

Holton Public Schools

REPORT ON FINANCIAL STATEMENTS
(with required supplementary information)

Year ended June 30, 2025



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, 2025, 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, 2025, 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.

Change in Accounting Principle

As described in Note K to the financial statements, the School District adopted GASB Statement 101—*Compensated Absences*. Our opinions are not modified with respect to this matter.

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 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 Holton Public Schools' ability to continue as a going concern for a reasonable period of time.

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

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 October 14, 2025, on our consideration of Holton Public Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Holton Public Schools' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Holton Public Schools' internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Brickley DeLong, P.C." The signature is written in a cursive, flowing style.

Hart, Michigan
October 14, 2025



Management's Discussion and Analysis 2024-2025

This section of Holton Public Schools' Annual Financial Report presents our discussion and analysis of the School District's financial performance during the year ended June 30, 2025. 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, the Capital Projects 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), (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 School District's budget for the year. Additionally, the basic financial statements also include two kinds of statements that present different views of the School 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 2024-2025

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.

The District-Wide beginning net position was restated for the effects of implementing GASB Statement 101—*Compensated Absences*. The footnotes to the financial statements contain the details. The prior year Statement of Net Position and Statement of Activities was not restated for the effect of GASB Statement 101 as the data is not available.

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 2024-2025

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, 2025 amounted to a deficit of approximately \$7.5 million. Table 1 shows a condensed breakdown of the net assets.

Table 1
Condensed Statement of Net Position

	Governmental Activities June 30, 2024*	Governmental Activities June 30, 2025
Current assets	\$ 7,671,523	\$ 6,867,763
Non-current assets	16,158,371	17,186,599
Deferred Outflows	<u>7,977,657</u>	<u>5,480,156</u>
Total assets and deferred outflows	31,807,551	29,534,518
Current liabilities	6,006,354	3,844,612
Non-current liabilities	30,257,082	25,756,991
Deferred inflows	<u>5,160,753</u>	<u>7,395,740</u>
Total liabilities and deferred inflows	41,424,189	36,997,343
Net position		
Net investment in capital assets	2,803,945	4,652,489
Restricted	2,555,396	3,281,181
Unrestricted	<u>(14,975,979)</u>	<u>(15,396,495)</u>
Total net position	<u>\$ (9,616,638)</u>	<u>\$ (7,462,825)</u>

*June 30, 2024 numbers have not been updated for the adoption of GASB 101.

The largest portion of the School 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 School District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the School 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 2024-2025

The major changes affecting the condensed Statement of Net Position include the decrease of current assets and current liabilities due to repayment of the QZAB bond payment during the year and an increase of non-current assets and deferred inflows and a decrease in deferred outflows and non-current liabilities 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 2025.

Table 2
Statement of Activities

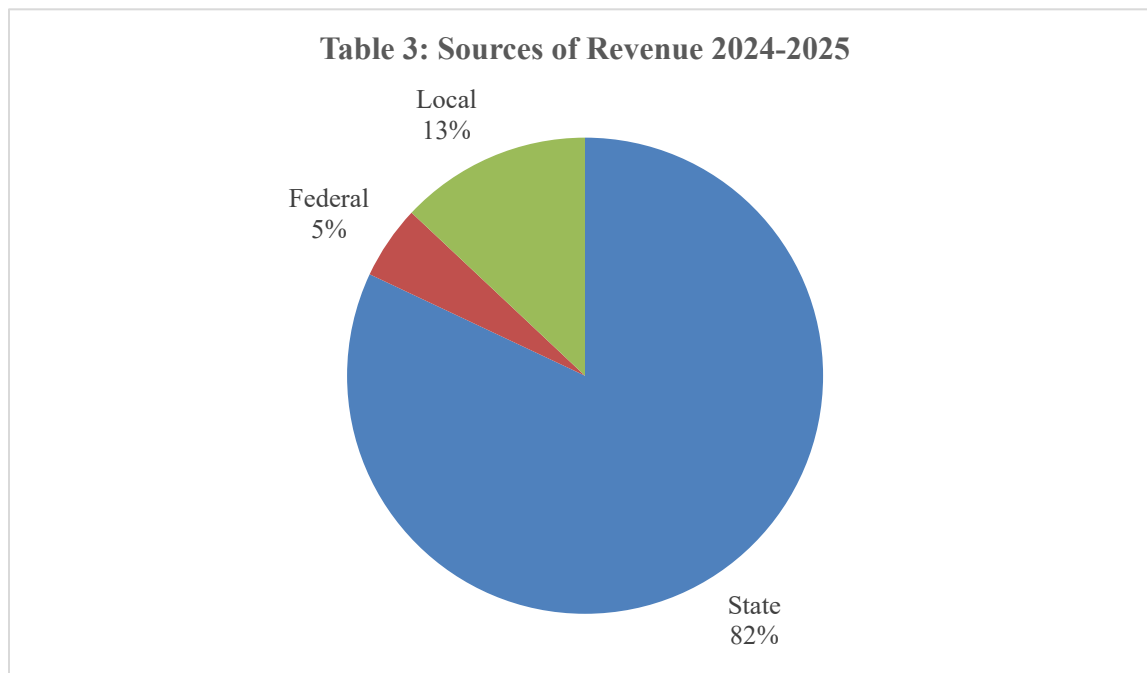
	Governmental Activities <u>June 30, 2024*</u>	Governmental Activities <u>June 30, 2025</u>
Revenues		
Program Revenues		
Charges for services	\$ 129,261	\$ 178,074
Operating grants and contributions	6,339,482	6,186,612
General revenues		
Property taxes	2,362,524	2,516,558
Unrestricted grants and contributions	7,038,207	6,624,681
Other	<u>105,781</u>	<u>135,280</u>
Total revenues	15,975,255	15,641,205
Expenses		
Instruction	7,346,507	5,769,025
Support services	5,323,621	4,946,841
Community services	54,488	61,172
Food services	957,119	1,033,181
Student/school activities	194,789	206,018
Athletics	562,661	581,997
Interest on long-term debt	<u>554,378</u>	<u>508,058</u>
Total expenses	14,993,563	13,106,292
Increase (decrease) in net position	<u>\$ 981,692</u>	<u>\$ 2,534,913</u>

*June 30, 2024 numbers have not been updated for the adoption of GASB 101.

