



**ST. JOSEPH COUNTY
INTERMEDIATE SCHOOL DISTRICT
CENTREVILLE, MICHIGAN
ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2025**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education
St. Joseph County Intermediate School District
Centreville, Michigan

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the St. Joseph County Intermediate School District (the "School District") as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School District, as of June 30, 2025, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Emphasis of Matter – Implementation of New Accounting Standard

As discussed in Note 16 to the financial statements, the School District implemented Governmental Accounting Standards Board Statement No. 101, *Compensated Absences*, during the year ended June 30, 2025. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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 School 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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School 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 our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the School District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The accompanying combining and individual nonmajor fund financial statements and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 7, 2025, on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in

accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

A handwritten signature in dark ink that reads "Gabridge & Company". The script is cursive and fluid, with the ampersand being a simple loop.

Gabridge & Company, PLC
Grand Rapids, MI
October 7, 2025

Management's Discussion and Analysis

St. Joseph County Intermediate School District
Management's Discussion and Analysis
June 30, 2025

This section of the St. Joseph County Intermediate School District (the "School District"), Michigan's annual financial report presents our discussion and analysis of the School District's financial performance during the year ended June 30, 2025. It is to be read in conjunction with the School District's financial statements, which immediately follow. This is a requirement of the Governmental Accounting Standards Board Statement No. 34 (GASB 34) *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* and is intended to provide the financial results for the fiscal year ending June 30, 2025.

Financial Highlights

- The assets and deferred outflows of the School District exceeded its liabilities and deferred inflows of resources at the close of this fiscal year by \$1,193,116, shown as net position. The School District had a deficit unrestricted net position of \$(24,955,648).
- Revenues of \$40,696,679 exceeded expenses of \$34,232,601, leading to an increase in net position of \$6,464,078 during the year.
- During the year, the School District's fund balances increased by \$2,810,753 for an ending fund balance of \$23,448,865.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$3,884,859, or 34.5% of the general fund's total expenditures and transfers out. Fund balance of the general fund increased by \$582,083 during the year.

Overview of the Financial Statements

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

- The first two statements, the statement of net position and the statement of activities, are *district-wide financial statements* that provide both short-term and long-term information about the School District's overall financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the School District, reporting the School District's operations in more detail than the district-wide statements. *Governmental funds statements* tell how basic services such as regular and special education were financed in the short-term as well as what remains for future spending.

The basic financial statements also include the notes to the financial statements that explain the information in the basic financial statements and provide more detailed data. Supplementary

information follows and includes combining and individual fund statements as well as a budgetary comparison schedule for the general fund.

District-wide Financial Statements

The district-wide financial statements report information about the School District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the School District's assets, deferred outflows and inflows, 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 district-wide statements report the School District's net position, and how they have changed. Net position – the difference between the School District's assets, deferred outflows and inflows, and liabilities - is one way to measure the School District's financial health or position.

Over time, increases or decreases in the School District's net position are an indicator of whether its financial position is improving or deteriorating, respectively.

To assess the School District's overall health, one should consider additional non-financial factors such as changes in the School District's property tax-base and the condition of school buildings and other facilities.

In the district-wide financial statements, the School District's activities are presented as governmental activities. *Governmental activities* include the School District's basic services, such as instruction, supporting services, and transfers to other districts. State aid and property taxes finance most of these activities.

Financial Analysis of the School District as a Whole

On the following page is a comparative highlight of the current and prior year financial activities.

St. Joseph County Intermediate School District's Net Position

ASSETS	2025	2024
<i>Current Assets</i>		
Cash and investments	\$ 27,842,639	\$ 23,386,524
Accounts receivable	52,681	14,539
Due from other governmental units	3,725,632	3,695,128
<i>Total Current Assets</i>	31,620,952	27,096,191
<i>Noncurrent Assets</i>		
Capital assets, net	4,503,631	4,442,987
Net OPEB asset	4,732,127	604,299
<i>Total Assets</i>	40,856,710	32,143,477
DEFERRED OUTFLOWS OF RESOURCES		
Pension related	9,236,801	11,102,882
OPEB related	1,541,647	2,606,239
<i>Total Deferred Outflows of Resources</i>	10,778,448	13,709,121
LIABILITIES		
<i>Current Liabilities</i>		
Accounts payable	2,670,232	1,056,777
Accrued payroll and other liabilities	1,020,513	968,502
Accrued interest	10,088	10,876
Unearned revenue	4,481,342	4,432,800
Current portion of compensated absences	15,949	15,775
Current portion of long-term debt	225,000	215,000
<i>Total Current Liabilities</i>	8,423,124	6,699,730
<i>Noncurrent Liabilities</i>		
Compensated absences	183,415	181,409
Long-term debt	1,860,000	2,085,000
Net pension liability	26,536,859	33,930,215
<i>Total Liabilities</i>	37,003,398	42,896,354
DEFERRED INFLOWS OF RESOURCES		
Pension related	7,351,536	3,422,200
OPEB related	6,087,108	4,805,006
<i>Total Deferred Inflows of Resources</i>	13,438,644	8,227,206
NET POSITION		
Net investment in capital assets	2,418,631	2,142,987
Restricted	23,730,133	17,414,724
Unrestricted	(24,955,648)	(24,828,673)
<i>Total Net Position</i>	\$ 1,193,116	\$ (5,270,962)

Cash and investments increased by \$4,456,115, mostly as a result of governmental funds revenues being in excess of expenditures of \$2,810,753 plus the large increase in accounts payable of \$1,613,455 due to the timing of year-end payments.

Net pension liability and the related deferred inflows and deferred outflows of resources experienced significant swings during the year. Net pension liability decreased by \$7,393,356, pension related deferred outflows decreased by \$1,866,081, and pension related deferred inflows increased by \$3,929,336. Net OPEB liability and the related deferred inflows and deferred outflows of resources also experienced significant fluctuations compared to the previous year. Net OPEB asset increased by \$4,127,828, OPEB related deferred outflows decreased by \$1,064,592, and OPEB related deferred inflows increased by \$1,282,102. This is precisely the result of the annual money-weighted rate of return on pension plan investment, net of pension plan investment expense, of 15.47% and the annual money-weighted rate of return on OPEB plan investment, net of OPEB plan investment expense, of 15.45%.

The results of the past two fiscal years of the School are summarized below:

St. Joseph County Intermediate School District's Changes in Net Position

Revenues	2025	2024
Program Revenues		
Charges for services	\$ 4,197,740	\$ 3,866,156
Operating grants and contributions	22,769,489	20,247,198
<i>Total Program Revenues</i>	26,967,229	24,113,354
General Revenues		
Property taxes	12,131,571	11,320,744
Unrestricted state sources	676,423	676,423
Interest and investment earnings	921,456	860,169
<i>Total General Revenues</i>	13,729,450	12,857,336
<i>Total Revenues</i>	40,696,679	36,970,690
Expenses		
Instruction	6,818,965	6,770,014
Supporting services	22,339,373	22,392,866
Transfers to other districts	4,601,174	4,058,163
Interest and fiscal charges on long-term debt	68,459	67,907
Depreciation (unallocated)	404,630	578,976
<i>Total Expenses</i>	34,232,601	33,867,926
<i>Change in Net Position</i>	6,464,078	3,102,764
<i>Net Position at Beginning of Period</i>	<i>(5,270,962)</i>	<i>(8,373,726)</i>
<i>Net Position at End of Period</i>	\$ 1,193,116	\$ (5,270,962)

Charges for services increased by \$331,584 and operating grants and contributions increased by \$2,522,291 as more funding was available as a result of grant revenues.

Changes within expenses for the School District were largely caused by the combination of the above-mentioned changes in net pension liability, net OPEB liability, and their related deferrals – but also increased operating grants and contributions funding allowed for the funding of additional activity.

Fund Financial Statements

The fund financial statements provide more detailed information about the School District's funds, focusing on its most significant or "major" funds - not the School District as a whole. Funds are accounting devices the School District uses to keep track of specific sources of funding and spending on particular programs.

The School District utilizes governmental funds:

- *Governmental funds*: Most of the School District's basic services are included in governmental funds, which generally focus on: 1) how cash and other financial assets that can readily be converted to cash flow in and out and 2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. Since the district-wide financial statements and the fund financial statements use different methods of accounting to report the School District's financial condition, a reconciliation is included in the financial statements showing the differences between the two types of statements.

Financial Analysis of the School District's Funds

The School District uses funds to record and analyze financial information. The School District has three major funds, its general, special education, and career technical education (CTE) funds.

The ***general fund*** is the School District's primary operating fund. The general fund had revenues of \$11,619,208, expenditures of \$11,177,638, and net other financing sources of \$140,513. The general fund ended the year with a \$582,083 increase in fund balance for a total fund balance of \$4,348,642 as of June 30, 2025.

The ***special education fund***, a major fund, had an increase in fund balance of \$2,007,654 for a total fund balance of \$11,915,842 as of year-end.

The ***career technical education (CTE) fund***, a major fund, had an increase in fund balance of \$28,022 for a total fund balance of \$6,144,721 as of year-end.

Information regarding the increases in the major funds was explained in an earlier section of this report.

