

Stockbridge Community Schools

Financial Statements

June 30, 2025



YEO & YEO

**BUSINESS SUCCESS
PARTNERS**

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Stockbridge Community Schools
Members of the Board of Education and Administration
June 30, 2025

Members of the Board of Education

Carrie Graham – President

Erin Gancer – Vice President

Keven Numinen – Secretary

Cindy Lance – Treasurer

Kary Gee – Trustee

Jill Ogden – Trustee

Richard Ramalia III – Trustee

Administration

Brian Friddle – Superintendent

Teresa Zigman – Interim Business Manager

Independent Auditors' Report

Management and the Board of Education
Stockbridge Community Schools
Stockbridge, 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 Stockbridge Community Schools, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise Stockbridge Community Schools' basic financial statements as listed in the table of contents.

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

Basis for Opinions

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

Adoption of New Accounting Standard

As discussed in Note 14 to the financial statements, during the year ended June 30, 2025, Stockbridge Community Schools adopted new accounting guidance, GASB Statement No. 101, *Compensated Absences*. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditors' 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 auditors' 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 Stockbridge Community Schools' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Stockbridge Community Schools' ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of the school district's proportionate share of the net pension liability, and schedule of the school district's pension contributions, schedule of the school district's proportionate share of the net OPEB liability (asset), and schedule of the school district's OPEB contributions identified 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.

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Stockbridge Community Schools' basic financial statements. The other supplementary information, as identified in the table of contents, is presented for the purpose of additional analysis and is 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 other supplementary information, as identified in the table of contents, 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 other supplementary information, as identified in the table of contents, is 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 20, 2025 on our consideration of Stockbridge Community Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Stockbridge Community Schools' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Stockbridge Community Schools' internal control over financial reporting and compliance.

Yeo & Yeo, P.C.

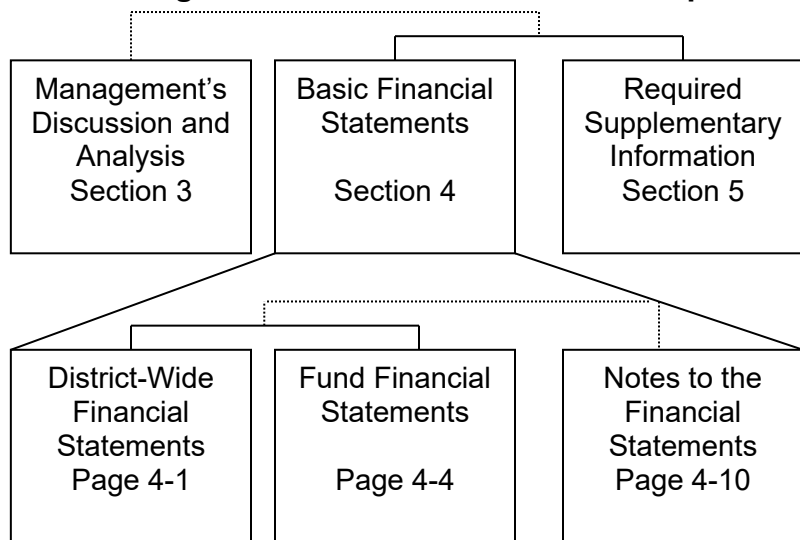
Lansing, Michigan
October 20, 2025

MANAGEMENT'S DISCUSSION AND ANALYSIS

**Stockbridge Community Schools
Management's Discussion and Analysis
June 30, 2025**

This financial report is presented in the format required by the Governmental Accounting Standards Board (GASB). The overall organization of this report is shown in Figure A-1.

**Figure A-1
Stockbridge Community Schools
Organization of Annual Financial Report**



District-Wide Financial Statements

One of the most important questions asked about the District is, “As a whole, what is the District’s financial condition as a result of the year’s activities?” The statement of net position and the statement of activities, which appear first in the District’s financial statements, report information on the District as a whole and its activities in a way that helps you answer this question. We prepare these statements to include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year’s revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report the District’s net position - the difference between

assets and deferred outflows of resources and liabilities and deferred inflows of resources, as reported in the statement of net position - as one way to measure the District’s financial health or financial position. Over time, increases or decreases in the District’s net position - as reported in the statement of activities - are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the District’s operating results. However, the District’s goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other nonfinancial factors, such as the quality of the education provided and the safety of the schools, to assess the overall health of the District.

