

Holton Public Schools

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

Year ended June 30, 2024



Holton Public Schools

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**INDEPENDENT AUDITOR'S REPORT**

Board of Education  
Holton Public Schools  
Holton, Michigan

**Report on the Audit of the Financial Statements**

***Opinions***

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Holton Public Schools, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise Holton Public Schools' basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Holton Public Schools as of June 30, 2024, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Holton Public Schools and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

***Responsibilities of Management for the Financial Statements***

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

**Report on the Audit of the Financial Statements—Continued**

***Responsibilities of Management for the Financial Statements—Continued***

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

***Auditor's Responsibilities for the Audit of the Financial Statements***

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

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

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

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

Board of Education  
Holton Public Schools  
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**Report on the Audit of the Financial Statements—Continued**

***Required Supplementary Information***

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 12, 2024, on our consideration of the Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Schools' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Schools' internal control over financial reporting and compliance.



Hart, Michigan  
September 12, 2024



## Management's Discussion and Analysis 2023-2024

This section of Holton Public School's Annual Financial Report presents our discussion and analysis of the School District's financial performance during the year ended June 30, 2024. Please read it in conjunction with the School District's financial statements, which immediately follow this section.

### Using this Annual Report

This annual report consists of a series of financial statements and notes to these statements. These statements are organized so the reader can understand Holton Public Schools financially as a whole. The district-wide financial statements provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a long-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements look at the School District's operations in more detail than the district-wide financial statements by providing information about the School District's most significant funds, the General Fund, the School Improvement Sinking Fund and all other funds presented in one column as nonmajor funds.

### Overview of the Financial Statements

This annual report consists of four parts: (1) auditor's opinion, (2) management's discussion and analysis (this section) the, (3) the basic financial statements, and (4) the required supplementary information. The financial statements include notes that explain some of the information in the statements by providing detailed data. These statements are followed by a section of required supplementary information that further explains and supports the financial statements, utilizing a comparison to the District's budget for the year. Additionally, the basic financial statements also include two kinds of statements that present different views of the District.

### Reporting the School District as a Whole – District-Wide Financial Statements

One of the most important questions asked about the School District is, "As a whole, what is the School District's financial condition as a result of the year's activities?" The Statement of Net Position and the Statement of Activities, which appear first in the School District's financial statements, report information about the School District as a whole and its activities in a way that helps you answer this question. We prepare these statements to include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.



## Management's Discussion and Analysis 2023-2024

These two statements report the School District's net position – the difference between assets, deferred inflows and outflows, and liabilities, as reported in the Statement of Net Position – as one way to measure the School District's financial health or financial position. The footnotes to the financial statements contain the details.

Over time, increases or decreases in the School District's net position – as reported in the Statement of Activities – are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the School District's operating results. However, the School District's goal is to provide services to students, not to generate profits as commercial entities do. One must consider many other non-financial factors, such as the quality of the education provided and the safety of the schools, to assess the overall health of the School District.

The Statement of Net Position and Statement of Activities report the governmental activities for the School District, which encompass all of the School District's services, including instruction, support services, athletics, and food services. Property taxes, unrestricted State Aid (foundation allowance revenue), and State and federal grants finance most of these activities.

### **Reporting the School District's Most Significant Funds – Fund Financial Statements**

The School District's fund financial statements provide detailed information about the most significant funds – not the School District as a whole. Some funds are required to be established by State law and by bond covenants. However, the School District establishes other funds to help it control and manage money for particular purposes (Food Services, Student/School Activities, Security and Technology Millage, and Capital Projects) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money (such as bond-funded construction funds used for voter-approved capital projects).

**Governmental funds** – All of the School District's services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year end that are available for spending. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the School District and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in a reconciliation.



Management’s Discussion and Analysis 2023-2024

**The School District as a Whole**

Recall that the Statement of Net Position provides the perspective of the School District as a whole. The net position of the District at June 30, 2024 amounted to a deficit of approximately \$9.62 million. Table 1 shows a condensed breakdown of the net assets.

**Table 1  
Condensed Statement of Net Position**

	<b>Governmental Activities <u>June 30, 2024</u></b>	<b>Governmental Activities <u>June 30, 2023</u></b>
Current assets	\$ 7,671,523	\$ 4,852,381
Non-current assets	<u>16,158,371</u>	<u>18,236,083</u>
<b>Total assets</b>	<b>23,829,894</b>	<b>23,088,464</b>
Deferred Outflows	<u>7,977,657</u>	<u>9,404,330</u>
<b>Total assets and deferred outflows</b>	<b>31,807,551</b>	<b>32,492,794</b>
Current liabilities	6,006,354	3,628,814
Non-current liabilities	30,257,082	35,658,874
Deferred inflows	<u>5,160,753</u>	<u>3,803,436</u>
<b>Total liabilities and deferred inflows</b>	<b>41,424,189</b>	<b>43,091,124</b>
Net position		
Net investment in capital assets	2,803,945	2,610,611
Restricted	2,555,396	1,959,063
Unrestricted	<u>(14,975,979)</u>	<u>(15,168,004)</u>
<b>Total net position</b>	<b><u>\$(9,616,638)</u></b>	<b><u>\$(10,598,330)</u></b>

The largest portion of the District’s net position reflects investment in capital assets (e.g., land, buildings and improvements, vehicles, furniture and equipment) less any related debt used to acquire those assets that are still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the District’s investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay the debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities.





**Management’s Discussion and Analysis 2023-2024**

The major changes affecting the Condensed Statement of Net Position include the increase of current assets due to increases in results of operations and a reclassification of restricted assets to current assets due to required set-aside principal installment for the QZAB bond payment maturing within a year, a decrease of capital assets due to depreciation in excess of capital asset additions, and a decrease in deferred outflows and non-current liabilities and an increase in deferred inflows due to changes in actuarial assumptions of pension and OPEB liabilities. See the notes to the financial statements for additional information on the reporting of pension and OPEB assets, liabilities and expense.

The results of this year’s operations for the School District as a whole are reported in the Statement of Activities (Table 2), which shows the changes in net position for fiscal years 2024 and 2023.

**Table 2  
Statement of Activities**

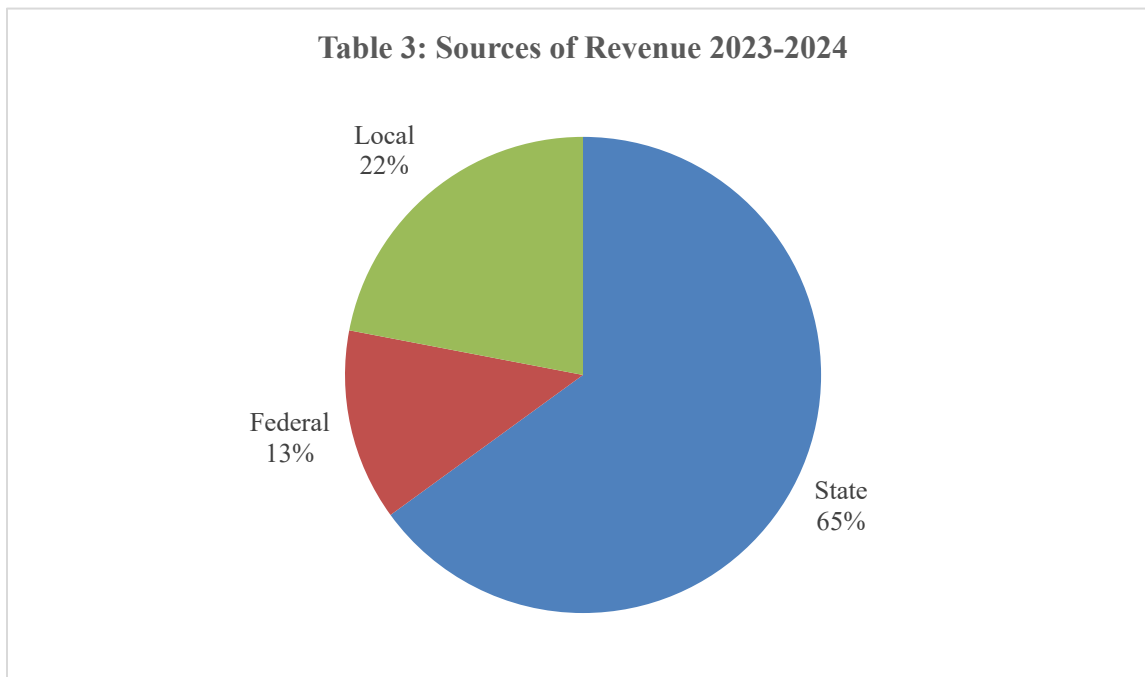
	<b>Governmental Activities <u>June 30, 2024</u></b>	<b>Governmental Activities <u>June 30, 2023</u></b>
<b>Revenues</b>		
Program Revenues		
Charges for services	\$ 129,261	\$ 104,610
Operating grants and contributions	6,339,482	5,219,863
General revenues		
Property taxes	2,362,524	2,212,824
Unrestricted grants and contributions	7,038,207	6,709,119
Other	<u>105,781</u>	<u>57,038</u>
<b>Total revenues</b>	<b><u>15,975,255</u></b>	<b><u>14,303,454</u></b>
<b>Expenses</b>		
Instruction	7,346,507	7,030,777
Support services	5,323,621	4,986,700
Community services	54,488	45,552
Food services	957,119	816,400
Student/school activities	194,789	217,920
Athletics	562,661	503,013
Interest on long-term debt	<u>554,378</u>	<u>545,566</u>
<b>Total expenses</b>	<b><u>14,993,563</u></b>	<b><u>14,145,928</u></b>
<b>Increase (decrease) in net position</b>	<b>981,692</b>	<b>157,526</b>
Net position at beginning of year	<u>(10,598,330)</u>	<u>(10,755,856)</u>
<b>Net position at end of year</b>	<b><u>\$ (9,616,638)</u></b>	<b><u>\$ (10,598,330)</u></b>



