

HOLT PUBLIC SCHOOLS

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

YEAR ENDED JUNE 30, 2021

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Holt Public Schools

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Holt Public Schools, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Holt Public Schools' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Holt Public Schools as of June 30, 2021, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter - Change in Accounting Principle

As discussed in Note 13 to the financial statements, Holt Public Schools implemented Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Holt Public Schools' basic financial statements. The additional supplementary information, as identified in the table of contents, including the schedule of expenditures of federal awards as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 17, 2021 on our consideration of Holt 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 Holt 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 Holt Public Schools' internal control over financial reporting and compliance.

Maney Costeiran PC

September 17, 2021

HOLT PUBLIC SCHOOLS MANAGEMENT'S DISCUSSION & ANALYSIS

Please read in conjunction with the District's financial statements which immediately follow this section.

Holt Public Schools, a K-12 school district located in Ingham County, Michigan.

FINANCIAL HIGHLIGHTS

In 2020-21 the total general fund revenues were approximately \$67.7 million dollars with expenditures of approximately \$64.0 million dollars. In 2019-20 the total general fund revenues were approximately \$64.2 million dollars with expenditures approximately \$63.3 million dollars. General fund revenues increased from the 2019-20 school year due to an increase in revenues from property taxes and state and federal grants. General fund expenditures increased from the 2019-20 school year due to an increase in spending for supporting services including counseling and social workers to maximize interaction with students as well as instructional consulting. The State Legislature also allocated additional funds to school districts to contribute more funds into the school employee pension plan to address the underfunded balance of the retirement fund which also increased expenses and revenues.

The food service fund finished the fiscal year with an increase in fund balance of approximately \$410,000 largely due to an increase in federal revenue reimbursements for the seamless summer option meals served to community students with reduced staffing and resources due to remote learning. Food service finished the year with a fund balance of approximately \$816,000.

With the adoption of GASB 84, as detailed in the notes to the financial statements, activities previously accounted for in the fiduciary and private purpose trust funds were moved to the new governmental student / school activities fund. As part of the adoption, the district restated fund balance of approximately \$574,000 and added another approximately \$21,000 in fund balance with current year operations.

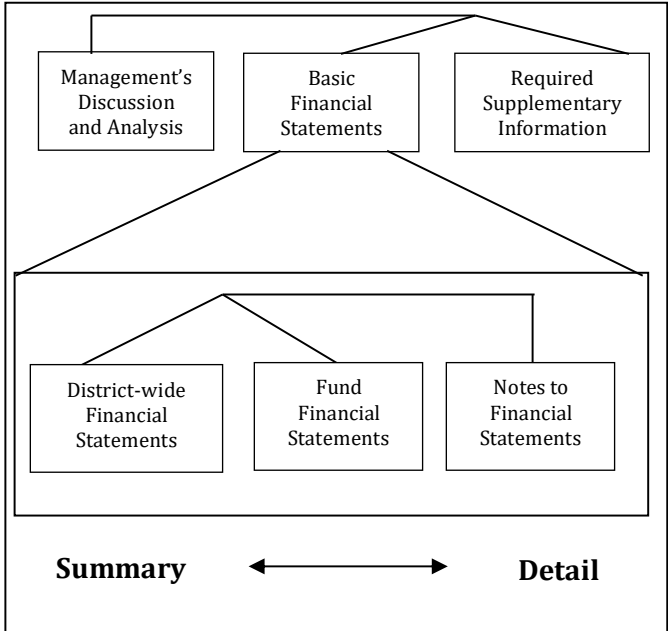
**HOLT PUBLIC SCHOOLS
MANAGEMENT'S DISCUSSION & ANALYSIS**

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts - management's discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *District-wide financial statements* that provide both *short-term* and *long-term* information about the District's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the District, reporting the District's operations *in more detail* than the District-wide statements.
- The *governmental funds* statements tell how *basic* services like regular and special education were financed in the *short-term* as well as what remains for future spending.
- *Fiduciary funds* statements provide information about the financial relationships in which the District acts solely as a *trustee or agent* for the benefit of others. The District does not currently have any Fiduciary funds.

**Figure A-1
Organization of Holt Public Schools'
Annual Financial Report**



The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year as well as required information relating to the net pension and other postretirement benefits liabilities. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

**HOLT PUBLIC SCHOOLS
MANAGEMENT'S DISCUSSION & ANALYSIS**

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Figure A-2 Major Features of District-wide and Fund Financial Statements		
Category	District-wide Statements	Fund Financial Statements Governmental Funds
Scope	* Entire District (except fiduciary funds)	* The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance
Required financial statements	* Statement of net position * Statement of activities	* Balance sheet * Statement of revenues, expenditures and changes in fund balances
Accounting basis and measurement focus	* Accrual accounting and economic resources focus	* Modified accrual accounting and current financial resources focus
Type of asset/liability information	* All assets and liabilities, both financial and capital, short-term and long-term	* Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included
Type of inflow/outflow information	* All revenues and expenses during year, regardless of when cash is received or paid	* Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and the related liability is due and payable

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

**HOLT PUBLIC SCHOOLS
MANAGEMENT'S DISCUSSION & ANALYSIS**

DISTRICT-WIDE FINANCIAL STATEMENTS

All of the District's assets, deferred outflows of resources, deferred inflows of resources, and liabilities are reported in the District-wide financial statements and are on a full accrual basis that is similar to those used by private-sector companies. For example, capital assets and long-term obligations of the District are reported in the statement of net position of the District-wide financial statements. The difference between the District's assets, deferred outflows of resources, deferred inflows of resources and liabilities (net position) is one way to measure the District's financial position. However, you need to consider other non-financial factors such as changes in the District's property tax base and the condition and age of the school buildings and other facilities.

The current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid. Most of the District's basic services are included here, such as regular and special education, transportation, and administration. These activities are financed through the state foundation grant, property taxes, and various federal and state programs.

The District's combined net position at the beginning of the fiscal year, after being restated for the adoption of GASB 84, was (\$90,523,573) and on June 30, 2021 it is (\$83,831,214) which represents an increase of \$6,692,359 as recorded in the statement of activities.

FUND FINANCIAL STATEMENTS

The fund financial statements are reported on a modified accrual basis and consist of governmental funds. Governmental funds include most of the District's basic services which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending on future District programs. Some of these funds are established by State law and by bond covenants while others can be established for the District to control and manage money for a particular purpose such as school lunch.

**HOLT PUBLIC SCHOOLS
MANAGEMENT'S DISCUSSION & ANALYSIS**

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position - The District's combined net deficit decreased as of June 30, 2021.

Table A-3 Holt Public Schools' Net Position		
	2021	2020
ASSETS		
Current assets	\$ 23,746,699	\$ 17,273,801
Capital assets	64,626,684	66,544,983
TOTAL ASSETS	88,373,383	83,818,784
Deferred outflows of resources	35,172,048	41,047,080
LIABILITIES		
Long-term debt outstanding	36,028,624	44,777,611
Net pension liability	121,098,144	117,307,298
Net other postemployment benefits liability	18,976,111	25,246,460
Other liabilities	10,440,639	8,720,927
TOTAL LIABILITIES	186,543,518	196,052,296
Deferred inflows of resources	20,833,127	19,911,446
NET POSITION		
Net investment in capital assets	31,099,042	25,297,487
Restricted for debt service	816,923	839,583
Unrestricted	(115,747,179)	(117,234,948)
TOTAL NET POSITION	\$ (83,831,214)	\$ (91,097,878)
*The 2020 figures have not been updated for the adoption of GASB 84		

**HOLT PUBLIC SCHOOLS
MANAGEMENT'S DISCUSSION & ANALYSIS**

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (continued)

Table A-4 Changes in Holt Public Schools' Net Position		
	2021	2020
REVENUES		
Program revenues		
Charges for services	\$ 1,435,421	\$ 2,427,531
Operating grants and contributions	15,848,029	12,909,324
General revenues		
Property taxes	13,062,916	12,715,498
Investment	3,645	73,792
State aid - unrestricted	40,427,672	39,930,563
Intermediate sources	6,918,522	6,378,552
Other	89,448	86,466
TOTAL REVENUES	77,785,653	74,521,726
EXPENSES		
Instruction	41,884,950	44,808,338
Support services	23,410,532	23,619,586
Community services	1,325,498	1,593,261
Student / school activities	199,803	-
Outgoing transfers and other	1,806,236	1,882,864
Food services	1,404,042	2,096,604
Interest on long-term debt	1,062,233	5,428,696
TOTAL EXPENSES	71,093,294	79,429,349
Change in net position	\$ 6,692,359	\$ (4,907,623)
*The 2020 figures have not been updated for the adoption of GASB 84		

STATE OF MICHIGAN UNRESTRICTED AID (State Foundation Grant)

The State of Michigan aid, unrestricted, is determined with the following variables:

- a. The Michigan State Aid Act per student foundation allowance which was established under Proposal A has increased from \$5,641 per student in 1995 to \$8,179 per student in 2020-21. The per student State foundation allowance at the District remained the same as during 2019-20. The current year foundation allowance remaining consistent followed the previous year increase in foundation allowance paid to the districts from \$7,948 in 2018-19 to \$8,179 in 2019-20.
- b. The District's non-pre levy for 2020-21 was 18.0000 mills which the voters approved in March of 2016.

