

**ST. JOSEPH COUNTY
INTERMEDIATE SCHOOL DISTRICT
CENTREVILLE, MICHIGAN
ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2023**

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1
Management's Discussion and Analysis	5
<hr/> BASIC FINANCIAL STATEMENTS <hr/>	
District-wide Financial Statements	
Statement of Net Position	14
Statement of Activities	15
Fund Financial Statements	
Governmental Funds	
Balance Sheet	16
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position	17
Statement of Revenues, Expenditures, and Changes in Fund Balance	18
Reconciliation of Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	19
Notes to the Financial Statements	21
<hr/> REQUIRED SUPPLEMENTARY INFORMATION <hr/>	
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual: General	48
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual: Special Education	49
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual: Career Technical Education	50
Schedule of School District's Proportionate Share of Net Pension Liability	51
	52
Schedule of School District's Proportionate Share of Net OPEB Liability	53
Schedule of School District's OPEB Contributions	54
<hr/> OTHER SUPPLEMENTARY INFORMATION <hr/>	
Nonmajor Governmental Funds	
Combining Balance Sheet	56
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance	57
Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual: Information Services	58
<hr/> SINGLE AUDIT ACT COMPLIANCE <hr/>	
Schedule of Expenditures of Federal Awards	60
Notes to the Schedule of Expenditures of Federal Awards	62
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	63
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	65
Schedule of Findings and Questioned Costs	68

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, 2023, 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, 2023, 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.

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 17, 2023, 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.



Gabridge & Company, PLC
Three Rivers, MI
October 17, 2023

Management's Discussion and Analysis

**St. Joseph County Intermediate School District
Management's Discussion and Analysis
June 30, 2023**

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, 2023. 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, 2023.

Financial Highlights

- The liabilities and deferred inflows of the School District exceeded its assets and deferred outflows of resources at the close of this fiscal year by \$8,373,726, shown as a deficit net position. The School District had a deficit unrestricted net position of \$(25,612,706).
- Revenues of \$35,121,008 exceeded expenses of \$31,445,064, leading to an increase in net position of \$3,675,944 during the year.
- During the year, the School District's fund balances increased by \$3,464,495 for an ending fund balance of \$18,322,259.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$2,769,526, or 30.6% of the general fund's total expenditures and transfers out. Fund balance of the general fund increased by \$570,724 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	2023	2022
<i>Current Assets</i>		
Cash and investments	\$ 21,406,983	\$ 16,564,219
Accounts receivable	90,464	167,984
Due from other governmental units	3,079,056	3,221,009
Total Current Assets	24,576,503	19,953,212
<i>Noncurrent Assets</i>		
Capital assets, net	5,010,625	5,339,549
Total Assets	29,587,128	25,292,761
DEFERRED OUTFLOWS OF RESOURCES		
Pension related	13,501,592	7,196,782
OPEB related	3,369,032	2,836,831
Total Deferred Outflows of Resources	16,870,624	10,033,613
LIABILITIES		
<i>Current Liabilities</i>		
Accounts payable	1,571,746	962,988
Accrued payroll and other liabilities	1,024,538	835,624
Accrued interest	11,611	12,277
Unearned revenue	3,657,960	3,296,836
Current portion of compensated absences	13,312	-
Current portion of long-term debt	240,000	240,000
Total Current Liabilities	6,519,167	5,347,725
<i>Noncurrent Liabilities</i>		
Compensated absences	153,090	106,780
Net pension liability	38,877,085	23,812,323
Net OPEB liability	2,167,803	1,589,173
Long-term debt	2,510,000	2,740,000
Total Liabilities	50,227,145	33,596,001
DEFERRED INFLOWS OF RESOURCES		
Pension related	109,917	7,840,229
OPEB related	4,494,416	5,939,814
Total Deferred Inflows of Resources	4,604,333	13,780,043
NET POSITION		
Net investment in capital assets	2,260,625	2,359,549
Restricted	14,978,355	12,129,402
Unrestricted	(25,612,706)	(26,538,621)
Total Net Position	\$ (8,373,726)	\$(12,049,670)

Cash and investments increased by \$4,842,764, mostly as a result of governmental funds revenues being in excess of expenditures of \$3,464,495 plus the large increase in accounts payable of \$608,758 at year end. The accounts payable increase almost entirely the result of timing of payments to other schools for reimbursement of services. Total capital assets decreased by \$328,924 as a result of depreciation expense exceeding current year capital additions. Accrued payroll and other liabilities were \$188,914 more than in the previous year due to the timing of payroll expenses near year end. The \$361,124 increase in unearned revenue is primarily the result of increases in grant dollars from state Medicaid and mental health supporting services funding that were received in advance of incurred expenses.

Net pension liability and the related deferred inflows and deferred outflows of resources experienced quite significant swings during the year. Net pension liability increased by \$15,064,762, pension related deferred outflows increased by \$6,304,810, and pension related deferred inflows decreased by \$7,730,312. This is almost entirely the result of pension assets having a loss on investment of 4.18% during the year; 80% of these losses have been deferred to be recognized as expenses over the next four years; and the amortization of prior year deferred pension expenses combined with the reclassification of prior excess earnings caused the significant decrease in the pension deferred inflow amounts.

Net OPEB liability and the related deferred inflows and deferred outflows of resources also experienced significant fluctuations compared to the previous year. Net OPEB liability increased by \$578,630, OPEB related deferred outflows increased by \$532,201, and OPEB related deferred inflows decreased by \$1,445,398. This is almost entirely the result of OPEB assets having a loss on investment of 4.99% during the year; 80% of these losses have been deferred to be recognized as expenses over the next four years; and the amortization of prior year deferred OPEB expenses combined with the reclassification of prior excess earnings caused the significant decrease in the pension deferred inflow amounts.

