983,900	21,117,223	133,323
Other grants	1,444,100	1,723,156	279,056
Total revenues from state sources	22,428,000	22,840,379	412,379
Federal Sources	4,218,620	4,294,557	75,937
Other Financing Sources			
Insurance reimbursement	103,500	103,498	(2)
Total Revenues and Other Financing Sources	\$ 41,337,500	\$ 41,849,757	\$ 512,257

Holland Public Schools

General Fund Schedule of Expenditures and Other Financing Uses Budget and Actual

<i>Year ended June 30, 2011</i>	Salaries	Employee Benefits	Purchased Services
Expenditures			
Instruction			
Basic programs:			
Elementary	\$ 7,126,054	\$ 3,818,629	\$ 316,711
High school	4,227,630	2,283,272	222,832
Early childhood	171,127	88,447	11,610
Total basic programs	11,524,811	6,190,348	551,153
Added needs:			
Special education	3,667,634	1,864,075	286,560
Compensatory education	890,768	422,653	44,518
Vocational education	164,484	87,134	684
Adult education	78,294	13,461	1,071
Total added needs	4,801,180	2,387,323	332,833
Total instruction	16,325,991	8,577,671	883,986
Support Services			
Student services:			
Counseling	358,339	160,267	113
Health	273,145	141,627	10,680
Psychological	278,237	129,218	602
Speech	524,352	276,351	7,419
Social work	486,750	269,764	1,221
Teacher consultant	276,795	155,567	555
Other	110,946	55,895	-
Total student services	2,308,564	1,188,689	20,590
Instructional staff:			
Improvement of instruction	640,099	271,829	453,594
Media services	134,658	67,423	14,008
Technology	-	-	23,970
Supervision and direction	160,049	63,461	124,189
Total instructional staff	934,806	402,713	615,761

Holland Public Schools

General Fund Schedule of Expenditures and Other Financing Uses Budget and Actual

Supplies, Materials and Other Expenses	Capital Outlay	Total Actual Expenditures	Final Budget	Variance Positive (Negative)
\$ 556,879	\$ 12,278	\$ 11,830,551	\$ 11,901,271	\$ 70,720
432,899	173,356	7,339,989	7,251,812	(88,177)
5,413	-	276,597	303,917	27,320
995,191	185,634	19,447,137	19,457,000	9,863
17,387	-	5,835,656	5,840,647	4,991
14,271	-	1,372,210	1,372,777	567
2,099	47	254,448	253,958	(490)
5,170	-	97,996	100,000	2,004
38,927	47	7,560,310	7,567,382	7,072
1,034,118	185,681	27,007,447	27,024,382	16,935
8,883	-	527,602	541,047	13,445
1,371	-	426,823	442,900	16,077
2,312	-	410,369	400,126	(10,243)
2,992	-	811,114	811,650	536
601	-	758,336	744,682	(13,654)
2,237	-	435,154	432,813	(2,341)
-	-	166,841	174,400	7,559
18,396	-	3,536,239	3,547,618	11,379
37,445	-	1,402,967	1,458,929	55,962
30,038	-	246,127	236,638	(9,489)
234,967	26,599	285,536	276,285	(9,251)
4,484	-	352,183	349,148	(3,035)
306,934	26,599	2,286,813	2,321,000	34,187

Holland Public Schools

General Fund Schedule of Expenditures and Other Financing Uses Budget and Actual

<i>Year ended June 30, 2011</i>	Salaries	Employee Benefits	Purchased Services
Support Services (continued)			
General administration	\$ 242,210	\$ 71,487	\$ 172,191
School administration	1,303,986	511,084	46,750
Business office:			
Fiscal	190,655	85,598	10,200
Other	-	-	18,554
Total business office	190,655	85,598	28,754
Operations and maintenance	347,455	170,436	1,568,317
Security	51,816	22,995	52,500
Student transportation	498,234	156,102	149,674
Athletics	254,366	78,753	350,167
Other support services:			
Technology	211,791	90,424	214,783
Staff services	251,870	104,049	10,070
Communication services	19,706	5,427	171,364
Other	117,674	38,805	998
Total other support services	601,041	238,705	397,215
Total support services	6,733,133	2,926,562	3,401,919
Community Services	407,386	166,171	21,690
Total Expenditures	\$ 23,466,510	\$ 11,670,404	\$ 4,307,595

