

GRANT TOWNSHIP SCHOOL DISTRICT NO. 2

KEWEENAW COUNTY

COPPER HARBOR, MICHIGAN 49918



FINANCIAL STATEMENTS

For the Year Ended June 30, 2024



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GRANT TOWNSHIP SCHOOL DISTRICT NO. 2
KEWEENAW COUNTY

Board of Education

Miranda Davis
President

Carolyn Stevens
Secretary

Chris Musiel
Treasurer



Staci Gibson
Trustee

Kirk Filsinger
Trustee



Grant Township School District No. 2

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-American Association of
Certified Public Accountants

-Certified Fraud Examiners
Association

-Michigan Association of
Certified Public Accountants

Independent Auditor's Report

To the Board of Education
Grant Township School District No. 2
Copper Harbor, Michigan 49918

Opinions

I have audited the accompanying financial statements of the governmental activity and the major fund of Grant Township School District No. 2 (the "District"), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activity and the major fund information of the District, as of June 30, 2024, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

I conducted my 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. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of the District and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Responsibilities of Management of the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's

ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information, as identified in the table of contents, on pages 5-9 and pages 41-44 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the

basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued my report October 30, 2024, on my consideration of the Grant Township School District No. 2's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Grant Township School District No. 2's internal control over financial reporting and compliance.



Susan D Sanford, CPA PLLC
Traverse City, Michigan 49684

October 30, 2024

MANAGEMENT

DISCUSSION

AND

ANALYSIS

GRANT TOWNSHIP SCHOOL DISTRICT NO. 2
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2024

Using this Annual Report

Our discussion and analysis of Grant Township School District No. 2 (the "District") is designed to: a) assist the reader in focusing on significant financial issues; b) provide an overview of the District's financial activity; c) identify changes in the District's financial position (its ability to address the next and subsequent year challenges; d) identify any material deviations from the approved budget; and e) identify any issues or concerns.

Financial Highlights

Government-Wide

- The District's total net position increased \$67,721 (66 percent) as a result of this year's operations.
- The net position at the end of the fiscal year was \$169,870.

Fund Level

- As of the close of the current fiscal year, the District's governmental fund reported an ending fund balance of \$273,920, an increase of \$37,622 from the prior year.
- The General Fund's unassigned fund balance at the end of the fiscal year was \$248,920 which represents 91 percent of the actual total General Fund expenditures for the current fiscal year.

Overview of the Financial Statements

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

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the District's overall financial status. These statements report information about the District, as a whole, using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid. The two government-wide statements report the District's net position and how they have changed.
- The remaining statements are fund financial statements that focus on individual funds; reporting the operations in more detail than the government-wide statements.

GRANT TOWNSHIP SCHOOL DISTRICT NO. 2
MANAGEMENT’S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2024

Reporting the District as a Whole

The Statement of Net Position and the Statement of Activities report information about the District, as a whole, and about its activities in a way that helps answer the question of whether the District, as a whole, is better off or worse off as a result of the year’s activities. The two statements, mentioned above, report the District’s net position and how it has changed. The reader can think of the District’s net position (the difference between assets and liabilities) as one way to measure the District’s financial health or financial position. Over time, increases or decreases in the District’s net position is one indicator of whether its financial health is improving or deteriorating.

Reporting the District’s Major Fund

The fund financial statements begin with the Statement of Net Position and provide detailed information about the major fund. The District has only one fund (general fund) in which all of the District’s activities are accounted.

Governmental Fund--The governmental fund focuses on how money flows into and out of this fund and the balances left at year end that are available for spending. This fund is reported using an accounting method called modified accrual accounting which measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the District’s general governmental operations and the basic service it provides. Governmental fund information helps the reader to determine whether there are more or fewer financial resources that can be spent in the near future to finance the District’s services. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and the governmental fund in a reconciliation following the fund financial statements.

Financial Analysis of the District as a Whole

Condensed Statement of Net Position

	2023	2024	Variance	%
Assets				
Current and other assets	\$ 284,784	\$ 342,588	\$ 57,804	20.30%
Net capital assets	187,125	169,078	(18,047)	-9.64%
Total assets	471,909	511,666	39,757	8.42%
Deferred outflows of resources	120,307	96,798	(23,509)	-19.54%
Liabilities				
Other liabilities	49,057	52,851	3,794	7.73%
Long-term liabilities	381,701	299,179	(82,522)	-21.62%
Total liabilities	430,758	352,030	(78,728)	-18.28%
Deferred inflows of resources	59,309	87,197	27,888	47.02%
Net position				
Net invested in capital assets	175,702	169,078	(6,624)	-3.77%
Unrestricted (deficit)	(73,553)	792	74,345	101.08%
Total net position	\$ 102,149	\$ 169,870	\$ 67,721	66.30%

GRANT TOWNSHIP SCHOOL DISTRICT NO. 2
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2024

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows of resources exceed liabilities and deferred inflows of resources by \$169,870 at the close of 2024.

By far the largest portion of the District's net position reflects its investment in capital assets, which was \$169,078. The unrestricted net position had a balance of \$792. The District's net position includes a net pension liability and related net deferred inflows and outflows of \$(265,118) and net OPEB liability and related net deferrals of \$(18,905). The unrestricted net position balance, excluding the effects of these pronouncements enables the District to meet working capital cash flow requirements, as well as to provide for future uncertainties. The operating results of General Fund will have a significant impact on the changes in unrestricted net position from year to year. The District's net position increased by \$67,721 during 2024.

Condensed Statement of Activities

	<u>2023</u>	<u>2024</u>	<u>Variance</u>	<u>Percentage</u>
Program revenue				
Charges for services	\$ 4,500	\$ 5,000	\$ 500	11.11%
Operating grants and contributions	23,504	14,807	(8,697)	-37.00%
Nonoperating revenue				
Property taxes	221,891	244,246	22,355	10.07%
State sources	44,486	31,182	(13,304)	-29.91%
Investment earnings	284	1,899	1,615	568.66%
Total revenue	<u>294,665</u>	<u>297,134</u>	<u>2,469</u>	<u>0.84%</u>
Operating expense				
Instruction	155,390	109,691	(45,699)	-29.41%
Support services	116,185	119,722	3,537	3.04%
Interest expense	570	-	(570)	-100.00%
Total operating expense	<u>272,145</u>	<u>229,413</u>	<u>(42,732)</u>	<u>-15.70%</u>
Increase (decrease) in net position	<u>22,520</u>	<u>67,721</u>	<u>45,201</u>	<u>200.71%</u>
Beginning net position	<u>79,629</u>	<u>102,149</u>	<u>22,520</u>	<u>28.28%</u>
Ending net position	<u>\$ 102,149</u>	<u>\$ 169,870</u>	<u>\$ 67,721</u>	<u>66.30%</u>

The revenues increased by \$2,469. The increase was primarily due an increase in property taxes, and interest earnings. The State revenue decreased due to a special education reimburesment and a one time MPSERS deposit in the prior year. The expenses decreased by \$42,699 in instruction due to a reduction in para pros related to speical education, which was not needed in the current year. There was also a net decrease in pension and OPEB expense during the current year.

GRANT TOWNSHIP SCHOOL DISTRICT NO. 2
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2024

The District's General Fund

The fund level financial statements are reported on a modified accrual basis. Only those assets that are: "measurable" and "currently available" are reported. Liabilities are recognized when incurred.