The statement of net position and the statement of activities report the governmental activities for the District, which encompass all of the District’s services, including instruction, support services, community services, athletics, and food services. Property taxes, unrestricted state aid (foundation allowance revenue), and state and federal grants finance most of these activities.

Fund Financial Statements

The District’s fund financial statements provide detailed information about the most significant funds - not the District as a whole. Some funds are required to be established by state law and by bond covenants. However, the District establishes many other funds to help it control and manage money for particular purposes (the Food Services is an example) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money (such as bond-funded construction funds used for voter-approved capital projects).

**Stockbridge Community Schools
Management's Discussion and Analysis
June 30, 2025**

The governmental funds of the District use the following accounting approach:

Governmental funds - All of the District's services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year end that are available for spending. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the District and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. We describe the relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds in a reconciliation.

Financial Analysis of the District as a Whole

Recall that the statement of net position provides the perspective of the District as a whole. The below table provides a summary of the District's net position as of June 30, 2025 and 2024:

| | Governmental Activities Year Ended June 30, 2025 | Governmental Activities Year Ended June 30, 2024 |
|---|---|---|
| Assets and Deferred Outflows | | |
| Current assets | \$ 12,765,246 | \$ 10,194,307 |
| Capital assets | 44,428,061 | 44,112,366 |
| Less: accumulated depreciation | (21,834,105) | (20,157,873) |
| Capital assets, net book value | 22,593,956 | 23,954,493 |
| Net OPEB asset | 3,201,325 | 439,095 |
| Deferred outflows of resources | 6,362,636 | 9,340,007 |
| Total assets and deferred outflows | <u>44,923,163</u> | <u>43,927,902</u> |
| Liabilities and Deferred Inflows | | |
| Current liabilities | 7,036,275 | 3,809,260 |
| Long-term liabilities | 36,649,798 | 43,993,617 |
| Deferred inflows of resources | 10,404,706 | 7,518,287 |
| Total liabilities and deferred inflows | <u>54,090,779</u> | <u>55,321,164</u> |
| Net Position | | |
| Net investment in capital assets | 5,104,719 | 5,050,086 |
| Restricted | 4,363,835 | 1,049,389 |
| Unrestricted | (18,636,170) | (17,492,737) |
| Total net position | <u>\$ (9,167,616)</u> | <u>\$ (11,393,262)</u> |

The above analysis focuses on the net position. The change in net position of the District's governmental activities is discussed below. By far the most significant portion of the District's net position is the negative unrestricted portion related to pensions and other postemployment benefits. Net investment in capital assets totaling \$5,104,719 and \$5,050,086 at June 30, 2025 and 2024, respectively, compares the original cost, less depreciation of the District's capital assets to long-term debt used to finance the acquisition of those assets. Most of the debt will be repaid from voter-approved property taxes collected as the debt service comes due. Restricted net position is reported separately to show legal constraints from debt covenants and

**Stockbridge Community Schools
Management's Discussion and Analysis
June 30, 2025**

enabling legislation that limit the District's ability to use those net position for day-to-day operations. Restricted net position was \$4,363,835 and \$1,049,389 at June 30, 2025 and 2024, respectively. The remaining amount of net position, (\$18,636,170) and (\$17,492,737) at June 30, 2025 and 2024, respectively, was unrestricted.

The (\$18,636,170) in unrestricted net position of governmental activities represents the accumulated results of all past years' operations. The operating results of the General Fund will have a significant impact on the change in unrestricted net position from year to year.

The results of this year's operations for the District as a whole are reported in the statement of activities, which shows the changes in net position for fiscal years 2025 and 2024.

| | Governmental Activities Year Ended June 30, 2025 | Governmental Activities Year Ended June 30, 2024 |
|------------------------------------|---|---|
| Revenues | | |
| Program revenues | | |
| Charges for services | \$ 444,671 | \$ 489,221 |
| Operating grants and contributions | 6,122,631 | 6,423,763 |
| General revenues | | |
| Property taxes | 6,766,826 | 6,406,668 |
| State aid - unrestricted | 5,899,269 | 7,145,257 |
| Other | 871,789 | 851,108 |
| Total revenues | 20,105,186 | 21,316,017 |
| Expenses | | |
| Instruction | 8,907,157 | 9,933,436 |
| Support services | 6,369,511 | 7,080,629 |
| Food services | 661,515 | 742,621 |
| Community services | 331,181 | 629,786 |
| Athletics | 369,421 | 348,840 |
| Other transactions | 679,712 | 716,645 |
| Total expenses | 17,318,498 | 19,451,957 |
| Change in net position | \$ 2,786,688 | \$ 1,864,060 |