Management's Discussion and Analysis 2024-2025

The net position of the School District increased by \$2.5 million during the 2024-2025 fiscal year. The cost of the School District's governmental activities for the year was \$13.1 million. Those who benefited from food service, athletic programs, student and school activities, instructional, and support services, paid service charges of \$0.2 million. Operating grants and contributions of \$6.2 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.

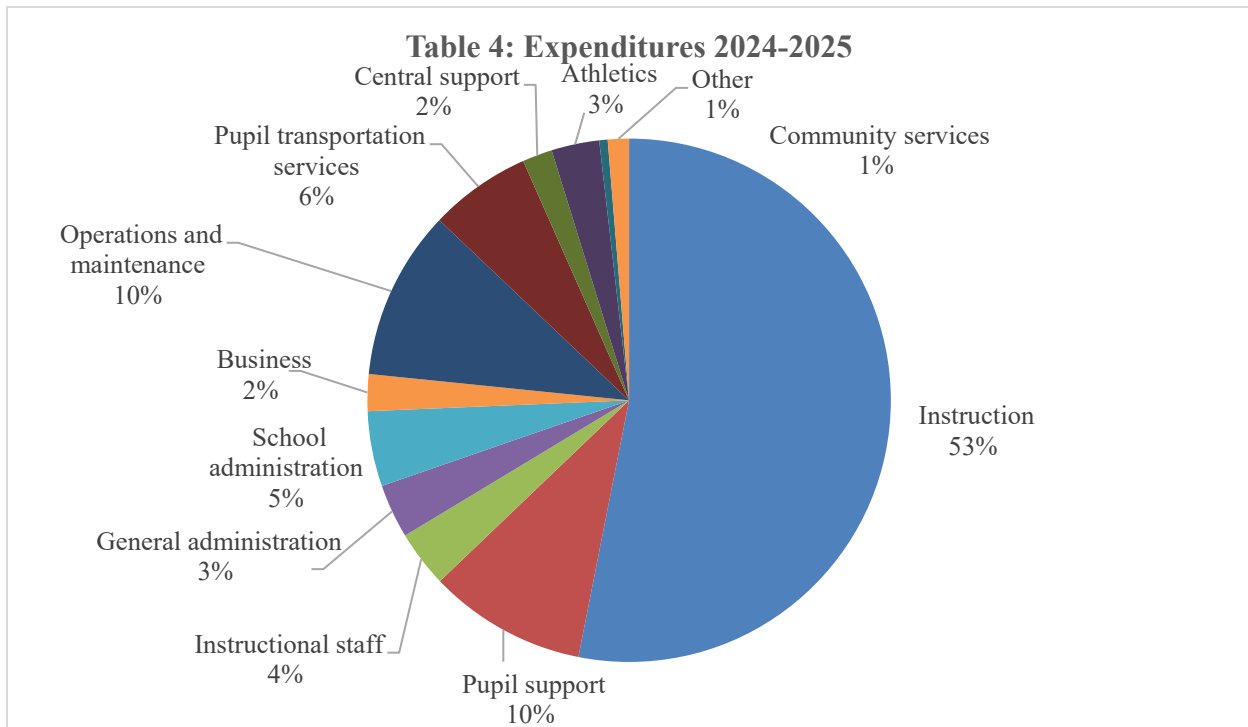
A substantial portion (82%) of the School District's revenues is received from State sources. This means that the financial stability of the School District rests primarily with the economic health of the State of Michigan. Table 3 depicts the breakdown of the sources of General Fund revenue for the School District.



Since property taxes for operations and unrestricted State Aid constitute the vast majority of 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 2024-2025

Table 4 depicts the allocation of how General Fund resources are spent. 67% of the School District's General Fund resources are spent on instruction, pupil support services, and instructional staff support. Another 10% is spent on administrative and business services necessary to efficiently operate the School District, while 16% is spent for transportation and maintenance, including utilities and custodial services. The final 7% is spent on athletics, community services and transfers to other funds.





Management's Discussion and Analysis 2024-2025

Financial Analysis of the School 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 \$371,495 during the 2024-2025 fiscal year, resulting in fund balance of \$2,121,644 at year end.

Factors Impacting Operations

Student Enrollment – The blended student count decreased by 36 students.

Foundation allowance - The foundation allowance did not change from \$9,608 in 2023-2024 to 2024-2025.

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 in June 2025. (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).

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 a \$503,063 net 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 **local source** revenue budget increased by \$202,608 due to increased interest income and an enrollment stabilization grant.
- The **federal source** revenue budget increased by \$246,113 due to additional Title I, II, and IV grant allocations.

Expenditures – There was a \$104,018 net decrease in total General Fund expenditures budget from the beginning of the year. The significant changes by functional category from the beginning to end of year as follows:

- Instructional staff expenditures increased by \$40,647 due to additional grants for an instruction coach.
- Business expenditures increased \$30,923 due to higher tax chargebacks.



Management's Discussion and Analysis 2024-2025

Actual vs. Amended Budget

The following analysis describes the reasons for significant variances from the actual amounts to the final amended budgets.

Revenues – Overall, revenues were more than budgeted by \$326,076 or 2.7%. The significant variances are as follows:

- State aid was more than budgeted by \$311,456 due to a 147c(2) MSPERS one time deposit and the 147g Healthcare reimbursement grant being more than expected.