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	<u>2023</u>	<u>2022</u>
Program Revenues		
Charges for services	\$ 3,679,960	\$ 3,828,764
Operating grants and contributions	<u>19,810,518</u>	<u>16,092,699</u>
Total Program Revenues	<u>23,490,478</u>	<u>19,921,463</u>
General Revenues		
Property taxes	10,541,142	9,976,277
Unrestricted state sources	644,213	660,970
Interest and investment earnings	<u>445,175</u>	<u>51,704</u>
Total General Revenues	<u>11,630,530</u>	<u>10,688,951</u>
Total Revenues	<u>35,121,008</u>	<u>30,610,414</u>
Expenses		
Instruction	5,994,319	5,383,613
Supporting services	21,345,115	18,461,648
Transfers to other districts	3,448,025	3,217,542
Interest and fiscal charges on long-term debt	75,055	74,821
Depreciation (unallocated)	<u>582,550</u>	<u>660,552</u>
Total Expenses	<u>31,445,064</u>	<u>27,798,176</u>
Change in Net Position	3,675,944	2,812,238
<i>Net Position at Beginning of Period</i>	<u>(12,049,670)</u>	<u>(14,861,908)</u>
Net Position at End of Period	<u>\$ (8,373,726)</u>	<u>\$(12,049,670)</u>

Operating grants and contributions increased by \$3,717,819 during the year as more funding was available largely as the result of no COVID restrictions allowing for a more normal resumption of operations.

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 \$9,351,517, expenditures of \$8,970,593, and net other financing sources of \$189,800. The general fund ended the year with a \$570,724 increase in fund balance for a total fund balance of \$3,233,291 as of June 30, 2023.

The ***special education fund***, a major fund, had an increase in fund balance of \$1,618,329 for a total fund balance of \$8,768,931 as of year-end.

The ***career technical education (CTE) fund***, a major fund, had an increase in fund balance of \$1,024,636 for a total fund balance of \$5,671,811 as of year-end.

Information regarding the increases in the major funds were 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, 2023, was adopted by the Board of Education in June 2022, with the final amendments made in June 2023.

Original budget compared to final budget. The original budget was amended during the year as actual results needed adjusting from the original budgeted estimates. The original budgeted amounts for state sources revenue increased from \$6,557,648 to \$9,492,674 and for federal sources revenue increased from \$1,613,574 to \$4,673,501. The original budgeted amounts for payments expenditures for the general fund increased from 8,905,940 to \$14,914,548 as a result of the additional funding increases being reimbursement grants allowing for additional activity.

Final budget compared to actual results. The School District had no expenditures in excess of the amounts appropriated during the year ended June 30, 2023.

Capital Asset and Debt Administration

Capital Assets

At June 30, 2023, the School District had \$5,010,625 invested in capital assets. This included a net decrease during the fiscal year of \$328,924 consisting of depreciation charges of \$582,550 net exceeding capital asset purchases of \$253,626.

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 \$2,750,000. 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, 2023.

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 2023-2024 fiscal year projects total revenues of \$10,626,103 and total expenditures of \$10,308,833. 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 ISD
Statement of Net Position
June 30, 2023

ASSETS

Current Assets

Cash and investments	\$	21,406,983
Accounts receivable		90,464
Due from other governmental units		3,079,056
Total Current Assets		24,576,503

Noncurrent Assets

Capital assets, net		5,010,625
Total Assets		29,587,128

DEFERRED OUTFLOWS OF RESOURCES

Pension related		13,501,592
OPEB related		3,369,032
Total Deferred Outflows of Resources		16,870,624

LIABILITIES

Current Liabilities

Accounts payable		1,571,746
Accrued payroll and other liabilities		1,024,538
Accrued interest		11,611
Unearned revenue		3,657,960
Current portion of compensated absences		13,312
Current portion of long-term debt		240,000
Total Current Liabilities		6,519,167

Noncurrent Liabilities

Compensated absences		153,090
Long-term debt		2,510,000
Net pension liability		38,877,085
Net OPEB liability		2,167,803
Total Liabilities		50,227,145

DEFERRED INFLOWS OF RESOURCES

Pension related		109,917
OPEB related		4,494,416
Total Deferred Inflows of Resources		4,604,333

NET POSITION

Net investment in capital assets		2,260,625
<i>Restricted for:</i>		
Special education		8,768,931
Career technical education		5,671,811
Information services		537,613
<i>Unrestricted</i>		(25,612,706)
Total Net Position	\$	(8,373,726)

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

**St. Joseph County ISD
Statement of Activities
For the Year Ended June 30, 2023**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Governmental Activities:					
Instruction	\$ 5,994,319	\$ 36,786	\$ 12,607,334	\$ --	\$ 6,649,801
Supporting services	21,345,115	3,077,629	7,200,292	--	(11,067,194)
Transfers to other districts	3,448,025	565,545	2,892	--	(2,879,588)
Interest on long-term debt	75,055	--	--	--	(75,055)
Depreciation (unallocated)	582,550	--	--	--	(582,550)
<i>Total</i>	<u>\$ 31,445,064</u>	<u>\$ 3,679,960</u>	<u>\$ 19,810,518</u>	<u>\$ --</u>	<u>(7,954,586)</u>
General Purpose Revenues:					
					605,191
					7,286,263
					2,649,688
					644,213
					445,175
					<u>11,630,530</u>
					3,675,944
					<u>(12,049,670)</u>
					<u>\$ (8,373,726)</u>