As reported in the statement of activities, the cost of all of our governmental activities this year was \$17,318,498. Certain activities were partially funded from those who benefited from the programs (\$444,671) or by other governments and organizations that subsidized certain programs with grants and contributions (\$6,122,631). We paid for the remaining "public benefit" portion of our governmental activities with \$6,766,826 in taxes, \$5,899,269 in state foundation allowance, and with our other revenues, i.e., interest and general entitlements.

The District experienced an increase in net position of \$2,786,688. Key reasons for the change in net position in 2024-2025 included, increase in property tax revenue, and reduction of grant expenditures for the District.

As discussed above, the net cost shows the financial burden that was placed on the State and the District's taxpayers by each of these functions. Since property taxes for operations and unrestricted state aid constitute the vast majority of district operating revenue sources, the Board of Education and administration must annually evaluate the needs of the District and balance those needs with state-prescribed available unrestricted resources.

The School District's Funds

As we noted earlier, the District uses funds to help it control and manage money for particular purposes. Looking at funds helps the reader consider whether the District is being accountable for the resources taxpayers and others provide to it and may provide more insight into the District's overall financial health.

As the District completed this year, the governmental funds reported a combined fund balance of \$5,856,822, which is a decrease of \$661,991 from last year. The primary reasons for the change are as follows:

- In the General Fund, our principal operating fund, the fund balance decreased from \$5,181,088 to \$4,354,379. The change is due mainly to a flat foundation allowance for the 2024-25

**Stockbridge Community Schools
Management's Discussion and Analysis
June 30, 2025**

year, a downward adjustment of federal and ISD revenues, wage increases throughout the district and scheduled one-time purchases. The General Fund balance is available to fund costs related to allowable school operating purposes.

- The Debt Service Funds for the 24-25 year showed a fund balance increase of \$36,856. Fund balance changes occurred due to millage rates levied, anticipated Michigan Tax Tribunal and Board of Review adjustments and scheduled principal and interest payments. Millage rates remained at \$3.30 per \$1,000 of taxable value (spread across three debt issues) as established by millage approved by local voters. Millage rates are determined annually by the Districts financial consultants to ensure that the District accumulates sufficient resources to pay annual bond issue-related debt service. Although taxable values increased for 2024, millage rates for all Debt Service Funds remained the same for the year. Debt Service Funds fund balances are restricted since they can only be used to pay debt service obligations.

General Fund Budgetary Highlights

Over the course of the year, the District revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. A final amendment to the budget was not adopted in the current year. A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided in required supplemental information of these financial statements.

There were no revisions made to the 2024-2025 General Fund original budget.

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2025, the District had \$22,593,956 invested in a broad range of capital assets, including land, construction in progress, buildings, vehicles, furniture, equipment, and right to use assets. This amount represents a net decrease (including additions and depreciation) of \$1,360,537, or 5.68 percent, from last year.

| | <u>June 30, 2025</u> | <u>June 30, 2024</u> |
|--------------------------------|----------------------|----------------------|
| Assets | | |
| Land | \$ 380,120 | \$ 380,120 |
| Buildings and improvements | 39,441,484 | 39,392,695 |
| Buses and other vehicles | 1,487,978 | 1,413,505 |
| Furniture and equipment | 2,867,801 | 2,736,018 |
| Right to use assets | <u>250,678</u> | <u>190,028</u> |
| Subtotal | 44,428,061 | 44,112,366 |
| Less: accumulated depreciation | <u>(21,834,105)</u> | <u>(20,157,873)</u> |
| | <u>\$ 22,593,956</u> | <u>\$ 23,954,493</u> |

This year's additions of \$365,633 pertained to building infrastructure updates, technology purchases and the GASB 96 requirement to capitalize various agreements as "Right to Use" assets.

We present more detailed information about our capital assets in the notes to the financial statements.

Debt

At the end of this year, the District had \$18,109,726 in debt outstanding versus \$19,663,254 in the previous year - a change of 7.90 percent.