Holland Public Schools

General Fund Schedule of Expenditures and Other Financing Uses Budget and Actual

Supplies, Materials and Other Expenses	Capital Outlay	Total Actual Expenditures	Final Budget	Variance Positive (Negative)
\$ 15,664	\$ 6,832	\$ 508,384	\$ 513,000	\$ 4,616
42,134	204	1,904,158	1,930,000	25,842
9,230	-	295,683	301,200	5,517
5,042	-	23,596	20,800	(2,796)
14,272	-	319,279	322,000	2,721
1,035,791	100,092	3,222,091	3,219,645	(2,446)
-	-	127,311	130,355	3,044
106,838	76,206	987,054	965,000	(22,054)
53,091	12,920	749,297	762,000	12,703
72,301	77,588	666,887	651,970	(14,917)
10,615	-	376,604	367,760	(8,844)
64,762	510	261,769	225,270	(36,499)
-	10,000	167,477	167,500	23
147,678	88,098	1,472,737	1,412,500	(60,237)
1,740,798	310,951	15,113,363	15,123,118	9,755
34,747	-	629,994	630,000	6
\$ 2,809,663	\$ 496,632	\$ 42,750,804	\$ 42,777,500	\$ 26,696

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Nonmajor Governmental Funds

Holland Public Schools
Nonmajor Governmental Funds
Combining Balance Sheet

<i>June 30, 2011</i>	Special Revenue	Debt Retirement		
	Food Service	Old Debt Fund	QSCB - 1	QSCB - 2
Assets				
Cash and investments	\$ 495,536	\$ 289,961	\$ 737,794	\$ 1,317,507
Due from other governmental units	46,720	405	86	335
Interest receivable	-	-	-	-
Inventories	29,817	-	-	-
Total Assets	\$ 572,073	\$ 290,366	\$ 737,880	\$ 1,317,842
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 2,918	\$ -	\$ -	\$ -
Accrued payroll liabilities	20,039	-	-	-
Due to other funds	13,587	-	-	-
Deferred revenue	38,069	-	-	-
Total liabilities	74,613	-	-	-
Fund Balances				
Nonspendable - inventories	29,817	-	-	-
Restricted for food service	467,643	-	-	-
Restricted for debt retirement	-	290,366	737,880	1,317,842
Restricted for capital projects	-	-	-	-
Total fund balances	497,460	290,366	737,880	1,317,842
Total Liabilities and Fund Balances	\$ 572,073	\$ 290,366	\$ 737,880	\$ 1,317,842

Holland Public Schools
Nonmajor Governmental Funds
Combining Balance Sheet

Capital Projects			
Property Sales Fund	1998 Sinking Fund		Total
\$ 1,873,288	\$ 654,518		\$ 5,368,604
-	127		47,673
624	-		624
-	-		29,817
\$ 1,873,912	\$ 654,645		\$ 5,446,718
\$ -	\$ -		\$ 2,918
-	-		20,039
3,189	-		16,776
-	-		38,069
3,189	-		77,802
-	-		29,817
-	-		467,643
-	-		2,346,088
1,870,723	654,645		2,525,368
1,870,723	654,645		5,368,916
\$ 1,873,912	\$ 654,645		\$ 5,446,718

Holland Public Schools

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

<i>Year ended June 30, 2011</i>	Special Revenue	Debt Retirement		
	Food Service	Old Debt Fund	QSCB - 1	QSCB - 2
Revenues				
Local sources	\$ 414,723	\$ 4,033,866	\$ 852,659	\$ 3,332,106
State sources	78,330	-	-	-
Federal sources	1,463,915	-	675,996	1,084,253
Total revenues	1,956,968	4,033,866	1,528,655	4,416,359
Expenditures				
Food service	2,044,392	-	-	-
Debt retirement:				
Redemption of principal	-	1,267,221	-	-
Interest and fiscal charges	-	3,118,099	790,775	3,098,517
Capital outlay	-	-	-	-
Total expenditures	2,044,392	4,385,320	790,775	3,098,517
Changes in fund balances	(87,424)	(351,454)	737,880	1,317,842
Fund Balances, beginning of year	584,884	641,820	-	-
Fund Balances, end of year	\$ 497,460	\$ 290,366	\$ 737,880	\$ 1,317,842