	<u>2023</u>	<u>2024</u>	<u>Amount Difference</u>	<u>Percentage Difference</u>
Revenues				
Local sources	\$ 221,891	\$ 244,246	\$ 22,355	10%
Earnings on investments	284	1,899	1,615	569%
Other local sources	382	701	319	84%
State sources	44,486	31,182	(13,304)	-30%
Federal sources	23,122	3,844	(19,278)	-83%
Inter-district sources	4,500	5,000	500	11%
Total revenues	<u>294,665</u>	<u>286,872</u>	<u>(7,793)</u>	<u>-3%</u>
Expenditures				
Instruction	169,762	131,895	(37,867)	-22%
Support services:				
General administration	40,066	41,007	941	2%
Operations and maintenance	14,805	18,854	4,049	27%
Transportation	45,813	45,501	(312)	-1%
Debt service	11,993	11,993	-	0%
Total expenditures	<u>282,439</u>	<u>249,250</u>	<u>(33,189)</u>	<u>-12%</u>
Net change in fund balance	12,226	37,622	25,396	208%
Beginning fund balance	<u>224,072</u>	<u>236,298</u>	<u>12,226</u>	<u>5%</u>
Ending fund balance	<u>\$ 236,298</u>	<u>\$ 273,920</u>	<u>\$ 37,622</u>	<u>16%</u>

The revenues decreased by \$7,793. There was an increase in property taxes (due to an increase in property taxable value). The REAP Grant was not fully expended in the current year and will be expended and reimbursed next year. There was also a one-time MPSERS payment in the prior year. The expenditures decreased by \$33,189 as compared to the prior year. The Instruction function decreased due to a reduction in Para pros and decrease in related fringe benefits..

GRANT TOWNSHIP SCHOOL DISTRICT NO. 2
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2024

Budgetary Highlights

Prior to the beginning of any year, the District's budget is compiled based upon certain assumptions and facts available at that time. During the year, the District's Board of Education acts to amend its budget to reflect changes in these original assumptions, facts and/or economic conditions that were unknown at the time the original budget was compiled.

The final amended budget and actual revenue for the General Fund was \$321,471 and \$268,872, respectively. The revenue budget was amended throughout the year. The original expenditure budget was \$274,462 and was amended throughout the year as needed. The final amended expenditure budget was \$337,423 and the final actual expenditures were \$224,250.

Capital Asset Administration

The District's investment in capital assets at June 30, 2024, amounts to \$169,078 (net of accumulated depreciation). There was a decrease of \$18,672 in the District's net investments in capital assets for the current fiscal year due to depreciation expense. More details can be found in Note 4 in the notes to the financial statements.

Long-Term Obligations

The District has one installment purchase agreement for the purchase of a bus for \$54,521 during 2020. The lease purchase was for a period of four years at five percent interest. The bus was paid off during the fiscal year ended June 30, 2024. There was no new debt incurred during the current year. More details can be found in Note 5 of the notes to the financial statements.

Economic Factors and Next Year's Budget

The District depends primarily on local non-principal residence property taxes to fund its operations. Based on information currently available, there will be a slight increase expected to occur in the nature of the funding for operations of the District in 2024/2025. The budget will also include a slight increase in salaries and wages and related fringe benefits.

Contacting the District's Management

This financial report is intended to provide a general overview of the District's finances to those with an interest in the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact Ms. Miranda Kilpela Davis, P.O. Box 74, Copper Harbor, Michigan 49918.

BASIC
FINANCIAL
STATEMENTS

GRANT TOWNSHIP SCHOOL DISTRICT NO. 2
STATEMENT OF NET POSITION
June 30, 2024

ASSETS

Cash and investments	\$ 319,914
Receivables	17,119
Capital assets being depreciated, net	169,078
Net OPEB Assets	5,555
Total assets	511,666

DEFERRED OUTFLOWS OF RESOURCES

Deferred pension amounts	71,556
Deferred other postemployment benefit amounts	25,242
Total deferred outflows of resources	96,798

LIABILITIES

Current liabilities	
Accounts payable and accrued liabilities	48,389
Due to other governments	4,462
Net pension liability	299,179
Total liabilities	352,030

DEFERRED INFLOWS OF RESOURCES

Deferred pension amounts	37,495
Deferred other postemployment benefit amounts	49,069
Total deferred inflows of resources	86,564

NET POSITION

Investment in capital assets, net of related debt	169,078
Unrestricted (deficit)	792
Total net position	\$ 169,870

The Notes to Financial Statements are an integral part of this statement.

GRANT TOWNSHIP SCHOOL DISTRICT NO. 2
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2024

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenues
		Charges for Services	Operating Grants and Contributions	
Governmental activities				
Instruction	\$ 109,691	\$ -	\$ 14,106	\$ (95,585)
Supporting services	119,722	5,000	701	(114,021)
Total governmental activities	\$ 229,413	\$ 5,000	\$ 14,807	\$ (209,606)

General revenues:

Property taxes	\$ 244,246
State sources - unrestricted	31,182
Unrestricted investment earnings	1,899
Total general revenues	277,327
Change in net position	67,721
Net position beginning of year	102,149
Net position, end of year	\$ 169,870

GRANT TOWNSHIP SCHOOL DISTRICT NO. 2
BALANCE SHEET
June 30, 2024

	<u>GOVERNMENTAL</u>
	<u>FUND TYPE</u>
	General Fund
<u>Assets</u>	
Cash and investments	\$ 319,914
Receivables:	
Accounts receivable	39
Due from other governments	17,080
Total assets	<u>\$ 337,033</u>
<u>Liabilities, Deferred Inflow of Resources and Fund Balance</u>	
Liabilities	
Accounts payable	\$ 3,398
Accrued salaries and other liabilities	44,991
Due to other governments	4,462
Total liabilities	<u>52,851</u>
Deferred inflow of resources	
Federal revenue	10,262
Total deferred inflow of resources	<u>10,262</u>
Fund balance	
Unrestricted fund balance	
Assigned for transportation	25,000
Unassigned	248,920
Total fund balance	<u>273,920</u>
Total liabilities, deferred inflow of resources and fund balance	<u>\$ 337,033</u>

The Notes to Financial Statements are an integral part of this statement.

GRANT TOWNSHIP SCHOOL DISTRICT NO. 2
RECONCILIATION OF THE BALANCE SHEET FUND
BALANCE TO THE STATEMENT OF NET POSITION
For the Year Ended June 30, 2024

Total governmental fund balance \$ 273,920

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

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

Capital assets	\$ 375,954	
Accumulated depreciation	<u>(206,876)</u>	169,078

Some assets are not available to pay for current-period expenditures. Those assets are offset by deferred inflows of resources in the governmental funds and are not included in fund balance

Federal grant	<u>10,262</u>	10,262
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Certain pension and other postemployment benefit-related amounts, such as the net pension liability, net other postemployment benefit liability and deferred amounts are not due and payable in the current period or do not represent current financial resources, and therefore are not reported in the funds.

Net pension liability	(299,179)	
Net OPEB assets	5,555	
Deferred outflows related to net pension liability	71,556	
Deferred inflows related to net pension liability	(37,495)	
Deferred outflows related to net other postemployment benefit liability	25,242	
Deferred inflows related to net other postemployment benefit liability	<u>(49,069)</u>	<u>(283,390)</u>

Net position of governmental activities		<u><u>\$ 169,870</u></u>
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The Notes to Financial Statements are an integral part of this statement.

GRANT TOWNSHIP SCHOOL DISTRICT NO. 2
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
For the Year Ended June 30, 2024

	<u>General Fund</u>
Revenues	
Local sources	\$ 244,246
Earnings on investments and deposits	1,899
Other local sources	701
State sources	31,182
Federal sources	3,844
Inter-district sources	5,000
	<hr/>
Total revenues	286,872
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Expenditures	
Current	
Instruction	131,895
Support services	105,362
Debt service	
Principal	11,423
Interest	570
	<hr/>
Total expenditures	249,250
	<hr/>
Revenues over (under) expenditures	37,622
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Net change in fund balance	37,622
Fund balance--beginning	236,298
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Fund balance--ending	\$ 273,920
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The Notes to Financial Statements are an integral part of this statement.