## Management’s Discussion and Analysis 2023-2024

The net position of the District increased by \$981,692 during the 2023-2024 fiscal year. The cost of the District’s governmental activities for the year was \$15 million. Those who benefited from food service, athletic programs, student and school activities, instructional, and support services, paid service charges of \$129,000. Operating grants and contributions of \$6.3 million were for programs paid for by other governments and organizations. The other resources were provided with property tax, state pupil foundation allowance (state aid), investment earnings and other miscellaneous revenues.

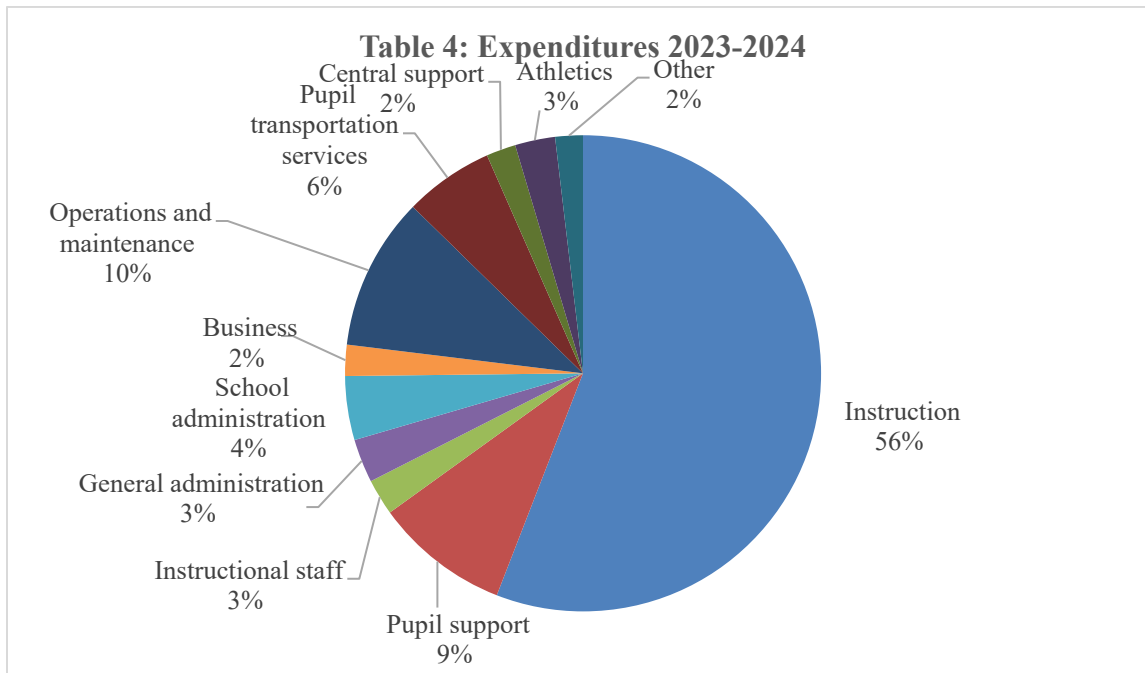
A substantial portion (65%) of the District’s revenues is received from State sources. This means that the financial stability of the District rests primarily with the economic health of the State of Michigan. Table 3 depicts the breakdown of the sources of General Fund Revenue for the District.



Since property taxes for operations and unrestricted State Aid constitute the vast majority of district operating revenue sources, the Board of Education and Administration must annually evaluate the needs of the School District and balance those needs with State-prescribed available unrestricted resources.

**Management’s Discussion and Analysis 2023-2024**

Table 4 depicts the allocation of how General Fund resources are spent. 68% of the District’s General Fund resources are spent on instruction, pupil support services, and instructional staff support. Another 9% is spent on administrative and business services necessary to efficiently operate the District, while 16% is spent for transportation and maintenance, including utilities and custodial services. The final 7% is spent on athletics and transfers to other funds.





## Management's Discussion and Analysis 2023-2024

### **Financial Analysis of the District's Funds**

The financial performance of the district as a whole is reflected in its governmental funds as well. The General Fund equity increased by \$199,918 during the 2023-2024 fiscal year, resulting in fund equity of \$1,750,149 at year end.

### **Factors Impacting Operations**

*Student Enrollment* – The blended student count decreased by 8 students.

*Foundation allowance* - The foundation allowance increased \$458 from \$9,150 in 2022-2023 to \$9,608 in 2023-2024.

### **General Fund Budgetary Highlights**

Over the course of the year, the School District revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. The final amendment to the budget was adopted June 2024. (A schedule showing the School District's original and final budget amounts compared with amounts actually paid and received is provided in the required supplementary information section of these financial statements).

There were no significant variances between the final budget amounts and actual amounts.

### **Original vs. Amended Budget**

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 July 1, the start of the fiscal year. Revisions are made during the year in order to deal with unexpected changes in revenues and expenditures. The following analysis describes the reasons for changes in the budget during the year.

*Revenues* – There was about a \$325,700 net change (increase) in the total General Fund revenue budget from the beginning to the end of the year. The significant changes in funding sources were as follows:

- The *state source* revenue budget increased by about \$317,300. The increase was due to an increase in the foundation allowance that was more than originally budgeted and we received additional state grants from section 221 for transportation costs.

*Expenditures* – The significant changes by functional category from the beginning to end of year as follows:

- Basic programs increased by \$115,000 due to additional positions created using ESSER monies.
- The added needs decreased by \$143,000 due to utilizing section 31a at risk funding for staffing needs and reallocating Title funded staffing to basic programs.
- Business services increased because property tax chargebacks and interest expense were higher than budgeted.



**Management’s Discussion and Analysis 2023-2024**

**Capital Assets**

At June 30, 2024, the School District had \$15,857,548 (after accumulated depreciation/amortization) invested in a broad range of capital assets, including land, construction in progress, buildings, vehicles, and furniture and equipment. This amount represents a net decrease (including additions, deductions, and depreciation/amortization) of \$905,202 from last year. The decrease is due to the net addition of \$59,711 various building and land improvements, and equipment, and depreciation/amortization of \$964,913.

	<u>2024</u>	<u>2023</u>
Land	\$ 268,925	\$ 268,925
Building and building improvements	14,872,605	15,645,599
Buses and other vehicles, furniture and equipment	700,534	813,602
Right-to-use – subscription-based IT	<u>15,484</u>	<u>34,624</u>
Total capital assets	<u><b>\$ 15,857,548</b></u>	<u><b>\$ 16,762,750</b></u>

**Debt**

At the end of this year, the School District had \$15,706,691 in outstanding long-term obligations, excluding pension related liabilities. This is a net decrease of \$896,652 in long-term obligations. During the fiscal year, the district received \$214,162 of proceeds from the School Loan Revolving Fund to assist in debt service payments for general obligation bonds. We present detailed information about our long-term liabilities in the notes to the financial statements.

**Economic Factors and Next Year’s Budget**

Our elected officials and administration considered many factors when setting the School District’s 2025 fiscal year budget. One of the most important factors affecting the budget is our student count. The State foundation allowance is determined by multiplying the blended student count by the foundation allowance per pupil. The blended count for the 2025 fiscal year is a blend of 10 percent of the February 2024 student count and 90 percent of the September 2024 student count, respectively. The 2025 budget was adopted in June 2024, based on an estimated number of students that will be enrolled in September 2024. Approximately 69 percent of total General Fund revenue is from the foundation allowance. Under State law, the School District cannot assess additional property tax revenue for general operations. As a result, School District funding is heavily dependent on the State’s ability to fund local school operations. Once the final student count and related per pupil funding is validated, State law requires the School District to amend the budget if actual School District resources are not sufficient to fund original appropriations.