General Fund Budgetary Highlights

During the year the School District revised its budget to attempt to match changes in the school funding environment and current needs of students and faculty. State law requires that budgets be amended during the year so actual expenditures do not exceed appropriations. The initial budget for the year ended June 30, 2025, was adopted by the Board of Education in June 2024, with the final amendments made in June 2025.

Original budget compared to final budget. The original budget was amended during the year as actual results needed adjusting from the original budgeted estimates.

Final budget compared to actual results. The School District had no expenditures in excess of the amounts appropriated during the year ended June 30, 2025.

Capital Asset and Debt Administration

Capital Assets

At June 30, 2025, the School District had \$4,503,631 invested in capital assets. This included a net increase during the fiscal year of \$60,644 consisting of capital outlay of \$465,274 net of depreciation charges of \$404,630.

More detailed information about the School District's capital assets can be found in the notes to the financial statements section of this document.

Long-term Obligations

At year-end, the School District had total long-term obligations of \$2,085,000, exclusive of compensated absences. The State limits the amount of general obligation debt that schools can issue. The School District is well under the State limit as of June 30, 2025.

More detailed information about the School District's long-term debt can be found in the notes to the financial statements section of this document.

Economic Factors and Next Year's Budget and Rates

The School District's general fund budget for the 2024-2025 fiscal year projects total revenues of approximately \$14,276,915 and total expenditures of approximately \$13,917,466. The School District continues to work to balance its expenditures while providing an excellent education to the District it serves.

Requests for Information

This financial report is designed to provide our citizens, taxpayers, customers and investors and creditors with a general overview of the School District's finances and to demonstrate the School

District's accountability for the money it receives. If you have questions about this report or need additional information, contact:

St. Joseph County Intermediate School District
Business Office
62445 Shimmel Road
Centreville, MI 49032

Or by phone (269) 467-5400

Basic Financial Statements

St. Joseph County Intermediate School District
Statement of Net Position
June 30, 2025

ASSETS

Current Assets

Cash and investments	\$ 27,842,639
Accounts receivable	52,681
Due from other governmental units	3,725,632
Total Current Assets	31,620,952

Noncurrent Assets

Capital assets, net	4,503,631
Net OPEB asset	4,732,127
Total Assets	40,856,710

DEFERRED OUTFLOWS OF RESOURCES

OPEB related	1,541,647
Pension related	9,236,801
Total Deferred Outflows of Resources	10,778,448

LIABILITIES

Current Liabilities

Accounts payable	2,670,232
Accrued payroll and other liabilities	1,020,513
Accrued interest	10,088
Unearned revenue	4,481,342
Current portion of compensated absences	15,949
Current portion of long-term debt	225,000
Total Current Liabilities	8,423,124

Noncurrent Liabilities

Compensated absences	183,415
Long-term debt	1,860,000
Net pension liability	26,536,859
Total Liabilities	37,003,398

DEFERRED INFLOWS OF RESOURCES

OPEB related	6,087,108
Pension related	7,351,536
Total Deferred Inflows of Resources	13,438,644

NET POSITION

Net investment in capital assets	2,418,631
<i>Restricted for:</i>	
Special education	8,893,326
Special education capital projects	3,022,516
Career technical education	6,144,721
Information services	937,443
Net OPEB asset	4,732,127
<i>Unrestricted</i>	(24,955,648)
Total Net Position	\$ 1,193,116

The Notes to the Financial Statements are an Integral part of these Financial Statements

St. Joseph County Intermediate School District
Statement of Activities
For the Year Ended June 30, 2025

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
Instruction	\$ 6,818,965	\$ 26,823	\$ 16,358,934	\$ --	\$ 9,566,792
Supporting services	22,339,373	3,639,567	6,369,731	--	(12,330,075)
Transfers to other districts	4,601,174	531,350	40,824	--	(4,029,000)
Interest on long-term debt	68,459	--	--	--	(68,459)
Depreciation (unallocated)	404,630	--	--	--	(404,630)
Total	\$ 34,232,601	\$ 4,197,740	\$ 22,769,489	\$ --	(7,265,372)
General Purpose Revenues:					
					696,352
					8,385,342
					3,049,877
					676,423
					921,456
					<u>13,729,450</u>
					6,464,078
					<u>(5,270,962)</u>
					\$ 1,193,116

The Notes to the Financial Statements are an Integral part of these Financial Statements

St. Joseph County Intermediate School District
Balance Sheet
Governmental Funds
June 30, 2025

	<u>Special Revenue</u>			Other	Total
	General	Special Education	Career Technical Education (CTE)	Governmental Funds	Governmental Funds
ASSETS					
Cash and investments	\$ 7,475,467	\$ 11,968,473	\$ 7,350,768	\$ 1,047,931	\$ 27,842,639
Accounts receivable	25,569	20,030	2,021	5,061	52,681
Due from other governmental units	1,567,125	1,803,529	170,746	184,232	3,725,632
Total Assets	\$ 9,068,161	\$ 13,792,032	\$ 7,523,535	\$ 1,237,224	\$ 31,620,952
LIABILITIES					
Accounts payable	\$ 872,085	\$ 399,154	\$ 1,372,346	\$ 26,647	\$ 2,670,232
Accrued payroll and other liabilities	25,438	968,881	5,277	20,917	1,020,513
Unearned revenue	3,821,996	508,155	1,191	150,000	4,481,342
Total Liabilities	4,719,519	1,876,190	1,378,814	197,564	8,172,087
FUND BALANCE					
Restricted for:					
Special education	--	8,893,326	--	--	8,893,326
Special education capital projects	--	3,022,516	--	--	3,022,516
Career technical education	--	--	6,144,721	--	6,144,721
Information services	--	--	--	937,443	937,443
Committed for:					
Capital projects	463,783	--	--	--	463,783
Student activities	--	--	--	102,217	102,217
Unassigned	3,884,859	--	--	--	3,884,859
Total Fund Balance	4,348,642	11,915,842	6,144,721	1,039,660	23,448,865
Total Liabilities and Fund Balance	\$ 9,068,161	\$ 13,792,032	\$ 7,523,535	\$ 1,237,224	\$ 31,620,952

The Notes to the Financial Statements are an Integral part of these Financial Statements

St. Joseph County Intermediate School District
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2025

Total Fund Balance - Governmental Funds	\$ 23,448,865
General government capital assets of \$12,486,298, net of accumulated depreciation of \$7,982,667, are not financial resources and, accordingly, are not reported in the funds.	4,503,631
Accrued interest is not due and payable in the current period and, therefore, is not reported in the funds.	(10,088)
Compensated absences are not due and payable in the current period and, therefore, are not reported in the funds.	(199,364)
Long-term liabilities, including bonds, leases, and premium and discounts on bonds, are not due and payable in the current period and, therefore, are not reported in the funds.	(2,085,000)
Net pension liability and related 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.	(24,651,594)
Other postemployment benefit liability and related 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.	186,666
Total Net Position - Governmental Activities	\$ <u>1,193,116</u>

The Notes to the Financial Statements are an Integral part of these Financial Statements

St. Joseph County Intermediate School District
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2025

	<u>Special Revenue</u>			<u>Other</u>	<u>Total</u>
	<u>General</u>	<u>Special Education</u>	<u>Career Technical Education (CTE)</u>	<u>Governmental Funds</u>	<u>Governmental Funds</u>
Revenues					
Local sources	\$ 1,170,847	\$ 9,018,900	\$ 3,054,487	\$ 86,980	\$ 13,331,214
State sources	7,649,164	9,592,743	975,114	188,113	18,405,134
Federal sources	2,538,295	3,455,489	161,730	--	6,155,514
Interdistrict sources	260,902	30,332	500,000	2,013,583	2,804,817
Total Revenues	<u>11,619,208</u>	<u>22,097,464</u>	<u>4,691,331</u>	<u>2,288,676</u>	<u>40,696,679</u>
Expenditures					
Instruction	817,460	3,722,870	2,971,391	--	7,511,721
Supporting services	7,117,498	14,556,578	1,281,043	2,533,665	25,488,784
Transfers to other districts	3,192,660	1,147,639	260,875	--	4,601,174
Debt service, principal	38,700	176,300	--	--	215,000
Debt service, interest	11,320	57,927	--	--	69,247
Total Expenditures	<u>11,177,638</u>	<u>19,661,314</u>	<u>4,513,309</u>	<u>2,533,665</u>	<u>37,885,926</u>
Excess of Revenues Over (Under) Expenditures	<u>441,570</u>	<u>2,436,150</u>	<u>178,022</u>	<u>(244,989)</u>	<u>2,810,753</u>
Other Financing Sources (Uses)					
Transfers in	237,509	--	--	437,983	675,492
Transfers out	(96,996)	(428,496)	(150,000)	--	(675,492)
Net Other Financing Sources (Uses)	<u>140,513</u>	<u>(428,496)</u>	<u>(150,000)</u>	<u>437,983</u>	<u>--</u>
Net Change in Fund Balance	582,083	2,007,654	28,022	192,994	2,810,753
<i>Fund Balance at Beginning of Period</i>	3,766,559	9,908,188	6,116,699	846,666	20,638,112
Fund Balance at End of Period	<u>\$ 4,348,642</u>	<u>\$ 11,915,842</u>	<u>\$ 6,144,721</u>	<u>\$ 1,039,660</u>	<u>\$ 23,448,865</u>