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

**St. Joseph County ISD
Balance Sheet
Governmental Funds
June 30, 2023**

	<u>Special Revenue</u>			Other Governmental Funds	Total Governmental Funds
	<u>General</u>	<u>Special Education</u>	<u>Career Technical Education (CTE)</u>		
ASSETS					
Cash and investments	\$ 5,494,591	\$ 9,030,880	\$ 6,258,723	\$ 622,789	\$ 21,406,983
Accounts receivable	28,283	9,940	2,945	49,296	90,464
Due from other governmental units	1,386,805	1,516,589	147,446	28,216	3,079,056
<i>Total Assets</i>	<u>\$ 6,909,679</u>	<u>\$ 10,557,409</u>	<u>\$ 6,409,114</u>	<u>\$ 700,301</u>	<u>\$ 24,576,503</u>
LIABILITIES					
Accounts payable	\$ 667,888	\$ 138,680	\$ 735,772	\$ 29,406	\$ 1,571,746
Accrued payroll and other liabilities	24,658	975,680	1,531	22,669	1,024,538
Unearned revenue	2,983,842	674,118	--	--	3,657,960
<i>Total Liabilities</i>	<u>3,676,388</u>	<u>1,788,478</u>	<u>737,303</u>	<u>52,075</u>	<u>6,254,244</u>
FUND BALANCE					
Restricted	--	7,096,415	5,671,811	537,613	13,305,839
Committed	463,783	1,672,516	--	110,613	2,246,912
Unassigned	2,769,508	--	--	--	2,769,508
<i>Total Fund Balance</i>	<u>3,233,291</u>	<u>8,768,931</u>	<u>5,671,811</u>	<u>648,226</u>	<u>18,322,259</u>
<i>Total Liabilities and Fund Balance</i>	<u>\$ 6,909,679</u>	<u>\$ 10,557,409</u>	<u>\$ 6,409,114</u>	<u>\$ 700,301</u>	<u>\$ 24,576,503</u>

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

St. Joseph County ISD
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2023

Total Fund Balance - Governmental Funds	\$	18,322,259
General government capital assets of \$12,069,686, net of accumulated depreciation of \$7,059,061, are not financial resources and, accordingly, are not reported in the funds.		5,010,625
Accrued interest is not due and payable in the current period and, therefore, is not reported in the funds.		(12,277)
Compensated absences are not due and payable in the current period and, therefore, are not reported in the funds.		(166,402)
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.		(2,750,000)
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.		(25,485,410)
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.		(3,293,187)
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.		666
Total Net Position -Governmental Activities	\$	<u>(8,373,726)</u>

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

St. Joseph County ISD
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2023

	<u>Special Revenue</u>			Other Governmental Funds	Total Governmental Funds
	<u>General</u>	<u>Special Education</u>	<u>Career Technical Education (CTE)</u>		
Revenues					
Local sources	\$ 727,921	\$ 7,648,754	\$ 2,649,887	\$ 97,588	\$ 11,124,150
State sources	6,565,159	7,930,770	1,282,235	146,368	15,924,532
Federal sources	1,791,723	3,598,960	163,424	--	5,554,107
Interdistrict sources	266,714	49,173	500,001	1,702,331	2,518,219
Total Revenues	<u>9,351,517</u>	<u>19,227,657</u>	<u>4,595,547</u>	<u>1,946,287</u>	<u>35,121,008</u>
Expenditures					
Instruction	879,553	2,796,239	2,305,129	--	5,980,921
Supporting services	5,883,160	13,140,600	826,352	2,071,734	21,921,846
Transfers to other districts	2,158,980	1,049,615	239,430	--	3,448,025
Debt service, principal	36,000	194,000	--	--	230,000
Debt service, interest	12,900	62,821	--	--	75,721
Total Expenditures	<u>8,970,593</u>	<u>17,243,275</u>	<u>3,370,911</u>	<u>2,071,734</u>	<u>31,656,513</u>
Excess of Revenues Over (Under) Expenditures	<u>380,924</u>	<u>1,984,382</u>	<u>1,224,636</u>	<u>(125,447)</u>	<u>3,464,495</u>
Other Financing Sources (Uses)					
Transfers in	271,363	--	--	376,253	647,616
Transfers out	(81,563)	(366,053)	(200,000)	--	(647,616)
Net Other Financing Sources (Uses)	<u>189,800</u>	<u>(366,053)</u>	<u>(200,000)</u>	<u>376,253</u>	<u>--</u>
Net Change in Fund Balance	570,724	1,618,329	1,024,636	250,806	3,464,495
<i>Fund Balance at Beginning of Period</i>	2,662,567	7,150,602	4,647,175	397,420	14,857,764
Fund Balance at End of Period	\$ 3,233,291	\$ 8,768,931	\$ 5,671,811	\$ 648,226	\$ 18,322,259

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

St. Joseph County ISD
Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and
Changes in Fund Balance with Statement of Activities
For the Year Ended June 30, 2023

Total Net Change in Fund Balances - Governmental Funds	\$	3,464,495
<p>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 \$582,550 exceeds capital outlay of \$253,626.</p>		
		(328,924)
<p>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.</p>		
		666
<p>Change to compensated absences are not shown in the fund financial statements. This amounts represents the change in compensated absences during the current year.</p>		
		(59,622)
<p>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.</p>		
		230,000
<p>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.</p>		
		(1,029,640)
<p>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.</p>		
		1,398,969
Changes in Net Position - Governmental Activities	\$	<u>3,675,944</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, 2023 was \$2,653,921,680. The millage rate for general operations was .2267 mills, 2.7308 mills for special education, and .9932 mills for CTE generating revenues of \$605,191, \$7,286,263, and \$2,649,688, 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 uncollectible 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
Intangible assets	Term of Agreement

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

School District employees are granted vacation and sick leave in varying amounts based on length of service. Unused vacation time and sick leave accumulate from year to year at varying rates, depending on the employees' applicable rate of pay and/or employment category. The liability for compensated absences includes salary-related payments.