**Stockbridge Community Schools
Management’s Discussion and Analysis
June 30, 2025**

Debt consisted of the following:

| | June 30, 2025 | June 30, 2024 |
|------------------------------|----------------------|----------------------|
| 2015 Refunding Bonds | \$ 880,000 | \$ 1,770,000 |
| 2016 Building and Site Bonds | 15,155,000 | 15,290,000 |
| 2020 Building and Site Bonds | - | 220,000 |
| Premium on Bonds | 1,452,820 | 1,610,901 |
| Compensated Absences | 599,537 | 716,943 |
| Leases | 22,369 | 35,458 |
| Subscriptions | - | 19,952 |
| | <u>\$ 18,109,726</u> | <u>\$ 19,663,254</u> |

The State limits the amount of general obligation debt that schools can issue to 15 percent of the assessed value of all taxable property within the District’s boundaries. If the District issues “qualified debt”, i.e., debt backed by the State of Michigan, such obligations are not subject to this debt limit. The District’s outstanding unqualified general obligation debt of \$16,035,000 is significantly below the statutorily imposed limit.

Other obligations include accrued vacation pay and sick leave. We present more detailed information about our long-term liabilities in the notes to the financial statements.

Economic Factors and Next Year’s Budgets and Rates

Our elected officials and administration consider many factors when adopting the District’s 2025-26 fiscal year budget. The main factors include student count, state foundation revenue, and the continuing presence of federal and state grant funding. In addition, the economic climate of the state and the federal government are also taken into consideration.

The state foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The blended count for fiscal year 2026 will be 90 percent of the October 2025 student counts and 10 percent of the February 2025 student counts, respectively. The 2025-26 budget was adopted in June 2025, based on

an estimate of students who will be enrolled in September 2025. We anticipate that the fall student count will be similar to the student count in place during the 2024-25 school year.

Approximately 63 percent of total General Fund revenue is from State foundation allowance (per pupil) funding alone. A larger share, estimated at 92 percent of total General Fund revenue, is from all State funding (foundation and categorical funding). Under state law, the District cannot assess additional property tax revenue for general operations. Accordingly, when there are downward adjustments to State funding, the impact on the District can be significant.

Since the District’s revenue is heavily dependent on state funding and the health of the State’s School Aid Fund, the actual revenue received depends on the State’s ability to collect revenues to fund its appropriation to school districts. The State periodically holds a revenue estimating conference to estimate revenues. Based on the results of the most recent conference, we believe that the estimated State funding will increase for the 2025-26 school year, although the determination as to the amount is still unknown. When developing the budget, the district assumed an overall \$200/pupil increase when considering the foundation and categorical revenues that the District receives.

As of the time of the issuance of this report, the State has not settled on a budget. Accordingly, the District is operating under the estimates put forth in the preliminary budget adopted in June 2025. Once the final student count and related per pupil funding is validated, state law requires the District to amend the budget if actual district resources are not sufficient to fund original appropriations.

The District strives to be proactive as we plan for future academic and facility expenditures. In light of this, in the Fall of 2025, the District will ask the community to support a bond issue that will be used to address ongoing updates to our facilities and grounds, including technology used within our buildings. As improvements are made, we are able to reduce the amount of ongoing maintenance required to keep the District operational which allows us to keep State and Federal funding

**Stockbridge Community Schools
Management's Discussion and Analysis
June 30, 2025**

focused on student achievement. In addition, we will be able to continue to provide a safe and supportive environment for our students to learn.

Requests for Information

This financial report is designed to give a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. Questions concerning this report or requests for additional information should be addressed to the Superintendent and Business Manager, Stockbridge Community Schools, 100 Price Avenue, Stockbridge, Michigan, 49285; telephone number 517-851-7188.

BASIC FINANCIAL STATEMENTS

Stockbridge Community Schools
Statement of Net Position
June 30, 2025

| | <u>Governmental Activities</u> |
|---|------------------------------------|
| Assets | |
| Cash | \$ 10,711,806 |
| Accounts receivable | 25,733 |
| Due from other governmental units | 1,876,910 |
| Inventory | 13,692 |
| Prepaid items | 137,105 |
| Capital assets not being depreciated | 380,120 |
| Capital assets - net of accumulated depreciation | 22,213,836 |
| Net OPEB asset | <u>3,201,325</u> |
| Total assets | <u>38,560,527</u> |
| Deferred Outflows of Resources | |
| Deferred amount on debt refunding | 20,952 |
| Deferred amount relating to the net pension liability | 5,460,565 |
| Deferred amount relating to the net OPEB asset | <u>881,119</u> |
| Total deferred outflows of resources | <u>6,362,636</u> |