HOLT PUBLIC SCHOOLS MANAGEMENT'S DISCUSSION & ANALYSIS

Student Enrollment

Student enrollment decreased from 5,588 in 2019-20 to 5,500 in 2020-21. For the 2021-22 school year it is hopeful that enrollment will remain relatively stable with a slight decline due to the demographics in school age students.

GOVERNMENTAL FUNDS

The following summarizes the revenues and expenses by comparing fiscal year 2021 to 2020.

- State sources increased despite the foundation allowance remaining consistent because of the previous year Section 11d shortfall reduction of \$175 per pupil that was established in August 2020.
- Federal sources increased due to increase in the Child Nutrition Cluster funding with more meals being served to community students as part of the seamless summer option as well as the new Coronavirus Relief and Education Stabilization funds in response to the pandemic.
- Expenses decreased from \$77.8 million in 2020 to \$74.4 million in the current year, a decrease of \$3.4 million. This decrease was due almost entirely to a decrease in debt service expenditures after the previous year refunding. This decrease was partially offset by an increase in spending for supporting services including counseling and social workers to maximize interaction with students as well as instructional consulting.

The Holt Public School District voters approved the 18-mill renewal in March 2016. The State of Michigan allows each school district to levy 18 mills on Non-PRE property and the foundation grant is calculated after the 18 mills.

GENERAL FUND AND BUDGET HIGHLIGHTS

Original vs. Final 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. The original 2020-21 budget was approved in June 2020.

The 2020-21 budget was revised two times throughout the fiscal year, with the final revision approved in June 2021. The final budget revision anticipated more revenues and more expenditures than was expected in June 2020 when the original budget was approved. The increase in revenues for the final budget was due to more favorable state and federal funding during the current year than was previously expected at the time the original budget was adopted. The increase in expenditures for the final budget was a function of the more favorable revenues and thus fewer budget cuts were required during the current year.

**HOLT PUBLIC SCHOOLS
MANAGEMENT'S DISCUSSION & ANALYSIS**

CAPITAL ASSET AND LONG-TERM OBLIGATION ADMINISTRATION

Capital Assets

By the end of 2021, the District had invested \$148.8 million in a broad range of capital assets.

Table A-5 Holt Public Schools' Capital Assets				
	2021			2020
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Land	\$ 1,566,242	\$ -	\$ 1,566,242	\$ 1,566,242
Construction in progress	201,523	-	201,523	-
Building and improvements	126,764,986	66,607,699	60,157,287	62,673,325
Furniture and equipment	18,145,034	16,089,977	2,055,057	1,892,305
Buses and other vehicles	2,112,817	1,466,242	646,575	413,111
Total	\$ 148,790,602	\$ 84,163,918	\$ 64,626,684	\$ 66,544,983

Long-term Obligations

At June 30, 2021, the District had approximately \$36.0 million in long-term obligations which included approximately \$34.7 million in general obligation bonds. The general obligation bonds decreased during the year by approximately \$5.8 million. The decrease was caused by previously outstanding bonds being redeemed and the amortization of bond premiums on previously issued bonds. In addition to the general obligation bonds, the District has obligations for compensated absences estimated at roughly \$1.3 million at the end of the fiscal year. The District paid off its notes from direct borrowings and direct placements of about \$2.1 million during the current fiscal year.

Table A-6 Holt Public Schools Outstanding Long-Term Obligations		
	2021	2020
General obligation bonds - net	\$ 34,741,562	\$ 40,450,598
Compensated absences	1,287,062	2,226,118
Notes from direct borrowings and direct placements	-	2,100,895
	\$ 36,028,624	\$ 44,777,611

**HOLT PUBLIC SCHOOLS
MANAGEMENT'S DISCUSSION & ANALYSIS**

FACTORS BEARING ON THE DISTRICT'S FUTURE

There are several factors that could significantly affect the financial health of the District in the future.

- Our elected officials and administration consider many factors when setting the School District's 2021-2022 fiscal year budget. One of the most important factors affecting the budget is our student count. The state foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The 2021-22 budget was adopted in June 2021 based on an estimate of students who will enroll in September 2021. Approximately 75.0 percent of total general fund revenue budgeted for fiscal year 2022 is from the foundation allowance. Under state law, the School District cannot access additional property tax revenue for general operations. As a result, district funding is heavily dependent on the State's ability to fund local school operations. Based on early enrollment data at the start of the 2022 school year, we anticipate that the fall student count will be close to the estimates used in creating the 2021-22 budget. Once the final student count and related per pupil funding is validated, state law requires the School District to amend the budget if actual district resources are not sufficient to fund original appropriations.
- Since the School District's revenue is heavily dependent on state funding and the health of the State's School Aid fund, the actual revenue received depends on the State's ability to collect revenue to fund its appropriation to the School District.
- In May of 2021 the taxpayers of Holt Public Schools approved \$148,000,000 in new bonds for the refurbishment of existing buildings. The works is set to start in the summer of 2022. The new debt tax rate is 8.23 mills, down from the previous 10 mills.
- The transportation contract was approved thru June 2023. This new contract significantly increased the pay scale. The hope is moving to an increased hourly rate will help to recruit drivers. During 2020-21, Holt experienced a shortage in drivers due to turnover and lack of applicants wanting to drive school busses. This driver shortage is not felt in just Holt but in many other districts throughout the state. Moving to the new pay scale will hopefully give Holt Public Schools a hiring advantage over other school districts.
- Holt was approved by the State for the community eligibility provision for food service for two elementary schools, Sycamore and Dimondale, which makes breakfast and lunch 100% free to students at those buildings. While this will help students, families and the food service program funding in that families will no longer need to file applications for free or reduced lunches for their children, the total financial impact to the food service fund is not yet known and the District is monitoring this situation closely so that the food service program is not negatively impacted in total.

**HOLT PUBLIC SCHOOLS
MANAGEMENT'S DISCUSSION & ANALYSIS**

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the revenues it receives. If you have any questions about this report or need any additional information, please contact the Business Office.

BASIC FINANCIAL STATEMENTS

**HOLT PUBLIC SCHOOLS
STATEMENT OF NET POSITION
JUNE 30, 2021**

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 13,406,163
Accounts receivable	10,140,924
Inventories	41,414
Prepays	158,198
Capital assets not being depreciated	1,767,765
Capital assets, net of accumulated depreciation	62,858,919
TOTAL ASSETS	88,373,383
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charge on refunding	1,213,920
Related to pensions	25,100,086
Related to other postemployment benefits	8,858,042
TOTAL DEFERRED OUTFLOWS OF RESOURCES	35,172,048
LIABILITIES	
Accounts payable	1,522,561
Accrued interest	245,333
Accrued salaries and related items	3,951,475
Accrued retirement	1,633,173
Note payable	1,923,979
Unearned revenue	1,164,118
Noncurrent liabilities	
Due within one year	3,181,232
Due in more than one year	32,847,392
Net pension liability	121,098,144
Net other postemployment benefits liability	18,976,111
TOTAL LIABILITIES	186,543,518
DEFERRED INFLOWS OF RESOURCES	
Related to pensions	1,569,068
Related to other postemployment benefits	14,655,324
Related to state aid funding for pensions	4,608,735
TOTAL DEFERRED INFLOWS OF RESOURCES	20,833,127
NET POSITION	
Net investment in capital assets	31,099,042
Restricted for debt service	816,923
Unrestricted	(115,747,179)
TOTAL NET POSITION	\$ (83,831,214)

See notes to financial statements.

**HOLT PUBLIC SCHOOLS
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2021**

Functions/Programs	Expenses	Program Revenues		Governmental Activities
		Charges for Services	Operating Grants and Contributions	Net (expense) Revenue and Changes in Net Position
Governmental activities				
Instruction	\$ 41,884,950	\$ 295,414	\$ 8,183,379	\$ (33,406,157)
Support services	23,410,532	107,307	5,131,950	(18,171,275)
Community services	1,325,498	1,016,081	554,806	245,389
Outgoing transfers and other	1,806,236	-	-	(1,806,236)
Food services	1,404,042	16,619	1,757,648	370,225
Student / school activities	199,803	-	220,246	20,443
Interest on long-term debt	1,062,233	-	-	(1,062,233)
Total governmental activities	<u>\$ 71,093,294</u>	<u>\$ 1,435,421</u>	<u>\$ 15,848,029</u>	<u>(53,809,844)</u>
General revenues				
Property taxes, levied for general purposes				4,350,417
Property taxes, levied for debt service				8,712,499
Investment earnings				3,645
State sources				40,427,672
Intermediate sources				6,918,522
Other				89,448
Total general revenues				<u>60,502,203</u>
CHANGE IN NET POSITION				6,692,359
NET POSITION, beginning of year, as restated				<u>(90,523,573)</u>
NET POSITION, end of year				<u>\$ (83,831,214)</u>

See notes to financial statements.