In the fund and government-wide financial statements, only the matured liability for compensated absences is reported.

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.

St. Joseph County Intermediate School District

Notes to the Financial Statements

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 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 no expenditures in excess of the amounts appropriated during the year ended June 30, 2023.

Government-wide Net Position Deficits

The School District has an unrestricted net position deficit and a total net position deficit for government-wide activities in the amount of \$(25,612,706) and \$(8,373,726), respectively, as of June 30, 2023.

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, 2023:

Cash and investments	
Checking and savings accounts	\$ 5,612,835
Pooled investments (MILAF)	15,794,148
<i>Total cash and investments</i>	<u>\$ 21,406,983</u>

St. Joseph County Intermediate School District

Notes to the Financial Statements

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, \$6,005,853 of the School District's bank balance of \$6,255,853 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 \$15,794,148 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.

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).

St. Joseph County Intermediate School District

Notes to the Financial Statements

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.

The School District had \$15,794,148, invested with the Michigan Liquid Asset Fund, of level 2 recurring fair value measurements as of June 30, 2023.

Note 4 - Interfund Receivables, Payables, and Transfers

The following schedule summarizes the operating transfer during the year ended June 30, 2023:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
General	Career technical education	\$ 150,000
General	Special education	121,363
Nonmajor governmental funds	General	81,563
Nonmajor governmental funds	Career technical education	50,000
Nonmajor governmental funds	Special education	244,690
Nonmajor governmental funds	Career technical education	-

The special education fund transferred \$121,363 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 \$244,690 to the information services fund, and the general fund transferred \$81,563 to the information services fund, which represents reimbursement to the information services fund for technical services provided to the special education and general funds. The CTE fund transferred \$150,000 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 \$2,657,690.

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 45.3% of the total revenues to the School District during the June 30, 2023 fiscal year.

St. Joseph County Intermediate School District

Notes to the Financial Statements

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	\$ 6,988,186	\$ 109,702	\$ -	\$ 7,097,888
Buses and other vehicles	1,540,992	130,933	-	1,671,925
Furniture and equipment	2,986,882	12,991	-	2,999,873
Intangible right to use lease - land	300,000	-	-	300,000
Subtotal	<u>11,816,060</u>	<u>253,626</u>	<u>-</u>	<u>12,069,686</u>
Less accumulated depreciation/amortization:				
Buildings and improvements	(3,172,622)	(168,503)	-	(3,341,125)
Buses and other vehicles	(1,061,474)	(124,472)	-	(1,185,946)
Furniture and equipment	(2,212,415)	(259,575)	-	(2,471,990)
Intangible right to use lease - land	(30,000)	(30,000)	-	(60,000)
Subtotal	<u>(6,476,511)</u>	<u>(582,550)</u>	<u>-</u>	<u>(7,059,061)</u>
Capital assets, net	<u>\$ 5,339,549</u>	<u>\$ (328,924)</u>	<u>\$ -</u>	<u>\$ 5,010,625</u>

Depreciation and amortization expense for the fiscal year amounted to \$582,550. The School District determined that it was impractical to allocate depreciation expense to the various government activities as the capital assets serve multiple functions.

The land lease amortization is presented as amortization expense on the statement of activities related to the School District's intangible asset of land, which is included in the above table as intangible right to use lease – land. With the implementation of Governmental Accounting Standards Board Statement No. 87 *Leases*, a lease meeting the criteria of this Statement requires the lessee to recognize a lease liability and an intangible right to use asset.

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. 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

\$ 2,510,000

St. Joseph County Intermediate School District

Notes to the Financial Statements

Long-term obligation activity can be summarized as follows:

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Energy conservation improvement bonds, series 2013	\$ 2,710,000	\$ -	\$ (200,000)	\$ 2,510,000	\$ 210,000
2020 lease payable	270,000	-	(30,000)	240,000	30,000
Compensated Absences	136,106	30,296	-	166,402	13,312
<i>Total Governmental Activities</i>	<u>\$ 3,116,106</u>	<u>\$ 30,296</u>	<u>\$ (230,000)</u>	<u>\$ 2,916,402</u>	<u>\$ 253,312</u>

Annual bonds debt service requirements, for long-term debt outstanding as of June 30, 2023 follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 210,000	\$ 67,461	\$ 277,461
2025	215,000	62,891	277,891
2026	225,000	57,713	282,713
2027	235,000	51,669	286,669
2028	245,000	45,069	290,069
2029 - 2033	1,380,000	107,970	1,487,970
Totals:	<u>\$ 2,510,000</u>	<u>\$ 392,773</u>	<u>\$ 2,902,773</u>

Compensated absences are generally liquidated by the general fund.

2020 Lease Payable

\$300,000 has been recorded as an intangible right to use lease. Due to the implementation of GASB Statement No. 87, *Leases*, this lease for land met the criteria for a lease; thus, requiring it to be recorded by the School District. This asset will be amortized over the lease term of ten years since it is shorter than the useful life and the School District is not taking ownership of the land. There are no residual value guarantees in the lease provisions. The lease will end in June 2031. A summary of the principal and interest amounts for the remaining lease is as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 30,000	\$ 912	\$ 30,912
2025	30,000	1,368	31,368
2026	30,000	1,836	31,836
2027	30,000	2,316	32,316
2028	30,000	2,808	32,808
2029 - 2031	90,000	11,388	101,388
Totals:	<u>\$ 240,000</u>	<u>\$ 20,628</u>	<u>\$ 260,628</u>

St. Joseph County Intermediate School District

Notes to the Financial Statements

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.

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.

St. Joseph County Intermediate School District

Notes to the Financial Statements

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, 2021, valuation will be amortized over a 17-year period beginning Oct. 1, 2021 and ending Sept. 30, 2038.