See Accompanying Notes to the Financial Statements

Stockbridge Community Schools
Statement of Net Position
June 30, 2025

| | <u>Governmental Activities</u> |
|---|------------------------------------|
| Liabilities | |
| Accounts payable | 132,809 |
| Payroll deductions and withholdings | 349,580 |
| Accrued expenditures | 650,305 |
| Accrued salaries payable | 896,620 |
| Unearned revenue | 5,006,961 |
| Long-term liabilities | |
| Net pension liability | 18,540,072 |
| Due within one year | 1,450,245 |
| Due in more than one year | <u>16,659,481</u> |
| Total liabilities | <u>43,686,073</u> |
| Deferred Inflows of Resources | |
| Deferred amount relating to the net pension liability | 6,249,753 |
| Deferred amount relating to the net OPEB asset | <u>4,154,953</u> |
| Total deferred inflows of resources | <u>10,404,706</u> |
| Net Position | |
| Net investment in capital assets | 5,104,719 |
| Restricted for: | |
| Food service | 363,940 |
| Debt service | 798,570 |
| Net OPEB asset | 3,201,325 |
| Unrestricted | <u>(18,636,170)</u> |
| Total net position | <u><u>\$ (9,167,616)</u></u> |

See Accompanying Notes to the Financial Statements

Stockbridge Community Schools
Statement of Activities
For the Year Ended June 30, 2025

| | Program Revenues | | | | Net (Expense) Revenue and Changes in Net Position |
|--|------------------|-------------------------|--|--|--|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | |
| Functions/Programs | | | | | |
| Governmental activities | | | | | |
| Instruction | \$ 8,907,157 | \$ 303,206 | \$ 3,585,422 | \$ - | \$ (5,018,529) |
| Supporting services | 6,369,511 | 58,247 | 1,662,263 | - | (4,649,001) |
| Food services | 661,515 | 29,852 | 794,259 | - | 162,596 |
| Community services | 331,181 | 2 | 80,687 | - | (250,492) |
| Athletic activities | 369,421 | 53,364 | - | - | (316,057) |
| Interest and fiscal charges on long-term debt | 679,712 | - | - | - | (679,712) |
| Total governmental activities | \$ 17,318,498 | \$ 444,671 | \$ 6,122,631 | \$ - | (10,751,196) |
| General revenues | | | | | |
| Property taxes, levied for general purposes | | | | | 4,674,815 |
| Property taxes, levied for debt service | | | | | 2,092,011 |
| State aid - unrestricted | | | | | 5,899,269 |
| Special Education county allocation | | | | | 679,423 |
| Interest and investment earnings | | | | | 152,984 |
| Other | | | | | 39,382 |
| Total general revenues | | | | | 13,537,884 |
| Change in net position | | | | | 2,786,688 |
| Net position - beginning, as previously reported | | | | | (11,393,262) |
| Change in accounting principle (GASB 101) | | | | | (561,042) |
| Net position - beginning, as restated | | | | | (11,954,304) |
| Net position - ending | | | | | \$ (9,167,616) |

See Accompanying Notes to the Financial Statements

Stockbridge Community Schools
Governmental Funds
Balance Sheet
June 30, 2025

| | General Fund | Nonmajor Governmental Funds | Total Governmental Funds |
|-------------------------------------|----------------------|-----------------------------------|--------------------------------|
| Assets | | | |
| Cash | \$ 9,125,266 | \$ 1,586,540 | \$ 10,711,806 |
| Accounts receivable | 25,733 | - | 25,733 |
| Due from other funds | 106,546 | 503 | 107,049 |
| Due from other governmental units | 1,848,315 | 28,595 | 1,876,910 |
| Inventory | - | 13,692 | 13,692 |
| Prepaid items | <u>137,105</u> | <u>-</u> | <u>137,105</u> |
| Total assets | <u>\$ 11,242,965</u> | <u>\$ 1,629,330</u> | <u>\$ 12,872,295</u> |
| Liabilities | | | |
| Accounts payable | \$ 132,809 | \$ - | \$ 132,809 |
| Due to other funds | - | 107,049 | 107,049 |
| Payroll deductions and withholdings | 349,580 | - | 349,580 |
| Accrued expenditures | 516,355 | 6,099 | 522,454 |
| Accrued salaries payable | 892,267 | 4,353 | 896,620 |
| Unearned revenue | <u>4,997,575</u> | <u>9,386</u> | <u>5,006,961</u> |
| Total liabilities | <u>6,888,586</u> | <u>126,887</u> | <u>7,015,473</u> |