**HOLT PUBLIC SCHOOLS
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2021**

	General Fund	Debt Service Fund	Total Nonmajor Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 10,968,399	\$ 1,062,256	\$ 1,375,508	\$ 13,406,163
Receivables				
Accounts receivable	10,058,931	-	81,993	10,140,924
Due from other funds	-	-	28,728	28,728
Inventories	-	-	41,414	41,414
Prepays	158,198	-	-	158,198
	<u>21,185,528</u>	<u>1,062,256</u>	<u>1,527,643</u>	<u>23,775,427</u>
TOTAL ASSETS				
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 1,497,707	\$ -	\$ 24,854	\$ 1,522,561
Accrued salaries and related items	3,925,501	-	25,974	3,951,475
Accrued retirement	1,633,173	-	-	1,633,173
Due to other funds	28,728	-	-	28,728
Note payable	1,923,979	-	-	1,923,979
Unearned revenue	1,097,710	-	66,408	1,164,118
	<u>10,106,798</u>	<u>-</u>	<u>117,236</u>	<u>10,224,034</u>
TOTAL LIABILITIES				
FUND BALANCES				
Nonspendable				
Inventories	-	-	41,414	41,414
Prepays	158,198	-	-	158,198
Restricted for				
Debt service	-	1,062,256	-	1,062,256
Food service	-	-	774,115	774,115
Committed for				
Student / school activities	-	-	594,878	594,878
Carryover projects	483,835	-	-	483,835
Infrastructure	2,000,000	-	-	2,000,000
Assigned for subsequent year expenditures	2,383,444	-	-	2,383,444
Unassigned	6,053,253	-	-	6,053,253
	<u>11,078,730</u>	<u>1,062,256</u>	<u>1,410,407</u>	<u>13,551,393</u>
TOTAL FUND BALANCES				
TOTAL LIABILITIES AND FUND BALANCES				
	<u>\$ 21,185,528</u>	<u>\$ 1,062,256</u>	<u>\$ 1,527,643</u>	<u>\$ 23,775,427</u>

See notes to financial statements.

HOLT PUBLIC SCHOOLS
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2021

Total governmental fund balances		\$ 13,551,393
Amounts reported for governmental activities in the statement of net position are different because:		
Deferred outflows of resources - deferred charge on refunding		1,213,920
Deferred outflows of resources - related to pensions		25,100,086
Deferred outflows of resources - related to other postemployment benefits		8,858,042
Deferred inflows of resources - related to pensions		(1,569,068)
Deferred inflows of resources - related to other postemployment benefits		(14,655,324)
Deferred inflows of resources - related to state aid funding for pensions		(4,608,735)
Capital assets used in governmental activities are not financial resources and are not reported in the funds:		
The cost of the capital assets is	\$ 148,790,602	
Accumulated depreciation is	<u>(84,163,918)</u>	
		64,626,684
Long-term liabilities are not due and payable in the current period and are not reported in the funds:		
General obligation bonds		(34,741,562)
Compensated absences		(1,287,062)
Accrued interest		(245,333)
Net pension liability		(121,098,144)
Net other postemployment benefits liability		<u>(18,976,111)</u>
Net position of governmental activities		<u>\$ (83,831,214)</u>

HOLT PUBLIC SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2021

	General Fund	Debt Service Fund	Total Nonmajor Funds	Total Governmental Funds
REVENUES				
Local sources				
Property taxes	\$ 4,350,417	\$ 8,712,499	\$ -	\$ 13,062,916
Tuition	11,713	-	-	11,713
Investment earnings	2,043	411	1,191	3,645
Food sales	-	-	16,619	16,619
Athletics	107,307	-	-	107,307
Community services	1,299,782	-	-	1,299,782
Student / school activities	-	-	220,246	220,246
Other	88,051	1,397	3,494	92,942
Total local sources	5,859,313	8,714,307	241,550	14,815,170
State sources	51,543,523	109,481	98,851	51,751,855
Federal sources	3,379,741	-	1,655,303	5,035,044
Intermediate school districts	6,918,522	-	-	6,918,522
TOTAL REVENUES	67,701,099	8,823,788	1,995,704	78,520,591
EXPENDITURES				
Current				
Instruction	38,197,329	-	-	38,197,329
Supporting services	22,787,397	-	-	22,787,397
Food service activities	-	-	1,286,384	1,286,384
Student / school activities	-	-	199,803	199,803
Community service activities	1,208,784	-	-	1,208,784
Outgoing transfers and other	1,806,236	-	-	1,806,236
Capital outlay	-	-	9,329	9,329
Debt service				
Principal repayment	-	7,076,534	-	7,076,534
Interest	-	1,806,862	-	1,806,862
Other	-	1,444	-	1,444
TOTAL EXPENDITURES	63,999,746	8,884,840	1,495,516	74,380,102
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	3,701,353	(61,052)	500,188	4,140,489
OTHER FINANCING SOURCES (USES)				
Transfers in	70,000	-	-	70,000
Transfers out	-	-	(70,000)	(70,000)
TOTAL OTHER FINANCING SOURCES (USES)	70,000	-	(70,000)	-
NET CHANGE IN FUND BALANCES	3,771,353	(61,052)	430,188	4,140,489
FUND BALANCES				
Beginning of year, as restated	7,307,377	1,123,308	980,219	9,410,904
End of year	<u>\$ 11,078,730</u>	<u>\$ 1,062,256</u>	<u>\$ 1,410,407</u>	<u>\$ 13,551,393</u>

See notes to financial statements.

**HOLT PUBLIC SCHOOLS
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2021**

Net Change in Fund Balances Total Governmental Funds \$ 4,140,489

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

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

Depreciation expense	(3,855,236)
Capital outlay	1,936,937

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

Accrued interest payable, beginning of the year	283,725
Accrued interest payable, end of the year	(245,333)

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

Long-term interest on school bond loan and loan revolving fund program	(40,151)
Payments of interest on school bond loan and loan revolving fund program	104,512
Payments on bonded debt	5,040,000
Payments on notes from direct borrowings and direct placement	2,036,534
Amortization of deferred charges on refunding	(25,716)
Amortization of bond premium	669,036

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

Accrued compensated absences, beginning of the year	2,226,118
Accrued compensated absences, end of the year	(1,287,062)

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

Pension related items	(6,752,041)
Other postemployment benefits related items	3,195,485

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

State aid funding for pension, beginning of the year	3,873,797
State aid funding for pension, end of the year	(4,608,735)

Change in net position of governmental activities \$ 6,692,359

**HOLT PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District. All fiduciary activities, if any, are reported only in the fund financial statements. *Governmental activities* normally are supported by taxes and intergovernmental revenues.

Reporting Entity

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

Basis of Presentation - Government-wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from the governmental funds. Separate financial statements are provided for governmental funds and fiduciary funds (currently none), even though the latter are excluded from the government-wide financial statements.

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

Basis of Presentation - Fund Financial Statements

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

The District reports the following *major governmental funds*:

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

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

**HOLT PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation - Fund Financial Statements (continued)

Nonmajor Funds

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 District accounts for its food service and student/school activities as special revenue funds.

During the course of operations, the District has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds. 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 the 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 process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

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

**HOLT PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus and Basis of Accounting (continued)

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

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

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

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

The 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 generally considered to be measurable and available only when cash is received by the District.

**HOLT PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Budgetary Information

Budgetary Basis of Accounting

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

Appropriations in all budgeted funds lapse at the end of the fiscal year. Encumbrance accounting is employed in governmental funds. Encumbrances are commitments related to unperformed (executor) contracts for goods or services (i.e., purchase orders, contracts, and commitments) outstanding at year end are reported as restrictions, commitments, or assignments of fund balances and do not constitute expenditures or liabilities because the goods or services have not been received as of year-end. The commitments will be re-appropriated and honored during the subsequent year.

The 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 School Board resolution pursuant to the Uniform Budgeting and Accounting Act (1968 PA 2). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated. Violations, if any, in the general fund are noted in the required supplementary information section.
4. Transfers may be made for budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the School Board.
5. The budget was amended twice during the year. The final budget was approved prior to the June 30, 2021 year-end with more than expected revenues and appropriations due to more favorable state and federal funding than previously anticipated at the time the original budget was adopted. The District does not consider these amendments to be out of the ordinary or significant.