Expenditures – Overall, expenditures were over budget by \$194,884 or 2%. The significant variances are as follows:

- Instructional staff was overbudget by \$29,704 due to contracting out an instruction coach at a higher rate than expected and training an elementary media specialist.
- Operations and maintenance was overbudget by \$53,076 due to the district's portion for a school resource officer.
- Pupil transportation expenditures were under budget by \$102,636 due to a bus purchase arriving after fiscal year end.

Capital Assets

At June 30, 2025, the School District had \$15,033,408 (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 \$824,140 from last year. The decrease is due to the net addition of \$170,505 for construction in progress, disposal of assets with a net book value of \$50,766, and current year depreciation/amortization of \$943,869.

	<u>2024</u>	<u>2025</u>
Land and construction in progress	\$ 268,925	\$ 439,430
Buildings and building improvements	14,872,605	14,049,643
Buses and other vehicles, furniture and equipment	700,534	544,335
Right-to-use –subscription-based IT	15,484	-
Total capital assets	<u>\$ 15,857,548</u>	<u>\$ 15,033,408</u>

Long-term debt

At the end of this year, the School District had \$14,255,696 in outstanding long-term obligations, excluding pension related liabilities. This is a net decrease of \$1,832,095 in long-term obligations. During the fiscal year, the district received \$173,408 of proceeds from the School Loan Revolving Fund to assist in debt service payments for general obligation bonds and \$850,000 in Capital Improvement Bonds and paid \$1,700,000 to retire their QZAB bond. We present detailed information about our long-term liabilities in the notes to the financial statements.



Management's Discussion and Analysis 2024-2025

Economic Factors and Next Year's Budget

Our elected officials and administration considered many factors when setting the School District's 2026 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 2026 fiscal year is a blend of 10 percent of the February 2025 student count and 90 percent of the September 2025 student count, respectively. The 2026 budget was adopted in June 2025, based on an estimated number of students that will be enrolled in September 2025. 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 2025-2026 school year, the School District budgeted an increase in the per pupil foundation allowance of \$250 to \$9,858 with a decrease in pupil enrollment of 15 students. The School District budgeted expenditures to exceed revenues by \$375,300.

In the 2024-2025 fiscal year, the School District issued bonds for \$850,000 for the turf replacement project. Approximately \$933,000 of the \$1,054,000 total project is remaining and will be finished in the 2025-2026 fiscal year.

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, 2025

	Governmental activities
ASSETS	
Current assets	
Cash and cash equivalents	\$ 2,202,472
Investments	2,337,140
Receivables	790
Due from other governmental units	2,057,127
Inventories	14,097
Prepaid items	256,137
Total current assets	6,867,763
Noncurrent assets	
Capital assets, net	
Nondepreciable/amortizable	439,430
Depreciable/amortizable	14,593,978
Net other postemployment benefits asset	2,153,191
Total noncurrent assets	17,186,599
Total assets	24,054,362
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charges on refunding	75,532
Related to other postemployment benefits	764,030
Related to pensions	4,640,594
Total deferred outflows of resources	5,480,156
Total assets and deferred outflows of resources	29,534,518
LIABILITIES	
Current liabilities	
State aid loans	600,000
Accounts payable and accrued liabilities	1,472,884
Due to other governmental units	22,442
Unearned revenue	569,286
Bonds and other obligations, due within one year	1,180,000
Total current liabilities	3,844,612
Noncurrent liabilities	
Bonds and other obligations, less amounts due within one year	13,075,696
Net pension liability	12,681,295
Total noncurrent liabilities	25,756,991
Total liabilities	29,601,603
DEFERRED INFLOWS OF RESOURCES	
Related to other postemployment benefits	2,826,759
Related to pensions	4,568,981
Total deferred inflows of resources	7,395,740
Total liabilities and deferred inflows of resources	36,997,343
NET POSITION	
Net investment in capital assets	4,652,489
Restricted for	
Capital projects	340,438
Debt service	351,531
Food service	384,350
Technology	51,671
Net other postemployment benefits	2,153,191
Unrestricted	(15,396,495)
Total net position	\$ (7,462,825)

The accompanying notes are an integral part of this statement.

Holton Public Schools
STATEMENT OF ACTIVITIES
For the year ended June 30, 2025

<i>Functions/Programs</i>	<u>Expenses</u>	<u>Program Revenue</u>		<u>Net (Expense)</u>
		<u>Charges for</u>	<u>Operating grants</u>	<u>Revenue and</u>
		<u>services</u>	<u>and contributions</u>	<u>Changes in</u>
				<u>Net Position</u>
				<u>Governmental</u>
				<u>activities</u>
Governmental activities				
Instruction	\$ 5,769,025	\$ 15,645	\$ 2,477,461	\$ (3,275,919)
Support services	4,946,841	111,347	2,350,733	(2,484,761)
Community services	61,172	-	58,007	(3,165)
Food services	1,033,181	28,647	1,076,120	71,586
Student/school activities	206,018	-	212,806	6,788
Athletics	581,997	22,435	11,485	(548,077)
Interest on long-term debt	508,058	-	-	(508,058)
Total governmental activities	<u>\$ 13,106,292</u>	<u>\$ 178,074</u>	<u>\$ 6,186,612</u>	(6,741,606)
General revenues				
Property taxes				2,516,558
Grants and contributions not restricted to specific programs				6,624,681
Investment earnings				118,400
Miscellaneous				16,880
Total general revenues				<u>9,276,519</u>
Change in net position				2,534,913
Net position at beginning of year, as previously stated				(9,616,638)
Adjustments to beginning net position				<u>(381,100)</u>
Net position at beginning of year, as restated				<u>(9,997,738)</u>
Net position at end of year				<u><u>\$ (7,462,825)</u></u>

The accompanying notes are an integral part of this statement.