**GRANT TOWNSHIP SCHOOL DISTRICT NO. 2
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2024**

Net Change in Fund Balance--Total Governmental Fund		\$ 37,622
Amounts reported for governmental activities in the statement of		
Capital assets used in governmental activities are not financial resources and are not reported in the fund.		
Capital assets purchased	\$ -	
Depreciation expense	<u>(18,047)</u>	(18,047)
Lease proceeds provide current financial resources to governmental funds, but entering into lease agreements increases long-term liabilities in the statement of net position.		
	-	
Repayment of installment purchase agreements is an expenditure in governmental funds, but reduces the long-term liabilities and accrued interest payable in the statement of net position		
Principal payment	11,423	11,423
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental fund		
Federal grant	10,262	10,262
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Pension expense	7,822	
Decrease in accrued interest payable	570	
OPEB expense	<u>18,069</u>	<u>26,461</u>
Change in net position of governmental activities		<u><u>\$ 67,721</u></u>

The Notes to Financial Statements are an integral part of this statement.

GRANT TOWNSHIP SCHOOL DISTRICT NO. 2

NOTES TO FINANCIAL STATEMENTS

June 30, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements of Grant Township School District No. 2 (the “District”), Keweenaw County, were prepared in accordance with accounting principles generally accepted in the United States of America for governmental units. The following is a summary of the more significant policies and should be viewed as an integral part of this report:

A - Reporting Entity

The District is governed by an elected five-member Board of Education. The District has determined that no entities should be consolidated into the basic financial statements as component units. Therefore, the reporting entity consists of the primary government financial statements only. The criteria for including a component unit include significant operational or financial relations with the District.

B - Financial Statement Presentation

Government-Wide Financial Statements. The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information of the activities of the District. There is only one fund reported in the government-wide financial statements. The General Fund accounts for all of the financial resources of the District. It is the District’s only fund.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Program expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Property taxes, intergovernmental payments and other items not included as program revenues are reported instead as general revenues. Internally dedicated resources are reported as general revenues rather than as program revenues.

The Statement of Net Position presents the District’s assets and deferred outflows of resources and liabilities and deferred inflows of resources with the difference being reported as either invested in capital assets or restricted net position.

Fund Financial Statements. Separate financial statements are provided for the General Fund (governmental fund). The Operating Fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions.

GRANT TOWNSHIP SCHOOL DISTRICT NO. 2

NOTES TO FINANCIAL STATEMENTS

June 30, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C - Measurement Focus and Basis of Accounting

Government-Wide Financial Statements. The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Fund Financial Statements. Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Property taxes, intergovernmental revenue, and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

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. When an expense is incurred for purposes for which both restricted and unrestricted net position or fund balance are available, the District's policy is to first apply restricted resources.

D - Budgets and Budgetary Accounting

The governmental fund is under formal budgetary control. The budget is adopted at the function level and control is exercised at the function level by the District's Board of Education. The budget basis of accounting does not differ significantly from the modified accrual basis used to reflect actual revenues and expenditures for this fund. Budgeted revenues and expenditures, as presented in the financial statements, include any authorized amendments to the original budget as adopted. All annual appropriations lapse at year end. Encumbrance accounting is not utilized by the District.

E - Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, demand deposits and short-term investments with a maturity of three months or less when acquired. The District had long-term certificates of deposit at June 30, 2024. Investments are stated at fair value.

GRANT TOWNSHIP SCHOOL DISTRICT NO. 2

NOTES TO FINANCIAL STATEMENTS

June 30, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F – Receivables

Accounts receivable is primarily amounts due from other units of government. No allowance for uncollectible amounts was recorded.

G – Taxes Receivable

Property taxes are levied and becomes a lien as of December 1 on the taxable valuation of the property located within the District as of the preceding December 1st. Property taxes are payable without interest on or before February 14.

The 2023 taxable valuation was \$47,261,547, on which the Districted levied 5.1176 mills on non-principal residences and commercial personal property. The taxes collected are recognized during the fiscal year.

H – Unearned Revenue

Revenue that is received, but have not been earned, are recorded as unearned revenue in both government-wide and fund financial statements.

I - Capital Assets

Capital assets, which include property and improvements, buses and other vehicles, and furniture and other 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 \$5,000 and computer and other electronic equipment with an initial cost of more than \$500. Capital assets are stated at historical cost or estimated historical cost of purchase or construction. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs relating to maintenance and repairs are charged to expense, whereas those for renewals and betterments, when significant in amount, are capitalized.

Depreciation

Depreciation is computed on the straight-line method over the following useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	10 to 50 years
Buses and other vehicles	5 to 10 years
Furniture and other equipment	5 to 25 years

GRANT TOWNSHIP SCHOOL DISTRICT NO. 2

NOTES TO FINANCIAL STATEMENTS

June 30, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J – Deferred Outflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District reports deferred outflows of resources related to the net pension liability and net other postemployment benefit liability. A portion of these costs represent contributions to the plan subsequent to the plan measurement date.

K – Deferred Inflows of Resources

In addition to liabilities, the statement of net position and/or balance sheet 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 governmental funds also report unavailable revenues, which arise only under a modified accrual basis of accounting that are reported as deferred inflows of resources (State and Federal received past 60 days after year end). These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The District's deferred inflows of resources are related to pension and other postemployment benefit liabilities in the government-wide financial statements.

L – Compensated Absences

The District generally provides for granting sick and personal leave with pay. There is no liability for unpaid accumulated sick or personal leave pay since the District does not have a policy to pay any amounts when employees separate from service from the District. A liability for these amounts, including related benefits, is reported in government funds only if they have matured, for example, as a result of resignations or retirements.

M - Pension

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

GRANT TOWNSHIP SCHOOL DISTRICT NO. 2

NOTES TO FINANCIAL STATEMENTS

June 30, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N - Other Postemployment Benefit (OPEB) Costs

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Michigan Public School Employees Retirement System (MPSERS) Plan 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. The OPEB net liability and related deferred inflows/outflows and OPEB expense are reported in the government-wide financial statements.

O - Long-term Obligations

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the governmental statement of net position. In the fund financial statements, debt is recognized as other financial sources received with no liability recorded.

P - Fund Balance/Net Position

In the fund financial statements, governmental funds report the following components of fund balance:

Restricted Fund Balance:

- Nondisposable – Includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Items such as prepaid expenses are included in this component.
- Restricted – Constraints placed on the use of resources are either externally imposed by creditors or imposed by law through constitutional provisions or enabling legislation.

Unrestricted Fund Balance:

- Committed – Amounts that can only be used for specific purposes pursuant to constrictions imposed by formal action of the District's Board of Education. Commitments are made and can be rescinded only via resolution of the board
- Assigned – Amounts that are constrained by the District's intent to be used for specific purposes but are neither restricted nor committed.
- Unassigned – any remaining fund balance not included in any of the other four categories.

GRANT TOWNSHIP SCHOOL DISTRICT NO. 2

NOTES TO FINANCIAL STATEMENTS

June 30, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-wide financial statement net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. The District may report three categories of net position as follows: (1) *investment of capital assets*, net of related debt; (2) *Restricted net position* is considered restricted if its use is constrained to a particular purpose. Restrictions are imposed by external organizations, such as federal and state laws. Restricted net position is reduced by liabilities and deferred inflows of resources related to the restricted assets; (3) *Unrestricted net position* consists of all other net position that does not meet the definition of the above components and is available for general use by the District.