**HOLT PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Cash and Cash Equivalents

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

Investments

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

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

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

Inventories and Prepaid Items

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

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

**HOLT PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Capital Assets

Capital assets, which include land, construction in progress, building and additions, land improvements, computer and office equipment, outdoor equipment, and transportation equipment are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$10,000 and an estimated useful life in excess of one year. Group purchases are evaluated on a case-by-case basis. Donated capital assets are recorded at their estimated acquisition value at the date of donation.

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

Capital Asset Classes	Lives
Building and improvements	20 - 50 years
Furniture and equipment	5 - 20 years
Buses and other vehicles	5 - 15 years

Defined Benefit Plans

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

Deferred Outflows

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

**HOLT PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Deferred Inflows

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

Net Position Flow Assumption

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

Fund Balance Flow Assumptions

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

Fund Balance Policies

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

**HOLT PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Fund Balance Policies (continued)

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

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

In the general fund, the goal of the District shall be to maintain a minimum fund balance of no less than 10% of the preceding year's expenditures.

Revenues and Expenditures/Expenses

Program Revenues

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

Property Taxes

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The taxes are levied and become a lien as of 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.

**HOLT PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenues and Expenditures/Expenses (continued)

Property Taxes (continued)

For the year ended June 30, 2021, the District levied the following amounts per \$1,000 of assessed valuation:

Fund	Mills
General Fund	
Non-Principal Residence Exemption (PRE)	18.0000
Commercial Personal Property (CPP)	6.0000
Debt Service Fund	
PRE, Industrial Personal Property, Non-PRE, CPP	10.0000

Compensated Absences

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

Long-term Obligations

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

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

**HOLT PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - DEPOSITS AND INVESTMENTS

As of June 30, 2021 the District had deposits and investments subject to the following risks:

Custodial Credit Risk - Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2021, \$13,269,378 of the District's bank balance of \$14,143,854 was exposed to custodial credit risk because it was uninsured and uncollateralized. The carrying value on the books for deposits at the end of the year was \$13,406,163.

Custodial Credit Risk - Investments

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

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

Interest Rate Risk

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

At June 30, 2021, the District does not have investments with interest rate risk.

Concentration of Credit Risk

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

At June 30, 2021, the District does not have investments with concentration of credit risk.

Foreign Currency Risk

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

**HOLT PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

Fair Value Measurement

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

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

Level 2: Prices determined using other significant observable inputs. Observable inputs are inputs that other market participants may use in pricing a security. These may include prices for similar securities, interest rates, prepayment speeds, credit risk and others.

Level 3: Prices determined using significant unobservable inputs. In situations where quoted prices or observable inputs are unavailable or deemed less relevant, unobservable inputs may be used. Unobservable inputs reflect the District's own assumptions about the factors market participants would use in pricing an investment and would be based on the best information available.

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

At June 30, 2021, the District does not have any investments subject to fair value measurement.

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

The following summarizes the categorization of these amounts as of June 30, 2021:

	<u>Primary Government</u>
Cash and cash equivalents	<u>\$ 13,406,163</u>

**HOLT PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 3 - ACCOUNTS RECEIVABLES

Accounts receivables at June 30, 2021 consist of the following:

	Government- wide
State aid	\$ 9,630,466
Federal revenue	466,087
Other	44,371
	\$ 10,140,924

No allowance for doubtful accounts is considered necessary based on previous experience.

NOTE 4 - CAPITAL ASSETS

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

	Balance July 1, 2020	Additions	Deletions	Balance June 30, 2021
Assets not being depreciated				
Land	\$ 1,566,242	\$ -	\$ -	\$ 1,566,242
Construction in progress	-	201,523	-	201,523
Total assets not being depreciated	1,566,242	201,523	-	1,767,765
Other capital assets				
Building and improvements	126,675,021	388,380	298,415	126,764,986
Furniture and equipment	17,392,542	988,662	236,170	18,145,034
Buses and other vehicles	2,041,294	358,372	286,849	2,112,817
Subtotal	146,108,857	1,735,414	821,434	147,022,837
Accumulated depreciation				
Building and improvements	64,001,696	2,904,418	298,415	66,607,699
Furniture and equipment	15,500,237	825,910	236,170	16,089,977
Buses and other vehicles	1,628,183	124,908	286,849	1,466,242
Total accumulated depreciation	81,130,116	3,855,236	821,434	84,163,918
Net capital assets being depreciated	64,978,741	(2,119,822)	-	62,858,919
Net governmental capital assets	\$ 66,544,983	\$ (1,918,299)	\$ -	\$ 64,626,684

**HOLT PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 4 - CAPITAL ASSETS (continued)

Depreciation expense was charged to programs of the primary government as follows:

Instruction	\$ 2,319,327
Support services	1,383,837
Community services	73,397
Food service	<u>78,675</u>
	<u><u>\$ 3,855,236</u></u>

NOTE 5 - NOTE PAYABLE - STATE AID ANTICIPATION NOTE

At June 30, 2021, the District had a state aid anticipation note with Horizon Bank outstanding. The note was originally for \$4.8 million with an interest rate of 0.87%. The proceeds of the note were used to fund school operations. The note was secured by the full faith and credit of the District as well as pledged state aid. In the event of the unavailability or insufficiency of state school aid for any reason, the bank may impose a penalty interest rate and at the bank's discretion, accelerate the repayment terms. Activity for the year ended June 30, 2021 is as follows:

Balance July 1, 2020	Additions	Deletions	Balance June 30, 2021
<u>\$ 1,686,765</u>	<u>\$ 4,800,000</u>	<u>\$ 4,562,786</u>	<u>\$ 1,923,979</u>

NOTE 6 - LONG-TERM OBLIGATIONS

The following is a summary of long-term obligations for the District for the year ended June 30, 2021:

	General Obligation Bonds	Notes from Direct Borrowings and Direct Placements	Compensated Absences	Total
Balance July 1, 2020	\$ 40,450,598	\$ 2,100,895	\$ 2,226,118	\$ 44,777,611
Additions	-	40,151	-	40,151
Deletions	<u>(5,709,036)</u>	<u>(2,141,046)</u>	<u>(939,056)</u>	<u>(8,789,138)</u>
Balance June 30, 2021	34,741,562	-	1,287,062	36,028,624
Due within one year	<u>(2,970,000)</u>	<u>-</u>	<u>(211,232)</u>	<u>(3,181,232)</u>
Due in more than one year	<u><u>\$ 31,771,562</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,075,830</u></u>	<u><u>\$ 32,847,392</u></u>

**HOLT PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 - LONG-TERM OBLIGATIONS (continued)

Long-term obligations at June 30, 2021 are comprised of the following issues:

General Obligation Bonds

2019 Refunding bonds due in annual installments of \$2,970,000 to \$3,475,000 through May 1, 2030 with an interest rate of 5.00%.	\$ 29,440,000
Plus issuance premium	5,301,562
Total general obligation bonds	34,741,562
Compensated absences	1,287,062
Total general long-term obligations	\$ 36,028,624

The District has defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. At June 30, 2021, \$31,605,000 of bonds outstanding are considered defeased.

The annual requirements to amortize long-term obligations outstanding, exclusive of compensated absences payments as of June 30, 2021, are as follows:

Year Ending June 30,	General Obligation Bonds		Compensated Absences	Total
	Principal	Interest		
2022	\$ 2,970,000	\$ 1,472,000	\$ -	\$ 4,442,000
2023	3,060,000	1,323,500	-	4,383,500
2024	3,150,000	1,170,500	-	4,320,500
2025	3,230,000	1,013,000	-	4,243,000
2026	3,300,000	851,500	-	4,151,500
2027 - 2030	13,730,000	1,722,000	-	15,452,000
	29,440,000	7,552,500	-	36,992,500
Issuance premium	5,301,562	-	-	5,301,562
Compensated absences	-	-	1,287,062	1,287,062
	\$ 34,741,562	\$ 7,552,500	\$ 1,287,062	\$ 43,581,124

Interest expense (all funds) for the year ended June 30, 2021 was approximately \$1,807,000.

The District has approximately \$1,062,000 in the debt service fund restricted for servicing the debt obligations.

**HOLT PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - INTERFUND RECEIVABLES AND PAYABLES

Interfund payable and receivable balances at June 30, 2021 are as follows:

Receivable Fund	Payable Fund
Food service	General fund
<u>\$ 28,728</u>	<u>\$ 28,728</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.