The Notes to the Financial Statements are an Integral part of these Financial Statements

St. Joseph County Intermediate School District
Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and
Changes in Fund Balance with Statement of Activities
For the Year Ended June 30, 2025

Total Net Change in Fund Balances - Governmental Funds	\$ 2,810,753
Governmental funds report capital outlay as expenditures; however, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation and expensed. This represents the amount by which depreciation expense of \$404,630 is exceeded by capital outlay of \$465,274.	60,644
In the statement of activities, interest is accrued on outstanding debt, whereas in governmental funds, an interest expenditure is reported when due. This represents the current year change in accrued interest.	788
Change to compensated absences are not shown in the fund financial statements. This amounts represents the change in compensated absences during the current year.	(2,180)
Repayment of bond principal and leases is an expenditure in the governmental funds but the repayment reduces long-term liabilities in the statement of net position.	215,000
The statement of activities reports changes to net pension liability and pension related deferrals as pension expense; however, the expenditures recorded on the governmental funds equals actual pension contributions.	1,597,939
The statement of activities reports changes to net OPEB liability and OPEB related deferrals as OPEB expense; however, the expenditures recorded on the governmental funds equals actual OPEB contributions.	1,781,134
Changes in Net Position - Governmental Activities	\$ <u>6,464,078</u>

The Notes to the Financial Statements are an Integral part of these Financial Statements

Notes to the Financial Statements

St. Joseph County Intermediate School District

Notes to the Financial Statements

Note 1 - Summary of Significant Accounting Policies

The accounting policies of St. Joseph County Intermediate School District (the “School District” or “government”) conform to generally accepted accounting principles as applicable to school districts. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District’s significant accounting policies are described below:

Reporting Entity

The Intermediate School District was founded in 1962 as a service-oriented extension of the Michigan Department of Education and the nine local school districts and community college located within St. Joseph County. The citizens of St. Joseph County elect our constituent local school district’s board of education members. These members then in turn, every other year, elect the ISD’s five-member Board. The ISD provides educational and supportive services as mandated by the State of Michigan and/or federal agencies. This Board of Education controls the School District’s instructional and support facilities that provides special education services and support services to the students of the local educational agencies.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues.

The *statement of activities* demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function 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. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds. Major individual funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

Government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are

St. Joseph County Intermediate School District

Notes to the Financial Statements

recognized as revenue as soon as all eligibility requirements imposed by the grantor or provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period, or one year for reimbursement-based grants. 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.

Revenues susceptible to accrual are property taxes, state aid, federal and inter-district revenues, and interest income and, accordingly, have been recognized as revenues of the current fiscal year. Other revenues are recognized when received.

The School District reports the following major funds:

The ***General Fund*** is the general operating fund of the School District. It is used to account for all financial resources, except those required to be accounted for in another fund.

The ***Special Education Fund*** is used to account for the financial resources restricted to providing special education services to students within the School District.

The ***Career Technical Education (CTE) Fund*** is used to account for the financial resources restricted to career technical education services to consortium constituents. The School District coordinates career technical education for the eight K-12 districts within St. Joseph County.

Additionally, the School District reports the following fund types:

Special revenue funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes.

Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles and state law for the general and special revenue funds. All annual appropriations lapse at fiscal year-end.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the functional level. State law requires the district to have its budget in place by

St. Joseph County Intermediate School District

Notes to the Financial Statements

July 1. Expenditures in excess of amounts budgeted is a violation of Michigan Law. State law permits districts to amend its budgets during the year.

Property Taxes

For the School District taxpayers, properties are assessed as of December 31 and the related property taxes are levied and become a lien on the following December 1 for 100% of the taxes which are due on or by March 1st. Property taxes become available for expenditure and are thus recognized as revenue in the fiscal year they are levied. Taxes are recognized as current property tax revenue to the extent that they are collected during the year or within 60 days after year-end. Taxes are considered delinquent on March 1 of the following year. At this time, penalties and interest are assessed and the total obligation is added to the county tax rolls. Assessed values are established annually by the various governmental units within the School District and are equalized by the State of Michigan. The District has adopted a policy of writing off uncollected delinquent taxes after three years. The state taxable value of all real and personal property for the fiscal year ended June 30, 2025 was \$3,072,873,195. The millage rate for general operations was .2262 mills, 2.7252 mills for special education, and .9912 mills for CTE generating revenues of \$696,352, \$8,385,342, and \$3,049,877, respectively.

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity

Cash and Cash Equivalents

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

State statutes and School District policy authorize the School District to invest in:

- Bonds, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.
- Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution.
- Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
- Bankers' acceptances of United States banks.
- Obligations of the State of Michigan and its political subdivisions, that, at the time of purchase are rated as investment grade by at least one standard rating service.

St. Joseph County Intermediate School District

Notes to the Financial Statements

- Mutual funds registered under the Investment Company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- External investment pools as authorized by the surplus funds investment pool act, Act. No. 367 of the Public Acts of 1982, being sections 129.11 to 129.118 of the Michigan Compiled Laws, composed entirely of instruments that are legal for direct investment by a school district.

Investments

Investments are stated at fair market value. Investments are exposed to various risks, such as significant external events, interest rate, credit, and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the fair value of investments will occur in the near term and that such changes could materially affect the amounts reported in the statement of net position.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year and all other outstanding balances between funds are referred to as “due to/from other funds” (i.e., the current portion of interfund loans).

All receivables are shown net of an allowance for uncollectibles, as applicable. All amounts deemed to be uncollectible are charged against the allowance for doubtful accounts in the period that determination is made. No amounts have been deemed uncollectable during the current year.

Capital Assets

Capital assets, which include land, outside site improvements, buildings and additions, furniture and other equipment, and vehicles are reported in the government-wide financial statements. Assets having a useful life in excess of five years and whose costs exceed \$5,000 are capitalized. Capital assets are stated at historical cost or estimated historical cost where actual cost information is not available. Donated capital assets are stated at acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of an asset or materially extend an asset’s useful life are not capitalized. Improvements are capitalized and depreciated over the remaining useful life of the related assets.

St. Joseph County Intermediate School District

Notes to the Financial Statements

Land improvements, buildings and additions, furniture and equipment, and vehicles are depreciated using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Buildings and improvements	20 - 50
Outside site improvements	10 - 20
Furniture and equipment	5 - 10

Pension

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 (MPERS) and additions to/deductions from MPERS fiduciary net position have been determined on the same basis as they are reported by MPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Postemployment Benefits Other Than Pensions

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 (MPERS) and additions to/deductions from MPERS fiduciary net position have been determined on the same basis as they are reported by MPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Outflows 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 School District has two items that qualify for reporting in this category. They are the pension and other postemployment benefits related items reporting in the government-wide statement of net position. Deferred outflows are recognized for pension and other postemployment benefit related items.

Deferred Inflows of Resources

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

St. Joseph County Intermediate School District

Notes to the Financial Statements

items that qualify for reporting in this category. These items are future resources yet to be recognized in relation to the pension and other postemployment benefit actuarial calculation. These future resources arise from differences in the estimates used by the actuary to calculate the pension and other postemployment benefit liability and the actual results. The amounts are amortized over a period determined by the actuary.

Accrued Liabilities

All payables and accrued liabilities are reported in the government-wide financial statements. In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, the noncurrent portion of compensated absences, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year-end are considered to have been made with current available financial resources.

Compensated Absences

The School District recognizes a liability for leave benefits in the government-wide statements in accordance with GASB Statement No. 101, *Compensated Absences*. The liability includes leave that accumulates and is attributable to services already rendered, measured using the employee's pay rates and salary-related payments expected to be made. In the governmental fund statements, only the amount that has matured (i.e., is due for payment as of year-end) is reported as a liability.

Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bond issuance costs are recorded as a period expense. Bonds payable are reported at the total amount of bonds issued.

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

St. Joseph County Intermediate School District

Notes to the Financial Statements

Net Position Flow Assumption

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

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

Fund Balance Flow Assumptions

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

Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. Governmental funds report *nonspendable fund balance* for amounts that cannot be spent because they are either: a) not in spendable form or b) legally or contractually required to be maintained intact. *Restricted fund balance* is reported when externally imposed constraints are placed on the use of resources by grantors, contributors, or laws or regulations of other governments. The School District itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

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

Amounts in the *assigned fund balance* classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as committed. The Board of Education can assign fund balance as it does when appropriating fund balance to cover a gap

St. Joseph County Intermediate School District

Notes to the Financial Statements

between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Unassigned fund balance is the residual classification for the School District's general fund and includes all spendable amounts not contained in the other classifications and is therefore available to be spent as determined by the Board of Education.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and 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 - Stewardship, Compliance, and Accountability

Budgetary Compliance

The School District had the following expenditures in excess of the amounts appropriated during the year ended June 30, 2025:

	Final Budget	Actual Amount	Negative Variance
Special Education Fund			
Business services	\$ 807,252	\$ 852,032	\$ (44,780)
Operations and maintenance	729,182	812,876	(83,694)

Government-wide Net Position Deficits

The School District has an unrestricted net position deficit for governmental-wide activities of \$(24,955,648) and a total net position of \$1,193,116 as of June 30, 2025.