Holland Public Schools

Nonmajor Governmental Funds

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Capital Projects			
Property Sales Fund	1998 Sinking Fund		Total
\$ 140,826	\$ 940,709		\$ 9,714,889
-	-		78,330
-	-		3,224,164
140,826	940,709		13,017,383
-	-		2,044,392
-	-		1,267,221
-	-		7,007,391
83,061	836,560		919,621
83,061	836,560		11,238,625
57,765	104,149		1,778,758
1,812,958	550,496		3,590,158
\$ 1,870,723	\$ 654,645		\$ 5,368,916

Holland Public Schools

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

<i>Year ended June 30, 2011</i>	Final Budget	Actual	Variance Positive (Negative)
Revenues			
Local sources	\$ 375,000	\$ 414,723	\$ 39,723
State sources	75,000	78,330	3,330
Federal sources	1,250,000	1,463,915	213,915
Total revenues	1,700,000	1,956,968	256,968
Expenditures			
Food service	1,943,000	2,044,392	(101,392)
Changes in fund balance	(243,000)	(87,424)	155,576
Fund Balance, beginning of year	584,884	584,884	-
Fund Balance, end of year	\$ 341,884	\$ 497,460	\$ 155,576

Agency Fund

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Holland Public Schools

Agency Fund Statement of Changes in Assets and Liabilities

<i>Year ended June 30, 2011</i>	Balance, July 1, 2010	Additions	Deletions	Balance, June 30, 2011
Assets				
Cash and investments	\$ 268,728	\$ 503,688	\$ 482,306	\$ 290,110
Accounts receivable	-	1,510	1,065	445
Total Assets	\$ 268,728	\$ 505,198	\$ 483,371	\$ 290,555
Liabilities				
Accounts payable	\$ -	\$ 478,991	\$ 478,960	\$ 31
Due to other funds	1,067	518,529	518,316	1,280
Due to student groups	267,661	552,772	531,189	289,244
Total Liabilities	\$ 268,728	\$ 1,550,292	\$ 1,528,465	\$ 290,555

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Schedules of Debt Service Requirements

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Holland Public Schools
1992 Refunding Bonds
Schedule of Bonded Indebtedness

<i>Maturity Date</i> <i>May 1,</i>	Interest Rate	Annual Funding Requirements		
		Principal	Interest	Total
2012	6.75	\$ 1,213,949	\$ 3,316,051	\$ 4,530,000
2013	6.75	1,168,542	3,491,458	4,660,000
2014	6.80	1,116,834	3,693,166	4,810,000
2015	6.80	1,067,391	3,847,609	4,915,000
2016	6.80	1,027,787	4,032,213	5,060,000
2017	6.80	991,748	4,228,252	5,220,000
2018	6.80	955,137	4,419,863	5,375,000
2019	6.80	919,917	4,615,083	5,535,000
		\$ 8,461,305	\$ 31,643,695	\$ 40,105,000

Purpose:

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

Redemption Prior to Maturity:

Bonds are not subject to redemption prior to maturity.

Holland Public Schools

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

<i>Maturity Date</i> <i>May 1,</i>	Interest Rate	Annual Funding Requirements		
		Principal	Interest	Total
2012	6.30	\$ -	\$ 945,000	\$ 945,000
2013	6.30	-	945,000	945,000
2014	6.30	-	945,000	945,000
2015	6.30	-	945,000	945,000
2016	6.30	-	945,000	945,000
2017	6.30	-	945,000	945,000
2018	6.30	-	945,000	945,000
2019	6.30	-	945,000	945,000
2020	6.30	-	945,000	945,000
2021	6.30	-	945,000	945,000
2022	6.30	-	945,000	945,000
2023	6.30	-	945,000	945,000
2024	6.30	-	945,000	945,000
2025	6.30	-	945,000	945,000
2026	6.30	-	945,000	945,000
2027	6.30	15,000,000	945,000	15,945,000
		\$15,000,000	\$15,120,000	\$30,120,000

Purpose:

The Bonds were issued by the issuer pursuant to (i) the provisions of Act 34, Public Acts of Michigan, 2001, as amended, and Act 451, public Acts of Michigan, 1976, as amended (ii) resolutions adopted by the Board of Education of the issuer on June 28, 2010, in order to provide funds for the purpose of erecting, furnishing and equipping additions to and remodeling, refurbishing and re-equipping, including HVAC controls and boilers, two former elementary buildings for new educational purposes, and remodeling, refurbishing and re-equipping K-7 buildings; acquiring and installing educational technology system improvements; and developing and improving sites.