NOTE 8 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS

Plan Description

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

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

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

Benefits Provided - Overall

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

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

**HOLT PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Benefits Provided - Pension

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

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

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 (MPERS) who became a member of MPERS after June 30, 2010 is a Pension Plus member. Pension Plus is a hybrid plan that contains a pension component with an employee contribution (graded, up to 6.4% of salary) and a flexible and transferable defined contribution (DC) tax-deferred investment account that earns an employer match of 50% (up to 1% of salary) on employee contributions. Retirement benefits for Pension Plus members are determined by final average compensation and years of service. Disability and survivor benefits are available to Pension Plus members.

Pension Reform 2012

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

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

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

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

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

**HOLT PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Pension Reform 2012 (continued)

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

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

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

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

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

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

**HOLT PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Pension Reform of 2017

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

Benefits Provided - Other Postemployment Benefit (OPEB)

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

Retiree Healthcare Reform of 2012

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

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

**HOLT PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Regular Retirement (no reduction factor for age)

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

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

Member Contributions

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

Employer Contributions

Employers are required by Public Act 300 of 1980, as amended, to contribute amounts necessary to finance the coverage of pension benefits and OPEB. Contribution provisions are specified by State statute and may be amended only by action of the State Legislature.

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

Pension and OPEB contributions made in the fiscal year ending September 30, 2020 were determined as of the September 30, 2017 actuarial valuations. The pension and OPEB benefits, the unfunded (overfunded) actuarial accrued liabilities as of September 30, 2017 are amortized over a 19-year period beginning October 1, 2019 and ending September 30, 2038.

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

	Pension	Other Postemployment Benefit
October 1, 2019 - September 30, 2020	13.39% - 19.59%	7.57% - 8.09%
October 1, 2020 - September 30, 2021	13.39% - 19.78%	7.57% - 8.43%

**HOLT PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Employer Contributions (continued)

The District's pension contributions for the year ended June 30, 2021 were equal to the required contribution total. Total pension contributions were approximately \$10,588,000. Of the total pension contributions approximately \$10,368,000 was contributed to fund the Defined Benefit Plan and approximately \$220,000 was contributed to fund the Defined Contribution Plan.

The District's OPEB contributions for the year ended June 30, 2021 were equal to the required contribution total. Total OPEB contributions were approximately \$2,886,000. Of the total OPEB contributions approximately \$2,735,000 was contributed to fund the Defined Benefit Plan and approximately \$151,000 was contributed to fund the Defined Contribution Plan.

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

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

Pension Liabilities

The net pension liability was measured as of September 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation date of September 30, 2019 and rolled-forward using generally accepted actuarial procedures. The District's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined.

<u>MPSERS (Plan) Non-university Employers</u>	<u>September 30, 2020</u>	<u>September 30, 2019</u>
Total Pension Liability	\$ 85,263,240,497	\$ 83,442,507,212
Plan Fiduciary Net Position	\$ 50,912,152,703	\$ 50,325,869,388
Net Pension Liability	\$ 34,351,087,794	\$ 33,116,637,824
Proportionate Share	0.35253%	0.35422%
Net Pension Liability for the District	\$ 121,098,144	\$ 117,307,298

**HOLT PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

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

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

For the year ended June 30, 2021, the District recognized pension expense of \$17,120,114.

At June 30, 2021, the Reporting Unit reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u> </u>	<u> </u>
Net difference between projected and actual pension plan investment earnings	\$ 508,800	\$ -
Differences between expected and actual experience	1,850,280	(258,466)
Changes in proportion and differences between employer contributions and proportionate share of contributions	144,211	(1,310,602)
Changes of assumptions	13,418,842	-
Reporting Unit's contributions subsequent to the measurement date	<u>9,177,953</u>	<u>-</u>
	<u>\$ 25,100,086</u>	<u>\$ (1,569,068)</u>

\$9,177,953, reported as deferred outflows of resources related to pensions resulting from District employer contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

**HOLT PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

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

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

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

Year Ending September 30,	Amount
2021	\$ 6,714,144
2022	4,519,034
2023	2,356,779
2024	763,108

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

OPEB Liabilities

The net OPEB liability was measured as of September 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation date of September 30, 2019 and rolled-forward using generally accepted actuarial procedures. The District's proportion of the net OPEB liability was based on a projection of its long-term share of contributions to the OPEB plan relative to the projected contributions of all participating reporting units, actuarially determined.

MPERS (Plan) Non-university Employers	September 30, 2020	September 30, 2019
Total other postemployment benefits liability	\$ 13,195,152,653	\$ 13,925,860,688
Plan fiduciary net position	\$ 7,837,885,681	\$ 6,748,112,668
Net other postemployment benefits liability	\$ 5,357,266,972	\$ 7,177,748,020
Proportionate share	0.35421%	0.35173%
Net other postemployment benefits liability for the District	\$ 18,976,111	\$ 25,246,460

**HOLT PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

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

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

For the year ended June 30, 2021, the District recognized OPEB benefit of \$460,492.

At June 30, 2021, the Reporting Unit reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual other postemployment benefits plan investment earnings	\$ 158,377	\$ -
Differences between expected and actual experience	-	(14,138,977)
Changes in proportion and differences between employer contributions and proportionate share of contributions	226,756	(516,347)
Changes of assumptions	6,256,801	-
Reporting Unit's contributions subsequent to the measurement date	<u>2,216,108</u>	<u>-</u>
	<u>\$ 8,858,042</u>	<u>\$ (14,655,324)</u>

\$2,216,108, reported as deferred outflows of resources related to OPEB resulting from District employer contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the subsequent fiscal year.

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

<u>Year Ending September 30,</u>	<u>Amount</u>
2021	\$ (2,192,297)
2022	(1,972,408)
2023	(1,624,874)
2024	(1,272,520)
2025	(951,291)

**HOLT PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Actuarial Assumptions

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

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

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

Inflation - 3.0%.

Mortality Assumptions:

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

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

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

Experience Study - The annual actuarial valuation report of the System used for these statements is dated September 30, 2019. Assumption changes as a result of an experience study for the periods 2012 through 2017 have been adopted by the System for use in the determination of the total pension and OPEB liability beginning with the September 30, 2018 Comprehensive Annual Financial Report.

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

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

Healthcare Cost Trend Rate for Other Postemployment Benefit - 7.0% for year one and graded to 3.5% in year fifteen.

**HOLT PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Actuarial Assumptions (continued)

Additional Assumptions for Other Postemployment Benefit Only - Applies to Individuals Hired Before September 4, 2012:

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

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

Coverage Election at Retirement - 75% of male and 60% of female future retirees are assumed to elect coverage for 1 or more dependents.

The target asset allocation at September 30, 2020 and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Investment Category</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return*</u>
Domestic Equity Pools	25.0%	5.6%
International Equity Pools	15.0%	7.4%
Private Equity Pools	16.0%	9.3%
Real Estate and Infrastructure Pools	10.0%	4.9%
Fixed Income Pools	10.5%	0.5%
Absolute Return Pools	9.0%	3.2%
Real Return/Opportunistic Pools	12.5%	6.6%
Short Term Investment Pools	2.0%	-0.1%
	<u>100.0%</u>	

* Long term rate of return are net of administrative expenses and 2.1% inflation.

Rate of Return - For fiscal year ended September 30, 2020, the annual money-weighted rate of return on pension and OPEB plan investments, net of pension and OPEB plan investment expense, was 5.37% and 5.24% respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**HOLT PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Actuarial Assumptions (continued)

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

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

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

	Pension		
	1% Decrease	Discount Rate	1% Increase
Reporting Unit's proportionate share of the net pension liability	\$ 156,741,005	\$ 121,098,144	\$ 91,558,157

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

	Other Postemployment Benefits		
	1% Decrease	Discount Rate	1% Increase
Reporting Unit's proportionate share of the net other postemployment benefits liability	\$ 24,376,972	\$ 18,976,111	\$ 14,429,040

**HOLT PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Actuarial Assumptions (continued)

Sensitivity to the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates - The following presents the Reporting Unit's proportionate share of the net other postemployment benefit liability calculated using the healthcare cost trend rate of 7.0% (decreasing to 3.5%), as well as what the Reporting Unit's proportionate share of the net other postemployment benefit liability would be if it were calculated using a healthcare cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	Other Postemployment Benefits		
	1% Decrease	Current Healthcare Cost Trend Rates	1% Increase
Reporting Unit's proportionate share of the net other postemployment benefits liability	<u>\$ 14,254,941</u>	<u>\$ 18,976,111</u>	<u>\$ 24,345,861</u>

Pension and OPEB Plan Fiduciary Net Position

Detailed information about the pension and OPEB's fiduciary net position is available in the separately issued Michigan Public School Employees Retirement System 2020 Comprehensive Annual Financial Report.

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

NOTE 9 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees' and natural disasters. The 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 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 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, 2021 or any of the prior three years.

**HOLT PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 10 - TRANSFERS

During the year the food service fund transferred \$70,000 to the general fund for indirect cost reimbursement.