See Accompanying Notes to the Financial Statements

Stockbridge Community Schools
Governmental Funds
Balance Sheet
June 30, 2025

| | General Fund | Nonmajor Governmental Funds | Total Governmental Funds |
|--|--------------------------|-----------------------------------|--------------------------------|
| Fund Balances | | | |
| Non-spendable | | | |
| Inventory | - | 13,692 | 13,692 |
| Prepaid items | 137,105 | - | 137,105 |
| Restricted for | | | |
| Food service | - | 350,248 | 350,248 |
| Debt service | - | 926,421 | 926,421 |
| Committed | | | |
| Student activity | - | 212,082 | 212,082 |
| Assigned - excess expenditures over revenues in future years | 289,595 | - | 289,595 |
| Unassigned | <u>3,927,679</u> | <u>-</u> | <u>3,927,679</u> |
| Total fund balances | <u>4,354,379</u> | <u>1,502,443</u> | <u>5,856,822</u> |
| Total liabilities and fund balances | <u>\$ 11,242,965</u> | <u>\$ 1,629,330</u> | <u>\$ 12,872,295</u> |

See Accompanying Notes to the Financial Statements

Stockbridge Community Schools
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
June 30, 2025

| | |
|---|------------------------------|
| Total fund balances for governmental funds | \$ 5,856,822 |
| Total net position for governmental activities in the statement of net position is different because: | |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. | |
| Capital assets not being depreciated | 380,120 |
| Capital assets - net of accumulated depreciation | 22,213,836 |
| Net OPEB asset is not recorded as an asset in the governmental funds | 3,201,325 |
| Deferred outflows (inflows) of resources | |
| Deferred outflows of resources resulting from debt refunding | 20,952 |
| Deferred outflows of resources resulting from the net pension liability | 5,460,565 |
| Deferred outflows of resources resulting from the net OPEB asset | 881,119 |
| Deferred inflows of resources resulting from the net pension liability | (6,249,753) |
| Deferred inflows of resources resulting from the net OPEB asset | (4,154,953) |
| Certain liabilities are not due and payable in the current period and are not reported in the funds. | |
| Accrued interest | (127,851) |
| Long-term liabilities applicable to governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities. | |
| Net pension liability | (18,540,072) |
| Compensated absences | (599,537) |
| Bonds payable | (17,487,820) |
| Other loans payable and liabilities | <u>(22,369)</u> |
| Net position of governmental activities | <u>\$ (9,167,616)</u> |

See Accompanying Notes to the Financial Statements

Stockbridge Community Schools
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2025

| | General Fund | Nonmajor Governmental Funds | Total Governmental Funds |
|--|-------------------|-----------------------------------|--------------------------------|
| Revenues | | | |
| Local sources | \$ 5,236,331 | \$ 2,396,574 | \$ 7,632,905 |
| State sources | 10,439,360 | 299,917 | 10,739,277 |
| Federal sources | 511,679 | 503,238 | 1,014,917 |
| Interdistrict sources | 718,087 | - | 718,087 |
| | <u>16,905,457</u> | <u>3,199,729</u> | <u>20,105,186</u> |
| Expenditures | | | |
| Current | | | |
| Education | | | |
| Instruction | 9,811,424 | - | 9,811,424 |
| Supporting services | 6,784,617 | 211,845 | 6,996,462 |
| Food services | - | 727,993 | 727,993 |
| Community services | 398,944 | - | 398,944 |
| Athletic Activities | 437,184 | - | 437,184 |
| Capital outlay | 291,258 | 3,115 | 294,373 |
| Debt service | | | |
| Principal | 131,851 | 1,245,094 | 1,376,945 |
| Interest and other expenditures | 792 | 821,964 | 822,756 |
| | <u>17,856,070</u> | <u>3,010,011</u> | <u>20,866,081</u> |
| Excess (deficiency) of revenues over expenditures | <u>(950,613)</u> | <u>189,718</u> | <u>(760,895)</u> |