For the 2024-2025 school year, the district budgeted an increase in the per pupil foundation allowance of \$241 to \$9,849 with a decrease in pupil enrollment of 15 students.

**Contacting the School District’s Financial Management**

This financial report is designed to provide the School District’s citizens, taxpayers, customers, investors, and creditors with a general overview of the School District’s finances and to demonstrate the School District’s accountability for the money it receives. If you have questions about this report or need additional financial information, contact our Business Department at the Holton Public Schools Administrative Office, Holton, Michigan 49425.

Holton Public Schools  
**STATEMENT OF NET POSITION**  
June 30, 2024

	<b>Governmental activities</b>
<b>ASSETS</b>	
Current assets	
Cash and cash equivalents	\$ 2,129,683
Restricted cash	1,586,667
Investments	1,826,004
Receivables	672
Due from other governmental units	2,060,921
Inventories	13,837
Prepaid items	53,739
Total current assets	7,671,523
Noncurrent assets	
Capital assets, net	
Nondepreciable/amortizable	268,925
Depreciable/amortizable	15,588,623
Net other postemployment benefits asset	300,823
Total noncurrent assets	16,158,371
Total assets	23,829,894
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred charges on refunding	91,158
Related to other postemployment benefits	1,427,461
Related to pensions	6,459,038
Total deferred outflows of resources	7,977,657
Total assets and deferred outflows of resources	31,807,551
<b>LIABILITIES</b>	
Current liabilities	
State aid loans	1,000,000
Accounts payable and accrued liabilities	1,625,887
Unearned revenue	615,194
Bonds and other obligations, due within one year	2,765,273
Total current liabilities	6,006,354
Noncurrent liabilities	
Bonds and other obligations, less amounts due within one year	12,941,418
Net pension liability	17,315,664
Total noncurrent liabilities	30,257,082
Total liabilities	36,263,436
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Related to other postemployment benefits	2,372,456
Related to pensions	2,788,297
Total deferred inflows of resources	5,160,753
Total liabilities and deferred inflows of resources	41,424,189
<b>NET POSITION</b>	
Net investment in capital assets	2,803,945
Restricted for	
Capital projects	330,755
Debt service	1,545,734
Food service	314,924
Technology	63,160
Net other postemployment benefits	300,823
Unrestricted	(14,975,979)
Total net position	<b>\$ (9,616,638)</b>

The accompanying notes are an integral part of this statement.

Holton Public Schools  
**STATEMENT OF ACTIVITIES**  
For the year ended June 30, 2024

<i>Functions/Programs</i>	<u>Expenses</u>	<u>Program Revenue</u>		<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Charges for services</u>	<u>Operating grants and contributions</u>	<u>Governmental activities</u>
Governmental activities				
Instruction	\$ 7,346,507	\$ 15,567	\$ 3,067,778	\$ (4,263,162)
Support services	5,323,621	53,999	1,923,694	(3,345,928)
Community services	54,488	-	75,020	20,532
Food services	957,119	37,143	1,077,549	157,573
Student/school activities	194,789	-	195,341	552
Athletics	562,661	22,552	-	(540,109)
Interest on long-term debt	554,378	-	-	(554,378)
Total governmental activities	<u>\$ 14,993,563</u>	<u>\$ 129,261</u>	<u>\$ 6,339,382</u>	(8,524,920)
General revenues				
Property taxes				2,362,524
Grants and contributions not restricted to specific programs				7,038,207
Investment earnings				89,004
Miscellaneous				16,877
Total general revenues				<u>9,506,612</u>
Change in net position				981,692
Net position at beginning of year				<u>(10,598,330)</u>
Net position at end of year				<u>\$ (9,616,638)</u>

The accompanying notes are an integral part of this statement.

Holton Public Schools  
**BALANCE SHEET**  
 Governmental Funds  
 June 30, 2024

	<b>General Fund</b>	<b>School Improvement Sinking Fund</b>	<b>Other governmental funds</b>	<b>Total governmental funds</b>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,524,458	\$ -	\$ 605,225	\$ 2,129,683
Investments	1,575,231	-	250,773	1,826,004
Receivables	672	-	-	672
Due from other governmental units	1,962,637	-	98,284	2,060,921
Due from other funds	-	-	252,845	252,845
Inventories	-	-	13,837	13,837
Prepaid items	13,739	-	40,000	53,739
Restricted cash and cash equivalents	-	1,586,667	-	1,586,667
Total assets	<b>\$ 5,076,737</b>	<b>\$ 1,586,667</b>	<b>\$ 1,260,964</b>	<b>\$ 7,924,368</b>
<b>LIABILITIES</b>				
State aid loans	\$ 1,000,000	\$ -	\$ -	\$ 1,000,000
Accounts payable	69,877	-	54,463	124,340
Accrued liabilities	1,428,747	-	-	1,428,747
Due to other funds	214,656	-	38,189	252,845
Unearned revenue	613,308	-	1,886	615,194
Total liabilities	3,326,588	-	94,538	3,421,126
<b>FUND BALANCES</b>				
Nonspendable				
Inventories	-	-	13,837	13,837
Prepaid items	13,739	-	40,000	53,739
Restricted				
Debt service	-	1,586,667	250,773	1,837,440
Food service	-	-	314,924	314,924
Technology	-	-	63,160	63,160
Capital projects	-	-	330,755	330,755
Committed for student/school activities	-	-	152,977	152,977
Assigned to subsequent year's budget appropriations	366,778	-	-	366,778
Unassigned	1,369,632	-	-	1,369,632
Total fund balances	1,750,149	1,586,667	1,166,426	4,503,242
Total liabilities and fund balances	<b>\$ 5,076,737</b>	<b>\$ 1,586,667</b>	<b>\$ 1,260,964</b>	<b>\$ 7,924,368</b>

The accompanying notes are an integral part of this statement.



Holton Public Schools  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION**  
June 30, 2024

Total fund balance—governmental funds \$ 4,503,242

Amounts reported for governmental activities in the Statement of  
Net Position are different because:

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

Cost of capital assets	\$ 33,860,445	
Accumulated depreciation/amortization	<u>(18,002,897)</u>	15,857,548

Some assets are not current financial resources and therefore are not  
reported in the governmental funds balance sheet. Noncurrent assets at  
year-end consist of:

Net other postemployment benefits asset	300,823
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Deferred charges on refunding are not capitalized and amortized  
in the governmental funds.

Deferred charges on refunding	235,699	
Accumulated amortization	<u>(144,541)</u>	91,158

Deferred inflows and outflows of resources related to pensions and other  
postemployment benefits are not reported in the governmental funds.

Deferred outflows of resources - related to other postemployment benefits	1,427,461	
Deferred inflows of resources - related to other postemployment benefits	(2,372,456)	
Deferred outflows of resources - related to pensions	6,459,038	
Deferred inflows of resources - related to pensions	<u>(2,788,297)</u>	2,725,746

Accrued interest in governmental activities is not reported in the  
governmental funds.

(72,800)

Long-term obligations in governmental activities are not due and  
payable in the current period and are not reported in the  
governmental funds.

(33,022,355)

Net position of governmental activities

**\$ (9,616,638)**

The accompanying notes are an integral part of this statement.

Holton Public Schools  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
Governmental Funds  
For the year ended June 30, 2024

	<u>General Fund</u>	<u>School Improvement Sinking Fund</u>	<u>Other governmental funds</u>	<u>Total governmental funds</u>
<b>REVENUES</b>				
Local sources				
Property taxes	\$ 892,139	\$ -	\$ 1,470,385	\$ 2,362,524
Investment earnings	67,087	-	21,917	89,004
Fees and charges	75,466	-	19,505	94,971
Student/school activity income	-	-	195,341	195,341
Other	441,705	-	203,194	644,899
Total local sources	1,476,397	-	1,910,342	3,386,739
State sources	10,117,786	-	45,656	10,163,442
Federal sources	976,870	-	1,049,217	2,026,087
Total revenues	12,571,053	-	3,005,215	15,576,268
<b>EXPENDITURES</b>				
Current				
Instruction	6,915,344	-	106,782	7,022,126
Support services	4,886,066	-	87,952	4,974,018
Food services	-	-	893,959	893,959
Athletics	336,706	-	-	336,706
Community services	54,488	-	-	54,488
Student/school activities	-	-	194,789	194,789
Debt service				
Principal repayment	13,784	-	1,005,000	1,018,784
Interest and other charges	1,413	-	482,400	483,813
Total expenditures	12,207,801	-	2,770,882	14,978,683
Excess (deficiency) of revenues over (under) expenditures	363,252	-	234,333	597,585
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	113,334	50,000	163,334
Transfers out	(163,334)	-	-	(163,334)
Loan proceeds	-	-	108,307	108,307
Total other financing sources (uses)	(163,334)	113,334	158,307	108,307
Net change in fund balances	199,918	113,334	392,640	705,892
Fund balances at beginning of year	1,550,231	1,473,333	773,786	3,797,350
Fund balances at end of year	<b>\$ 1,750,149</b>	<b>\$ 1,586,667</b>	<b>\$ 1,166,426</b>	<b>\$ 4,503,242</b>

The accompanying notes are an integral part of this statement.