Q - Fund Balance Flow Assumption

Sometimes the government 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 government'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.

R - Net Position Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted 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 government's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

S – State Foundation Revenue

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 year ended June 30, 2024 the foundation allowance was based on pupil membership counts taken in October of the current year and February of the previous year.

GRANT TOWNSHIP SCHOOL DISTRICT NO. 2

NOTES TO FINANCIAL STATEMENTS

June 30, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

T - Use of Estimates

The preparation of financial statements, in conformity with generally accepted accounting principles (GAAP), requires management to make estimates and assumptions that affect the reported amounts of the following: assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2--BUDGETARY LEGAL COMPLIANCE

Budgetary Procedures

Budgetary procedures are established pursuant to Public act 2 of 1968, as amended (MCL 141.421), which requires the Board of Education to approve a budget for the District. Pursuant to the Act, the District's chief administrative officer prepares and submits a proposed operating budget to the Board of Education for its review and consideration. The Board of Education conducts a public budget hearing and subsequently, adopts the operating budget. The budget is prepared on the modified accrual basis of accounting which is the same basis as the financial statements. The budget is reviewed and amended throughout the year.

NOTE 3--CASH DEPOSITS AND INVESTMENTS

Michigan Compiled Laws (MCL), Section 129.91 (Public Act 20 of 1943, as amended), authorizes the county to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities, and other obligations of the United States, or an agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan; and commercial paper rated within the two highest classifications, which mature not more than 270 days after the date of purchase. Financial institutions eligible for deposit of public funds must maintain an office in Michigan. The District has designated three financial institutions for the deposit of its funds. The investment policy adopted by the District is in accordance with Public Act 196 of 1997 and has authorized investments permitted under Public Act 20 of 1943, as amended.

GRANT TOWNSHIP SCHOOL DISTRICT NO. 2

NOTES TO FINANCIAL STATEMENTS

June 30, 2024

NOTE 3--CASH DEPOSITS AND INVESTMENTS (Continued)

At June 30, 2024, the District's deposits (there were no investments other than long-term certificates of deposits) were reported in the basic financial statements in the following categories:

	<u>Book Balance</u>	<u>Bank Balance</u>
Bank Deposits (Checking and Savings Accounts)	\$ 236,127	\$ 234,139
Certificates of Deposits	83,786	83,786
Total	<u>\$ 319,914</u>	<u>\$ 317,925</u>

All of the bank deposits and certificates of deposits were covered under the federal depository insurance, no remaining balance was uncollateralized. At the year-end (and during the year) the District did not have any investments other than certificate of deposits.

Disclosures Relating to Credit Risk. Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.

Interest Rate Risk. Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. The District will minimize interest rate risk by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operating, thereby avoiding the need to sell securities on the open market prior to maturities.

Concentration of Credit Risk-Deposits. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned. State law does not require and the District does not have a policy for deposit custodial credit risk. As of year-end, \$0 of the bank balance was exposed to custodial credit risk because it was uninsured and uncollateralized. As a result, the District evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable level are used as depositories.

Custodial Credit Risk. Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Michigan law does not contain requirements that would limit the exposure to custodial credit risk for deposits. However, the asset diversification requirements included in the District's investment policy would limit, to some extent, exposure to custodial credit risk for deposits. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools.

GRANT TOWNSHIP SCHOOL DISTRICT NO. 2

NOTES TO FINANCIAL STATEMENTS

June 30, 2024

NOTE 4--CAPITAL ASSETS

The following is a summary of the changes in the capital assets:

	Beginning			Ending
	Balance	Additions	Deductions	Balance
Capital assets being depreciated				
Building and improvements	\$ 255,008	\$ -	\$ -	\$ 255,008
Vehicle	104,773	-	-	104,773
Equipment	16,173	-	-	16,173
Total capital assets	<u>375,954</u>	-	-	<u>375,954</u>
Accumulated depreciation				
Building and improvements	95,626	8,766	-	104,392
Vehicle	79,899	8,314	-	88,213
Equipment	13,304	967	-	14,271
Total accumulated depreciation	<u>188,829</u>	<u>18,047</u>	-	<u>206,876</u>
Total capital assets being depreciated--net	<u>187,125</u>	<u>(18,047)</u>	-	<u>169,078</u>
Total net capital assets	<u>\$ 187,125</u>	<u>\$ -</u>	<u>\$ 18,047</u>	<u>\$ 169,078</u>

Depreciation expense was charged to the following activities:

Governmental activities	
Instruction	\$ 967
Operations and maintenance	8,766
Transportation	<u>8,314</u>
Total depreciation expense	<u>\$ 18,047</u>

NOTE 5—LONG-TERM DEBT

The District purchased a 2019 Blue Bird Bus on an installment purchase agreement. The total cost of the bus was \$54,521 and will be paid off over four years with annual payments of \$11,993 at an interest rate of five percent.

The long-term debt of the District, and the changes therein, may be summarized as follows:

	Beginning			Ending	Due Within
	Balance	Additions	(Reductions)	Balance	One Year
<u>Governmental Activities</u>					
Installment purchase agreement for Blue Bird Bus, 4 annual payments of \$11,993 at 5% interest.	<u>\$ 11,423</u>	<u>\$ -</u>	<u>\$ (11,423)</u>	<u>\$ -</u>	<u>\$ -</u>
Total Governmental Activities	<u>\$ 11,423</u>	<u>\$ -</u>	<u>\$ (11,423)</u>	<u>\$ -</u>	<u>\$ -</u>

GRANT TOWNSHIP SCHOOL DISTRICT NO. 2

NOTES TO FINANCIAL STATEMENTS

June 30, 2024

NOTE 6--NET INVESTMENT IN CAPITAL ASSETS

The following summarizes the components of investment in capital assets, net of related debt reported in the Statement of Net Position at June 30, 2024:

Capital assets	
Depreciable, net	<u>\$169,078</u>
Total net capital assets	<u>169,078</u>
Related debt	
Installment purchase payable	<u>-</u>
Total related debt	<u>-</u>
Net investments in capital assets	<u>\$169,078</u>

NOTE 7--EMPLOYEES' RETIREMENT PLAN

Summary of Significant Accounting Policies

Pensions--For purposes of measuring the Net Pension Liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Michigan Public School 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.

General Information about the Pension Plan

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

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

GRANT TOWNSHIP SCHOOL DISTRICT NO. 2

NOTES TO FINANCIAL STATEMENTS

June 30, 2024

NOTE 7--EMPLOYEES' RETIREMENT PLAN (Continued)

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

The System's financial statements are available on the ORS website at www.michigan.gov/orsschools.

Benefits Provided

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

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

Contributions

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

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

GRANT TOWNSHIP SCHOOL DISTRICT NO. 2

NOTES TO FINANCIAL STATEMENTS

June 30, 2024

NOTE 7--EMPLOYEES' RETIREMENT PLAN (Continued)

The schedule below summarizes pension contribution rates in effect for fiscal year ended September 30, 2023.

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

Required contributions to the pension plan from the District were \$33,315 for the year ended September 30, 2023.

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

At June 30, 2023, the District reported a liability of \$299,179 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2022. The District's proportion of the net pension liability was determined by dividing each employer's statutorily required pension contributions to the system during the measurement period by the percent of pension contributions required from all applicable employers during the measurement period. At September 30, 2023 the districts proportion was 0.0000092436 percent, which was a decrease of .0000000841 percent from its proportion measured as of September 30, 2022.