St. Joseph County Intermediate School District

Notes to the Financial Statements

Note 3 - Cash and Investments

The School District maintains pooled and individual fund demand deposits, certificates of deposit, and short-term investment accounts. Following is a reconciliation of deposit and investment balances as of June 30, 2025:

Cash and investments	
Checking and savings accounts	\$ 6,894,876
Pooled investments (MILAF)	<u>20,947,763</u>
Total cash and investments	<u>\$ 27,842,639</u>

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that, in the event of a bank failure, the School District's deposits might not be returned. State law does not require, and the School District does not have a policy for deposit custodial credit risk. As of year-end, \$7,516,515 of the School District's bank balance of \$7,766,515 was exposed to custodial credit risk because it was uninsured and uncollateralized. Due to the dollar amounts of cash deposits and the limits of FDIC insurance, the School District believes it is impractical to insure all bank deposits. As a result, the School District evaluates each financial institution with which it deposits School District funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Custodial Credit Risk - Investments. Custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District's policy for custodial risk states custodial risk will be minimized by limiting investments to the type of securities allowed by state law. The District does not have investments with custodial credit risk.

Credit Risk. State law limits investments in commercial paper to the top two credit ratings issued by nationally recognized statistical rating organizations

At year end, the maturities of investments and the credit quality ratings of debt securities are as follows: Michigan Liquid Asset Funds has an AAAM rating by the Standard and Poor's, at year end, the District held funds with a fair value of \$20,947,763 with no maturities.

Fair Value Measurements. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value hierarchy is also established which requires an entity to maximize the use of observable and minimize the use of unobservable inputs.

St. Joseph County Intermediate School District

Notes to the Financial Statements

There are three levels of inputs that may be used to measure fair value:

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

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

Level 3: Prices determined using significant unobservable inputs. Unobservable inputs may be used in situations where quoted prices or observable inputs are unavailable or deemed less relevant (for example, when there is little or no market activity for an investment at the end of the period). Unobservable inputs reflect the organization's own assumptions about the factors market participants would use in pricing an investment, and would be based on the best information available.

As of June 30, 2025, the District held investments of \$20,947,763 in the Michigan Liquid Asset Fund Plus (MILAF+), a local government investment pool that is structured to comply with the requirements of GASB Statement No. 79, Certain External Investment Pools and Pool Participants. MILAF+ operates in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940 and allows participants to invest in a pool of high-quality, short-term securities.

The MILAF+ Pool values participants' shares using an amortized cost basis, which approximates fair value. Accordingly, the District's investment in MILAF+ is not subject to the fair value hierarchy disclosures required by GASB Statement No. 72.

Note 4 - Interfund Transfers

The following schedule summarizes the operating transfer during the year ended June 30, 2025:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
General	Career technical education	\$ 100,000
General	Special Education	137,509
Nonmajor Governmental	Career technical education	50,000
Nonmajor Governmental	General	96,996
Nonmajor Governmental	Special Education	290,987

The special education fund transferred \$137,509 to the general fund. This represents reimbursement to the general fund for administrative services provided to the special education fund's programs. The special education fund transferred \$290,987 to the information services fund, and the general fund transferred \$96,996 to the information services fund, which represents reimbursement to the information services fund for technical services provided to the special

St. Joseph County Intermediate School District

Notes to the Financial Statements

education and general funds. The CTE fund transferred \$100,000 to the general fund and \$50,000 to the information services fund.

Note 5 - Unavailable/Unearned Revenue

Governmental funds report unavailable revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also report unearned revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of unearned revenue include charges for services payments received prior to meeting all eligibility requirements in the amount of \$4,481,342.

Note 6 - State of Michigan School Aid

The School District reports State of Michigan school aid in the fiscal year in which the School District is entitled to the revenue as provided by State of Michigan School aid appropriation acts. State funding provided approximately 45.2% of the total revenues to the School District during the June 30, 2025 fiscal year.

Note 7 - Capital Assets

Capital asset activity of the School District was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Capital assets being depreciated:				
Buildings and improvements	\$ 7,182,686	\$ 164,547	\$ -	\$ 7,347,233
Buses and other vehicles	1,838,465	57,328	-	1,895,793
Furniture and equipment	2,999,873	243,399	-	3,243,272
Subtotal	12,021,024	465,274	-	12,486,298
Less accumulated depreciation:				
Buildings and improvements	(3,524,323)	(169,553)	-	(3,693,876)
Buses and other vehicles	(1,325,276)	(122,080)	-	(1,447,356)
Furniture and equipment	(2,728,438)	(112,997)	-	(2,841,435)
Subtotal	(7,578,037)	(404,630)	-	(7,982,667)
Capital assets, net	\$ 4,442,987	\$ 60,644	\$ -	\$ 4,503,631

Depreciation and amortization expense for the fiscal year amounted to \$404,630. The School District determined that it was impractical to allocate depreciation expense to the various government activities as the capital assets serve multiple functions.

Note 8 - Long-term Obligations

The School District issues bonds, notes, leases, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment.

St. Joseph County Intermediate School District

Notes to the Financial Statements

General obligation bonds are direct obligations and pledge the full faith and credit of the school district.

Bonds payable debt consists of the following:

\$4,165,000 energy conservation improvement bonds, series 2013, due in amounts ranging from \$110,000 to \$560,000, plus interest at 0.35% - 3.10%, through November 2032 \$ 2,085,000

Long-term obligation activity can be summarized as follows:

Governmental Activities	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Energy conservation improvement bonds, series 2013	\$ 2,300,000	\$ -	\$ (215,000)	\$ 2,085,000	\$ 225,000
Compensated absences	197,184	2,180	-	199,364	15,949
<i>Total Long-term Obligations</i>	<u>\$ 2,497,184</u>	<u>\$ 2,180</u>	<u>\$ (215,000)</u>	<u>\$ 2,284,364</u>	<u>\$ 240,949</u>

Annual bonds debt service requirements, for long-term debt outstanding as of June 30, 2025 follows:

Year Ending June 30,	Principal	Interest	Total
2026	\$ 225,000	\$ 57,713	\$ 282,713
2027	235,000	51,669	286,669
2028	245,000	45,069	290,069
2029	255,000	37,875	292,875
2030	265,000	30,075	295,075
2031-2035	860,000	40,200	900,200
Totals	<u>\$ 2,085,000</u>	<u>\$ 262,600</u>	<u>\$ 2,347,600</u>

Compensated absences are generally liquidated by the general fund.

Note 9 - 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 and a fiduciary component unit of 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.

St. Joseph County Intermediate School District

Notes to the Financial Statements

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

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

The System's financial statements are available on the ORS website at Michigan.gov/ORSSchools.

Benefits Provided

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

St. Joseph County Intermediate School District

Notes to the Financial Statements

The schedule below summarizes pension contribution rates in effect for fiscal year ended Sept. 30, 2024:

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

Required contributions to the pension plan from the School were \$4,531,763 for the year ended Sept. 30, 2024.

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

At June 30, 2025, the School reported a liability of \$26,536,859 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of Sept. 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2023. The School'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 Sept. 30, 2024, the School's proportion was .10839 percent, which was an increase of .00356 percent from its proportion measured as of Sept. 30, 2023.

For the year ending June 30, 2025, the School recognized pension expense of \$3,174,825. At June 30, 2025, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience	\$ 719,964	\$ 288,327
Changes of assumptions	2,766,625	1,944,312
Net difference between projected and actual earnings on pension plan investments	-	5,064,357
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,509,663	54,540
Employer contributions subsequent to the measurement date	4,240,549	-
Total	\$ 9,236,801	\$ 7,351,536

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, 2026. Other

St. Joseph County Intermediate School District

Notes to the Financial Statements

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

Plan Year Ended	
September 30	Amount:
2025	\$ (132,115)
2026	578,119
2027	(1,593,187)
2028	(1,208,101)

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, 2023
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 Healthy Annuitant 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 Annuitant Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2021 from 2010.

St. Joseph County Intermediate School District

Notes to the Financial Statements

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 Sept. 30, 2023 valuation. The total pension liability as of Sept. 30, 2024, is based on the results of an actuarial valuation date of Sept. 30, 2023, 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: 4.4612.

Recognition period for assets in years is 5.0000.

Full actuarial assumptions are available in the 2024 MPSERS Annual Comprehensive Financial Report found on the ORS website at *Michigan.gov/ORSSchools*.

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 weighing 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 Sept. 30, 2024, are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return*
Domestic equity pools	25.0%	5.3%
Private equity pools	16.0	9.0
International equity pools	15.0	6.5
Fixed income pools	13.0	2.2
Real estate and infrastructure pools	10.0	7.1
Absolute return pools	9.0	5.2
Real return/opportunistic pools	10.0	6.9
Short-term investment pools	2.0	1.4
<i>Total</i>	100.0%	

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

St. Joseph County Intermediate School District

Notes to the Financial Statements

Rate of Return

For the fiscal year ended Sept. 30, 2024, the annual money-weighted rate of return on pension plan investment, net of pension plan investment expense, was 15.47%. 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.