Holton Public Schools  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES**  
 For the year ended June 30, 2024

Net change in fund balances—total governmental funds \$ 705,892

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

Governmental funds report outlays for capital assets as expenditures; in the Statement of Activities these costs are depreciated/amortized over their estimated useful lives.

Depreciation/amortization expense	\$ (964,913)	
Capital outlay	<u>59,711</u>	(905,202)

Governmental funds report outlays for deferred charges on refunding as expenditures; in the Statement of Activities the costs are amortized over the bond period.

Amortization expense		(15,626)
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Debt proceeds are other financing sources in the governmental funds, but the proceeds increase long-term debt in the Statement of Net Position.

(214,162)

Repayment of principal on long-term obligations is an expenditure in the governmental funds, but the repayment reduces long-term obligations in the Statement of Net Position.

1,110,514

Interest expense on long-term obligations is recorded in the Statement of Activities when incurred, but is not reported in governmental funds until paid.

7,350

Compensated absences and other termination obligations reported in the Statement of Activities do not require the use of current financial resources. They are reported as expenditures when financial resources are used in the governmental funds.

600

Some other postemployment benefits related expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

763,178

Some pension related expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

(470,852)

Change in net position of governmental activities		<u><b>\$ 981,692</b></u>
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The accompanying notes are an integral part of this statement.

Holton Public Schools  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2024

**NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of Holton Public Schools (School District) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) 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 more significant of the School District's accounting policies are described below.

**Reporting Entity**

The School District is governed by an elected seven-member Board of Education (Board), which has responsibility and control over all activities related to public school education within the School District. The School District receives funding from local, state, and federal government sources and must comply with all of the requirements of these funding source entities.

Generally accepted accounting principles require that if the School District is considered to be financially accountable for other organizations, those organizations should be included as component units in the School District's financial statements. Since no organizations met this criterion, none are included in the financial statements.

**Basis of Presentation—Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the School District. All fiduciary activities, if any, are reported only in the fund financial statements. Governmental activities normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions.

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

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

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

The School District reports the following major governmental funds:

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

The School Improvement Sinking Fund accounts for resources accumulated and principal payments made for the 2009 School Improvement Bond.

Holton Public Schools  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2024

**NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued**

**Basis of Presentation—Government-wide and Fund Financial Statements—Continued**

Additionally, the School District reports the following fund types:

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

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

The capital project fund accounts for financial resources to be used for the acquisition of fixed assets or construction of major capital projects.

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

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

**Measurement Focus and Basis of Accounting**

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

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

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

Holton Public Schools  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2024

**NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued**

**Measurement Focus and Basis of Accounting—Continued**

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

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

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

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

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

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

***Cash and investments***

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

Investments for the School District are reported at fair value (generally based on quoted market prices). Standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the School District intends to hold the investment until maturity.

Holton Public Schools  
**NOTES TO FINANCIAL STATEMENTS**  
 June 30, 2024

**NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued**

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

***Cash and Investments—Continued***

State statutes authorize the School District to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The School District is also authorized to invest in U. S. Government or federal agency obligation repurchase agreements, bankers’ acceptances of U.S. banks, and mutual funds composed of investments as outlined above. The School District’s deposits and investments are in accordance with statutory authority.

***Inventories and Prepaid Items***

All inventories are valued at cost using the first-in/first-out method. The cost of such inventories is recorded as expenditures/expenses when consumed rather than when purchased.

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

***Capital Assets***

Capital assets, which include property, plant, and equipment, are reported in the government-wide financial statements. Capital assets are defined by the School District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year.

As the School District constructs or acquires additional capital assets each period, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life. Donated capital assets are recorded at their estimated acquisition value at the date of donation.

Land is not depreciated. The other property, plant, and equipment, of the School District are depreciated/amortized using the straight-line method over the following estimated useful lives:

<u>Capital Asset Classes</u>	<u>Years</u>
Buildings and improvements	20-50
Furniture and equipment	5-20
Vehicles and equipment	8
Right to use – subscription-based IT	2-3

Holton Public Schools  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2024

**NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued**

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

***Long-term Obligations***

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as expenses in the year in which they are incurred.

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

***Defined Benefit Plan***

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

***Deferred Outflows/Inflows of Resources***

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditures) until then.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

***Net Position Flow Assumption***

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

It is the School District's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

In the computation of net investment in capital assets, School Loan Revolving Fund debt is not considered to be capital related debt.



Holton Public Schools  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2024

**NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued**

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

***Fund Balance Flow Assumptions***

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

***Fund Balance Policies***

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

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

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

***Subscription Based IT Arrangements (SBITA)***

Subscriber: The School District is a lessee for a noncancelable subscription of an IT arrangement. The School District recognizes an intangible right-to-use lease asset in the government-wide financial statements. The School District recognizes an SBITA liability and an intangible SBITA asset in the government-wide financial statements.

At the commencement of a subscription, the School District initially measures the SBITA liability at the present value of payments expected to be made during the SBITA term. Subsequently, the SBITA liability is reduced by the principal portion of SBITA payments made. The SBITA asset is initially measured as the initial amount of the SBITA liability, adjusted for SBITA payments made at or before the SBITA commencement date, plus certain initial direct costs. Subsequently, the SBITA asset is amortized on a straight-line basis over its useful life.

Holton Public Schools  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2024

**NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued**

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

***Subscription Based IT Arrangements (SBITA)—Continued***

Key estimates and judgements related to leases included how the School District determines (1) the discount rate it uses to discount the expected SBITA payments to present value, (2) SBITA term, and (3) SBITA payments.

The School District uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the School District generally uses its estimated incremental borrowing rate as the discount rate for SBITA.

The SBITA term includes the noncancelable period of the subscription. SBITA payments included in the measurement of the SBITA liability are composed of fixed payments and purchase option price that the Schools is reasonably certain to exercise.

The School District monitors changes in circumstances that would require a remeasurement of its SBITA and will remeasure the SBITA asset and liability if certain changes occur that are expected to significantly affect the amount of the SBITA liability.

SBITA assets are reported with other capital assets and SBITA liabilities are reported with long-term obligations on the statement of net position.

**Revenues and Expenditures/Expenses**

***Program Revenues***

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

***Property Taxes***

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

***Compensated Absences***

The liability for compensated absences reported in the government-wide statement consists of unpaid, accumulated sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who are currently eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

For fund financial statements, no compensated absence liability is reported for current employees and a compensated absence liability is reported for terminated employees only when the termination date is on or before year end.

Holton Public Schools  
**NOTES TO FINANCIAL STATEMENTS**  
 June 30, 2024

**NOTE B—STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**Budgets and Budgetary Accounting**

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the General Fund and special revenue funds. All annual appropriations lapse at year end.

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

1. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to July 1, the budget is legally adopted by Board of Education resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated. Violations, if any, in the General Fund are noted in the required supplementary information section.
4. The Business Manager is authorized to transfer budgeted amounts within major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the Board of Education.
5. Formal budgetary integration is employed as a management control device during the year.
6. The budget is amended during the year with supplemental appropriations, the last one approved prior to June 30, 2024.

**NOTE C—DEPOSITS AND INVESTMENTS**

As of June 30, 2024, the School District had the following investments:

<b>Investment Type</b>	<b>Fair value</b>	<b>Weighted average maturity (Days)</b>	<b>Standard &amp; Poor's rating</b>
MILAF External Investment pool - CMC	\$ 261,543	35	AAAm
MILAF - Max Class	1,564,461	35	AAAm
Total fair value	<b><u>\$ 1,826,004</u></b>		
Portfolio weighted average maturity		<b><u>35</u></b>	

Holton Public Schools  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2024

**NOTE C—DEPOSITS AND INVESTMENTS—Continued**

**Interest rate risk**

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

**Credit risk**

State law limits investments in commercial paper and corporate bonds to the three highest classifications issued by nationally recognized statistical rating organizations. The School District has no investment policy that would further limit its investment choices.

**Concentration of credit risk**

In accordance with its investment policy, the School District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the School District investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

**Custodial credit risk - deposits**

In the case of deposits, this is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. As of June 30, 2024, \$3,513,758 of the School District's bank balance of \$3,763,758 was exposed to custodial credit risk because it was uninsured and uncollateralized.