Holton Public Schools
BALANCE SHEET
Governmental Funds
June 30, 2025

	General Fund	School Improvement Sinking Fund	Capital Projects	Other governmental funds	Total governmental funds
ASSETS					
Cash and cash equivalents	\$ 859,268	\$ -	\$ 1,105,996	\$ 237,208	\$ 2,202,472
Investments	2,040,090	-	-	297,050	2,337,140
Receivables	790	-	-	-	790
Due from other governmental units	1,915,244	-	-	141,883	2,057,127
Due from other funds	-	-	-	400,814	400,814
Inventories	-	-	-	14,097	14,097
Prepaid items	158,589	-	-	97,548	256,137
Total assets	\$ 4,973,981	\$ -	\$ 1,105,996	\$ 1,188,600	\$ 7,268,577
LIABILITIES					
State aid loans	\$ 600,000	\$ -	\$ -	\$ -	\$ 600,000
Accounts payable	31,084	-	83,451	57,429	171,964
Accrued liabilities	1,230,320	-	-	-	1,230,320
Due to other governmental units	22,442	-	-	-	22,442
Due to other funds	400,814	-	-	-	400,814
Unearned revenue	567,677	-	-	1,609	569,286
Total liabilities	2,852,337	-	83,451	59,038	2,994,826
FUND BALANCES					
Nonspendable					
Inventories	-	-	-	14,097	14,097
Prepaid items	158,589	-	-	97,548	256,137
Restricted					
Debt service	-	-	-	422,131	422,131
Food service	-	-	-	384,350	384,350
Technology	-	-	-	51,671	51,671
Capital projects	-	-	1,022,545	-	1,022,545
Committed for student/school activities	-	-	-	159,765	159,765
Assigned to subsequent year's budget appropriations	375,300	-	-	-	375,300
Unassigned	1,587,755	-	-	-	1,587,755
Total fund balances	2,121,644	-	1,022,545	1,129,562	4,273,751
Total liabilities and fund balances	\$ 4,973,981	\$ -	\$ 1,105,996	\$ 1,188,600	\$ 7,268,577

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, 2025

Total fund balance—governmental funds		\$ 4,273,751
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	\$ 33,196,382	
Accumulated depreciation/amortization	<u>(18,162,974)</u>	15,033,408
Net other postemployment benefits in governmental activities are not current financial resources and therefore are not reported in the governmental funds.		
		2,153,191
Deferred charges on refunding are not capitalized and amortized in the governmental funds.		
Deferred charges on refunding	235,699	
Accumulated amortization	<u>(160,167)</u>	75,532
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	764,030	
Deferred inflows of resources - related to other postemployment benefits	(2,826,759)	
Deferred outflows of resources - related to pensions	4,640,594	
Deferred inflows of resources - related to pensions	<u>(4,568,981)</u>	(1,991,116)
Accrued interest in governmental activities is not reported in the governmental funds.		
		(70,600)
Long-term obligations in governmental activities are not due and payable in the current period and are not reported in the governmental funds.		
		<u>(26,936,991)</u>
Net position of governmental activities		<u><u>\$ (7,462,825)</u></u>

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, 2025

	General Fund	School Improvement Sinking Fund	Capital Projects	Other governmental funds	Total governmental funds
REVENUES					
Local sources					
Property taxes	\$ 934,786	\$ -	\$ -	\$ 1,581,772	\$ 2,516,558
Investment earnings	89,740	-	9,683	18,977	118,400
Fees and charges	94,526	-	-	24,116	118,642
Student/school activity income	-	-	-	212,806	212,806
Other	467,055	-	-	191,159	658,214
Total local sources	1,586,107	-	9,683	2,028,830	3,624,620
State sources	9,977,895	-	-	23,812	10,001,707
Federal sources	575,530	-	-	1,056,529	1,632,059
Total revenues	12,139,532	-	9,683	3,109,171	15,258,386
EXPENDITURES					
Current					
Instruction	6,248,738	-	-	101,225	6,349,963
Support services	4,956,334	-	-	100,186	5,056,520
Food services	-	-	-	977,866	977,866
Athletics	348,263	-	-	-	348,263
Community services	61,172	-	-	-	61,172
Student/school activities	-	-	-	206,018	206,018
Debt service					
Principal repayment	14,473	1,700,000	-	1,050,000	2,764,473
Interest and other charges	724	-	-	438,049	438,773
Bond issuance costs	-	-	22,388	-	22,388
Capital projects	-	-	170,505	-	170,505
Total expenditures	11,629,704	1,700,000	192,893	2,873,344	16,395,941
Excess (deficiency) of revenues over (under) expenditures	509,828	(1,700,000)	(183,210)	235,827	(1,137,555)
OTHER FINANCING SOURCES (USES)					
Transfers in	-	113,333	25,000	-	138,333
Transfers out	(138,333)	-	-	-	(138,333)
Loan proceeds	-	-	850,000	58,064	908,064
Total other financing sources (uses)	(138,333)	113,333	875,000	58,064	908,064
Net change in fund balances	371,495	(1,586,667)	691,790	293,891	(229,491)
Fund balances at beginning of year, as previously presented	1,750,149	1,586,667	-	1,166,426	4,503,242
Adjustments to beginning fund balances	-	-	330,755	(330,755)	-
Fund balances at beginning of year, as restated	1,750,149	1,586,667	330,755	835,671	4,503,242
Fund balances at end of year	\$ 2,121,644	\$ -	\$ 1,022,545	\$ 1,129,562	\$ 4,273,751

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, 2025

Net change in fund balances—total governmental funds	\$ (229,491)
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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	\$ (943,869)	
Capital outlay	170,505	(773,364)

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)
----------------------	----------

Governmental funds report the entire proceeds from the sale of capital assets but the Statement of Activities reports only the gain or loss on the sale of capital assets.

(50,776)

Debt proceeds are other financing sources in the governmental funds, but the proceeds increase long-term debt in the Statement of Net Position.

(1,023,408)

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.

2,856,203

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

2,200

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.

(700)

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.

734,634

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.

1,035,241

Change in net position of governmental activities

\$ 2,534,913

The accompanying notes are an integral part of this statement.