The schedule below summarizes pension contribution rates in effect for fiscal year ended Sept. 30, 2022:

<u>Benefit Structure</u>	<u>Member</u>	<u>Non-Universities</u>
Basic	0.0 - 4.0%	20.14%
Member investment plan	3.0 - 7.0%	20.14%
Pension plus	3.0 - 6.4%	17.22%
Pension plus 2	6.2%	19.93%
Defined contribution	0.0%	13.73%

Required contributions to the pension plan from the School were \$3,518,374 for the year ended Sept. 30, 2022.

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

At June 30, 2023, the School reported a liability of \$38,877,085 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of Sept. 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2020. 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, 2022, the School's proportion was .10337 percent, which was an increase of .00279 percent from its proportion measured as of Sept. 30, 2021.

St. Joseph County Intermediate School District

Notes to the Financial Statements

For the year ending June 30, 2023, the School recognized pension expense of \$5,804,288. At June 30, 2023, 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	\$ 388,907	\$ 86,925
Changes of assumptions	6,680,476	-
Net difference between projected and actual earnings on pension plan investments	91,167	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,973,180	22,992
Employer contributions subsequent to the measurement date	4,367,862	-
Total	\$ 13,501,592	\$ 109,917

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, 2024. Other 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:
2023	\$ 2,908,602
2024	2,166,657
2025	1,642,043
2026	2,306,511

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.

St. Joseph County Intermediate School District

Notes to the Financial Statements

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions

Valuation Date:	September 30, 2021
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:	RP-2014 Male and Female Healthy Annuitant Mortality Tables, scaled by 82% for males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006.
Active Members:	RP-2014 Male and Female Employee Annuitant Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.

Notes:

Assumption changes as a result of an experience study for the period 2012 through 2017 have been adopted by the System for use in the annual pension valuations beginning with the Sept. 30, 2018 valuation. The total pension liability as of Sept. 30, 2022, is based on the results of an actuarial valuation date of Sept. 30, 2021, 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: 4.3922 for non-university employers.

Recognition period for assets in years is 5.0000.

Full actuarial assumptions are available in the 2022 MPSERS Annual Comprehensive Financial Report found on the ORS website at [Michigan.gov/ORSSchools](https://www.michigan.gov/ORSSchools).

St. Joseph County Intermediate School District

Notes to the Financial Statements

Long-term Expected Return on Plan Assets

The long-term expected rate of return on pension plan investments was determined using a buildingblock method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of Sept. 30, 2022, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return*</u>
Domestic equity pools	25.0%	5.1%
Private equity pools	16.0	8.7
International equity pools	15.0	6.7
Fixed income pools	13.0	(0.2)
Real estate and infrastructure pools	10.0	5.3
Absolute return pools	9.0	2.7
Real return/opportunistic pools	10.0	5.8
Short-term investment pools	2.0	(0.5)
Total	100.0%	

*Long-term rates of return are net of administrative expenses and 2.2% inflation.

Rate of Return

For the fiscal year ended Sept. 30, 2022, the annual money-weighted rate of return on pension plan investment, net of pension plan investment expense, was (4.18)%. 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,

St. Joseph County Intermediate School District

Notes to the Financial Statements

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	1% Increase
(5.0%)	Rate	(7.0%)
\$51,303,309	\$38,877,085	\$28,617,316

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.

Note 10 - Postemployment Benefits Other Than Pensions (OPEB)

Plan Description

The Michigan Public School Employees' Retirement System (“System” or “MPERS”) 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.

St. Joseph County Intermediate School District

Notes to the Financial Statements

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 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.

St. Joseph County Intermediate School District

Notes to the Financial Statements

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, 2021, valuation will be amortized over a 17-year period beginning Oct. 1, 2021 and ending Sept. 30, 2038.

The schedule below summarizes OPEB contribution rates in effect for fiscal year ended Sept. 30, 2022:

<u>Benefit Structure</u>	<u>Member</u>	<u>Non-Universities</u>
Premium subsidy	3.00%	8.09%
Personal healthcare fund (PHF)	0.00%	7.23%

Required contributions to the OPEB plan from the School were \$779,622 for the year ended Sept. 30, 2022.

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

At June 30, 2023, the School reported a liability of \$2,167,803 for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of Sept. 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 2021. The School's proportion of the net OPEB liability was determined by dividing each employer's statutorily required OPEB contributions to the system during the measurement period by the percent of OPEB contributions required from all applicable employers during the measurement period. At Sept. 30, 2022, the School's proportion was .10234 percent, which was a decrease of .00177 percent from its proportion measured as of Oct. 1, 2021.

For the year ending June 30, 2023, the School recognized OPEB expense of negative \$(585,929). At June 30, 2023, the School reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

St. Joseph County Intermediate School District

Notes to the Financial Statements

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience	\$ -	\$ 4,245,896
Changes of assumptions	1,932,232	157,333
Net difference between projected and actual earnings on OPEB plan investments	169,431	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	625,920	91,187
Employer contributions subsequent to the measurement date	641,449	-
Total	\$ 3,369,032	\$ 4,494,416

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, 2024. 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:
2023	\$ (595,672)
2024	(577,719)
2025	(542,623)
2026	100
2027	(47,472)
Thereafter	(3,447)

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.

St. Joseph County Intermediate School District

Notes to the Financial Statements

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions

Valuation Date:	September 30, 2021
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: 7.75% Year 1 graded to 3.5% Year 15; 3.0% Year 120 Post-65: 5.25% Year 1 graded to 3.5% Year 15; 3.0% Year 120
Mortality:	
Retirees:	RP-2014 Male and Female Healthy Annuitant Mortality Tables, scaled by 82% for males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006.
Active Members:	RP-2014 Male and Female Employee Annuitant Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.
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 2012 through 2017 have been adopted by the System for use in the annual pension valuations beginning with the Sept. 30, 2018 valuation. The total OPEB liability as of Sept. 30, 2022, is based on the results of an actuarial valuation date of Sept. 30, 2021, 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: 6.2250 for non-university employers.