NOTE 11 - CONTINGENT LIABILITIES

Amounts received or receivable from grant agencies are subject to audit and adjustments by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the government expects such amounts, if any, to be immaterial.

NOTE 12 - OPERATING LEASE OBLIGATIONS

The District entered into two separate agreements to lease copiers and buses from third-party vendors during the fiscal year ended June 30, 2019. The District’s rental expenditures related to the leased copiers and buses totaled \$280,848 and \$103,760, respectively, for the year ended June 30, 2021.

The future minimum rental obligations as of June 30, 2021 are as follows:

Year Ending June 30,	Copiers
2022	\$ 280,848
2023	280,848
2024	23,404
	\$ 585,100

NOTE 13 - NEW ACCOUNTING STANDARD

For the year ended June 30, 2021, the District implemented the following new pronouncement, GASB Statement No. 84, *Fiduciary Activities*.

Summary

Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*, was issued by the GASB in January 2017 and is effective for the District’s 2021-year-end. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities for all state and local governments. The focus on the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Districts with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position.

**HOLT PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 13 - NEW ACCOUNTING STANDARD (continued)

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

	Fund Balances	
	Student/School Activities Fund	Total Governmental Funds
Fund balances as of July 1, 2020, as previously stated	\$ -	\$ 8,836,599
Adoption of GASB Statement 84	574,305	574,305
Fund balance as of July 1, 2020, as restated	\$ 574,305	\$ 9,410,904
	Net Position	
	Private Purpose Trust Fund	Governmental Activities
Net position as of July 1, 2020, as previously stated	\$ 137,740	\$ (91,097,878)
Adoption of GASB Statement 84	(137,740)	574,305
Net position as of July 1, 2020, as restated	\$ -	\$ (90,523,573)

NOTE 14 - TAX ABATEMENTS

The District is required to disclose significant tax abatements as required by GASB Statement 77 (*Tax Abatements*).

The District receives reduced property tax revenues as a result of Industrial Facilities Tax exemptions, Brownfield Redevelopment Agreements, and Payments in Lieu of Taxes (PILOT) granted by Delhi Charter Township. Industrial facility exemptions are intended to promote construction of new industrial facilities, or to rehabilitate historical facilities; Brownfield Redevelopment Agreements are intended to reimburse taxpayers that remediate environmental contamination on their properties; PILOT programs apply to multiple unit housing for citizens of low income and the elderly. The property taxes abated for the general fund and debt service fund by municipality under these programs are as follows:

Municipality	Taxes Abated
Delhi Charter Township	\$ 841,456

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

There are no abatements made by the District.

**HOLT PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 15 - UPCOMING ACCOUNTING PRONOUNCEMENTS

Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, was issued by the GASB in June 2017. The objective of this Statement is to increase the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use the underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The District is currently evaluating the impact this standard will have on the financial statements when adopted during the 2021-2022 fiscal year.

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

REQUIRED SUPPLEMENTARY INFORMATION

**HOLT PUBLIC SCHOOLS
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2021**

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Local sources	\$ 6,177,700	\$ 5,737,260	\$ 5,859,313	\$ 122,053
State sources	45,999,498	51,534,795	51,543,523	8,728
Federal sources	750,075	3,631,089	3,379,741	(251,348)
Intermediate school districts	6,200,000	6,769,807	6,918,522	148,715
TOTAL REVENUES	59,127,273	67,672,951	67,701,099	28,148
EXPENDITURES				
Current				
Instruction				
Basic programs	30,170,210	31,970,705	30,613,630	1,357,075
Added needs	7,623,463	8,054,413	7,583,699	470,714
Total instruction	37,793,673	40,025,118	38,197,329	1,827,789
Supporting services				
Pupil	5,642,657	5,911,146	6,015,446	(104,300)
Instructional staff	2,498,276	2,966,423	2,960,675	5,748
General administration	472,710	540,348	532,269	8,079
School administration	3,176,620	3,412,694	3,344,495	68,199
Business	1,193,770	1,130,573	1,053,776	76,797
Operation/maintenance	5,052,100	5,714,628	5,235,706	478,922
Pupil transportation	1,576,217	1,540,977	1,173,830	367,147
Central	1,379,863	1,629,255	1,434,427	194,828
Athletics	823,405	1,207,851	1,036,773	171,078
Total supporting services	21,815,618	24,053,895	22,787,397	1,266,498
Community services	1,289,084	1,393,232	1,208,784	184,448
Outgoing transfers and other	1,940,000	1,850,000	1,806,236	43,764
TOTAL EXPENDITURES	62,838,375	67,322,245	63,999,746	3,322,499
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(3,711,102)	350,706	3,701,353	3,350,647
OTHER FINANCING SOURCES (USES)				
Transfers in	80,000	80,000	70,000	(10,000)
NET CHANGE IN FUND BALANCE	\$ (3,631,102)	\$ 430,706	3,771,353	\$ 3,340,647
FUND BALANCE				
Beginning of year			7,307,377	
End of year			<u>\$ 11,078,730</u>	

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Reporting Unit's proportion of net pension liability (%)	0.35253%	0.35422%	0.35860%	0.35814%	0.35427%	0.35751%	0.35881%
Reporting Unit's proportionate share of net pension liability	\$ 121,098,144	\$ 117,307,298	\$ 107,802,731	\$ 92,809,234	\$ 88,386,461	\$ 87,322,218	\$ 79,031,405
Reporting Unit's covered-employee payroll	\$ 31,292,487	\$ 30,725,572	\$ 30,454,316	\$ 30,153,862	\$ 29,775,976	\$ 29,779,615	\$ 31,496,351
Reporting Unit's proportionate share of net pension liability as a percentage of its covered-employee payroll	386.99%	381.79%	353.98%	307.79%	296.84%	293.23%	250.92%
Plan fiduciary net position as a percentage of total pension liability (Non-university employers)	59.49%	60.31%	62.36%	64.21%	63.27%	63.17%	66.20%

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

**HOLT PUBLIC SCHOOLS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE REPORTING UNIT'S PENSION CONTRIBUTIONS
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT PLAN
LAST TEN FISCAL YEARS (DETERMINED
OF THE YEAR ENDED JUNE 30)**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required pension contributions	\$ 10,368,074	\$ 9,508,311	\$ 9,463,645	\$ 9,188,979	\$ 8,368,719	\$ 8,270,397	\$ 6,135,491
Pension contributions in relation to statutorily required contributions	<u>10,368,074</u>	<u>9,508,311</u>	<u>9,463,645</u>	<u>9,188,979</u>	<u>8,368,719</u>	<u>8,270,397</u>	<u>6,135,491</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Reporting Unit's covered-employee payroll (pension)	\$ 31,152,988	\$ 31,441,425	\$ 30,591,845	\$ 30,369,225	\$ 29,925,467	\$ 29,684,961	\$ 30,818,064
Pension contributions as a percentage of covered-employee payroll	33.28%	30.24%	30.94%	30.26%	27.97%	27.86%	19.91%

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

**HOLT PUBLIC SCHOOLS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE REPORTING UNIT'S
PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT PLAN
LAST TEN FISCAL YEARS (DETERMINED AS OF PLAN YEAR ENDED SEPTEMBER 30)**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Reporting Unit's proportion of net other postemployment benefits liability (%)	0.35421%	0.35173%	0.35811%	0.35764%
Reporting Unit's proportionate share of net other post employment benefits liability	\$ 18,976,111	\$ 25,246,460	\$ 28,465,607	\$ 31,670,737
Reporting Unit's covered-employee payroll	\$ 31,292,487	\$ 30,725,572	\$ 30,454,316	\$ 30,153,862
Reporting Unit's proportionate share of net other postemployment benefits liability as a percentage of its covered-employee payroll	60.64%	82.17%	93.47%	105.03%
Plan fiduciary net position as a percentage of total other postemployment benefits liability (Non-university employers)	59.76%	48.46%	42.95%	36.39%

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

**HOLT PUBLIC SCHOOLS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE REPORTING UNIT'S OPEB CONTRIBUTIONS
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT PLAN
LAST TEN FISCAL YEARS (DETERMINED
OF THE YEAR ENDED JUNE 30)**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Statutorily required other postemployment benefits contributions	\$ 2,734,993	\$ 2,661,719	\$ 2,402,997	\$ 2,193,486
Other postemployment benefits contributions in relation to statutorily required contributions	<u>2,734,993</u>	<u>2,661,719</u>	<u>2,402,997</u>	<u>2,193,486</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Reporting Unit's covered-employee payroll (OPEB)	\$ 31,152,988	\$ 31,441,425	\$ 30,591,845	\$ 30,369,225
Other post employment benefit contributions as a percentage of covered-employee payroll	8.78%	8.47%	7.86%	7.22%

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

**HOLT PUBLIC SCHOOLS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2021**

NOTE 1 - PENSION INFORMATION

Benefit Changes - there were no changes of benefit terms in 2020.