For the year ending June 30, 2024, the District recognized pension expense of \$34,372. At June 30, 2024, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

GRANT TOWNSHIP SCHOOL DISTRICT NO. 2

NOTES TO FINANCIAL STATEMENTS

June 30, 2024

NOTE 7--EMPLOYEES' RETIREMENT PLAN (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u> </u>	<u> </u>
Differences between actual and expected experience	\$ 9,444	\$ 458
Changes of assumptions	40,540	23,375
Net difference between projected and actual earnings on pension plan investments	-	6,122
Changes in proportion and differences between Employer contributions and proportionate share of contributions	3,542	7,540
Employer contributions subsequent to the measurement date	<u>18,030</u>	<u>-</u>
Total	<u>\$ 71,556</u>	<u>\$ 37,495</u>

Contributions subsequent to the measurement date reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year</u>	<u>Amount</u>
2024	\$ 6,309
2025	2,859
2026	11,531
2027	(4,668)

Actuarial Assumptions

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

GRANT TOWNSHIP SCHOOL DISTRICT NO. 2

NOTES TO FINANCIAL STATEMENTS

June 30, 2024

NOTE 7--EMPLOYEES' RETIREMENT PLAN (Continued)

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions

Valuation Date:	September 30, 2022
Actuarial Cost Method:	Entry Age, Normal
Wage Inflation Rate:	2.75%
Investment Rate of Return:	
- MIP and Basic Plans:	6.00% net of investment expenses
- Pension Plus Plan:	6.00% net of investment expenses
- Pension Plus 2 Plan:	6.00% net of investment expenses
Projected Salary Increases:	2.75 - 11.55%, including wage inflation at 2.75%
Cost-of-Living Pension Adjustments:	3% Annual Non-Compounded for MIP Members
Mortality:	
Retirees:	PubT-2010 Male and Female Retiree Mortality Tables, scaled by 116% for males and 116% for females and adjusted for mortality improvements using projection scale MP-2021 from 2010.
Active Members:	PubT-2010 Male and Female Employee Mortality Tables, scaled by 100% and adjusted for mortality improvements using projection scale MP-2021 from 2010.

Notes:

- *Assumption changes as a result of an experience study for the period 2017 through 2022 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2023 valuation. The total pension liability as of September 30, 2023, is based on the results of an actuarial valuation date of September 30, 2022, and rolled forward using generally accepted actuarial procedures, including the experience study.*
- *Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: [4.4406 for non-university employers]*
- *Recognition period for assets in years: 5.0000*
- *Full actuarial assumptions are available in the 2023 MPSERS Comprehensive Annual Financial Report found on the ORS website at www.michigan.gov/orsschools.*

GRANT TOWNSHIP SCHOOL DISTRICT NO. 2

NOTES TO FINANCIAL STATEMENTS

June 30, 2024

NOTE 7--EMPLOYEES' RETIREMENT PLAN (Continued)

Long-Term Expected Return on Plan Assets

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2023, are summarized in the following table:

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

*Long-term rates of return are net of administrative excess and 2.7% inflation.

Rate of Return

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

Discount Rate

A discount rate of 6.00% was used to measure the total pension liability (6.00% for the Pension Plus plan, 6.00% for the Pension Plus 2 plan, hybrid plans provided through non-university employers only). This discount rate was based on the long-term expected rate of return on pension plan investments of 6.00% (6.00% for the Pension Plus plan, 6.00% for the Pension Plus 2 plan). 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 employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these 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.

GRANT TOWNSHIP SCHOOL DISTRICT NO. 2

NOTES TO FINANCIAL STATEMENTS

June 30, 2024

NOTE 7--EMPLOYEES' RETIREMENT PLAN (Continued)

Sensitivity of District's proportionate share of the net pension liability to changes in the discount rate

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 6.00% (6.00% for the Pension Plus plan, 6.00% for the Pension Plus 2 plan), as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage higher:

1% Decrease	Current Single Discount Rate Assumption	1% Increase
5.00%	6.00%	7.00%
<u>\$ 404,190</u>	<u>\$ 299,179</u>	<u>\$ 211,754</u>

Michigan Public School Employees' Retirement System (MPSERS) Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued MPSERS ACFR, available on the ORS website at www.michigan.gov/orsschools.

Payables to the Michigan Public School Employees' Retirement System (MPSERS)

At year end, the District had accounts payable of \$2,266 due to the MPSERS for the defined benefit pension plan.

NOTE 8--POST-EMPLOYMENT BENEFITS

Summary of Significant Accounting Policies

For purposes of measuring the net Other Post-Employment Benefits (OPEB) liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expenses, information about the fiduciary net position of the Michigan Public School Employees' Retirement System (MPSERS) and additions to/deductions from the District's fiduciary net position have been determined on the same basis as they are reported by the 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.

GRANT TOWNSHIP SCHOOL DISTRICT NO. 2

NOTES TO FINANCIAL STATEMENTS

June 30, 2024

NOTE 8--POST-EMPLOYMENT BENEFITS (Continued)

Plan Description

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

The System's health plan provides all eligible retirees with the option of receiving health, prescription drug, dental and vision coverage under the Michigan Public School Employees' Retirement Act (1980 PA 300 as amended).

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

The System's financial statements are available on the ORS website at www.michigan.gov/orsschools.

Benefits Provided

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

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

GRANT TOWNSHIP SCHOOL DISTRICT NO. 2

NOTES TO FINANCIAL STATEMENTS

June 30, 2024

NOTE 8--POST-EMPLOYMENT BENEFITS (Continued)

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 were deposited into their 401(k) account.

Contributions

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

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

The schedule below summarizes OPEB contribution rates in effect for fiscal year ended September 30, 2023.

<u>Benefit Structure</u>	<u>Member</u>	<u>Employer</u>
Premium Subsidy	3.00%	8.07%
Personal Healthcare Fund (PHF)	0.0%	7.21%

Required contributions to the OPEB plan from District were \$7,649 for the year ended September 30, 2023.

GRANT TOWNSHIP SCHOOL DISTRICT NO. 2

NOTES TO FINANCIAL STATEMENTS

June 30, 2024

NOTE 8--POST-EMPLOYMENT BENEFITS (Continued)

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

At June 30, 2024, the District reported a liability of \$(5,555) for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2023, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 2022. The District's proportion of the net OPEB liability was determined by dividing each employer's statutorily required OPEB contributions to the system during the measurement period by the percent of OPEB contributions required from all applicable employers during the measurement period. At September 30, 2023, the District's proportion was .0000098189 percent, was a decrease of .0000006238 percent from its proportion measured as of October 1, 2022.

For the year ending June 30, 2024, the District recognized OPEB expense of \$(11,222). At June 30, 2024, the District reported deferred outflows of resources and deferred z inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between actual and expected experience	\$ -	\$ 41,973
Changes of assumptions	12,365	1,489
Net difference between projected and actual earnings on OEB plan investments	17	-
Changes in proportion and differences between Employer contributions and proportionate share of contributions	5,634	5,607
Employer contributions subsequent to the measurement date	<u>7,226</u>	<u>-</u>
Total	<u>\$ 25,242</u>	<u>\$ 49,069</u>

Contributions subsequent to the measurement date reported as deferred outflows of resources related to OPEB resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2025. 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</u>	<u>Amount</u>
2024	\$(10,304)
2025	(8,638)
2026	(4,495)
2027	(3,878)
2028	(2,523)
Thereafter	(1,215)

GRANT TOWNSHIP SCHOOL DISTRICT NO. 2

NOTES TO FINANCIAL STATEMENTS

June 30, 2024

NOTE 8--POST-EMPLOYMENT BENEFITS (Continued)

Actuarial Assumptions

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

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions

Valuation Date:	September 30, 2022
Actuarial Cost Method:	Entry Age, Normal
Wage Inflation Rate:	2.75%
Investment Rate of Return:	6.00% net of investment expenses
Projected Salary Increases:	2.75 – 11.55%, including wage inflation at 2.75%
Healthcare Cost Trend Rate:	Pre-65 7.50% Year 1 graded to 3.5% Year 15 Post-65 6.25% Year 1 graded to 3.5% Year 15
Mortality: Retirees:	PubT-2010 Male and Female Retiree Mortality Tables, scaled by 116% for males and 116% for females and adjusted for mortality improvements using projection scale MP-2021 from 2010
Active Members:	PubT-2010 Male and Female Employee Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2021 from 2010.
Other Assumptions:	
Opt Out Assumptions	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 coverages 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.