**Custodial credit risk - investments**

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

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

**Foreign currency risk**

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

Holton Public Schools  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2024

**NOTE C—DEPOSITS AND INVESTMENTS—Continued**

**Fair value management**

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

	<b>Amortized Cost</b>
MILAF External Investment pool - CMC	\$ 261,543
MILAF External Investment pool - MAX class	1,564,461
	<b>\$ 1,826,004</b>

**Restricted investments**

Restrictions are placed on assets by bond agreements. At June 30, 2024, the School Improvement Sinking Fund cash and cash equivalents of \$1,576,667 are in a set-a-side account and are restricted for payment of the outstanding QZAB bonds.

**NOTE D—CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2024 was as follows:

	<b>Balance July 1, 2023</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance June 30, 2024</b>
<b>Capital assets, not being depreciated/amortized:</b>				
Land	\$ 268,925	\$ -	\$ -	\$ 268,925
<b>Capital assets, being depreciated/amortized:</b>				
Buildings and improvements	31,137,111	-	-	31,137,111
Furniture and equipment	1,231,754	59,711	-	1,291,465
Vehicles and equipment	1,109,180	-	-	1,109,180
Right-to-use - subscription based IT	53,764	-	-	53,764
Total capital assets, being depreciated/amortized	33,531,809	59,711	-	33,591,520
<b>Less accumulated depreciation/amortization:</b>				
Buildings and improvements	15,491,512	772,994	-	16,264,506
Furniture and equipment	749,941	98,333	-	848,274
Vehicles and equipment	777,391	74,446	-	851,837
Right-to-use - subscription based IT	19,140	19,140	-	38,280
Total accumulated depreciation/amortization	17,037,984	964,913	-	18,002,897
Total capital assets, being depreciated/amortized, net	16,493,825	(905,202)	-	15,588,623
Capital assets, net	<b>\$ 16,762,750</b>	<b>\$ (905,202)</b>	<b>\$ -</b>	<b>\$ 15,857,548</b>

Holton Public Schools  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2024

**NOTE D—CAPITAL ASSETS—Continued**

**Depreciation/amortization**

Depreciation/amortization expense has been charged to functions as follows:

Instruction	\$ 312,482
Support services	366,089
Athletics	223,182
Food services	63,160
	<b>\$ 964,913</b>

**NOTE E—INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

The composition of interfund balances as of June 30, 2024 is as follows:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
Other governmental funds	Other governmental funds	\$ 38,189
Other governmental funds	General Fund	214,656
		<b>\$ 252,845</b>

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

**Interfund Transfers**

The General Fund transferred \$113,334 to the School Improvement Sinking Fund as a required set-aside principal installment for the QZAB bond payment. The General Fund also transferred \$50,000 to the Capital Projects Fund to fund future capital expenditures.

**NOTE F—SHORT-TERM DEBT**

The School District issues State of Michigan school aid anticipation notes to provide short-term operating funds. The notes are obligations of the General Fund, which received the note proceeds, and are backed by the full faith, credit and resources of the School District. In the event of default, the State of Michigan can withhold future state aid payments. The short-term debt activity for the year ended June 30, 2024 follows:

	<u>Balance</u>		<u>Balance</u>
	<u>July 1, 2023</u>	<u>Additions</u>	<u>June 30, 2024</u>
State aid anticipation notes			
2022/2023 3.12% due and paid August 2023	\$ 1,000,000	\$ -	\$ -
2023/2024 5.09% due and paid August 2024	-	1,000,000	1,000,000
	<b>\$ 1,000,000</b>	<b>\$ 1,000,000</b>	<b>\$ 1,000,000</b>

Holton Public Schools  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2024

**NOTE G—LONG-TERM OBLIGATIONS**

The School District issues bonds, notes and other contractual commitments to provide for the acquisition, construction and improvement of major capital facilities, for the acquisition of certain equipment and for subscription-based information technology. General obligation bonds are direct obligations and pledge the full faith and credit of the School District. The 2009 School Improvement Bond bears no interest and requires the School District to make annual deposits of \$113,334 starting in August 2010 until they mature in August 2024. Notes from direct borrowings and direct placements include the School Loan Revolving fund and subscription based information technology arrangements.

The following is a summary of long-term obligations activity for the School District for the year ended June 30, 2024:

	<b>Balance July 1, 2023</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance June 30, 2024</b>	<b>Due within one year</b>
<b>Governmental activities</b>					
Bonds	\$ 13,505,000	\$ -	\$ 1,005,000	\$ 12,500,000	\$ 2,750,000
Premium	722,018	-	91,730	630,288	-
Notes from direct borrowings and direct placements	2,352,625	214,162	13,784	2,553,003	14,473
Compensated absences	24,000	2,100	2,700	23,400	800
	<b>\$ 16,603,643</b>	<b>\$ 216,262</b>	<b>\$ 1,113,214</b>	<b>\$ 15,706,691</b>	<b>\$ 2,765,273</b>

The additions for notes from direct borrowings and direct placements includes \$108,307 of new draws and \$105,599 of accrued interest on the School Loan Revolving Fund.

The governmental activities refunding bonds and School Building and Site Bonds are secured by future state aid and property tax revenues of the School District. If the School District defaults, the bonds are callable.

The governmental activity notes from direct borrowings and direct placements contains notes payable to the State of Michigan under the School Loan Revolving Fund which is secured by future state aid and property tax revenues of the School District. In the event of default, the State of Michigan can withhold future state aid payments.

Holton Public Schools  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2024

**NOTE G—LONG-TERM OBLIGATIONS—Continued**

General obligation bonds and notes from direct borrowing and direct placements consist of the following as of June 30, 2024:

	<u>Interest Rate</u>	<u>Date of Maturity</u>	<u>Balance</u>
General obligation bonds			
2009 School Improvement Bond	0.0%	Aug 2024	\$ 1,700,000
2015A Refunding General Obligation Bond	4.0%	May 2028	1,700,000
2015B Refunding General Obligation Bond	4.0-5.0%	May 2030	3,320,000
2018 School Building and Site Bond	4.0%	May 2044	5,780,000
			<b><u>\$ 12,500,000</u></b>
Notes from direct borrowings and direct placements			
School Loan Revolving Fund	3.1%	May 2032	\$ 2,538,530
Subscription-Based IT Arrangement	5.0%	July 2024	3,809
Subscription-Based IT Arrangement	5.0%	September 2024	4,500
Subscription-Based IT Arrangement	5.0%	September 2024	6,164
			<b><u>\$ 2,553,003</u></b>

The annual requirements of principal and interest to amortize the bonds and notes from direct borrowings and direct placements outstanding as of June 30, 2024 follow:

<u>Year ended June 30,</u>	<u>Governmental activities</u>			
	<u>Bonds</u>		<u>Notes from Direct Borrowings and Direct Placements</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2025	\$ 2,750,000	\$ 436,550	\$ 14,473	\$ 724
2026	1,095,000	390,000	-	13,200
2027	1,140,000	346,200	-	70,400
2028	1,180,000	300,600	15,499	107,248
2029	830,000	253,400	456,076	104,186
2030-2034	1,970,000	899,000	2,066,955	178,529
2035-2039	1,625,000	581,000	-	-
2040-2044	1,910,000	234,400	-	-
	<b><u>\$ 12,500,000</u></b>	<b><u>\$ 3,441,150</u></b>	<b><u>\$ 2,553,003</u></b>	<b><u>\$ 474,287</u></b>



Holton Public Schools  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2024

**NOTE H—PENSION AND OTHER POSTEMPLOYMENT BENEFITS (OPEB)**

**Plan Description**

The Michigan Public School Employees' Retirement System (System or MPSERS) is a cost-sharing, multiple employer, state-wide, defined benefit public employee retirement plan governed by the State of Michigan (State) originally created under Public Act 136 of 1945, recodified and currently operating under the provisions of Public Act 300 of 1980, as amended. Section 25 of this act establishes the board's authority to promulgate or amend the provisions of the System. The board consists of twelve members- eleven appointed by the Governor and the State Superintendent of Instruction, who serves as an ex-officio member.

The System's pension plan was established by the State to provide retirement, survivor and disability benefits to public school employees. In addition, the System's health plan provides all retirees with the option of receiving health, prescription drug, dental and vision coverage under the Michigan Public School Employees' Retirement Act (1980 PA 300 as amended).

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

The System's financial statements are available on the ORS website at [Michigan.gov/ORSSchools](http://Michigan.gov/ORSSchools).

**Benefits Provided – Pension**

Benefit provisions of the defined benefit pension plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions for the defined benefit (DB) pension plan. Depending on the plan option selected (Basic, Member Investment Plan (MIP), Pension Plus, Pension Plus 2), member retirement benefits for DB plan members are determined by final average compensation, years of service, and a pension factor ranging from 1.25 percent to 1.50 percent. DB members are eligible to receive a monthly benefit when they meet certain age and service requirements. The System also provides disability and survivor benefits to DB plan members.