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

The following presents the School'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 School's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher:

Pension		
1% Decrease	Current Discount Rate	1% Increase
(5.0%)	(6.0%)	(7.0%)
\$38,903,320	\$26,536,859	\$16,239,400

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

Detailed information about the pension plan's fiduciary net position is available in the separately issued MPERS ACFR, available on the ORS website at [Michigan.gov/ORSSchools](https://michigan.gov/ORSSchools).

St. Joseph County Intermediate School District

Notes to the Financial Statements

Note 10 - Postemployment Benefits Other Than Pensions (OPEB)

Plan Description

The Michigan Public School Employees' Retirement System ("System" or "MPSERS") is a cost-sharing, multiple employer, state-wide, defined benefit public employee retirement plan and a fiduciary component unit of 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 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 Jan. 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 Sept 3, 2012 or were on an

St. Joseph County Intermediate School District

Notes to the Financial Statements

approved professional services or military leave of absence on Sept. 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 Feb. 1, 2013.

Under Public Act 300 of 2012, members were given the choice between continuing the 3% contribution to retiree healthcare and keeping the premium subsidy benefit described above or choosing not to pay the 3% contribution and instead opting out of the subsidy benefit and becoming a participant in the Personal Healthcare Fund (PHF), a portable, tax-deferred fund that can be used to pay healthcare expenses in retirement. Participants in the PHF are automatically enrolled in a 2% employee contribution into their 457 account as of their transition date, earning them a 2% employer match into a 401(k) account. Members who selected this option stop paying the 3% contribution to retiree healthcare as of the day before their transition date, and their prior contributions 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 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 Sept. 30, 2023, valuation will be amortized over a 15-year period beginning Oct. 1, 2023 and ending Sept. 30, 2038.

The schedule below summarizes OPEB contribution rates in effect for fiscal year ended Sept. 30, 2024:

Benefit Structure	Member	Non-Universities
Premium subsidy	3.00%	8.31%
Personal healthcare fund (PHF)	0.00%	7.06%

Required contributions to the OPEB plan from the School were \$913,804 for the year ended Sept. 30, 2024.

St. Joseph County Intermediate School District

Notes to the Financial Statements

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

At June 30, 2025, the School reported a liability (asset) of \$(4,732,127) for its proportionate share of the MPSERS net OPEB liability (asset). The net OPEB liability (asset) was measured as of Sept. 30, 2024, and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation rolled forward from September 2023. The School's proportion of the net OPEB liability (asset) 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 Sept. 30, 2024, the School's proportion was .10994 percent, which was an increase of .00311 percent from its proportion measured as of Oct. 1, 2023.

For the year ending June 30, 2025, the School recognized OPEB expense of negative \$(1,514,937).

At June 30, 2025, the School reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience	\$ -	\$ 5,014,610
Changes of assumptions	1,033,565	118,800
Net difference between projected and actual earnings on OPEB plan investments	-	895,846
Changes in proportion and differences between employer contributions and proportionate share of contributions	446,160	57,852
Employer contributions subsequent to the measurement date	61,922	-
Total	\$ 1,541,647	\$ 6,087,108

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, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Plan Year Ended September 30	Amount:
2025	\$ (1,460,895)
2026	(873,483)
2027	(919,830)
2028	(826,153)
2029	(442,047)
Thereafter	(84,975)

St. Joseph County Intermediate School District

Notes to the Financial Statements

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, 2023
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: 7.25% Year 1 graded to 3.5% Year 15; Post-65: 6.50% Year 1 graded to 3.5% Year 15;
Mortality:	
Retirees:	PubT-2010 Male and Female Healthy Annuitant 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 Assumption	21% of eligible participants hired before July 1, 2008 and 30% of those hired after June 30, 2008 are assumed to opt out of the retiree health plan.
Survivor Coverage	80% of male retirees and 67% of female retirees are assumed to have 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.

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 Sept. 30, 2023

St. Joseph County Intermediate School District

Notes to the Financial Statements

valuation. The total OPEB liability as of Sept. 30, 2024, is based on the results of an actuarial valuation date of Sept. 30, 2023, 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: 6.2834.

Recognition period for assets in years is 5.0000.

Full actuarial assumptions are available in the 2024 MPSERS Annual Comprehensive Financial Report found on the ORS website at 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 weighing 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 Sept. 30, 2024, are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return*
Domestic equity pools	25.0%	5.3%
Private equity pools	16.0	9.0
International equity pools	15.0	6.5
Fixed income pools	13.0	2.0
Real estate and infrastructure pools	10.0	7.1
Absolute return pools	9.0	5.2
Real return/opportunistic pools	10.0	6.9
Short-term investment pools	2.0	1.4
Total	100.0%	

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

Rate of Return

For the fiscal year ended Sept. 30, 2024, the annual money-weighted rate of return on OPEB plan investment, net of OPEB plan investment expense, was 15.45%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

St. Joseph County Intermediate School District

Notes to the Financial Statements

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 School's proportionate share of the net OPEB liability (asset) to changes in the discount rate

The following presents the School's proportionate share of the net OPEB liability (asset) calculated using the discount rate of 6.00%, as well as what [the employer]'s proportionate share of the net OPEB liability (asset) would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage higher:

Other Postemployment Benefits		
1% Decrease	Current Discount Rate	1% Increase
5.00%	6.00%	7.00%
\$ (3,657,027)	\$ (4,732,127)	\$ (5,661,665)

Sensitivity of the School District's proportionate share of the net OPEB liability (asset) to Healthcare Cost Trend Rate

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

Other Postemployment Benefits		
Current Healthcare Cost		
1% Decrease	Trend Rate	1% Increase
\$ (5,661,675)	\$ (4,732,127)	\$ (3,735,192)

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued 2024 MPSERS ACFR, available on the ORS website at Michigan.gov/ORSSchools.

St. Joseph County Intermediate School District

Notes to the Financial Statements

Note 11 - Risk Management

The School District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the School District carries commercial insurance and participates in the SET/SEG (risk pool) for claims relating to workers' compensation and property/casualty. Liabilities are reported when it is probable that a loss has occurred and the amount of the loss in excess of insurance coverage can be reasonably estimated. There has been no loss in excess of insurance in the past three years.

Note 12 - Contingent Liabilities

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

Note 13 - Fund Balance - Governmental Funds

The School District reports fund balance in governmental funds based on the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. GASB 54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Detailed information on fund balances of governmental funds is as follows:

	General Fund	Special Education	Career Technical Education	Nonmajor Governmental Funds	Totals
Restricted					
Information services	\$ -	\$ -	\$ -	\$ 937,443	\$ 937,443
Special education	-	8,893,326	-	-	8,893,326
Special education capital projects	-	3,022,516	-	-	3,022,516
Career technical education	-	-	6,144,721	-	6,144,721
<i>Subtotal</i>	<u>-</u>	<u>11,915,842</u>	<u>6,144,721</u>	<u>937,443</u>	<u>18,998,006</u>
Committed					
Student activities	-	-	-	102,217	102,217
Capital projects	463,783	-	-	-	463,783
<i>Subtotal</i>	<u>463,783</u>	<u>-</u>	<u>-</u>	<u>102,217</u>	<u>566,000</u>
Unassigned	<u>3,884,859</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,884,859</u>
Total fund balances - governmental funds	<u>\$ 4,348,642</u>	<u>\$ 11,915,842</u>	<u>\$ 6,144,721</u>	<u>\$ 1,039,660</u>	<u>\$ 23,448,865</u>

Note 14 - Tax Abatements

The School District receives reduced property tax revenues as a result of Industrial Facilities Tax exemptions and Brownfield Redevelopment agreements granted by St. Joseph County. Industrial facility exemptions are intended to promote construction of new industrial facilities, or to

St. Joseph County Intermediate School District

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rehabilitate historical facilities. Brownfield Redevelopment agreements are intended to reimburse taxpayers that remediate environmental contamination on their properties.

For the fiscal year ended June 30, 2025, the School District's property tax revenues were reduced by \$85,472 under these programs. Operating revenues not paid to the district because of tax abatement agreements are reimbursed to the district by the State of Michigan through the per-pupil foundation allowance.

Note 15 - Subsequent Events

Management has reviewed subsequent events through October 7, 2025, the date these financial statements were available to be issued, and is not aware of any events that would have a significant impact on the School District.

Note 16 - New Accounting Pronouncement

Effective for the year ended June 30, 2025, the School District implemented GASB Statement No. 101, *Compensated Absences*. Under this guidance, a liability for compensated absences (e.g., vacation and sick leave) is recognized when the leave is 1) attributable to services already rendered, 2) accumulates or vests, and 3) is more-likely-than-not to be used for time off or paid to employees. The liability is measured using the amount of leave expected to be used or paid (including salary-related payments) and the pay rates in effect at period-end. In the governmental funds, only matured amounts (those that are due and payable with current financial resources) are recognized as expenditures and liabilities; the government-wide financial statements report the full compensated absences liability.