Holton Public Schools
NOTES TO FINANCIAL STATEMENTS
June 30, 2025

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 School District'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.

The Capital Projects Fund includes capital project activities funded with bonds. For this capital project, the School District has complied with the applicable provisions of Section 1351a of the Revised School Code. The fund is not yet considered substantially complete, and a subsequent year audit is expected.

Holton Public Schools
NOTES TO FINANCIAL STATEMENTS
June 30, 2025

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.

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, 2025

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, 2025

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 and construction in progress are not depreciated. The other property 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, 2025

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, 2025

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.

Leases and Subscription Based IT Arrangements (SBITA)

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

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

Holton Public Schools
NOTES TO FINANCIAL STATEMENTS
June 30, 2025

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

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

Leases and 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 lease/SBITA payments to present value, (2) lease/SBITA term, and (3) lease/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 a lease/SBITA.

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

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

Lease/SBITA assets are reported with other capital assets and lease/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 School District recognizes a liability for compensated absences for leave time that (1) has been earned for services previously rendered by employees, (2) accumulates and is allowed to be carried over to subsequent years, and (3) is more likely than not to be used as time off or settled during or upon separation from employment. The liability for compensated absences is reported as incurred in the government-wide financial statements. The liability for compensated absences includes salary and related benefits, where applicable.

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, 2025

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, 2025.

School Bond Construction Compliance

The Capital Projects Fund includes capital project activities funded with bonds issued after May 1, 1994. For this capital project, the School District has complied with the applicable provisions of §1351(a) of the State of Michigan's School Code.

Following is a summary of the revenue and expenditures in the Capital Projects Fund from the inception of the fund through June 30, 2025:

	Capital Projects Fund
Revenue and bond proceeds	\$ 859,683
Expenditures	192,893

Holton Public Schools
NOTES TO FINANCIAL STATEMENTS
June 30, 2025

NOTE C—DEPOSITS AND INVESTMENTS

As of June 30, 2025, the School District had the following investments:

Investment Type	Fair value	Weighted average maturity (Days)	Standard & Poor's rating
MILAF External Investment pool - CMC	\$ 553,141	38	AAAm
MILAF - Max Class	1,783,999	38	AAAm
Total fair value	<u>\$ 2,337,140</u>		
Portfolio weighted average maturity		<u>38</u>	

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, 2025, \$2,157,126 of the School District's bank balance of \$2,407,126 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.

Holton Public Schools
NOTES TO FINANCIAL STATEMENTS
June 30, 2025

NOTE C—DEPOSITS AND INVESTMENTS—Continued

Foreign currency risk

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

Fair value management

The School 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.

	<u>Amortized Cost</u>
MILAF External Investment pool - CMC	\$ 553,141
MILAF External Investment pool - MAX class	<u>1,783,999</u>
	<u>\$ 2,337,140</u>

NOTE D—CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2025 was as follows:

	<u>Balance July 1, 2024</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2025</u>
Capital assets, not being depreciated/amortized:				
Land	\$ 268,925	\$ -	\$ -	\$ 268,925
Construction in progress	-	170,505	-	170,505
Total capital assets, not being depreciated/amortized	268,925	170,505	-	439,430
Capital assets, being depreciated/amortized:				
Buildings and improvements	31,137,111	-	476,747	30,660,364
Furniture and equipment	1,291,465	-	61,145	1,230,320
Vehicles and equipment	1,109,180	-	242,912	866,268
Right-to-use - subscription based IT	53,764	-	53,764	-
Total capital assets, being depreciated/amortized	33,591,520	-	834,568	32,756,952
Less accumulated depreciation/amortization:				
Buildings and improvements	16,264,506	772,186	425,971	16,610,721
Furniture and equipment	848,274	84,353	61,145	871,482
Vehicles and equipment	851,837	71,846	242,912	680,771
Right-to-use - subscription based IT	38,280	15,484	53,764	-
Total accumulated depreciation/amortization	18,002,897	943,869	783,792	18,162,974
Total capital assets, being depreciated/amortized, net	15,588,623	(943,869)	50,776	14,593,978
Capital assets, net	<u>\$ 15,857,548</u>	<u>\$ (773,364)</u>	<u>\$ 50,776</u>	<u>\$ 15,033,408</u>

Holton Public Schools
NOTES TO FINANCIAL STATEMENTS
June 30, 2025

NOTE D—CAPITAL ASSETS—Continued

Depreciation/amortization

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

Instruction	\$ 311,007
Support services	354,365
Athletics	223,182
Food services	55,315
	<u>\$ 943,869</u>

NOTE E—INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2025 is as follows:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
Other governmental funds	General Fund	<u>\$ 400,814</u>

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 \$113,333 to the School Improvement Sinking Fund as a required set-aside principal installment for the QZAB bond payment. The General Fund also transferred \$25,000 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, 2025 follows:

	<u>Balance</u> <u>July 1, 2024</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2025</u>
State aid anticipation notes				
2023/2024 5.09% due and paid August 2024	\$ 1,000,000	\$ -	\$ 1,000,000	\$ -
2024/2025 4.90% due and paid August 2025	-	600,000	-	600,000
	<u>\$ 1,000,000</u>	<u>\$ 600,000</u>	<u>\$ 1,000,000</u>	<u>\$ 600,000</u>

Holton Public Schools
NOTES TO FINANCIAL STATEMENTS
June 30, 2025

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 bore no interest and required the School District to make annual deposits of \$113,334 starting in August 2010 until they matured in August 2024. Notes from direct borrowings and direct placements include the School Loan Revolving fund. The School District's debt retirement funds are used as the primary resource to liquidate the general obligation bonds. In the event such resources proved insufficient, the School District's General Fund would be used to pay all obligations.