Redemption Prior to Maturity:

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

Holland Public Schools

2010 Building and Site Bonds, Series B - Build America Bonds Schedule of Bonded Indebtedness

<i>Maturity Date</i> <i>May 1,</i>	Interest Rate	Annual Funding Requirements		
		Principal	Interest	Total
2012	1.85	\$ 500,000	\$ 3,705,090	\$ 4,205,090
2013	1.85	-	3,695,840	3,695,840
2014	1.85	-	3,695,840	3,695,840
2015	1.85	-	3,695,840	3,695,840
2016	1.85	-	3,695,840	3,695,840
2017	1.85	-	3,695,840	3,695,840
2018	1.85	-	3,695,840	3,695,840
2019	1.85	-	3,695,840	3,695,840
2020	5.43	3,600,000	3,695,840	7,295,840
2021	5.63	3,600,000	3,500,360	7,100,360
2022	5.78	3,600,000	3,297,680	6,897,680
2023	5.93	3,600,000	3,089,600	6,689,600
2024	6.03	3,600,000	2,876,120	6,476,120
2025	6.18	3,600,000	2,659,040	6,259,040
2026	6.69	3,600,000	2,436,560	6,036,560
2027	6.69	3,600,000	2,195,720	5,795,720
2028	6.69	3,600,000	1,954,880	5,554,880
2029	6.69	3,600,000	1,714,040	5,314,040
2030	6.69	3,625,000	1,473,200	5,098,200
2031	6.79	3,625,000	1,230,688	4,855,688
2032	6.79	3,625,000	984,550	4,609,550
2033	6.79	3,625,000	738,412	4,363,412
2034	6.79	3,625,000	492,275	4,117,275
2035	6.79	3,625,000	246,137	3,871,137
		\$58,250,000	\$62,161,072	\$120,411,072

Purpose:

The Bonds were issued by the issuer pursuant to (i) the provisions of Act 34, Public Acts of Michigan, 2001, as amended, and Act 451, public Acts of Michigan, 1976, as amended (ii) resolutions adopted by the Board of Education of the issuer on June 28, 2010, in order to provide funds for the purpose of erecting, furnishing and equipping additions to and remodeling, refurbishing and re-equipping, including HVAC controls and boilers, two former elementary buildings for new educational purposes, and remodeling, refurbishing and re-equipping K-7 buildings; acquiring and installing educational technology system improvements; and developing and improving sites.

Redemption Prior to Maturity:

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

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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

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Independent Auditors' Report

Board of Education
Holland Public Schools
Holland, Michigan

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Holland Public Schools (the District) as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 25, 2011. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Holland Public Schools' internal control over financial reporting.

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 combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis.

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

Compliance and Other Matters

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

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This report is intended solely for the information and use of the Board of Education, management, others within the organization, federal awarding agencies and pass-through entities, and is not intended to be, and should not be, used by anyone other than these specified parties.

BDO USA, LLP

Certified Public Accountants
October 25, 2011

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**Report on Compliance With Requirements That Could Have a
Direct and Material Effect on Each Major Program and Internal
Control Over Compliance in Accordance With
OMB Circular A-133**

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Independent Auditors' Report

Board of Education
Holland Public Schools
Holland, Michigan

Compliance

We have audited the compliance of Holland Public Schools (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2011. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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 OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, Holland Public Schools complied, in all material respects, with the 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, 2011.

Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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A deficiency in internal control over compliance 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 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 combination of deficiencies in internal control over compliance such that there is a reasonable possibility that material noncompliance with a compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis.

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

This report is intended solely for the information and use of the Board of Education, management, others within the organization, federal awarding agencies and pass-through entities, and is not intended to be, and should not be, used by anyone other than these specified parties.