A DB plan member who leaves Michigan public school employment may request a refund of his or her member contributions to the retirement system account if applicable. A refund cancels a former member's rights to future benefits. However, returning members who previously received a refund of their contributions may reinstate their service through repayment of the refund upon satisfaction of certain requirements.

***Pension Reform 2010***

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

Holton Public Schools  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2024

**NOTE H—PENSION AND OTHER POSTEMPLOYMENT BENEFITS (OPEB)—Continued**

***Pension Reform 2012***

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

Employees who first work on or after September 4, 2012, choose between two retirement plans: the Pension Plus plan described above and a DC plan that provides a 50 percent employer match (up to 3 percent of salary) on employee contributions. New employees are automatically enrolled as members in the Pension Plus plan as of their date of hire.

They have 75 days from the last day of their first pay period, as reported to ORS, to elect to opt out of the Pension Plus plan and become a qualified participant in the DC plan; if no election is made they will remain in the Pension Plus plan. If they elect to opt out of the Pension Plus plan, their participation in the DC plan will be retroactive to their date of hire.

Employees in the Pension Plus and DC plans are immediately vested in their own contributions and earnings on those contributions. The employee becomes vested in the employer match contribution at the following rates: 50 percent after two years of service, 75 percent after three years of service, and 100 percent after four years of service. Non-vested contributions are forfeited upon termination of employment. Forfeitures during a plan year are credited to a forfeitures account. Forfeitures are first applied to restore any forfeited amounts that are required to be restored. The remaining amounts in the forfeitures account may be maintained in reserve, used to cover a portion of the plan's administrative expenses or offset future employer contributions, as determined by the plan administrator.

***Pension Reform 2017***

On July 13, 2017, the Governor signed Public Act 92 of 2017 into law. The legislation closes the current hybrid plan (Pension Plus) to newly hired employees as of February 1, 2018 and creates a new optional revised hybrid plan (Pension Plus 2) with similar plan benefit calculations but containing a 50/50 cost share between the employee and the employer, including the cost of future unfunded liabilities. The assumed rate of return on the new hybrid plan is 6 percent. Further, the law provides that, under certain conditions, the new hybrid plan would close to new employees if the actuarial funded ratio falls below 85 percent for two consecutive years. The law includes other provisions to the retirement eligibility age, plan assumptions, and unfunded liability payment methods.

***Regular Retirement***

The pension benefit for DB and Pension Plus plan members is based on a member's years of credited service (employment) and final average compensation (FAC). The FAC 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 time period. For a Member Investment Plan member, who became a member of MPSERS prior to July 1, 2010, the averaging period is 36 consecutive months. For a Pension Plus member, who became a member of MPSERS after June 30, 2010, the averaging period is 60 consecutive months. For a Basic Plan member, this period is the 60 consecutive months yielding the highest total wages. The annual pension is paid monthly for the lifetime of a retiree. The calculation of a member's pension is determined by their pension election under PA 300 of 2012.

Holton Public Schools  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2024

**NOTE H—PENSION AND OTHER POSTEMPLOYMENT BENEFITS (OPEB)—Continued**

**Benefits Provided – Pension—Continued**

*Post-Retirement Adjustments*

A retiree who became a Member Investment Plan member prior to July 1, 2010, receives an annual post-retirement non-compounded increase of three percent of the initial pension in the October following twelve months of retirement. Basic Plan members do not receive an annual post-retirement increase, but are eligible to receive a supplemental payment in those years when investment earnings exceed actuarial assumptions. Pension Plus members do not receive an annual post-retirement increase.

*Plan Status*

The Basic, MIP, and Pension Plus plans are closed to new entrants. The Pension Plus 2 plan and the DC plan are still open to new entrants.

**Benefits Provided – OPEB**

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

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

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

Holton Public Schools  
**NOTES TO FINANCIAL STATEMENTS**  
 June 30, 2024

**NOTE H—PENSION AND OTHER POSTEMPLOYMENT BENEFITS (OPEB)—Continued**

**Contributions – Pension and OPEB**

School Districts are required by Public Act 300 of 1980, as amended, to contribute amounts necessary to finance the coverage of active and retired members. Contribution provisions are specified by State statute and may be amended only by action of the State Legislature.

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2022 valuation will be amortized over a 16-year period beginning October 1, 2022, and ending September 30, 2038.

The schedules below summarize the contribution rates in effect for the System’s fiscal year ended September 30, 2023.

<b>Pension Contribution Rates</b>		
<b>Benefit Structure</b>	<b>Member</b>	<b>Employer</b>
Basic	0.0 - 4.0 %	20.16 %
Member Investment Plan	3.0 - 7.0	20.16
Pension Plus Plan	3.0 - 6.4	17.24
Pension Plus 2 Plan	6.2	19.95
Defined Contribution	0.0	13.75

<b>OPEB Contribution Rates</b>		
<b>Benefit Structure</b>	<b>Member</b>	<b>Employer</b>
Premium Subsidy	3.0 %	8.07 %
Personal Healthcare Fund	0.0	7.21

The School District’s pension contributions for the year ended June 30, 2024 were equal to the required contribution total. Pension contributions were approximately \$2,135,000 including Section 147c(1).

For the year ended June 30, 2024, the School District and employee defined contribution plan contributions were approximately \$41,000 and \$40,000 respectively.

The School District’s OPEB contributions for the year ended June 30, 2024 were equal to the required contribution total. OPEB contributions were approximately \$451,000.

**Assets, Liabilities, Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources**

At June 30, 2024, the School District reported a liability of \$17,315,664 for its proportionate share of the MPSERS net pension liability and an asset of \$300,823 for its proportionate share of the MPSERS net OPEB asset.

Holton Public Schools  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2024

**NOTE H—PENSION AND OTHER POSTEMPLOYMENT BENEFITS (OPEB)—Continued**

**Assets, Liabilities, Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources—Continued**

The net pension liability and net OPEB asset were measured as of September 30, 2023, and the total pension and OPEB liabilities used to calculate the net pension liability and OPEB asset were determined by an actuarial valuation rolled forward from September 30, 2022. The School District’s proportion of the net pension liability and net OPEB asset was determined by dividing each employer’s statutorily required pension and OPEB contributions to the system during the measurement period by the percent of pension and OPEB contributions, respectively, required from all applicable employers during the measurement period. At September 30, 2023 and 2022, the School District’s pension proportion was 0.05350 and 0.05036 percent, respectively. At September 30, 2023 and 2022, the School District’s OPEB proportion was 0.05318 and 0.05360 percent, respectively.

For the year ended June 30, 2024, the School District recognized pension expense (benefit) of \$3,004,366 and OPEB expense (benefit) of \$(312,489).

At June 30, 2024, the School District reported deferred outflows of resources and deferred inflows of resources from the following sources:

	<u>Pension</u>		<u>OPEB</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between projected and actual experience	\$ 546,603	\$ 26,525	\$ -	\$ 2,273,173
Changes of assumptions	2,346,351	1,352,853	669,685	80,643
Net difference between projected and actual earnings on plan investments	-	354,335	917	-
Changes in proportion and differences between School District contributions and proportionate share of contributions	1,588,254	14,042	365,428	18,640
State of Michigan Section 147c(1) UAAL rate stabilization and state aid payments subsequent to the measurement date	-	1,040,542	-	-
School District contributions subsequent to the measurement date	1,977,830	-	391,431	-
<b>Total</b>	<b>\$ 6,459,038</b>	<b>\$ 2,788,297</b>	<b>\$ 1,427,461</b>	<b>\$ 2,372,456</b>

Holton Public Schools  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2024

**NOTE H—PENSION AND OTHER POSTEMPLOYMENT BENEFITS (OPEB)—Continued**

**Assets, Liabilities, Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources—Continued**

The School District’s contributions subsequent to the measurement date reported as deferred outflows of resources related to pensions and OPEB resulting from employer contributions subsequent to the measurement date, in the chart above, will be recognized as a reduction of the net pension liability and the addition to the net OPEB asset, respectively, in the year ended June 30, 2025. The State of Michigan Section 147c(1) UAAL rate stabilization state aid payments subsequent to the measurement date reported as deferred inflows of resources will be recognized as revenue in the year ended June 30, 2025.