St. Joseph County Intermediate School District

Notes to the Financial Statements

Recognition period for assets in years is 5.0000.

Full actuarial assumptions are available in the 2022 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 buildingblock method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan's target asset allocation as of Sept. 30, 2022, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return*</u>
Domestic equity pools	25.0%	5.1%
Private equity pools	16.0	8.7
International equity pools	15.0	6.7
Fixed income pools	13.0	(0.2)
Real estate and infrastructure pools	10.0	5.3
Absolute return pools	9.0	2.7
Real return/opportunistic pools	10.0	5.8
Short-term investment pools	2.0	(0.5)
Total	100.0%	

*Long-term rates of return are net of administrative expenses and 2.2% inflation.

Rate of Return

For the fiscal year ended Sept. 30, 2022, the annual money-weighted rate of return on OPEB plan investment, net of OPEB plan investment expense, was (4.99)%. 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 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

St. Joseph County Intermediate School District

Notes to the Financial Statements

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 to changes in the discount rate

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

Other Postemployment Benefits		
1% Decrease	Current Discount	1% Increase
5.00%	Rate	7.00%
\$3,636,281	\$2,167,803	\$931,162

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

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

Other Postemployment Benefits		
1% Decrease	Current Healthcare	1% Increase
\$907,772	\$2,167,803	\$3,582,213

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan’s fiduciary net position is available in the separately issued 2022 MPSERS ACFR, available on the ORS website at Michigan.gov/ORSSchools.

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.

St. Joseph County Intermediate School District

Notes to the Financial Statements

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	\$ -	\$ -	\$ -	\$ 537,613	\$ 537,613
Special education	-	8,768,931	-	-	8,768,931
Career technical education	-	-	5,671,811	-	5,671,811
<i>Subtotal</i>	<u>-</u>	<u>8,768,931</u>	<u>5,671,811</u>	<u>537,613</u>	<u>14,978,355</u>
Committed					
Student activities	-	-	-	110,613	110,613
Capital improvements	463,765	-	-	-	463,765
<i>Subtotal</i>	<u>463,765</u>	<u>-</u>	<u>-</u>	<u>110,613</u>	<u>574,378</u>
Unassigned	<u>2,769,526</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,769,526</u>
Total fund balances - governmental funds	<u>\$ 3,233,291</u>	<u>\$ 8,768,931</u>	<u>\$ 5,671,811</u>	<u>\$ 648,226</u>	<u>\$ 18,322,259</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 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, 2023, the School District's property tax revenues were reduced by \$74,732 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.

St. Joseph County Intermediate School District

Notes to the Financial Statements

Note 15 - Subsequent Events

Management has reviewed subsequent events through October 17, 2023 , 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.

Required Supplementary Information

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

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
School District's Portion of Net Pension Liability (%)	0.10337%	0.10058%	0.09496%	0.09179%	0.08758%	0.08496%	0.08405%	0.08336%	0.07775%
School District's Proportionate Share of Net Pension Liability	\$ 38,877,085	\$ 23,812,323	\$ 32,620,968	\$ 30,398,666	\$ 26,328,201	\$ 22,016,333	\$ 20,970,344	\$ 20,359,738	\$ 17,124,881
School District's Covered Payroll	\$ 10,138,994	\$ 9,573,080	\$ 8,804,013	\$ 8,273,766	\$ 7,779,537	\$ 7,180,767	\$ 7,466,335	\$ 7,267,554	\$ 6,894,272
School District's Proportionate Share of Net Pension Liability as a Percentage of its Covered Payroll	383.44%	248.74%	370.52%	367.41%	338.43%	306.60%	280.87%	280.15%	248.39%
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	60.77%	72.60%	59.72%	60.31%	62.36%	64.21%	63.27%	63.17%	66.20%

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

	<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>
Statutorily Required Contributions	\$ 3,518,374	\$ 3,019,986	\$ 2,609,718	\$ 2,438,510	\$ 2,384,829	\$ 1,992,725	\$ 1,887,436	\$ 1,608,047	\$ 1,207,453
Contributions in Relation to Statutorily Required Contributions	<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>	<u>1,207,453</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District's Covered Payroll	\$ 10,629,633	\$ 10,095,087	\$ 9,565,291	\$ 8,765,849	\$ 8,134,517	\$ 7,581,364	\$ 7,353,109	\$ 7,589,372	\$ 6,793,741
Contributions as a Percentage of Covered Payroll	33.10%	29.92%	27.28%	27.82%	29.32%	26.28%	25.67%	21.19%	17.77%

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

	<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 (%)	0.10235%	0.10411%	0.09817%	0.09395%	0.09098%	0.08505%
School District's Proportionate Share of Net OPEB Liability	\$ 2,167,803	\$ 1,589,173	\$ 5,259,309	\$ 6,743,427	\$ 7,232,227	\$ 7,531,235
School District's Covered Payroll	\$ 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 as a Percentage of its Covered Payroll	21.38%	16.60%	59.74%	81.50%	92.96%	104.88%
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	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 Six School District Fiscal Years (Amounts determined as of June 30 of each year)**

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Statutorily Required Contributions	\$ 779,622	\$ 772,885	\$ 693,606	\$ 645,062	\$ 590,570	\$ 662,120
Contributions in Relation to Statutorily Required Contributions	<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>
School District's Covered Payroll	\$ 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	7.33%	7.66%	7.25%	7.36%	7.26%	8.73%