The following is a summary of long-term obligations activity for the School District for the year ended June 30, 2025:

	Balance July 1, 2024, as restated	Additions	Reductions	Balance June 30, 2025	Due within one year
Governmental activities					
General obligation bonds	\$ 12,500,000	\$ 850,000	\$ 2,750,000	\$ 10,600,000	\$ 1,160,000
Premium	630,288	-	91,730	538,558	-
Notes from direct borrowings and direct placements	2,538,530	173,408	-	2,711,938	-
SBITA	14,473	-	14,473	-	-
Compensated absences*	404,500	700	-	405,200	20,000
	\$ 16,087,791	\$ 1,024,108	\$ 2,856,203	\$ 14,255,696	\$ 1,180,000

*The change in the compensated absences liability is presented as a net change.

The additions for notes from direct borrowings and direct placements includes \$58,064 of new draws and \$115,344 of accrued interest on the School Loan Revolving Fund.

The governmental activities general obligation 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.

The School District leases the right to use assets from various third parties. These assets include IT subscription assets under SBITAs. Payments on SBITAs are generally fixed annual amounts. The SB1TA terms are 3 to 4 years and have a discount rate of 5 percent. Right-to-use subscription-based IT assets are included in Note D.

Holton Public Schools
NOTES TO FINANCIAL STATEMENTS
June 30, 2025

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, 2025:

	<u>Interest Rate</u>	<u>Date of Maturity</u>	<u>Balance</u>
Governmental Activities			
General obligation bonds			
2015A Refunding General Obligation Bond	4.0%	May 2028	\$ 1,275,000
2015B Refunding General Obligation Bond	4.0%	May 2030	2,865,000
2018 School Building and Site Bond	4.0%	May 2044	5,610,000
2025 School Improvement Bond	4.1%	May 2035	850,000
			<u><u>\$ 10,600,000</u></u>
Notes from direct borrowings and direct placements			
School Loan Revolving Fund	4.2%	May 2036	<u><u>\$ 2,711,938</u></u>

The annual requirements of principal and interest to amortize the bonds and notes from direct borrowings and direct placements outstanding as of June 30, 2025 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>
2026	\$ 1,160,000	\$ 424,366	\$ -	\$ 13,200
2027	1,215,000	378,386	-	70,400
2028	1,255,000	329,710	15,500	107,200
2029	910,000	279,436	456,100	104,200
2030	940,000	242,956	529,840	87,900
2031-2035	1,890,000	879,652	1,537,115	90,700
2036-2040	1,680,000	516,000	173,408	-
2041-2044	1,550,000	234,400	-	-
	<u><u>\$ 10,600,000</u></u>	<u><u>\$ 3,284,906</u></u>	<u><u>\$ 2,711,963</u></u>	<u><u>\$ 473,600</u></u>

Holton Public Schools
NOTES TO FINANCIAL STATEMENTS
June 30, 2025

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.

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, 2025

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

Benefits Provided – Pension—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.

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

Option 1: Members voluntarily elected to increase their contributions to the pension fund as noted below and retain the 1.5 percent pension factor in their pension formula. The increased contribution would begin as of their transition date and continue until they terminate public school employment. For Basic plan members the contribution is 4 percent. For Member Investment Plan (MIP)-Fixed, MIPGraded, and MIP-Plus members the contribution is a flat 7 percent.

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

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

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

Holton Public Schools
NOTES TO FINANCIAL STATEMENTS
June 30, 2025

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

Benefits Provided – Pension—Continued

Pension Reform 2012—Continued

Members who did not make an election before the deadline defaulted to Option 3 as described above. Deferred or nonvested public school employees on September 3, 2012, who return to public school employment on or after September 4, 2012, will be considered as if they had elected Option 3 above. Returning members who made the retirement plan election will retain whichever option they chose. Employees who first work on or after September 4, 2012 choose between two retirement plans: The Pension Plus plan and a Defined Contribution plan that provides a 50 percent employer match (up to 3 percent of salary) on employee contributions.

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

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

Pension Reform 2017

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

New employees hired between February 1, 2018 and June 30, 2024, were automatically enrolled as members in the Pension Plus 2 plan as of their date of hire. They had 75 days from the last day of their first pay period, as reported to ORS, to elect to opt out of the Pension Plus 2 plan and become a qualified participant to the DC plan; if no election is made they will default to the DC plan. If they elect to opt out of the Pension Plus 2 plan, their participation in the DC plan will be retroactive to their date of hire.

Pension Reform of 2023

On November 29, 2023, the Governor signed Public Act 250 of 2023 into law. New employees hired after June 30, 2024, are automatically enrolled as members in the Pension Plus 2 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 2 plan and become a qualified participant in the DC plan; if no election is made they will remain in the Pension Plus 2 plan. If they elect to opt out of the Pension Plus 2 plan, their participation in the DC plan will be retroactive to their date of hire.

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, 2025

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.

Retiree Healthcare Reform of 2012

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

Under Public Act 300 of 2012, members were given the choice between continuing the 3 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, 2025

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, 2023 valuation will be amortized over a 15-year period beginning October 1, 2023, and ending September 30, 2038.

The schedules below summarize the contribution rates in effect for the System’s fiscal year ended September 30, 2024.

Pension Contribution Rates		
Benefit Structure	Member	Employer
Basic	0.0 - 4.0 %	23.03 %
Member Investment Plan	3.0 - 7.0	23.03
Pension Plus Plan	3.0 - 6.4	19.17
Pension Plus 2 Plan	6.2	20.10
Defined Contribution	0.0	13.90

OPEB Contribution Rates		
Benefit Structure	Member	Employer
Premium Subsidy	3.0 %	8.31 %
Personal Healthcare Fund	0.0	7.06

The School District’s pension contributions for the year ended June 30, 2025 were equal to the required contribution total. Pension contributions were approximately \$2,139,000 including Section 147c(1) UAAL rate stabilization and 147c(2) one time deposit state aid payment contributions.

For the year ended June 30, 2025, the School District and employee defined contribution plan contributions were approximately \$42,000 and \$57,000 respectively.