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

<b>Year ending June 30,</b>	<b>Pension</b>	<b>OPEB</b>
2025	\$ 972,554	\$ (459,213)
2026	820,850	(423,201)
2027	1,096,643	(119,756)
2028	(156,594)	(121,007)
2029	-	(135,604)
Thereafter	-	(77,645)
	<b>\$ 2,733,453</b>	<b>\$ (1,336,426)</b>

**Actuarial Assumptions**

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

**Summary of Actuarial Assumptions**

Valuation date –	September 30, 2022
Actuarial cost method –	Entry age, Normal
Wage inflation rate –	2.75%
Investment rate of return –	6.00% a year for the MIP and Basic plans 6.00% a year for the Pension Plus plan 6.00% a year for the Pension Plus 2 plan 6.00% a year for OPEB
Salary increases –	2.75%-11.55%, including wage inflation at 2.75%
Cost-of-living pension adjustments –	3% annual non-compounded for MIP members
Healthcare cost trend rate –	Pre-65: 7.50% Year 1 graded to 3.5% Year 15 Post-65: 6.25% Year 1 graded to 3.5% Year 15

Holton Public Schools  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2024

**NOTE H—PENSION AND OTHER POSTEMPLOYMENT BENEFITS (OPEB)—Continued**

**Actuarial Assumptions—Continued**

***Summary of Actuarial Assumptions—Continued***

Mortality - Retirees: PubT-2010 Male and Female Retiree Mortality Tables scaled by 116% for males and 116% for females and adjusted for mortality improvements using projection scale MP-2021 from 2010

Active: PubT-2010 Male and Female Employee Mortality Tables scaled 100% and adjusted for mortality improvements using projection scale MP-2021 from 2010.

***Opt-Out Assumption***

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

***Survivor Coverage***

80 percent of male retirees and 67 percent of female retirees are assumed to have coverages continuing after the retiree's death.

***Coverage Election at Retirement***

75 percent of male and 60 percent of female future retirees are assumed to elect coverage of one or more dependents.

***Experience Study***

Assumption changes as a result of an experience study for the period 2017 through 2022 have been adopted by the System for use in the annual pension and OPEB valuations beginning with the September 30, 2023 valuation. The total pension and OPEB liabilities as of September 30, 2023 are based on the results of an actual valuation date of September 30, 2022, and rolled forward using generally accepted actuarial procedures, including the experience study.

***Long-Term Expected Rate of Return on Investments***

The long-term expected rate of return on plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Holton Public Schools  
**NOTES TO FINANCIAL STATEMENTS**  
 June 30, 2024

**NOTE H—PENSION AND OTHER POSTEMPLOYMENT BENEFITS (OPEB)—Continued**

**Actuarial Assumptions—Continued**

***Long-Term Expected Rate of Return on Investments—Continued***

Best estimates of arithmetic real rates of return for each major asset class included in the plan’s target asset allocation as of September 30, 2023 are summarized in the following table:

<u>Investment Category</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return*</u>
Domestic Equity Pools	25.0 %	5.8 %
Private Equity Pools	16.0	9.6
International Equity Pools	15.0	6.8
Fixed Income Pools	13.0	1.3
Real Estate and Infrastructure Pools	10.0	6.4
Absolute Return Pools	9.0	4.8
Real Return/Opportunistic Pools	10.0	7.3
Short Term Investment Pools	2.0	0.3
<b>Total</b>	<b><u>100.0</u> %</b>	

\*Long term rates of return are net of administrative expenses and 2.7% inflation.

***Rate of return***

For the fiscal year ended September 30, 2023, the annual money-weighted rate of return on plan investments, net of plan investment expense, was 8.29 percent and 7.94 percent on pension plan and OPEB plan investments, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

***Discount rate***

In the current year, the discount rates used to measure the total pension and OPEB liabilities were 6.0 percent (6.0 percent for the Pension Plus plan and 6.0 percent for the Pension Plus 2 plan, hybrid plans provided through non-university employers only), and 6.0 percent, respectively. The discount rates used to measure the total pension and OPEB liability as of June 30, 2023 were 6.0 percent (6.0 percent for the Pension Plus Plan and 6.0 percent for the Pension Plus 2 plan, hybrid plans provided through non-university employers only), and 6.0 percent, respectively. These discount rates for the current year were based on the long-term expected rates of return on pension plan and OPEB investments of 6.0 percent (6.0 percent for the Pension Plus plan, 6.0 percent for the Pension Plus 2 plan) and 6.0 percent, respectively. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension and OPEB plans’ fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension and OPEB plan investments was applied to all periods of projected benefit payments to determine the total pension and OPEB liabilities.



Holton Public Schools  
**NOTES TO FINANCIAL STATEMENTS**  
 June 30, 2024

**NOTE H—PENSION AND OTHER POSTEMPLOYMENT BENEFITS (OPEB)—Continued**

**Sensitivity of the net pension liability to changes in the discount rate**

The following presents the School District’s proportionate share of the net pension liability calculated using the discount rate of 6.0 percent (6.0 percent for the Pension Plus plan and 6.0 percent for the Pension Plus 2 plan), as well as what the School District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher:

<b>1% Lower*</b> <b>(5.0% / 5.0% / 5.0%)</b>	<b>Discount Rate*</b> <b>(6.0% / 6.0% / 6.0%)</b>	<b>1% Higher*</b> <b>(7.0% / 7.0% / 7.0%)</b>
\$ 23,393,412	\$ 17,315,664	\$ 12,255,720

\*Discount rates listed in the following order: Basic and Member Investment Plan (MIP), Pension Plus, and Pension Plus 2.

**Sensitivity of the net OPEB liability (asset) to changes in the discount rate**

The following presents the School District’s proportionate share of the net OPEB liability (asset) calculated using the discount rate of 6.0 percent, as well as what the School District’s proportionate share of the net OPEB liability (asset) would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher:

<b>1% Lower</b> <b>(5.0%)</b>	<b>Discount Rate</b> <b>(6.0%)</b>	<b>1% Higher</b> <b>(7.0%)</b>
\$ 311,863	\$ (300,823)	\$ (827,367)

**Sensitivity of the net OPEB liability (asset) to changes in the healthcare cost trend rate**

The following presents the School District’s proportionate share of the net OPEB liability (asset) calculated using assumed trend rates, as well as what the School District’s proportionate share of the net OPEB liability (asset) would be if it were calculated using a trend rate that is 1 percentage point lower or 1 percentage point higher:

<b>1% Lower</b>	<b>Current Healthcare Cost Trend Rate</b>	<b>1% Higher</b>
\$ (828,680)	\$ (300,823)	\$ 270,491

**Pension and OPEB Plans Fiduciary Net Position**

Detailed information about the pension and OPEB plans’ fiduciary net position is available in the separately issued Michigan Public School Employees Retirement System Comprehensive Annual Financial Report available at [www.michigan.gov/orsschools](http://www.michigan.gov/orsschools).

Holton Public Schools  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2024

**NOTE H—PENSION AND OTHER POSTEMPLOYMENT BENEFITS (OPEB)—Continued**

**Payable to the pension and OPEB plan**

At year end, the School District is current on all required pension and OPEB payments. Accruals for July and August deferred payroll and for July and August Section 147c(1) amounts are not considered payables for this purpose.

**NOTE I—COMMITMENTS AND CONTINGENCIES**

**Grant Programs**

The School District participates in grant programs, which are subject to program compliance audits by the grantor or its representatives. Such audits of these programs may be performed at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the School District expects such amounts, if any, to be immaterial.

**NOTE J—OTHER INFORMATION**

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; error and omissions; injuries to employees; and natural disasters. The School District participates in two distinct pools of educational institutions within the State of Michigan for self-insuring property and casualty and workers' disability compensation. The pools are considered public entity risk pools. The School District pays annual premiums under a retrospectively rated policy to the pools for the respective insurance coverage. In the event a pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The workers' compensation pool and the property casualty pool maintain reinsurance for claims generally in excess of \$500,000 for each occurrence with the overall maximum coverage varying depending on the specific type coverage of reinsurance.

The School District continues to carry commercial insurance for other risks of loss, including employee health and accident insurance. No settlements have occurred in excess of coverage for June 30, 2024 or any of the prior three years.

**NOTE K—TAX ABATEMENTS**

GASB Statement 77—*Tax Abatement Disclosures* was issued by the GASB in August 2015 and is effective for the School District's 2017 fiscal year. This Statement requires School Districts to disclose the following information about tax abatement agreements entered into by other governments that reduce the School District's tax revenues: the names of the governments that entered into the agreements, the specific taxes being abated, and the gross dollar amount of taxes abated during the period. For the current fiscal year there were no material agreements entered into by local taxing authorities that would require disclosure.

Holton Public Schools  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2024

**NOTE L—SUBSEQUENT EVENT**

In August 2024, the School District received the proceeds of a \$600,000 State of Michigan (State) school aid anticipation note payable. The note payable is not subject to redemption prior to its maturity in August 2025 and bears interest at the rate of 4.9 percent per annum. The School District pledged for payment of the note payable, the amount of state school aid to be received plus the full faith, credit, and resources of the School District.

**NOTE M—UPCOMING ACCOUNTING PRONOUNCEMENTS**

In June 2022, the GASB issued Statement No. 101, *Compensated Absences*. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. This Statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements. The School District is currently evaluating the impact this standard will have on the financial statements when adopted during the 2024-2025 fiscal year.