Required Supplementary Information

St. Joseph County Intermediate School District
Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
General Fund
For the Year Ended June 30, 2025

	Budgeted Amounts			Variance Favorable (Unfavorable)
	Original	Final	Actual	Final to Actual
Revenues				
Local sources	\$ 829,607	\$ 1,023,855	\$ 1,170,847	\$ 146,992
State sources	5,686,419	7,376,093	7,649,164	273,071
Federal sources	6,102,964	8,796,167	2,538,295	(6,257,872)
Interdistrict sources	250,967	260,767	260,902	135
Total Revenues	12,869,957	17,456,882	11,619,208	(5,837,674)
Other Financing Sources				
Transfers in	237,509	237,509	237,509	--
Total Revenues and Other Financing Sources	13,107,466	17,694,391	11,856,717	(5,837,674)
Expenditures				
Instruction				
Basic programs	915,245	1,249,566	817,460	432,106
Pupil	900,485	1,229,415	801,497	427,918
Instructional staff	4,876,058	6,657,187	4,621,993	2,035,194
Total Instruction	6,691,788	9,136,168	6,240,950	2,895,218
Supporting Services				
General administration	501,489	684,673	495,321	189,352
Business services	402,598	549,659	379,923	169,736
Operations and maintenance	251,421	343,260	214,692	128,568
Transportation	985	1,345	842	503
Personnel services	20,758	28,340	16,887	11,453
Technology services	409,875	559,594	370,944	188,650
Community services	205,365	280,381	170,291	110,090
Community activities	99,078	135,269	84,552	50,717
Welfare activities	9,871	13,477	10,117	3,360
Other community services	401	547	459	88
Total Supporting Services	1,901,841	2,596,545	1,744,028	852,517
Payments to other public schools	3,875,421	5,291,037	3,192,660	2,098,377
Total Expenditures	12,469,050	17,023,750	11,177,638	5,846,112
Other Financing Uses				
Transfers out	91,205	124,520	96,996	27,524
Total Expenditures and Other Financing Uses	12,560,255	17,148,270	11,274,634	5,873,636
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	547,211	546,121	582,083	35,962
Net Change in Fund Balance	547,211	546,121	582,083	35,962
<i>Fund Balance at Beginning of Period</i>	<i>3,766,559</i>	<i>3,766,559</i>	<i>3,766,559</i>	<i>--</i>
Fund Balance at End of Period	\$ 4,313,770	\$ 4,312,680	\$ 4,348,642	\$ 35,962

St. Joseph County Intermediate School District
Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
Special Education
For the Year Ended June 30, 2025

	Budgeted Amounts			Variance Favorable (Unfavorable)
	Original	Final	Actual	Final to Actual
Revenues				
Local sources	\$ 8,892,472	\$ 9,535,039	\$ 9,018,900	\$ (516,139)
State sources	6,502,652	7,450,091	9,592,743	2,142,652
Federal sources	4,836,060	5,204,404	3,455,489	(1,748,915)
Interdistrict sources	25,918	29,011	30,332	1,321
Total Revenues	20,257,102	22,218,545	22,097,464	(121,081)
Expenditures				
Special education, Instruction	4,109,425	4,181,931	3,722,870	459,061
Supporting Services				
Pupil	9,759,178	9,931,368	8,841,176	1,090,192
Supervisors and compliance	1,740,406	1,771,114	1,576,694	194,420
Instructional staff	11,936	12,146	10,813	1,333
General administration	325,703	349,291	181,311	167,980
School administration	270,469	278,536	275,422	3,114
Business services	807,252	807,252	852,032	(44,780)
Operations and maintenance	705,122	729,182	812,876	(83,694)
Transportation	1,761,853	1,787,378	1,605,256	182,122
Technology services	415,117	403,506	400,998	2,508
Total Supporting Services	15,797,036	16,069,773	14,556,578	1,513,195
Payments to other public schools	1,092,432	1,168,580	1,147,639	20,941
Debt service	234,227	234,227	234,227	--
Total Expenditures	21,233,120	21,654,511	19,661,314	1,993,197
Other Financing Uses				
Transfers out	416,584	445,016	428,496	16,520
Total Expenditures and Other Financing Uses	21,649,704	22,099,527	20,089,810	2,009,717
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	(1,392,602)	119,018	2,007,654	1,888,636
Net Change in Fund Balance	(1,392,602)	119,018	2,007,654	1,888,636
<i>Fund Balance at Beginning of Period</i>	<i>9,908,188</i>	<i>9,908,188</i>	<i>9,908,188</i>	<i>--</i>
Fund Balance at End of Period	\$ 8,515,586	\$ 10,027,206	\$ 11,915,842	\$ 1,888,636

St. Joseph County Intermediate School District
Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
Career Technical Education (CTE)
For the Year Ended June 30, 2025

	Budgeted Amounts			Variance Favorable (Unfavorable)
	Original	Final	Actual	Final to Actual
Revenues				
Local sources	\$ 2,915,956	\$ 3,067,864	\$ 3,054,487	\$ (13,377)
State sources	--	--	975,114	975,114
Federal sources	161,730	218,371	161,730	(56,641)
Interdistrict sources	500,200	500,200	500,000	(200)
Total Revenues	3,577,886	3,786,435	4,691,331	904,896
Expenditures				
Career technical education, Instruction	3,071,214	3,320,459	2,971,391	349,068
Supporting Services				
Pupil	565,895	611,158	514,608	96,550
Instructional staff	789,521	852,670	701,750	150,920
Business services	50	54	42	12
Operations and maintenance	1,145	1,237	948	289
Transportation	62,358	67,346	57,328	10,018
Personnel services	6,874	7,424	6,367	1,057
Total Supporting Services	1,425,843	1,539,889	1,281,043	258,846
Payments to other public schools	299,854	323,838	260,875	62,963
Total Expenditures	4,796,911	5,184,186	4,513,309	670,877
Other Financing Uses				
Transfers out	170,000	180,000	150,000	30,000
Total Expenditures and Other Financing Uses	4,966,911	5,364,186	4,663,309	700,877
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	(1,389,025)	(1,577,751)	28,022	1,605,773
Net Change in Fund Balance	(1,389,025)	(1,577,751)	28,022	1,605,773
<i>Fund Balance at Beginning of Period</i>	<i>6,116,699</i>	<i>6,116,699</i>	<i>6,116,699</i>	<i>--</i>
Fund Balance at End of Period	\$ 4,727,674	\$ 4,538,948	\$ 6,144,721	\$ 1,605,773

St. Joseph County Intermediate School District
Schedule of School District's Proportionate Share of Net Pension Liability
Michigan Public School Employee Retirement Plan
Last Ten Fiscal Years (Amounts were determined as of September 30 of each fiscal year)

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
School District's Portion of Net Pension Liability (%)	0.10839%	0.10483%	0.10337%	0.10058%	0.09496%	0.09179%	0.08758%	0.08496%	0.08405%	0.08336%
School District's Proportionate Share of Net Pension Liability	\$ 26,536,859	\$ 33,930,215	\$ 38,877,085	\$ 23,812,323	\$ 32,620,968	\$ 30,398,666	\$ 26,328,201	\$ 22,016,333	\$ 20,970,344	\$ 20,359,738
School District's Covered Payroll	\$ 11,841,509	\$ 10,877,343	\$ 10,138,994	\$ 9,573,080	\$ 8,804,013	\$ 8,273,766	\$ 7,779,537	\$ 7,180,767	\$ 7,466,335	\$ 7,267,554
School District's Proportionate Share of Net Pension Liability as a Percentage of its Covered Payroll	224.10%	311.93%	383.44%	248.74%	370.52%	367.41%	338.43%	306.60%	280.87%	280.15%
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	74.44%	65.91%	60.77%	72.60%	59.72%	60.31%	62.36%	64.21%	63.27%	63.17%

**St. Joseph County Intermediate School District
Schedule of School District's Pension Contributions
Michigan Public School Employee Retirement Plan
Last Ten School District Fiscal Years (Amounts determined as of June 30 of each year)**

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Statutorily Required Contributions	\$ 4,531,763	\$ 3,778,286	\$ 3,518,374	\$ 3,019,986	\$ 2,609,718	\$ 2,438,510	\$ 2,384,829	\$ 1,992,725	\$ 1,887,436	\$ 1,608,047
Contributions in Relation to Statutorily Required Contributions	<u>4,531,763</u>	<u>3,778,286</u>	<u>3,518,374</u>	<u>3,019,986</u>	<u>2,609,718</u>	<u>2,438,510</u>	<u>2,384,829</u>	<u>1,992,725</u>	<u>1,887,436</u>	<u>1,608,047</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District's Covered Payroll	\$ 12,744,733	\$ 11,649,887	\$ 10,629,633	\$ 10,095,087	\$ 9,565,291	\$ 8,765,849	\$ 8,134,517	\$ 7,581,364	\$ 7,353,109	\$ 7,589,372
Contributions as a Percentage of Covered Payroll	35.56%	32.43%	33.10%	29.92%	27.28%	27.82%	29.32%	26.28%	25.67%	21.19%