The School District’s OPEB contributions for the year ended June 30, 2025 were equal to the required contribution total. OPEB contributions were approximately \$27,000.

For the year ended June 30, 2025, the School District and employee OPEB defined contribution plan contributions were approximately \$21,000 and \$20,000, respectively.

Holton Public Schools
NOTES TO FINANCIAL STATEMENTS
June 30, 2025

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

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

At June 30, 2025, the School District reported a liability of \$12,681,295 for its proportionate share of the MPSERS net pension liability and an asset of \$2,153,191 for its proportionate share of the MPSERS net OPEB asset. The net pension liability and net OPEB asset were measured as of September 30, 2024, 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, 2023. 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, 2024 and 2023, the School District's pension proportion was 0.05180 and 0.05350 percent, respectively. At September 30, 2024 and 2023, the School District's OPEB proportion was 0.05002 and 0.05318 percent, respectively.

For the year ended June 30, 2025, the School District recognized pension expense (benefit) of \$1,486,696 and OPEB expense (benefit) of \$(707,241). At June 30, 2025, the School District reported deferred outflows of resources and deferred inflows of resources from the following sources:

	Pension		OPEB	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between projected and actual experience	\$ 344,052	\$ 137,784	\$ -	\$ 2,281,725
Changes of assumptions	1,322,100	929,138	470,288	54,056
Net difference between projected and actual earnings on plan investments	-	2,420,129	-	407,624
Changes in proportion and differences between School District contributions and proportionate share of contributions	993,227	424,208	282,610	83,354
State of Michigan Section 147c(1) UAAL rate stabilization and Section 147c(2) one time Deposit and state aid payments subsequent to the measurement date	-	657,722	-	-
School District contributions subsequent to the measurement date	1,981,215	-	11,132	-
Total	\$ 4,640,594	\$ 4,568,981	\$ 764,030	\$ 2,826,759

Holton Public Schools
NOTES TO FINANCIAL STATEMENTS
June 30, 2025

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, 2026. The State of Michigan Section 147c(1) UAAL rate stabilization and 147c(2) one time deposit-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, 2026. 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:

Year ending June 30,	Pension	OPEB
2026	\$ 43,997	\$ (658,866)
2027	304,285	(373,997)
2028	(916,888)	(375,756)
2029	(683,274)	(392,953)
2030	-	(228,313)
Thereafter	-	(43,976)
	\$ (1,251,880)	\$ (2,073,861)

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.

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions

Valuation date –	September 30, 2023
Actuarial cost method –	Entry age, Normal
Wage inflation rate –	2.75%
Investment rate of return –	6% a year for the MIP and Basic plans 6% a year for the Pension Plus plan 6% a year for the Pension Plus 2 plan 6% a year for OPEB
Projected 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: 7.25% Year 1 graded to 3.5% Year 15 Post-65: 6.50% Year 1 graded to 3.5% Year 15

Holton Public Schools
NOTES TO FINANCIAL STATEMENTS
June 30, 2025

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, 2024 are based on the results of an actual valuation date of September 30, 2023, and rolled forward using generally accepted actuarial procedures, including the experience study.

Long-Term Expected Return on Plan Assets

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, 2025

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

Long-Term Expected Return on Plan Assets—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, 2024 are summarized in the following table:

Investment Category	Target Allocation	Long-term Expected Real Rate of Return*
Domestic Equity Pools	25.0 %	5.3 %
Private Equity Pools	16.0	9.0
International Equity Pools	15.0	6.5
Fixed Income Pools	13.0	2.2
Real Estate and Infrastructure Pools	10.0	7.1
Absolute Return Pools	9.0	5.2
Real Return/Opportunistic Pools	10.0	6.9
Short Term Investment Pools	2.0	1.4
Total	100.0 %	

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

Rate of Return

For the fiscal year ended September 30, 2024, the annual money-weighted rate of return on plan investments, net of plan investment expense, was 15.47 percent and 15.45 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

A discount rate of 6 percent was used to measure the total pension liability (6 percent for the Pension Plus plan, 6 percent for the Pension Plus 2 plan, hybrid plans provided through non-university employers only). This discount rate was based on the long-term expected rate of return on pension plan investments of 6 percent (6 percent for the Pension Plus plan, 6 percent for the Pension Plus 2 plan). A discount rate of 6 percent was used to measure the total OPEB liability. This discount rate was based on the long-term expected rate of return on OPEB plan investments of 6 percent. 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, 2025

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 percent (6 percent for the Pension Plus plan and 6 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:

1% Lower* (5% / 5% / 5%)	Discount Rate * (6% / 6% / 6%)	1% Higher* (7% / 7% / 7%)
\$ 18,590,915	\$ 12,681,295	\$ 7,760,400

*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 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:

1% Lower (5%)	Discount Rate (6%)	1% Higher (7%)
\$ (1,664,004)	\$ (2,153,191)	\$ (2,576,145)

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:

1% Lower	Current Healthcare Cost Trend Rate	1% Higher
\$ (2,576,150)	\$ (2,153,191)	\$ (1,699,570)

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.

Holton Public Schools
NOTES TO FINANCIAL STATEMENTS
June 30, 2025

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) and 147c(2) amounts are not considered payables for this purpose.

NOTE I—COMMITTMENTS 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.

Commitments

During the year ended June 30, 2025, the School District committed to a turf replacement project for approximately \$1,054,000 with approximately \$934,000 remaining. The School District will utilize available fund balance in the Capital Projects Fund and General Fund to pay for this project.

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, 2025 or any of the prior three years.

Holton Public Schools
NOTES TO FINANCIAL STATEMENTS
June 30, 2025

NOTE K—CHANGE IN ACCOUNTING PRINCIPLE

For the year ended June 30, 2025, the School District implemented GASB Statement 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.