BDO USA, LLP

Certified Public Accountants
October 25, 2011

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Schedule of Expenditures of Federal Awards

Holland Public Schools

Schedule of Expenditures of Federal Awards

<i>Year ended June 30, 2011</i>	Federal CFDA Number	Program or Award Amount	Prior Year Expenditures (memorandum only)
Federal Grantor Pass-Through Grantor Program/Project Number			
U.S. Department of Education			
Passed through Michigan Department of Education:			
Adult Education	84.002		
101130-101487		\$ 70,000	\$ 64,715
111130-111487		65,000	-
<hr/>			
Total Adult Education			
<hr/>			
Title I Cluster			
Title I, Part A	84.010		
101530-0910		952,429	921,389
111530-1011		976,409	-
ARRA Title I, Part A	84.389		
101535-0910		552,490	342,724
111535-1011		209,765	-
<hr/>			
Total Title I Cluster			
<hr/>			
ARRA Title II, Part D - Technology Literacy Grants	84.386		
104295-0910		19,543	19,543
<hr/>			
Reading First Grants	84.357		
092930-0809		835,336	283,893
<hr/>			
Title III-English Language Acquisition	84.365		
100580-0910		51,052	48,636
110580-1011		67,320	-
<hr/>			
<hr/>			
Title IIA-Improving Teacher Quality	84.367		
100520-0910		396,328	373,138
110520-1011		369,337	-
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Holland Public Schools

Schedule of Expenditures of Federal Awards

Accrued (Deferred) Revenue at June 30, 2010	Current Year Receipts	Current Year Expenditures	Accrued (Deferred) Revenue at June 30, 2011
\$ 2,124	\$ 2,124	\$ -	\$ -
-	65,000	65,000	-
2,124	67,124	65,000	-
69,935	69,935	-	-
-	888,580	911,032	22,452
16,840	16,840	-	-
-	209,765	209,765	-
86,775	1,185,120	1,120,797	22,452
1,345	1,345	-	-
26,217	109,994	83,777	-
6,387	6,387	-	-
-	7,224	14,783	7,559
6,387	13,611	14,783	7,559
27,509	27,509	-	-
-	240,536	276,504	35,968
27,509	268,045	276,504	35,968

(continued)

Holland Public Schools

Schedule of Expenditures of Federal Awards

<i>Year ended June 30, 2011</i>	Federal CFDA Number	Program or Award Amount	Prior Year Expenditures (memorandum only)
Federal Grantor Pass-Through Grantor Program/Project Number			
ARRA State Fiscal Stabilization Fund	84.394		
102525-0910		\$ 1,169,798	\$ 1,169,798
112525-1011		482,676	-
<hr/>			
Education Jobs Fund	84.410		
112545-1011		898,042	-
<hr/>			
Total passed through Michigan Department of Education			
<hr/>			
Passed through Ottawa Area Intermediate School District:			
Safe and Drug Free Schools	84.186		
112860-1011		18,789	-
Mckinney Vento Homeless Grant	84.196		
102320-0910		20,524	20,524
112320-1011-C		24,390	-
ARRA - Mckinney Vento Homeless Grant	84.387		
102325-0910-ARRA		32,941	-
<hr/>			
Special Education Cluster:			
IDEA - Preschool Incentive	84.173		
100460-0910		33,286	33,286
110460-1011		33,618	-
ARRA IDEA - Preschool Incentive	84.392		
100465-0910		51,421	24,029
IDEA - Flow Through	84.027		
100450-0910		1,183,860	1,183,860
110450-1011		1,141,773	-
ARRA IDEA - Flow Through	84.391		
100455-0910		672,864	672,864
110455-1011		749,356	672,862
<hr/>			
Total Special Education Cluster			
<hr/>			
Total passed through Ottawa Area Intermediate School District			
<hr/>			