St. Joseph County Intermediate School District
Schedule of School District's Proportionate Share of Net OPEB Liability (Asset)
Michigan Public School Employee Retirement Plan
Last Eight Fiscal Years (Amounts were determined as of September 30 of each fiscal year)

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
School District's Portion of Net OPEB Liability (Asset) (%)	0.10994%	0.10682%	0.10235%	0.10411%	0.09817%	0.09395%	0.09098%	0.08505%
School District's Proportionate Share of Net OPEB Liability (Asset)	\$ (4,732,127)	\$ (604,299)	\$ 2,167,803	\$ 1,589,173	\$ 5,259,309	\$ 6,743,427	\$ 7,232,227	\$ 7,531,235
School District's Covered Payroll	\$ 11,841,509	\$ 10,877,343	\$ 10,138,994	\$ 9,573,080	\$ 8,804,013	\$ 8,273,766	\$ 7,779,537	\$ 7,180,767
School District's Proportionate Share of Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	-39.96%	-5.56%	21.38%	16.60%	59.74%	81.50%	92.96%	104.88%
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability (Asset)	143.08%	105.04%	83.09%	87.33%	59.44%	48.46%	42.95%	36.39%

**St. Joseph County Intermediate School District
Schedule of School District's OPEB Contributions
Michigan Public School Employee Retirement Plan
Last Eight School District Fiscal Years (Amounts determined as of June 30 of each year)**

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Statutorily Required Contributions	\$ 913,804	\$ 832,150	\$ 779,622	\$ 772,885	\$ 693,606	\$ 645,062	\$ 590,570	\$ 662,120
Contributions in Relation to Statutorily Required Contributions	<u>913,804</u>	<u>832,150</u>	<u>779,622</u>	<u>772,885</u>	<u>693,606</u>	<u>645,062</u>	<u>590,570</u>	<u>662,120</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District's Covered Payroll	\$ 12,744,733	\$ 11,649,887	\$ 10,629,633	\$ 10,095,087	\$ 9,565,291	\$ 8,765,849	\$ 8,134,517	\$ 7,581,364
Contributions as a Percentage of Covered Payroll	7.17%	7.14%	7.33%	7.66%	7.25%	7.36%	7.26%	8.73%

Combining and Individual Fund Statements and Schedules

St. Joseph County Intermediate School District
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2025

	Special Revenue		Total Nonmajor Governmental Funds
	Information Services	Student Activities	
ASSETS			
Cash and investments	\$ 945,714	\$ 102,217	\$ 1,047,931
Accounts receivable	5,061	--	5,061
Due from other governmental units	184,232	--	184,232
<i>Total Assets</i>	\$ 1,135,007	\$ 102,217	\$ 1,237,224
LIABILITIES			
Accounts payable	\$ 26,647	\$ --	\$ 26,647
Accrued payroll and other liabilities	20,917	--	20,917
Unearned revenue	150,000	--	150,000
<i>Total Liabilities</i>	197,564	--	197,564
FUND BALANCE			
Restricted	937,443	--	937,443
Committed	--	102,217	102,217
Unassigned	--	--	--
<i>Total Fund Balance</i>	937,443	102,217	1,039,660
<i>Total Liabilities and Fund Balance</i>	\$ 1,135,007	\$ 102,217	\$ 1,237,224

St. Joseph County Intermediate School District
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended June 30, 2025

	Special Revenue		Total Nonmajor Governmental Funds
	Information Services	Student Activities	
Revenues			
Local sources	\$ 9,861	\$ 77,119	\$ 86,980
State sources	188,113	--	188,113
Interdistrict sources	2,013,583	--	2,013,583
Total Revenues	2,211,557	77,119	2,288,676
Expenditures			
Supporting services	2,497,635	36,030	2,533,665
Total Expenditures	2,497,635	36,030	2,533,665
Excess of Revenues Over (Under) Expenditures	(286,078)	41,089	(244,989)
Other Financing Sources			
Transfers in	437,983	--	437,983
Net Other Financing Sources	437,983	--	437,983
Net Change in Fund Balance	151,905	41,089	192,994
<i>Fund Balance at Beginning of Period</i>	<i>785,538</i>	<i>61,128</i>	<i>846,666</i>
Fund Balance at End of Period	\$ 937,443	\$ 102,217	\$ 1,039,660

St. Joseph County Intermediate School District
Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
Information Services
For the Year Ended June 30, 2025

	<u>Budgeted Amounts</u>			Variance Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final to Actual</u>
Revenues				
Local sources	\$ 5,200	\$ 8,000	\$ 9,861	\$ 1,861
State sources	172,360	189,562	188,113	(1,449)
Interdistrict sources	2,013,239	2,013,239	2,013,583	344
Total Revenues	<u>2,190,799</u>	<u>2,210,801</u>	<u>2,211,557</u>	<u>756</u>
Other Financing Sources				
Transfers in	460,311	437,982	437,983	1
Total Revenues and Other Financing Sources	<u>2,651,110</u>	<u>2,648,783</u>	<u>2,649,540</u>	<u>757</u>
Expenditures				
Technology services	2,559,025	2,690,360	2,497,635	192,725
Total Expenditures	<u>2,559,025</u>	<u>2,690,360</u>	<u>2,497,635</u>	<u>192,725</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	<u>92,085</u>	<u>(41,577)</u>	<u>151,905</u>	<u>193,482</u>
Net Change in Fund Balance	<u>92,085</u>	<u>(41,577)</u>	<u>151,905</u>	<u>193,482</u>
<i>Fund Balance at Beginning of Period</i>	785,538	785,538	785,538	--
Fund Balance at End of Period	<u><u>\$ 877,623</u></u>	<u><u>\$ 743,961</u></u>	<u><u>\$ 937,443</u></u>	<u><u>\$ 193,482</u></u>



**ST. JOSEPH COUNTY
INTERMEDIATE SCHOOL DISTRICT
CENTREVILLE, MICHIGAN
SINGLE AUDIT ACT COMPLIANCE
YEAR ENDED JUNE 30, 2025**

St. Joseph County Intermediate School District
Schedule of Expenditures of Federal Awards
June 30, 2025

<i>Federal Grantor / Pass-through Grantor / Program Title / Cluster / Project Number</i>	<i>Assistance Listing Number</i>	<i>Program or Award Amount</i>	<i>Accrued Revenue at July 1, 2024</i>	<i>(Memo Only) Prior Year Expenditures</i>	<i>Current Year Expenditures</i>	<i>Grant Auditor Report Timing Variance *</i>	<i>Current Year Receipts (Cash Basis)</i>	<i>Accrued Revenue at June 30, 2025</i>
U.S. Department of the Treasury:								
<i>Passed through the Michigan Department of Education:</i>								
31p Trails								
COVID-19 - Project Number 232425	21.027	\$ 892,857	\$ -	\$ -	\$ 401,786	\$ -	\$ 401,786	\$ -
Total U.S. Department of the Treasury		892,857	-	-	401,786	-	401,786	-
U.S. Department of Education:								
<i>Passed through the Michigan Department of Education:</i>								
Special Education Cluster:								
Special Education Flowthrough:								
230450 2223	84.027	2,786,088	8,605	85,266	-	(8,605)	-	-
240450 2324	84.027	2,889,676	618,178	2,889,676	-	(343,878)	274,300	-
250450 2425	84.027	2,889,632	-	-	2,889,632	-	2,623,183	266,449
240493 General Supervision	84.027	159,700	21,025	159,700	-	(21,025)	-	-
250493 General Supervision	84.027	159,700	-	-	159,700	-	159,700	-
Total Special Education Flowthrough		8,884,796	647,808	3,134,642	3,049,332	(373,508)	3,057,183	266,449
Special Education: Preschool:								
240460 2324	84.173	106,980	23,189	106,980	-	(13,611)	9,578	-
250460 2425	84.173	106,978	-	-	106,978	-	95,844	11,134
Total Special Education: Preschool		213,958	23,189	106,980	106,978	(13,611)	105,422	11,134
Total Special Education Cluster		9,098,754	670,997	3,241,622	3,156,310	(387,119)	3,162,605	277,583
Infants and Toddlers: Early on Michigan:								
241340 2324	84.181	115,770	13,466	115,770	-	(13,466)	-	-
251340 2425	84.181	113,261	-	-	113,261	-	113,261	-
Total Infants and Toddlers: Early On Michigan		229,031	13,466	115,770	113,261	(13,466)	113,261	-
Education for Homeless Children and Youth:								
McKinney-Vento Homeless Students' Assistance								
242320 2324	84.196	85,223	11,854	43,115	-	(7,676)	4,178	-
252320 2425	84.196	97,641	-	-	64,247	-	50,405	13,842
Total McKinney-Vento Homeless Students Assistance		182,864	11,854	43,115	64,247	(7,676)	54,583	13,842
Title I Regional Assistance								
Title I Regional Assistance								
241570 2324	84.010A	128,822	17,395	38,858	22,472	(13,888)	25,979	-
241570 2425	84.010A	124,033	-	-	79,280	-	77,724	1,556
Total Title I Regional Assistance		252,855	17,395	38,858	101,752	(13,888)	103,703	1,556
ARP Homeless I McKinney-Vento:								
COVID-19 - 211010 2122	84.425W	74,176	18,675	30,145	-	(18,675)	-	-
COVID-19 - 211013 2122	84.425W	49,883	-	-	19,738	-	19,738	-
Total ARP Homeless I McKinney-Vento		124,059	18,675	30,145	19,738	(18,675)	19,738	-
Total passed through the Michigan Department of Education		\$ 10,780,420	\$ 732,387	\$ 3,469,510	\$ 3,857,094	\$ (440,824)	\$ 3,855,676	\$ 292,981