GRANT TOWNSHIP SCHOOL DISTRICT NO. 2

NOTES TO FINANCIAL STATEMENTS

June 30, 2024

NOTE 8--POST-EMPLOYMENT BENEFITS (Continued)

Notes:

- *Assumption changes as a result of an experience study for the period 2017 through 2022 have been adopted by the System for use in the annual OPEB valuations beginning with the September 30, 2023 valuation. The total OPEB liability as of September 30, 2023, is based on the results of an actuarial valuation date of September 30, 2022, and rolled forward using generally accepted actuarial procedures, including the experience study.*
- *Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: [6.5099 for non-university employers]*
- *Recognition period for assets in years is 5.0000*
- *Full actuarial assumptions are available in the 2023 MPSERS Comprehensive Annual Financial Report found on the ORS website at www.michigan.gov/orsschools.*

Long-Term Expected Return on Plan Assets

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of 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. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan's target asset allocation as of September 30, 2022, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return*</u>
Domestic Equity Pools	25.0%	5.8%
Private Equity Pools	16.0%	9.6%
International Equity	15.0%	6.8%
Fixed Income Pools	13.0%	1.3%
Real Estate and Infrastructure Pools	10.0%	6.4%
Absolute Return Pools	9.0%	4.8%
Real Return/Opportunistic Pools	10.0%	7.3%
Short Term Investment Pools	2.0%	.03%
Total	100.0%	

*Long-term rates of return are net of administrative excess and 2.7% inflation.

Rate of Return

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

GRANT TOWNSHIP SCHOOL DISTRICT NO. 2

NOTES TO FINANCIAL STATEMENTS

June 30, 2024

NOTE 8--POST-EMPLOYMENT BENEFITS (Continued)

Discount Rate

A discount rate of 6.00% 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 6.00%. 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 employer 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 District’s proportionate share of the net OPEB liability to changes in the discount rate

The following presents the District’s proportionate share of the net OPEB liability calculated using the discount rate of 6.00%, as well as what the District’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 higher:

	Current	
1% Decrease	Discount Rate	1% Increase
<u>5.00%</u>	<u>6.00%</u>	<u>7.00%</u>
\$5,758	\$(5,555)	\$(15,277)

Sensitivity of the District’s proportionate share of the net OPEB liability to Healthcare Cost Trend Rate

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

	Current	
	Healthcare	
1% Decrease	Cost Trend	1% Increase
<u>Rate</u>	<u>Rate</u>	<u>Rate</u>
\$(15,301)	\$(5,555)	\$4,994

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan’s fiduciary net position is available in the separately issued 2023 MPSERS ACFR, available on the ORS website at www.michigan.gov/orsschools.

GRANT TOWNSHIP SCHOOL DISTRICT NO. 2

NOTES TO FINANCIAL STATEMENTS

June 30, 2024

NOTE 8--POST-EMPLOYMENT BENEFITS (Continued)

Payables to the OPEB Plan

At June 30, 2024, there was \$818 payable to the OPEB Plan.

NOTE 9--CONTINGENT LIABILITIES

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; medical benefits provided to employees and natural disasters. The District has purchased commercial insurance for general liability, property and casualty, auto and workers compensation. As of June 30, 2024, there were no claims that exceeded insurance coverage. The District did not have any significant reduction in insurance coverage from previous years. Settled claims for the District have not exceeded the amount of insurance coverage in any of the past 3 years.

NOTE 10—ECONOMIC DEPENDENCY

The Grant Township School District No. 2 receives a substantial amount of its revenues from property taxes. A significant reduction in the level of this support, if this were to occur, could have an effect on the Grant Township School District No. 2's ability to continue its activities.

REQUIRED

SUPPLEMENTARY

INFORMATION

GRANT TOWNSHIP SCHOOL DISTRICT NO. 2
REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULE OF REVENUES--BUDGET AND ACTUAL
For the Year Ended June 30, 2024

	Original Adopted Budget	Final Amended Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
Local sources:				
Property taxes	\$ 223,000	\$ 244,246	\$ 244,246	\$ -
Total local sources	223,000	244,246	244,246	-
Earnings on investments and deposits				
Interest earned	250	1,570	1,899	329
Other local sources				
Donations	250	701	701	-
Total other local sources	250	701	701	-
State Grants				
State aid	15,000	44,107	31,182	(12,925)
Total State grants	15,000	44,107	31,182	(17,925)
Federal grants				
REAP grant	19,000	25,847	3,844	(22,003)
Total federal grants	19,000	25,847	3,844	(22,003)
Inter-district sources				
Transportation	5,000	5,000	5,000	-
Total inter-district sources	5,000	5,000	5,000	1,896
Total operating revenues	262,500	321,471	286,872	(37,703)
Expenditures				
Instruction	157,844	190,680	131,895	58,785
Support services				
General administration	37,925	45,450	41,007	4,443
Operations and maintenance	17,650	35,000	18,854	16,146
Transportation	49,050	54,300	45,501	8,799
Total support services	104,625	134,750	105,362	29,388

**GRANT TOWNSHIP SCHOOL DISTRICT NO. 2
REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULE OF REVENUES--BUDGET AND ACTUAL
For the Year Ended June 30, 2024**

(Continued)

	Original Adopted Budget	Final Amended Budget	Actual	Variance Favorable (Unfavorable)
Debt service				
Principal	11,423	11,423	11,423	-
Interest expense	570	570	570	-
Total debt service	<u>11,993</u>	<u>11,993</u>	<u>11,993</u>	<u>-</u>
Total expenditures	<u>274,462</u>	<u>337,423</u>	<u>249,250</u>	<u>88,173</u>
Excess (deficiency) of revenues over expenditures	<u>(11,962)</u>	<u>(15,952)</u>	<u>37,622</u>	<u>50,470</u>
Net change in fund balance	<u>(11,962)</u>	<u>(15,952)</u>	<u>37,622</u>	<u>50,480</u>
Fund balance, beginning of year	<u>236,298</u>	<u>236,298</u>	<u>236,298</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 224,336</u></u>	<u><u>\$ 220,346</u></u>	<u><u>\$ 273,920</u></u>	<u><u>\$ 50,480</u></u>

**GRANT TOWNSHIP SCHOOL DISTRICT NO. 2
REQUIRED SUPPLEMENTAL INFORMATION
Pension Required Supplementary Information
MPERS Cost-Sharing Multiple-Employer Plan**