Holland Public Schools

Schedule of Expenditures of Federal Awards

Accrued (Deferred) Revenue at June 30, 2010	Current Year Receipts	Current Year Expenditures	Accrued (Deferred) Revenue at June 30, 2011
\$ 138,731	\$ 138,731	\$ -	\$ -
-	482,676	482,676	-
138,731	621,407	482,676	-
-	197,862	197,862	-
289,088	2,464,508	2,241,399	65,979
-	18,789	18,789	-
16,652	16,652	-	-
-	24,390	35,850	11,460
-	16,772	32,941	16,169
16,643	16,643	-	-
-	16,809	33,618	16,809
9,598	30,073	27,392	6,917
591,930	591,930	-	-
-	570,887	1,041,495	470,608
196,203	196,203	-	-
-	396,568	706,797	310,229
814,374	1,819,113	1,809,302	804,563
831,026	1,895,716	1,896,882	832,192

(continued)

Holland Public Schools

Schedule of Expenditures of Federal Awards

<i>Year ended June 30, 2011</i>	Federal CFDA Number	Program or Award Amount	Prior Year Expenditures (memorandum only)
Federal Grantor Pass-Through Grantor Program/Project Number			
Passed through Washtenaw Intermediate School District:			
Title II, Part D	84.318		
104290-CAT 01-8		\$ 48,503	\$ 48,503
<hr/>			
Total U.S. Department of Education			-
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U.S. Department of Health and Human Services			
Passed through the Ottawa Area Intermediate School District:			
Medicaid Outreach - 10/11	93.778	6,284	-
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U.S. Department of Agriculture			
Passed through Michigan Department of Education:			
Child Nutrition Cluster:			
National School Breakfast	10.553	-	214,662
National School Lunch Program	10.555		
Cash Assistance		-	904,261
Non-Cash Assistance (Entitlement Commodities)		-	71,990
Non-Cash Assistance (Bonus Commodities)		-	14,839
Summer Food Program	10.559	-	103,146
Child Care Food Program	10.558	-	62,284
NSLP Equipment	10.579	-	-
<hr/>			
Total U.S. Department of Agriculture			
<hr/>			
Total Federal Financial Assistance			
<hr/>			

Holland Public Schools

Schedule of Expenditures of Federal Awards

Accrued (Deferred) Revenue at June 30, 2010	Current Year Receipts	Current Year Expenditures	Accrued (Deferred) Revenue at June 30, 2011
\$ 48,503	\$ 181,769	\$ 149,992	\$ 16,726
1,168,617	4,541,993	4,288,273	914,897
-	6,284	6,284	-
-	230,158	238,666	8,508
-	916,306	942,251	25,945
-	92,569	92,569	-
-	3,642	3,642	-
(46,905)	89,836	98,672	(38,069)
-	73,501	73,501	-
-	14,614	14,614	-
(46,905)	1,420,626	1,463,915	(3,616)
\$ 1,121,712	\$ 5,968,903	\$ 5,758,472	\$ 911,281

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Note to Schedule of Expenditures of Federal Awards

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Holland Public Schools

Note to Schedule of Expenditures of Federal Awards

1. General

Expenditures are recorded under the modified accrual basis of accounting. Revenues are recognized when the qualifying expenditures have been incurred and all other grant requirements have been met.

Expenditures in this schedule reconcile with amounts reported in the basic financial statements and financial reports. Amounts reported in the Grant Section Auditors' Report reconcile with this schedule. Inventory values are based on the USDA value for donated food commodities, and include spoilage.

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Schedule of Findings and Questioned Costs

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Holland Public Schools

Schedule of Findings and Questioned Costs Year Ended June 30, 2011

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	unqualified
Internal control over financial reporting:	
Material weakness(es) identified?	no
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	none reported
Noncompliance material to financial statements noted?	no

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	no
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	none reported
Type of auditors' report issued on compliance for major programs:	unqualified
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of <i>OMB Circular A-133</i> ?	no
Identification of major programs:	

<i>CFDA Number</i>	<i>Name of Federal Program or Cluster</i>
84.410	Education Jobs Fund
84.027, 84.173, 84.391, 84.392	Special Education Cluster (IDEA)
84.394	ARRA - Education Stabilization Fund

Dollar threshold used to distinguish between Type A and Type B programs:	\$ 300,000
Auditee qualified as low-risk auditee?	yes

Section II - Findings Related to the Financial Statements

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

Section III - Findings and Questioned Costs Federal Award

There were no findings or questioned costs.

Section IV - Prior Year Findings and Questioned Costs

There were no findings or questioned costs for the year ended June 30, 2010.

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