See Notes to the Schedule of Expenditures of Federal Awards

**St. Joseph County Intermediate School District
Schedule of Expenditures of Federal Awards
June 30, 2025**

<i>Federal Grantor / Pass-through Grantor / Program Title / Cluster / Project Number</i>	<i>Assistance Listing Number</i>	<i>Program or Award Amount</i>	<i>Accrued Revenue at July 1, 2024</i>	<i>(Memo Only) Prior Year Expenditures</i>	<i>Current Year Expenditures</i>	<i>Grant Auditor Report Timing Variance *</i>	<i>Current Year Receipts (Cash Basis)</i>	<i>Accrued Revenue at June 30, 2025</i>
<i>Passed through Intermediate School District:</i>								
<i>Kalamazoo RESA:</i>								
<i>Vocational Education - Basic Grants to States:</i>								
231220 2324	84.048	\$ 211,575	\$ 61,506	\$ 211,575	\$ -	\$ -	\$ 61,506	\$ -
231220 2425	84.048A	161,730	-	-	161,730	-	136,999	24,731
<i>Total Vocational Education</i>		373,305	61,506	211,575	161,730	-	198,505	24,731
<i>Passed directly through the U.S. Department of Education:</i>								
<i>Small, Rural School Achievement Program:</i>								
S358A241567	84.358A	33,434	-	-	33,434	-	33,434	-
<i>Total Small, Rural School Achievement Program</i>		33,434	-	-	33,434	-	33,434	-
<i>Total U.S. Department of Education</i>		10,294,302	793,893	3,681,085	3,650,472	(440,824)	3,685,829	317,712
<i>U.S. Department of Health and Human Services</i>								
<i>Passed directly through the U.S. Department of Health and Human Services</i>								
<i>Early Head Start - Child Care Partnership / Head Start Cluster</i>								
05HP000145-05-03 March-Feb 2024	93.600	1,960,842	-	1,121,492	-	-	-	-
05HP000520-01-02 March-Feb 2025	93.600	1,960,842	248,289	589,214	1,329,516	-	1,577,805	-
05HP000520-02-01 March-Feb 2026	93.600	2,006,002	-	-	587,822	-	437,189	150,633
<i>Total Early Head Start - Child Care Partnership / Head Start Cluster</i>		5,927,686	248,289	1,710,706	1,917,338	-	2,014,994	150,633
<i>Medicaid Outreach</i>								
2024-2025 (Medicaid Cluster)	93.778	185,918	-	-	185,918	-	185,918	-
<i>Total Medicaid Outreach</i>		185,918	-	-	185,918	-	185,918	-
<i>Total passed directly through the U.S. Department of Health and Human Services</i>		6,113,604	248,289	1,710,706	2,103,256	-	2,200,912	150,633
<i>Total U.S. Department of Health and Human Services</i>		6,113,604	248,289	1,710,706	2,103,256	-	2,200,912	150,633
<i>Total Federal Financial Assistance</i>		\$ 17,300,763	\$ 1,042,182	\$ 5,391,791	\$ 6,155,514	\$ (440,824)	\$ 6,288,527	\$ 468,345

* These funds show as receipts on the fiscal year 2024 grant auditor report, however, they were received by the School in July 2025. Accordingly, they are reported as reductions of June 30, 2024 receivables.

St. Joseph County Intermediate School District

Notes to the Schedule of Expenditures of Federal Awards

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the St. Joseph County Intermediate School District (the "School District") under programs of the federal government for the year ended June 30, 2025. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Because the schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the School District.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting, which is described in Note 1 to the School District's financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where applicable and have been identified in the Schedule.

Cash received is recorded on the cash basis; expenditures are recorded on the modified accrual basis of accounting. Revenues are recognized when the qualifying expenditures have been included and all grant requirements have been met. The Schedule has been arranged to provide information on both the actual cash received and the revenue recognized. Accordingly, the effects of accruals of accounts receivable, unearned revenue, and accounts payable items at both the beginning and the end of the fiscal year have been reported. Expenditures are in agreement with amounts reported in the financial statements and the grant financial reports. The amounts on the Grant Auditor Report reconcile with this Schedule.

The School District has elected not to use the 10-percent de minimis indirect cost rate to recover indirect costs as allowed under the Uniform Guidance.

Note 3 - Noncash Assistance

The value of the noncash assistance received was determined in accordance with the provisions of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. The grantee received no noncash assistance during the year ended June 30, 2025 that is not included on the schedule of expenditures of federal awards.

Note 4 - Reconciliation to the Schedule of Expenditures of Federal Awards

The federal sources revenues reported in the fund financial statements of \$6,155,514 is equal to the federal expenditures reported in the schedule of expenditures of federal awards.

St. Joseph County Intermediate School District

Notes to the Schedule of Expenditures of Federal Awards

Note 5 - Subrecipients

For the year ended June 30, 2025, the School District did not pass through any federal awards to subrecipients; accordingly, no amounts are reported as provided to subrecipients on the Schedule of Expenditures of Federal Awards.

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

To the Board of Education
St. Joseph County Intermediate School District
Centreville, Michigan

We 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, each major fund, and the aggregate remaining fund information of the St. Joseph County Intermediate School District (the "School District"), as of and for the years ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated October 7, 2025.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School District'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 our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the School District'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 the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions

was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

A handwritten signature in dark ink that reads "Gabridge & Company". The script is cursive and fluid, with the ampersand being a simple loop.

Gabridge & Company, PLC
Grand Rapids, MI
October 7, 2025

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

To the Board of Education
St. Joseph County Intermediate School District
Centreville, Michigan

Report on Compliance for Each Major Federal Program***Opinion on Each Major Federal Program***

We have audited St. Joseph County Intermediate School District's (the "School District") compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the School District's major federal programs for the year ended June 30, 2025. The School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2025.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the School District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the School District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the School District's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the School District's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the School District's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 School District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the School District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

A handwritten signature in dark ink that reads "Gabridge & Company". The script is cursive and fluid, with the ampersand being a simple loop.

Gabridge & Company, PLC
Grand Rapids, MI
October 7, 2025

**St. Joseph County Intermediate School District
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2025**

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued Unmodified

Internal controls over financial reporting

Material weaknesses identified? No

Significant deficiencies identified not considered to be material weaknesses? No

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major programs

Material weaknesses identified? No

Significant deficiencies identified not considered to be material weaknesses? No (none reported)

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516? No

Identification of Major Programs

Name of Federal Program or Cluster	Assistance Listing Number
Special Education Cluster	84.027, 84.173

Dollar threshold used to distinguish between Type A and B programs? \$750,000

Auditee qualified as a low-risk auditee? Yes

SECTION II - FINANCIAL STATEMENT FINDINGS

No matters were reported.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

SECTION IV - SUMMARY OF PRIOR AUDIT FINDINGS

No prior year matters were reported.

October 7, 2025

To the Board of Education
St. Joseph County Intermediate School District
Centreville, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the St. Joseph County Intermediate School District (the "School District") for the year ended June 30, 2025. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated May 16, 2025. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the School District are described in Note 1 to the financial statements. During the fiscal year ended June 30, 2025, the School District adopted Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*. As described in Note 16 to the financial statements, the adoption of this new accounting principle did not have a material impact on the School District's financial statements, and no restatement of prior year balances was required. We noted no other transactions entered into by the School 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.

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 School 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.
- Management's estimate of the accrued compensated absences is based on current pay rates, historical and expected usage patterns, and policies regarding the accumulation and payment of leave benefits in accordance with GASB Statement No. 101.
- The assumptions used in the actuarial valuations of the pension and other post-employment benefits are based on historical trends and industry standards.

We evaluated the key factors and assumptions used to develop this estimate in determining that it is reasonable in relation to the financial statements taken as a whole.

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Furthermore, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole and each applicable opinion unit. In addition, professional standards require us to communicate all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. We did not identify any misstatements during our audit.

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 7, 2025.

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

Other Audit Findings or Issues

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

As required by the OMB Uniform Guidance, we have also completed an audit of the federal programs administered by the School District. The results of that audit are provided to the Board of Education in our report on compliance with requirements applicable to each major program and on internal control over compliance in accordance with the OMB Uniform Guidance dated October 7, 2025.

Other Matters

We applied certain limited procedures to management's discussion and analysis, the pension and OPEB schedules, and the budgetary comparison schedule, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the combining and individual fund financial statements and the schedule of expenditures of federal awards, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the 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 information and use of the Board of Education and management of the School District and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in dark ink that reads "Gabridge & Company". The signature is written in a cursive, flowing style.

Gabridge & Company, PLC
Grand Rapids, MI