Changes of Assumptions - there were no changes of assumptions in 2020.

NOTE 2 - OPEB INFORMATION

Benefit Changes - there were no changes of benefit terms in 2020.

Changes of Assumptions - the assumption changes for 2020 were:

Healthcare cost trend rate decreased to 7.00% Year 1 graded to 3.50% Year 15 from 7.50% Year 1 graded to 3.50% Year 12.

ADDITIONAL SUPPLEMENTARY INFORMATION

**HOLT PUBLIC SCHOOLS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUND TYPES
JUNE 30, 2021**

	Special Revenue		Total Nonmajor Funds
	Food Service	Student/ School Activities	
ASSETS			
Cash and cash equivalents	\$ 764,515	\$ 610,993	\$ 1,375,508
Accounts receivable	81,993	-	81,993
Due from other funds	28,728	-	28,728
Inventories	41,414	-	41,414
TOTAL ASSETS	\$ 916,650	\$ 610,993	\$ 1,527,643
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 8,739	\$ 16,115	\$ 24,854
Accrued salaries and related items	25,974	-	25,974
Unearned revenue	66,408	-	66,408
TOTAL LIABILITIES	101,121	16,115	117,236
FUND BALANCES			
Nonspendable			
Inventories	41,414	-	41,414
Restricted	774,115	-	774,115
Committed	-	594,878	594,878
TOTAL FUND BALANCES	815,529	594,878	1,410,407
TOTAL LIABILITIES AND FUND BALANCES	\$ 916,650	\$ 610,993	\$ 1,527,643

HOLT PUBLIC SCHOOLS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUND TYPES
YEAR ENDED JUNE 30, 2021

	Special Revenue		Total Nonmajor Funds
	Food Service	Student/ School Activities	
REVENUES			
Sales	\$ 16,619	\$ -	\$ 16,619
Student / school activities	-	220,246	220,246
State sources	98,851	-	98,851
Federal sources	1,655,303	-	1,655,303
Investment earnings	1,061	130	1,191
Other	3,494	-	3,494
TOTAL REVENUES	1,775,328	220,376	1,995,704
EXPENDITURES			
Current			
Salaries	301,032	-	301,032
Benefits	200,041	-	200,041
Purchased services	165,919	-	165,919
Supplies and materials	25,150	-	25,150
Food purchases	329,046	-	329,046
Donated commodities	247,861	-	247,861
Student / school activities	-	199,803	199,803
Capital outlay	9,329	-	9,329
Other expenses	17,335	-	17,335
TOTAL EXPENDITURES	1,295,713	199,803	1,495,516
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	479,615	20,573	500,188
OTHER FINANCING USES			
Transfers out	(70,000)	-	(70,000)
NET CHANGE IN FUND BALANCES	409,615	20,573	430,188
FUND BALANCES			
Beginning of year, as restated	405,914	574,305	980,219
End of year	\$ 815,529	\$ 594,878	\$ 1,410,407

**HOLT PUBLIC SCHOOLS
BONDED DEBT
JUNE 30, 2021**

2019 Refunding bonds.

Principal Due May 1,	Interest Due		Debt Service Requirement for Fiscal Year	
	May 1,	November 1,	June 30,	Amount
\$ 2,970,000	\$ 736,000	\$ 736,000	2022	\$ 4,442,000
3,060,000	661,750	661,750	2023	4,383,500
3,150,000	585,250	585,250	2024	4,320,500
3,230,000	506,500	506,500	2025	4,243,000
3,300,000	425,750	425,750	2026	4,151,500
3,375,000	343,250	343,250	2027	4,061,500
3,440,000	258,875	258,875	2028	3,957,750
3,475,000	172,875	172,875	2029	3,820,750
3,440,000	86,000	86,000	2030	3,612,000
<u>\$ 29,440,000</u>	<u>\$ 3,776,250</u>	<u>\$ 3,776,250</u>		<u>\$ 36,992,500</u>

HOLT PUBLIC SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021

Federal Grantor/Pass-through Grantor/ Program Title	Federal CFDA Number	Pass- through Grantor's Number	Approved Grant Award Amount	Accrued (unearned) Revenue 7/1/2020	(Memo Only) Prior Year Expenditures	Adjustments	Current Year Expenditures	Current Year Cash Receipts	Accrued (unearned) Revenue 6/30/2021
U.S. Department of Agriculture									
Passed through Michigan Department of Education									
Child Nutrition Cluster									
Non-cash assistance (donated foods)									
Entitlement Donated Foods	10.555	N/A	\$ 85,138	\$ -	\$ -	\$ -	\$ 85,138	\$ 85,138	\$ -
Entitlement Donated Foods - Bonus	10.555	N/A	1,941	-	-	-	1,941	1,941	-
Total non-cash assistance			87,079	-	-	-	87,079	87,079	-
Cash Assistance									
COVID-19 - National School Lunch Program	10.555	200902	80,232	24,008	80,232	-	-	24,008	-
Total CFDA #10.555			167,311	24,008	80,232	-	87,079	111,087	-
COVID-19 - Summer Food Service Program for Children	10.559	210904	1,358,479	-	-	-	1,358,479	1,276,792	81,687
COVID-19 - Summer Food Service Program for Children	10.559	200900	209,745	-	-	-	209,745	209,745	-
Total CFDA #10.559			1,568,224	-	-	-	1,568,224	1,486,537	81,687
Total cash assistance			1,648,456	24,008	80,232	-	1,568,224	1,510,545	81,687
Total Child Nutrition Cluster			1,735,535	24,008	80,232	-	1,655,303	1,597,624	81,687
Total U.S. Department of Agriculture			1,735,535	24,008	80,232	-	1,655,303	1,597,624	81,687

The accompanying notes are an integral part of this schedule.

HOLT PUBLIC SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021

Federal Grantor/Pass-through Grantor/ Program Title	Federal CFDA Number	Pass- through Grantor's Number	Approved Grant Award Amount	Accrued (unearned) Revenue 7/1/2020	(Memo Only) Prior Year Expenditures	Adjustments	Current Year Expenditures	Current Year Cash Receipts	Accrued (unearned) Revenue 6/30/2021
U.S. Department of Education									
Passed through Michigan Department of Education									
Title I Grants to Local Educational Agencies	84.010	211530-2021	\$ 671,431	\$ -	\$ -	\$ -	\$ 639,710	\$ 491,398	\$ 148,312
Title I Grants to Local Educational Agencies	84.010	201530-1920	721,620	161,770	610,020	-	-	161,770	-
Total CFDA #84.010			1,393,051	161,770	610,020	-	639,710	653,168	148,312
English Language Acquisition State Grants	84.365	210570-2021	1,876	-	-	-	1,876	-	1,876
English Language Acquisition State Grants	84.365	200570-1920	4,233	2,957	4,233	-	-	2,957	-
English Language Acquisition State Grants	84.365	210580-2021	32,316	-	-	-	32,316	-	32,316
English Language Acquisition State Grants	84.365	200580-1920	44,984	29,906	37,561	-	-	29,906	-
Total CFDA #84.365			83,409	32,863	41,794	-	34,192	32,863	34,192
Supporting Effective Instruction State Grants	84.367	210520-2021	147,333	-	-	-	110,871	88,672	22,199
Supporting Effective Instruction State Grants	84.367	200520-1920	213,800	55,264	208,641	-	-	55,264	-
Total CFDA #84.367			361,133	55,264	208,641	-	110,871	143,936	22,199
Student Support and Academic Enrichment	84.424	210750-2021	94,619	-	-	-	51,577	-	51,577
Student Support and Academic Enrichment	84.424	200750-1920	72,641	1,777	10,909	-	-	1,777	-
Total CFDA #84.424			167,260	1,777	10,909	-	51,577	1,777	51,577
Education Stabilization Fund									
COVID-19 Elementary and Secondary School Emergency Relief Fund (ESSER I Formula Funds)	84.425D	203710-1920	520,440	-	-	175,643	146,433	210,887	111,189
Total CFDA #84.425 and Education Stabilization Fund			520,440	-	-	175,643	146,433	210,887	111,189

The accompanying notes are an integral part of this schedule.