Combining and Individual Fund Statements and Schedules

**St. Joseph County ISD
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2023**

	<u>Special Revenue</u>		<u>Total Nonmajor Governmental Funds</u>
	<u>Information Services</u>	<u>Student Activities</u>	
ASSETS			
Cash and investments	\$ 512,176	\$ 110,613	\$ 622,789
Accounts receivable	49,296	--	49,296
Due from other governmental units	28,216	--	28,216
<i>Total Assets</i>	<u>\$ 589,688</u>	<u>\$ 110,613</u>	<u>\$ 700,301</u>
LIABILITIES			
Accounts payable	\$ 29,406	\$ --	\$ 29,406
Accrued payroll and other liabilities	22,669	--	22,669
<i>Total Liabilities</i>	<u>52,075</u>	<u>--</u>	<u>52,075</u>
FUND BALANCE			
Restricted	537,613	--	537,613
Committed	--	110,613	110,613
Unassigned	--	--	--
<i>Total Fund Balance</i>	<u>537,613</u>	<u>110,613</u>	<u>648,226</u>
<i>Total Liabilities and Fund Balance</i>	<u>\$ 589,688</u>	<u>\$ 110,613</u>	<u>\$ 700,301</u>

St. Joseph County ISD
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended June 30, 2023

	<u>Special Revenue</u>		<u>Total Nonmajor Governmental Funds</u>
	<u>Information Services</u>	<u>Student Activities</u>	
Revenues			
Local sources	\$ 10,111	\$ 87,477	\$ 97,588
State sources	146,368	--	146,368
Interdistrict sources	1,702,331	--	1,702,331
Total Revenues	<u>1,858,810</u>	<u>87,477</u>	<u>1,946,287</u>
Expenditures			
Supporting services	2,029,075	42,659	2,071,734
Total Expenditures	<u>2,029,075</u>	<u>42,659</u>	<u>2,071,734</u>
Excess of Revenues Over (Under) Expenditures	<u>(170,265)</u>	<u>44,818</u>	<u>(125,447)</u>
Other Financing Sources (Uses)			
Transfers in	376,253	--	376,253
Transfers out	--	--	--
Net Other Financing Sources (Uses)	<u>376,253</u>	<u>--</u>	<u>376,253</u>
Net Change in Fund Balance	<u>205,988</u>	<u>44,818</u>	<u>250,806</u>
<i>Fund Balance at Beginning of Period</i>	331,625	65,795	397,420
Fund Balance at End of Period	<u>\$ 537,613</u>	<u>\$ 110,613</u>	<u>\$ 648,226</u>

St. Joseph County ISD
Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
Information Services
For the Year Ended June 30, 2023

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Positive (Negative) Final to Actual
Revenues				
Local sources	\$ 46,000	\$ 46,000	\$ 10,111	\$ (35,889)
State sources	137,257	147,668	146,368	(1,300)
Interdistrict sources	1,676,092	1,676,092	1,702,331	26,239
Total Revenues	<u>1,859,349</u>	<u>1,869,760</u>	<u>1,858,810</u>	<u>(10,950)</u>
Other Financing Sources				
Transfers in	387,425	387,425	376,253	(11,172)
Total Revenues and Other Financing Sources	<u>2,246,774</u>	<u>2,257,185</u>	<u>2,235,063</u>	<u>(22,122)</u>
Expenditures				
Technology services	2,223,664	2,223,664	2,029,075	194,589
Total Expenditures	<u>2,223,664</u>	<u>2,223,664</u>	<u>2,029,075</u>	<u>194,589</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	<u>23,110</u>	<u>33,521</u>	<u>205,988</u>	<u>172,467</u>
Net Change in Fund Balance	<u>23,110</u>	<u>33,521</u>	<u>205,988</u>	<u>172,467</u>
<i>Fund Balance at Beginning of Period</i>	331,625	331,625	331,625	--
Fund Balance at End of Period	<u>\$ 354,735</u>	<u>\$ 365,146</u>	<u>\$ 537,613</u>	<u>\$ 172,467</u>

**ST. JOSEPH COUNTY
INTERMEDIATE SCHOOL DISTRICT
CENTREVILLE, MICHIGAN
SINGLE AUDIT ACT COMPLIANCE
YEAR ENDED JUNE 30, 2023**

St. Joseph County Intermediate School District
Schedule of Expenditures of Federal Awards
June 30, 2023