Schedule of the District's Proportionate Share of Net Pension Liability

	Year Ended September 30,									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
District's proportionate share of the net pension liability	0.00092436%	0.00093277%	0.00096091%	0.00092664%	0.000919400%	0.001025900%	0.00107500%	0.00115000%	0.001000%	0.001000%
District's proportion of net pension liability	\$ 299,179	\$ 350,803	\$ 227,499	\$ 225,763	\$ 304,468	\$ 308,404	\$ 278,627	\$ 286,908	\$ 244,683	\$ 225,763
District's covered payroll	\$ 99,206	\$ 90,190	\$ 90,217	\$ 92,099	\$ 79,718	\$ 85,506	\$ 84,730	\$ 105,199	\$ 83,234	\$ 86,938
District's proportionate share of the net pension liability as a percentage of its covered payroll	301.57%	388.96%	252.17%	245.13%	381.93%	360.68%	328.84%	272.73%	293.97%	259.68%
Plan fiduciary net position as a percentage of the total pension liability	65.91%	60.77%	52.26%	59.72%	60.31%	64.21%	64.21%	63.27%	63.17%	66.20%

Schedule of District's Pension Contributions

	Year Ended June 30,									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Statutorily required contributions	\$ 18,030	\$ 21,104	\$ 17,557	\$ 23,146	\$ 35,362	\$ 27,935	\$ 25,219	\$ 23,289	\$ 29,306	\$ 17,463
Contributions in relation to statutorily required contributions	18,030	21,104	17,557	23,146	35,362	27,935	25,219	23,289	29,306	17,463
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	82,678	99,626	87,034	88,844	93,688	77,713	89,444	74,673	120,082	79,341
Contributions as a percentage of covered-employee payroll	21.81%	21.18%	20.17%	26.05%	37.74%	35.95%	28.20%	31.19%	24.40%	22.01%

Notes to Required Supplementary Information

Changes of benefit terms: There were no changes of benefits terms in FY 2023.

Changes of benefit assumptions: There were no changes of benefit assumptions in FY 2023.

GRANT TOWNSHIP SCHOOL DISTRICT NO. 2
REQUIRED SUPPLEMENTAL INFORMATION
Other Post Employment Benefit Required Supplementary Information
MPSERS Cost-Sharing Multiple-Employer Plan
Amounts were determined as of 9/30 of each year

Schedule of the District's Proportionate Share of Net OPEB Pension Liability

	2023	2022	2021	2020	2019	2018	2017
District's proportionate share of the net pension liability	0.0009819%	0.0009195%	0.0009790%	0.001023%	0.00090596%	0.00099871%	0.0010950%
District's proportion of the net OPEB liability	\$ (5,555)	\$ 19,476	\$ 14,943	\$ 54,810	\$ 65,028	\$ 79,387	\$ 96,963
District's covered payroll	\$ 99,206	\$ 90,190	\$ 90,217	\$ 92,099	\$ 79,718	\$ 85,506	\$ 84,730
District's proportionate share of the net pension liability as a percentage of its covered payroll	-5.60%	21.59%	16.56%	59.51%	81.57%	92.84%	114.44%
Plan fiduciary net position as a percentage of the total pension liability	105.04%	83.09%	87.33%	59.44%	48.46%	42.95%	36.39%

Note: GASB 75 was implemented in fiscal year 2018. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

Schedule of District's OPEB Contributions

	2024	2023	2022	2021	2020	2019	2018
Statutorily required contributions	\$ 7,226	\$ 9,119	\$ 7,564	\$ 9,097	\$ 9,097	\$ 6,483	\$ 8,525
Contributions in relation to statutorily required contributions	7,226	9,119	7,564	9,097	9,097	6,483	8,525
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	82,678	99,626	87,034	88,844	93,688	77,713	89,444
Contributions as a percentage of covered-employee payroll	8.74%	9.15%	8.69%	10.24%	9.71%	8.34%	9.53%

Note: GASB 75 was implemented in fiscal year 2018. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

Notes to Required Supplementary Information

Changes of benefit terms: There were no changes of benefit terms in FY 2024.

Changes of benefit assumptions: There were no changes of benefit assumptions in FY 2024.

OTHER
REPORTS



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**-Certified Fraud Examiners
Association**

**-Michigan Association of
Certified Public Accountants**

**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
Grant Township School District No. 2
Copper Harbor, Michigan 49918

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, and major fund Grant Township School District No. 2, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise Grant Township School District No. 2's basic financial statements, and have issued my report thereon dated October 30, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered Grant Township School District No. 2's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Grant Township School District No. 2's internal control. Accordingly, I do not express an opinion on the effectiveness of Grant Township School District No. 2's 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 Grant Township School District No. 2'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.

My 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 were not identified. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. I did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Responses as item 2024-001 that I consider to be a significant deficiency.

To the Board of Education
Grant Township School District No. 2
Copper Harbor, Michigan 49918
Page 2

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Grant Township School District No. 2's financial statements are free from material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed instances 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 Responses, listed as item 2024-002.

Grant Township School District No. 2's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Grant Township School District No. 2's response to the findings identified in my audit and is described in the accompanying Schedule of Findings and Responses. The Grant Township School District No. 2's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of my 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.



Susan D Sanford, CPA PLLC
Traverse City, Michigan

October 30, 2024

Grant Township School District No. 2
Schedule of Findings and Responses
For the Year Ended June 30, 2024

**Finding 2024-001 Lack of Appropriate Segregation of Accounting Duties
(Repeat comment)**

Finding Type: Significant Deficiency in Internal Control over Accounting Duties

Criteria: Management is responsible for establishing effective internal controls to safeguard the District's assets, and to prevent or detect misstatements to the financial statements. In establishing appropriate internal controls, careful consideration must be given to the cost of a particular control and the related benefits to be received. Accordingly, management must make the difficult decision of what degree of risk it is willing to accept, given the District's unique circumstances.

Condition: As is the case with many organizations of similar size, the District lacks a sufficient number of accounting personnel in order to ensure a complete segregation of duties within its accounting function. Ideally, no single individual should ever be able to authorize a transaction, record the transaction in the accounting records, and maintain custody of the assets resulting from the transaction. Effectively, proper segregation of duties is intended to prevent an individual from committing an act of fraud or abuse and being able to conceal it.

Cause: This condition is a result of the District's limited resources, and the small size of its accounting staff.

Effect: As a result of this condition, the District is exposed to an increased risk that misstatements (whether caused by error or fraud) may occur and not be prevented or detected by management in a timely manner.

Recommendation: There are, of course, no easy answers to the challenge of balancing the costs and benefits of internal controls and the segregation of incompatible duties. Recognizing this fact, we encourage the District to continue to mitigate this risk by requiring as much independent review, reconciliation, and approval of accounting function by qualified members of management as possible.

View of Responsible Officials:

We acknowledge the risk associated with internal control and issues with the segregation of the duties listed above. We have compensating controls in place where possible and will continue to monitor and mitigate risks periodically. While the governing board is always looking for ways to introduce more checks and balances to all of the accounting functions, limited staffing will always make total separation of duties a challenge.

Grant Township School District No. 2
Schedule of Findings and Responses
For the Year Ended June 30, 2024

Finding 2024-002 **Availability of information on website in accordance with Section 18(2) of the State School Aid Act
(repeat comment with update)**

Finding Type: **Statutory Compliance**

Criteria: Section 18(2) of the State School Aid Act requires the local school districts to report certain information through a link on their website home page, using the icon developed by the Department of Education-

The following information has not yet been reported on the website

- v) The district's written policy governing procurement of supplies, materials, and equipment.

Condition: The District lacks a sufficient number of administrative/accounting personnel in order to fully comply the above requirements.

Cause: This condition is a result of the District's limited resources, and the small size of its administrative/accounting staff.

Effect: As a result of this condition, the District is exposed to a withholding of up to 10% of the total state school aid due.

Recommendation: The District has redeveloped their website and has completed all but one of the requirements. I recommend that the Board adopt written policies on procurement of supplies, materials and equipment.