HOLT PUBLIC SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021

Federal Grantor/Pass-through Grantor/ Program Title	Federal CFDA Number	Pass- through Grantor's Number	Approved Grant Award Amount	Accrued (unearned) Revenue 7/1/2020	(Memo Only) Prior Year Expenditures	Adjustments	Current Year Expenditures	Current Year Cash Receipts	Accrued (unearned) Revenue 6/30/2021
<u>U.S. Department of Education</u>									
Passed through Ingham Intermediate School District									
Special Education Cluster									
IDEA Flowthrough	84.027	200450-1920	\$ 8,272	\$ -	\$ -	\$ -	\$ 8,272	\$ -	\$ 8,272
IDEA Flowthrough	84.027	190450-1819	17,532	17,532	17,532	-	-	17,532	-
Total CFDA #84.027			25,804	17,532	17,532	-	8,272	17,532	8,272
Special Education Preschool Grants	84.173	210460-2021	28,510	-	-	-	28,510	19,851	8,659
Special Education Preschool Grants	84.173	200460-1920	39,655	9,584	39,655	-	-	9,584	-
Total CFDA #84.173			68,165	9,584	39,655	-	28,510	29,435	8,659
Total Special Education Cluster			93,969	27,116	57,187	-	36,782	46,967	16,931
Total U.S. Department of Education			2,619,262	278,790	928,551	175,643	1,019,565	1,089,598	384,400
<u>U.S. Department of Health and Human Services</u>									
Passed through Ingham Intermediate School District									
Medicaid Cluster									
Medical Assistance Program	93.778	N/A	18,790	-	-	-	18,790	18,790	-
Passed through Ingham Intermediate School District									
SHIFT Grant	93.079	N/A	7,656	-	-	-	661	7,656	(6,995)
Total U.S. Department of Health and Human Services			26,446	-	-	-	19,451	26,446	(6,995)
<u>U.S. Department of Treasury</u>									
Passed through Michigan Department of Education									
COVID-19 Coronavirus Relief Funds	21.019	11(p)	1,956,052	-	-	20,189	1,935,863	1,956,052	-
COVID-19 Coronavirus Relief Funds	21.019	103(2)	68,852	-	-	-	68,852	68,852	-
Total Passed through Michigan Department of Education			2,024,904	-	-	20,189	2,004,715	2,024,904	-
Passed through MAISA/Copper County ISD									
COVID-19 Coronavirus Relief Funds - MiConnect Connectivity Funding	21.019	N/A	14,778	-	-	-	14,778	14,778	-
Total CFDA #21.019			2,039,682	-	-	20,189	2,019,493	2,039,682	-
Total U.S. Department of Treasury			2,039,682	-	-	20,189	2,019,493	2,039,682	-
TOTAL FEDERAL AWARDS			\$ 6,420,925	\$ 302,798	\$ 1,008,783	\$ 195,832	\$ 4,713,812	\$ 4,753,350	\$ 459,092

The accompanying notes are an integral part of this schedule.

**HOLT PUBLIC SCHOOLS
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021**

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Holt Public Schools under programs of the federal government for the year ended June 30, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Holt Public Schools, it is not intended to and does not present the financial position or changes in net position of Holt Public Schools.

The District qualifies for low-risk auditee status. Management has utilized the Cash Management System and the Grant Auditor Report in preparing the Schedule of Expenditures of Federal Awards.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 3 - RECONCILIATION WITH AUDITED FINANCIAL STATEMENTS

Federal expenditures are reported as revenue in the following funds in the financial statements June 30, 2021:

General fund	\$ 3,379,741
Other nonmajor governmental funds	<u>1,655,303</u>
Total federal revenue in the fund financial statements	5,035,044
Less: Prior year federal expenditures incurred but not reported on SEFA	(195,832)
Less: Federal assistance funding not subject to single audit act	<u>(125,400)</u>
Expenditures per schedule of expenditures of federal awards	<u><u>\$ 4,713,812</u></u>

NOTE 4 - ADJUSTMENTS

Adjustments were made for CFDA #84.425D (\$175,643) and CFDA #21.019 (\$20,189) for prior year federal expenditures incurred but not reported on the SEFA.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Education
Holt Public Schools

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Holt Public Schools as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Holt Public Schools' basic financial statements and have issued our report thereon dated September 17, 2021.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as Finding 2021-001, that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Holt Public Schools' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as Finding 2021-001.

Holt Public Schools' Response to Finding

Holt Public Schools' response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Holt Public Schools' response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Maney Costeiran PC

September 17, 2021

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

To the Board of Education
Holt Public Schools

Report on Compliance for Each Major Federal Program

We have audited Holt Public Schools' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Holt Public Schools' major federal programs for the year ended June 30, 2021. Holt Public Schools' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Holt Public Schools' major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Holt Public Schools' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our unmodified opinion on compliance for major federal programs. However, our audit does not provide a legal determination of Holt Public Schools' compliance.

Opinion on Each Major Federal Program

In our opinion, Holt Public Schools complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Report on Internal Control over Compliance

Management of Holt Public Schools is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Holt Public Schools' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Holt Public Schools' internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of this Report

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

Maney Costeiron PC

September 17, 2021

**HOLT PUBLIC SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2021**

Section I - Summary of Auditor's Results

Financial Statements

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

Unmodified

Internal control over financial reporting:

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

Federal Awards

Internal control over major programs:

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

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

Unmodified

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

_____ Yes X No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
21.019	Coronavirus Relief Funds

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

\$ 750,000

Auditee qualified as low-risk auditee?

 X Yes _____ No

**HOLT PUBLIC SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2021**

Section II - Financial Statement Findings

Finding 2021-001: Considered a significant deficiency

Criteria: In order to comply with Michigan Department of Education requirements, the District's food service fund balance cannot exceed three months of operating expenditures.

Condition: Holt Public Schools currently has more than the allowable fund balance in the non-profit food service fund. As a result, the District will be required to develop a spending plan to reduce the balance to an acceptable level during the 2021-2022 school year. The plan must be submitted to the Michigan Department of Education prior to implementation. Excess funds cannot be transferred to the general fund except to the extent of the allowable indirect costs transfer.

Cause: The District's received more funding than anticipated through the seamless summer option meals. The District was aware of the increased funding and attempted to spend down fund balance but experienced shipping delays for allowable equipment and capital expenditures. Accordingly, the District was unable to reduce the fund balance to an acceptable level before year end.

Effect: The District has excess fund balance in the non-profit food service fund.

Recommendation: The District should submit and implement a spend down plan for the 2021-2022 school year that will adequately reduce the food service fund balance to an acceptable level in accordance with MDE guidelines.

District's Response: The District concurs with the facts of this finding and is implementing procedures to prevent this in the future.

Section III - Federal Award Findings and Question Costs

None noted

**HOLT PUBLIC SCHOOLS
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2021**

Holt Public Schools respectfully submits the following corrective action plan for the year ended June 30, 2021.

Auditor: Maner Costerisan
2425 E. Grand River Avenue, Suite 1
Lansing, Michigan 48912

Audit Period: Year ended June 30, 2021

District contact person: Kim Cosgrove, Deputy Superintendent of Finance & Administrative Services

The findings from the June 30, 2021 schedule of findings and responses are discussed below. The findings are numbered consistently with the number assigned in the schedule.

Finding - Financial Statement Finding

Finding 2021-001: Considered a significant deficiency.

Recommendation: The District should submit and implement a spend down plan for the 2021-2022 school year that will adequately reduce the food service fund balance to an acceptable level in accordance with MDE guidelines.

Action to be taken: Management agrees with the finding and we are in the process of developing a plan to spend down the food service fund balance to an acceptable level in accordance with MDE guidelines.

**HOLT PUBLIC SCHOOLS
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2021**

There were no audit findings required to be reported on this schedule for the previous year.

September 17, 2021

To the Board of Education
Holt Public Schools

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Holt Public Schools for the year ended June 30, 2021. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards* and OMB's Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Holt Public Schools are described in Note 1 to the financial statements. During fiscal year 2021, the District implemented Governmental Accounting Standard No. 84, *Fiduciary Activities*. The application of existing policies was not changed during fiscal year 2021. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

Estimates have been used to calculate the net pension liability and the net other postemployment benefit liability.

We evaluated the key factors and assumptions used to develop the balance of the net pension liability and net other postemployment benefit liability in determining that they are reasonable in relation to the financial statements taken as a whole.

Management’s estimate in calculating the liability for employee compensated absences.

We evaluated the key factors and assumptions used to develop the balance of employee compensated absences in determining that it is reasonable in relation to the financial statements taken as a whole.

Management’s determination of the estimated life span of the capital assets.

We evaluated the key factors and assumptions used by management to develop the estimated life span of the capital assets in determining that it is reasonable in relation to the financial statements taken as a whole. In addition, certain amounts included in capital assets have been estimated based on an outside appraisal company.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. We did not identify any sensitive disclosures.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor’s report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated September 17, 2021.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the District’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the required supplementary information (RSI) which are required and supplement the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the other supplementary information, which accompany the financial statements but are not RSI. With respect to this other supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the other supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

A separate management letter was not issued.

Restriction on Use

This information is intended solely for the use of the Board of Education and management of Holt Public Schools and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Maney Costeiran PC