NOTE L—ADJUSTMENTS TO BEGINNING FUND BALANCES/NET POSITION

During fiscal year 2025, the School District implemented GASB Statement 101—*Compensated Absences*, and had a change within the School District’s financial reporting for a change from non-major to major. Changes to beginning fund balance/net position are as follows:

	Reporting Units Affected by Adjustments to and Restatements of Beginning Balances		
	Capital Projects	Other Governmental Funds	Governmental Activities
Fund balances/net position, as previously reported	\$ -	\$ 1,166,426	\$ (9,616,638)
Change from nonmajor fund to major fund	330,755	(330,755)	-
Change in accounting principle (GASB 101)	-	-	(381,100)
Fund balance/net position, as restated	\$ 330,755	\$ 835,671	\$ (9,997,738)

Holton Public Schools
NOTES TO FINANCIAL STATEMENTS
June 30, 2025

NOTE M—UPCOMING ACCOUNTING PRONOUNCEMENTS

In April 2024, the GASB issued Statement 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 School District is currently evaluating the impact this standard will have on the financial statements when adopted during the 2025-2026 fiscal year.

In September 2024, the GASB issued Statement 104—*Disclosure of Certain Capital Assets*. This Statement requires certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement 34. Lease assets recognized in accordance with Statement 87—*Leases*, and intangible right-to-use assets recognized in accordance with Statement 94—*Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, should be disclosed separately by major class of underlying asset in the capital assets note disclosures. Subscription assets recognized in accordance with Statement 96—*Subscription-based Information Technology Arrangements*, also should be separately disclosed. In addition, this Statement requires intangible assets other than those three types to be disclosed separately by major class. This Statement also requires additional disclosures for capital assets held for sale. The School 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, 2025

	Budgeted amounts			Variance with
	Original	Final	Actual	final budget
REVENUES				
Local sources	\$ 1,358,739	\$ 1,561,347	\$ 1,586,107	\$ 24,760
State sources	9,612,097	9,666,439	9,977,895	311,456
Federal sources	339,557	585,670	575,530	(10,140)
Total revenues	11,310,393	11,813,456	12,139,532	326,076
EXPENDITURES				
Instruction				
Basic programs	4,980,043	4,798,652	4,967,715	(169,063)
Added needs	1,441,475	1,325,214	1,281,023	44,191
Support services				
Pupil	1,066,163	1,133,584	1,148,195	(14,611)
Instructional staff	341,627	382,274	411,978	(29,704)
General administration	364,433	380,918	392,384	(11,466)
School administration	532,336	532,149	546,509	(14,360)
Business	230,239	261,162	267,645	(6,483)
Operations and maintenance	1,202,887	1,179,848	1,232,924	(53,076)
Pupil transportation services	779,721	841,269	738,633	102,636
Central	236,018	235,954	218,066	17,888
Athletics	320,009	319,925	348,263	(28,338)
Community services	43,887	43,871	61,172	(17,301)
Outgoing transfers and other transactions	138,333	138,333	153,530	(15,197)
Total expenditures	11,677,171	11,573,153	11,768,037	(194,884)
Excess (deficiency) of revenues over (under) expenditures	\$ (366,778)	\$ 240,303	371,495	\$ 131,192
Fund balance at beginning of year			1,750,149	
Fund balance at end of year			\$ 2,121,644	

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)

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
School District's proportion of the net pension liability (%)	0.05180%	0.05350%	0.05036%	0.04565%	0.04498%	0.04450%	0.04467%	0.04456%	0.04329%	0.04257%
School District's proportionate share of the net pension liability	\$ 12,681,295	\$ 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
School District's covered payroll	\$ 5,140,872	\$ 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
School District's proportionate share of the net pension liability as a percentage of its covered payroll	246.68%	329.26%	275.87%	200.41%	295.81%	284.47%	270.05%	293.81%	293.50%	293.48%
Plan fiduciary net position as a percentage of the total pension liability	74.44%	65.91%	60.77%	72.60%	59.72%	60.31%	62.36%	64.21%	63.27%	63.17%

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)

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Statutorily required contributions*	\$ 2,139,117	\$ 2,134,527	\$ 1,304,322	\$ 1,172,991	\$ 924,068	\$ 908,261	\$ 847,614	\$ 824,699	\$ 708,875	\$ 808,711
Contributions in relation to the statutorily required contributions	2,139,117	2,134,527	1,304,322	1,172,991	924,068	908,261	847,614	824,699	708,875	808,711
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
School District's covered payroll	\$ 5,095,145	\$ 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
Contributions as a percentage of covered payroll	41.98%	41.46%	17.76%	18.41%	17.86%	17.43%	16.88%	17.04%	17.81%	22.13%

*Note: Contributions prior to 2024 do not include section 147c

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 8 Fiscal Years (Amounts were determined as of 9/30 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>	<u>2017</u>
School District's proportion of the net OPEB liability (asset) (%)	0.05002%	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)	\$ (2,153,191)	\$ (300,823)	\$ 1,135,336	\$ 701,449	\$ 2,414,109	\$ 3,188,364	\$ 3,534,696	\$ 3,940,843
School District's covered payroll	\$ 5,140,872	\$ 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	-41.88%	-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)	143.08%	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 8 Fiscal Years (Amounts were determined as of 6/30 of each fiscal year)

	2025	2024	2023	2022	2021	2020	2019	2018
Statutorily required contributions	\$ 27,393	\$ 450,689	\$ 564,584	\$ 509,921	\$ 420,807	\$ 413,434	\$ 392,235	\$ 359,118
Contributions in relation to the statutorily required contributions	27,393	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>	<u>\$ -</u>
School District's covered payroll	\$ 5,095,145	\$ 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	0.54%	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, 2025

Pension Information

Benefit changes – there were no changes of benefit terms in 2024.

Changes of assumptions – there were no changes of benefit assumptions in 2024.

OPEB Information

Benefit changes – there were no changes of benefit terms in 2024.

Changes of assumptions – there were no changes of benefit assumptions in 2024.