In December 2023, the GASB issued Statement No. 102, *Certain Risk Disclosures*. This Statement requires a government to assess whether a concentration or constraint makes the government vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. If a government determines that those criteria for disclosure have been met for a concentration or constraint, it should disclose information in notes to financial statements in sufficient detail to enable users of financial statements to understand the nature of circumstances disclosed and the government's vulnerability to the risk of substantial impact. The District is currently evaluating the impact this standard will have on the financial statements when adopted during the 2024-2025 fiscal year.

Holton Public Schools  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2024

**NOTE M—UPCOMING ACCOUNTING PRONOUNCEMENTS—Continued**

In April 2024, the GASB issued Statement No. 103, *Financial Reporting Model Improvements*. This Statement establishes new accounting and financial reporting requirements—or modifies existing requirements—related to the following:

- Management’s discussion and analysis (MD&A);
  - Requires that the information presented in MD&A be limited to the related topics discussed in five specific sections:
    - Overview of the Financial Statements,
    - Financial Summary,
    - Detailed Analyses,
    - Significant Capital Asset and Long-Term Financing Activity,
    - Currently Known Facts, Decisions, or Conditions;
  - Stresses detailed analyses should explain why balances and results of operations changed rather than simply presenting the amounts or percentages by which they changed;
  - Removes the requirement for discussion of significant variations between original and final budget amounts and between final budget amounts and actual results;
- Unusual or infrequent items;
- Presentation of the proprietary fund statement of revenues, expenses, and changes in fund net position;
  - Requires that the proprietary fund statement of revenues, expenses, and changes in fund net position continue to distinguish between operating and nonoperating revenues and expenses and clarifies the definition of operating and nonoperating revenues and expenses;
  - Requires that a subtotal for *operating income (loss) and noncapital subsidies* be presented before reporting other nonoperating revenues and expenses and defines subsidies;
- Information about major component units in basic financial statements should be presented separately in the statement of net position and statement of activities unless it reduces the readability of the statements in which case combining statements of should be presented after the fund financial statements;
- Budgetary comparison information should include variances between original and final budget amounts and variances between final budget and actual amounts with explanations of significant variances required to be presented in the notes to RSI;

The District is currently evaluating the impact this standard will have on the financial statements when adopted during the 2025-2026 fiscal year.

**REQUIRED SUPPLEMENTARY INFORMATION**

Holton Public Schools  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE**  
 General Fund  
 For the year ended June 30, 2024

	<u>Budgeted amounts</u>		<u>Actual</u>	<u>Variance with final budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Local sources	\$ 1,357,234	\$ 1,391,222	\$ 1,476,397	\$ 85,175
State sources	9,735,248	10,052,586	10,117,786	65,200
Federal sources	1,001,740	976,176	976,870	694
Total revenues	12,094,222	12,419,984	12,571,053	151,069
<b>EXPENDITURES</b>				
Instruction				
Basic programs	5,418,599	5,533,566	5,493,944	39,622
Added needs	1,588,741	1,445,408	1,421,400	24,008
Support services				
Pupil	1,084,217	1,178,986	1,133,259	45,727
Instructional staff	301,961	308,197	304,556	3,641
General administration	363,983	368,150	365,862	2,288
School administration	530,358	539,383	537,256	2,127
Business	240,008	231,183	261,460	(30,277)
Operations and maintenance	1,228,410	1,244,875	1,284,977	(40,102)
Pupil transportation services	773,449	777,508	750,888	26,620
Central	248,125	254,328	247,808	6,520
Athletics	324,203	355,371	336,706	18,665
Community services	44,209	44,995	54,488	(9,493)
Outgoing transfers and other transactions	133,333	163,333	178,531	(15,198)
Total expenditures	12,279,596	12,445,283	12,371,135	74,148
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (185,374)</u>	<u>\$ (25,299)</u>	199,918	<u>\$ 225,217</u>
Fund balance at beginning of year			1,550,231	
Fund balance at end of year			<u>\$ 1,750,149</u>	

Holton Public Schools  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**Schedule of the School District's Proportionate Share of the Net Pension Liability**  
 Michigan Public School Employees Retirement System  
 Last 10 Fiscal Years (Amounts were determined as of 9/30 of each fiscal year)

	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
School District's proportion of the net pension liability (%)	0.05350%	0.05036%	0.04565%	0.04498%	0.04450%	0.04467%	0.04456%	0.04329%	0.04257%	0.04450%
School District's proportionate share of the net pension liability	\$ 17,315,664	\$ 18,940,195	\$ 10,807,132	\$ 15,451,593	\$ 14,737,215	\$ 13,427,517	\$ 11,547,797	\$ 10,800,029	\$ 10,397,641	\$ 9,801,058
School District's covered payroll	\$ 5,258,915	\$ 6,865,720	\$ 5,392,541	\$ 5,223,496	\$ 5,180,614	\$ 4,972,184	\$ 3,930,346	\$ 3,679,677	\$ 3,542,845	\$ 3,773,909
School District's proportionate share of the net pension liability as a percentage of its covered payroll	329.26%	275.87%	200.41%	295.81%	284.47%	270.05%	293.81%	293.50%	293.48%	259.71%
Plan fiduciary net position as a percentage of the total pension liability	65.91%	60.77%	72.60%	59.72%	60.31%	62.36%	64.21%	63.27%	63.17%	66.20%

**Holton Public Schools**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**Schedule of the School District's Pension Contributions**  
 Michigan Public School Employees Retirement System  
 Last 10 Fiscal Years (Amounts were determined as of 6/30 of each fiscal year)

	<b>2024</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Statutorily required contributions	\$ 2,134,527	\$ 1,304,322	\$ 1,172,991	\$ 924,068	\$ 908,261	\$ 847,614	\$ 824,699	\$ 708,875	\$ 808,711	\$ 879,894
Contributions in relation to the statutorily required contributions	2,134,527	1,304,322	1,172,991	924,068	908,261	847,614	824,699	708,875	808,711	879,894
Contribution deficiency (excess)	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
School District's covered payroll	\$ 5,147,781	\$ 7,345,109	\$ 6,369,917	\$ 5,175,349	\$ 5,211,965	\$ 5,021,990	\$ 4,840,202	\$ 3,981,240	\$ 3,653,572	\$ 3,555,010
Contributions as a percentage of covered payroll	41.46%	17.76%	18.41%	17.86%	17.43%	16.88%	17.04%	17.81%	22.13%	24.75%



Holton Public Schools  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**Schedule of the School District's Proportionate Share of the Net OPEB Liability (Asset)**  
Michigan Public School Employees Retirement System  
Last 7 Fiscal Years (Amounts were determined as of 9/30 of each fiscal year)

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
School District's proportion of the net OPEB liability (asset) (%)	0.05318%	0.05360%	0.04596%	0.04506%	0.04442%	0.04447%	0.04450%
School District's proportionate share of the net OPEB liability (asset)	\$ (300,823)	\$ 1,135,336	\$ 701,449	\$ 2,414,109	\$ 3,188,364	\$ 3,534,696	\$ 3,940,843
School District's covered payroll	\$ 5,258,915	\$ 6,865,720	\$ 5,392,541	\$ 5,223,496	\$ 5,180,614	\$ 4,972,184	\$ 3,930,346
School District's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	-5.72%	16.54%	13.01%	46.22%	61.54%	71.09%	100.27%
Plan fiduciary net position as a percentage of the total OPEB liability (asset)	105.04%	83.09%	87.33%	59.44%	48.46%	42.95%	36.39%

Note: For years prior to 2017 the information is not available. Until a full 10-year trend is compiled, information will only be presented for those years for which information is available.

Holton Public Schools  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**Schedule of the School District's OPEB Contributions**  
 Michigan Public School Employees Retirement System  
 Last 7 Fiscal Years (Amounts were determined as of 6/30 of each fiscal year)

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Statutorily required contributions	\$ 450,689	\$ 564,584	\$ 509,921	\$ 420,807	\$ 413,434	\$ 392,235	\$ 359,118
Contributions in relation to the statutorily required contributions	450,689	564,584	509,921	420,807	413,434	392,235	359,118
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District's covered payroll	\$ 5,147,781	\$ 7,345,109	\$ 6,369,917	\$ 5,175,349	\$ 5,211,965	\$ 5,021,990	\$ 4,840,202
Contributions as a percentage of covered payroll	8.76%	7.69%	8.01%	8.13%	7.93%	7.81%	7.42%

Note: For years prior to 2018 the information is not available. Until a full 10-year trend is compiled, information will only be presented for those years for which information is available.

Holton Public Schools  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**Notes to Required Supplementary Information**  
For the year ended June 30, 2024

Pension Information

**Benefit Changes** – there were no changes of benefit terms in 2023.

**Changes of assumptions** – there were no changes of benefit assumptions in 2023.

OPEB Information

**Benefit changes** – there were no changes of benefit terms in 2023.

**Changes of assumptions** – there were no changes of assumptions in 2023.