<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, 2022</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, 2023</i>
U.S. Department of Agriculture:								
<i>Passed through the Michigan Department of Education:</i>								
Pandemic EBT Local Costs								
COVID-19 - 2022	10.649	\$ 628	\$ -	\$ -	\$ 628	\$ -	\$ 628	\$ -
Total U.S. Department of Agriculture		628	-	-	628	-	628	-
U.S. Department of the Treasury:								
<i>Passed through the Michigan Department of Education:</i>								
31p Trails								
Project Number 232425	21.027	892,857	-	-	267,857	-	-	267,857
Total U.S. Department of the Treasury		892,857	-	-	267,857	-	-	267,857
U.S. Department of Education:								
<i>Passed through the Michigan Department of Education:</i>								
Special Education Cluster:								
Special Education Flowthrough:								
220450 2122	84.027	2,717,247	493,175	2,563,388	153,860	348,139	287,754	11,142
230450 2223	84.027	2,786,088	-	-	2,700,822	-	2,420,759	280,063
220493 General Supervision	84.027	132,000	46,949	132,000	-	46,949	-	-
230493 General Supervision	84.027	145,200	-	-	145,200	-	121,776	23,424
221280 2122 ARP Flowthrough	84.027X	575,457	262,764	262,764	252,794	249,498	233,558	32,502
Total Special Education Flowthrough		6,355,992	802,888	2,958,152	3,252,676	644,586	3,063,847	347,131
Special Education: Preschool:								
220460 2122	84.173	101,980	28,604	101,980	-	15,932	12,672	-
230460 2223	84.173	105,490	-	-	105,490	-	86,355	19,135
221285 2122 ARP Preschool	84.173X	44,862	8,707	8,707	25,128	8,356	5,081	20,398
Total Special Education: Preschool		252,332	37,311	110,687	130,618	24,288	104,108	39,533
Total Special Education Cluster		6,608,324	840,199	3,068,839	3,383,294	668,874	3,167,955	386,664
Infants and Toddlers: Early on Michigan:								
221340 2122	84.181	107,399	21,197	107,399	-	21,197	-	-
231340 2223	84.181	110,247	-	-	110,247	-	108,653	1,594
221283 2122 ARP Early On	84.181X	46,490	8,558	-	29,361	1,249	30,831	5,839
Total Infants and Toddlers: Early On Michigan		264,136	29,755	107,399	139,608	22,446	139,484	7,433
Education for Homeless Children and Youth:								
McKinney-Vento Homeless Students' Assistance								
222320 2122	84.196	84,994	34,888	34,888	-	26,226	8,662	-
232320 2223	84.196	83,024	-	-	25,762	-	19,149	6,613
Total McKinney-Vento Homeless Students Assistance		168,018	34,888	34,888	25,762	26,226	27,811	6,613
ARP Homeless I McKinney-Vento:								
COVID-19 211010 2122	84.425W	42,502	166	166	-	166	-	-
Total Passed through the Michigan Department of Education		\$ 7,976,465	\$ 905,008	\$ 3,211,292	\$ 3,817,149	\$ 717,712	\$ 3,335,878	\$ 668,567

See Notes to the Schedule of Expenditures of Federal Awards

St. Joseph County Intermediate School District
Schedule of Expenditures of Federal Awards
June 30, 2023

<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, 2022</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, 2023</i>
<i>Passed through Intermediate School District:</i>								
<i>Kalamazoo RESA:</i>								
<i>Vocational Education - Basic Grants to States:</i>								
221220 2122	84.048	\$ 154,376	\$ 43,356	\$ 154,376	\$ -	\$ 43,356	\$ -	\$ -
231220 2223	84.048	163,424	-	-	163,424	-	163,424	-
<i>Total Vocational Education</i>		317,800	43,356	154,376	163,424	43,356	163,424	-
<i>Passed through Calhoun Intermediate School District:</i>								
<i>TAG Technical Assistance Grant</i>								
S010A220022	84.010	8,906	-	-	8,906	-	8,906	-
<i>Passed through Western Michigan University:</i>								
<i>High Impact Leadership:</i>								
2022	84.423	18,345	6,900	-	-	-	6,900	-
<i>Passed directly through the U.S. Department of Education:</i>								
<i>Small, Rural School Achievement Program:</i>								
S358A221577	84.358A	31,667	-	-	31,667	-	31,667	-
Total U.S. Department of Education		7,459,698	955,264	3,365,668	3,752,661	761,068	3,546,147	400,710
U.S. Department of Health and Human Services								
<i>Passed through the Michigan Department of Education</i>								
<i>Trusted Advisors Grant</i>								
223910-3.622 2022	93.434	32,500	8,710	8,710	16,273	6,722	14,576	3,685
<i>Total Trusted Advisors Grant</i>		32,500	8,710	8,710	16,273	6,722	14,576	3,685
<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>								
05HP000145-04-03 March-Feb 2023	93.600	2,157,806	79,995	392,633	958,400	-	1,038,395	-
05HP000145-05-00 March-Feb 2024	93.600	1,826,990	-	-	482,858	-	428,897	53,961
COVID-19 05HE001081-01-02 CARES/ARP 1 & 2	93.600	154,950	2,533	-	-	-	2,533	-
<i>Total Early Head Start - Child Care Partnership / Head Start Cluster</i>		4,139,746	82,528	392,633	1,441,258	-	1,469,825	53,961
<i>Passed directly through the U.S. Department of Community Health</i>								
<i>Medicaid Outreach</i>								
2022-2023 (Medicaid Cluster)	93.778	75,430	-	-	75,430	-	75,430	-
Total U.S. Department of Health and Human Services		4,247,676	91,238	401,343	1,532,961	6,722	1,559,831	57,646
Total Federal Financial Assistance		\$ 12,600,859	\$ 1,046,502	\$ 3,767,011	\$ 5,554,107	\$ 767,790	\$ 5,106,606	\$ 726,213

See Notes to the Schedule of Expenditures of Federal Awards

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, 2023. 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 minimus 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, 2023 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 \$5,554,107 is equal to the federal expenditures reported in 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, 2023, 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 17, 2023.

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 cursive script that reads "Gabridge & Company". The signature is written in dark ink and is positioned above the printed name of the firm.

Gabridge & Company, PLC
Three Rivers, MI
October 17, 2023

**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, 2023. 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, 2023.

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 cursive script that reads "Gabridge & Company". The signature is written in dark ink and is positioned above the printed name of the firm.

Gabridge & Company, PLC
Three Rivers, MI
October 17, 2023

**St. Joseph County Intermediate School District
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2023**

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
Head Start	93.600
Dollar threshold used to distinguish between Type A and B programs?	\$750,000
Auditee qualified as a low-risk auditee?	No

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 17, 2023

To the Board of Education
St. Joseph County Intermediate School District
Centerville, 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, 2023. 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 April 24, 2023. 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. There were no new accounting policies adopted and the application of existing policies was not changed during the fiscal year ended June 30, 2023. We noted no 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.
- 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 17, 2023.

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 17, 2023.

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,



Gabridge & Company, PLC
Three Rivers, MI