View of Responsible Officials:

The District has posted and updated nearly all of the requirements, with the exception of the written policy governing procurement of supplies, materials, and equipment. We are currently updating the policy and anticipate presenting it to the board for its approval by December 31, 2024.



Grant Township School Dist. 2
346 Gratiot St.
PO Box 74
Copper Harbor, MI 49918
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Summary Schedule of Prior Audit Findings

Finding 2023-001 Lack of Appropriate Segregation of Accounting Duties

Original Finding 2010-01

Summary: Management is responsible for establishing effective internal controls to safeguard the District's assets, and to prevent or detect misstatements to the financial statements. In establishing appropriate internal controls, careful consideration must be given to the cost of a particular control and the related benefits to be received. Accordingly, management must make the difficult decision of what degree of risk it is willing to accept, given the District's unique circumstances.

Status: There is no change in this finding. This will always be a finding due to limited staff. We have applied as many compensating controls as possible.

Finding 2023-002 Availability of information on website in accordance with Section 18(2) of the State School Aid Act

Original Finding 2011: Management letter

Summary: Every district receiving State School Aid is required to post Budget and Salary/Compensation Transparency Information on the District's website. The Michigan Department of Education guidelines for posting financial data to district websites, as required by Section 18(2) of the State School Aid Act, is available on the Department's website.

Status: The District has posted and updated nearly all of the requirements, with the exception of the written policy governing procurement of supplies, materials, and equipment. We are currently updating the policy and anticipate presenting it to the board for its approval by December 31, 2024.

Finding 2023-003 Delinquent audit and Financial Information Database (FID) submission

Summary: Section 18(4), 18(5) and 18(10) of the State School Aid Act requires local school districts to submit the annual audit and FID by November 1st. The audit was issued in March 2024 due to some unforeseen circumstances.

Status: The audit has been issued prior to November 1, 2024, for the June 30, 2024 audit.



Grant Township School Dist. 2
346 Gratiot St.
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(906)289-4447

CORRECTIVE ACTION PLAN

For the year ended June 30, 2024

Finding 2024-001 Lack of Appropriate Segregation of Accounting Duties (Repeat comment)

Finding Type: Significant Deficiency in Internal Controls

Condition: As is the case with many organizations of similar size, the District lacks a sufficient number of accounting personnel in order to ensure a complete segregation of duties within its accounting function. Ideally, no single individual should ever be able to authorize a transaction, record the transaction in the accounting records, and maintain custody of the assets resulting from the transaction. Effectively, proper segregation of duties is intended to prevent an individual from committing an act of fraud or abuse and being able to conceal it.

Steps already taken: We have hired an outside bookkeeper to compile the financial statements and process various payroll and accounting entries.

Plans for monitoring: The District Treasurer monitors and reconciles accounts with the bookkeeper's records and the District records. The District also prepares the draft financial statements.

Reasons for not fully complying with recommendation: We have evaluated the cost vs. benefit of hiring additional personnel to fully segregate accounting duties. We have concluded that the cost exceeds the benefit, and have implemented mitigating controls to compensate for the internal control weaknesses.

Name of responsible official: Christine Musiel, Treasurer

CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2024

**Finding 2024-002 Availability of information on website required under
Section 18(2) of the State School Act
(Repeat comment with update)**

Finding Type: Statutory Compliance

Condition: The District is not fully in compliance with Section 18(2) of the State School Aid Act.

Steps already taken: We have launched our new website. We have added the required transparency button icon and have linked it to a page with the Section 18(2) requirements. We have completed fourteen of the fifteen requirements, still needing to adopt a policy on procurement of supplies, materials and equipment.

Steps that will be taken: The Board has worked on a policy for procurement of supplies, materials and equipment. We anticipate completing work on this policy, and adopting it by December 31, 2024 for completion of the Section 18(2) requirements.

Plans for monitoring: We will continue to upload documents to our website to bring it into compliance.

Name of responsible official: Christine Musiel, Treasurer



Susan D. Sanford, CPA PLLC

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-Certified Fraud Examiners
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INDEPENDENT AUDITORS' COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

October 30, 2024

To the Board of Education
Grant Township School District #2
Copper Harbor, Michigan 49918

I have audited the financial statements of the governmental activity and the major fund of Grant Township School District No. 2 (the "District"), for the year ended June 30, 2024. Professional standards require that I provide you with information about my responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of my audit. I have communicated such information in my letter to you dated October 22, 2024. Professional standards also require that I communicate to you the following information related to my audit.

My Responsibility Under U.S. Generally Accepted Auditing Standards and Government Auditing Standards

As communicated in my engagement letter dated October 22, 2024, my responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. My audit of the financial statements does not relieve you or management of your responsibilities. My responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement.

As part of my audit, I considered the internal control of the District. Such considerations were solely for the purpose of determining my audit procedures and not to provide any assurance concerning such internal control. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, I performed tests of District's compliance with certain provisions of laws, regulations, contracts and grants. However, the objective of my tests was not to provide an opinion on compliance with such provisions.

I am responsible for communicating significant matters related to the audit that are, in my professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, I am not required to design procedures specifically to identify such matters.

My audit of the District's financial statements has also been conducted in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. Under *Government Auditing Standards*, I am obligated to communicate certain matters that come to my attention related to my audit to those responsible for the governance of the District, including compliance with certain provisions of laws, regulations, contracts, grant agreements, certain instances of error or fraud, illegal acts applicable to government agencies, and significant deficiencies in internal control that I identify during my audit. I

have issued a separate letter dated October 30, 2024 regarding my consideration of the District's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements.

Planned Scope and Timing of the Audit

I performed the audit according to the planned scope and timing previously communicated to you in my meeting about planning matters on October 22, 2024.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2024. I noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Significant Accounting Estimates

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 District's financial statements were:

- Management's estimate of the useful lives of depreciable capital assets is based on the length of time it is believed that those assets will provide some economic benefit in the future. I evaluated the key factors and assumptions used to develop the depreciation expense in determining that it is reasonable in relation to the financial statements taken as a whole.

I evaluated the key factors and assumptions used to develop these estimates and determined that they are reasonable in relation to the basic financial statements taken as a whole and in relation to the applicable opinion units.

Certain financial statement disclosures are particularly sensitive because of their significance to the financial statement users. The most sensitive disclosures affecting the financial statements were: net pension and OPEB liabilities and other related amounts which are dependent on assumptions and estimates made by the plan. These estimates are based on historical trends and industry standards, but are not within the control of management. The disclosure of the pension and OPEB in Notes 7 and 8 to the financial statements describe the actuarial assumptions used to determine the net pension and OPEB liabilities and related deferred inflows and outflows.

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

Difficulties Encountered in Performing the Audit

I encountered no significant difficulties in dealing with management in performing and completing my audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely 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 each opinion unit's 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 my satisfaction, that could be significant to the financial statements or the auditor's report. I am pleased to report that no such disagreements arose during the course of my audit.

Management Representations

I have requested certain representations from management that are included in the management representation letter dated October 30, 2024.

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 governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, my professional standards require the consulting accountant to check with me to determine that the consultant has all the relevant facts. To my knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

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

To the Board of Education
Grant Township School District No. 2
Copper Harbor, Michigan 49918

October 22, 2024

Other Matters

I applied certain limited procedures to management's discussion and analysis, which is required supplementary information (RSI) that supplements the basic financial statements. My procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

I was engaged to report on the combining nonmajor special revenue funds and general fund individual schedules, which accompany the financial statements but are not RSI. With respect to this supplementary information, I 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 my audit of the financial statements. I compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the use of the governing body and management of the Grant Township School District No. 2 and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



Susan D Sanford, CPA PLLC
Certified Public Accountant