See Accompanying Notes to the Financial Statements

Stockbridge Community Schools
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2025

| | General Fund | Nonmajor Governmental Funds | Total Governmental Funds |
|---|---------------------|-----------------------------------|--------------------------------|
| Other Financing Sources (Uses) | | | |
| Proceeds from subscription arrangements | 98,904 | - | 98,904 |
| Transfers in | 25,000 | - | 25,000 |
| Transfers out | - | (25,000) | (25,000) |
| | <u>123,904</u> | <u>(25,000)</u> | <u>98,904</u> |
| Total other financing sources (uses) | | | |
| | <u>123,904</u> | <u>(25,000)</u> | <u>98,904</u> |
| Net change in fund balances | (826,709) | 164,718 | (661,991) |
| Fund balances - beginning | <u>5,181,088</u> | <u>1,337,725</u> | <u>6,518,813</u> |
| Fund balances - ending | <u>\$ 4,354,379</u> | <u>\$ 1,502,443</u> | <u>\$ 5,856,822</u> |

See Accompanying Notes to the Financial Statements

Stockbridge Community Schools
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2025

| | |
|--|----------------------------|
| Net change in fund balances - Total governmental funds | \$ (661,991) |
| Total change in net position reported for governmental activities in the statement of activities is different because: | |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. | |
| Depreciation and amortization expense | (1,726,170) |
| Capital outlay | 365,633 |
| Expenses are recorded when incurred in the statement of activities. | |
| Interest | 5,915 |
| Compensated absences | 117,406 |
| The statement of net position reports the net pension liability and deferred outflows of resources and deferred inflows related to the net pension liability and pension expense. However, the amount recorded on the governmental funds equals actual pension contributions. | |
| Net change in net pension liability | 6,351,333 |
| Net change in deferrals of resources related to the net pension liability | (4,327,648) |
| The statement of net position reports the net OPEB asset and deferred outflows of resources and deferred inflows related to the net OPEB asset and OPEB changes. However, the amount recorded on the governmental funds equals actual OPEB contributions. | |
| Net change in net OPEB asset | 2,762,230 |
| Net change in deferrals of resources related to the net OPEB asset | (1,515,190) |
| Bond and note proceeds and leases are reported as financing sources in the governmental funds and thus contribute to the change in fund balance. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are recorded as liabilities and amortized in the statement of activities. When debt refunding occurs, the difference in the carrying value of the refunding debt and the amount applied to the new debt is reported the same as regular debt proceeds or repayments, as a financing source or expenditure in the governmental funds. However, in the statement of net position, debt refunding may result in deferred inflows of resources or deferred outflows of resources, which are then amortized in the statement of activities. | |
| Debt issued | (98,904) |
| Repayments of long-term debt | 1,376,945 |
| Amortization of premiums | 158,081 |
| Amortization of deferred amount on debt refunding | (20,952) |
| Change in net position of governmental activities | <u>\$ 2,786,688</u> |

See Accompanying Notes to the Financial Statements

Stockbridge Community Schools
Notes to the Financial Statements
June 30, 2025

Note 1 - Summary of Significant Accounting Policies

The accounting policies of Stockbridge Community Schools (School District) conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the School District's significant accounting policies:

Reporting Entity

The School District is governed by an elected seven-member Board of Education. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the School District's reporting entity, and which organizations are legally separate component units of the School District. The School District has no component units.

District-wide Financial Statements

The School District's basic financial statements include both district-wide (reporting for the district as a whole) and fund financial statements (reporting the School District's major funds). The district-wide financial statements categorize all nonfiduciary activities as either governmental or business type. All of the School District's activities are classified as governmental activities.

The statement of net position presents governmental activities on a consolidated basis, using the economic resources measurement focus and accrual basis of accounting. This method recognizes all long-term assets and receivables as well as long-term debt and obligations. The School District's net position is reported in three parts (1) net investment in capital assets, (2) restricted net position, and (3) unrestricted net position.

The statement of activities reports both the gross and net cost of each of the School District's functions. The functions are also supported by general government revenues (property taxes and certain

intergovernmental revenues). The statement of activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources and federal sources, interest income, etc.). In creating the district-wide financial statements the School District has eliminated interfund transactions.

The district-wide focus is on the sustainability of the School District as an entity and the change in the School District's net position resulting from current year activities.

Fund Financial Statements

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the district-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, unrestricted state aid, intergovernmental grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

Stockbridge Community Schools
Notes to the Financial Statements
June 30, 2025

The School District reports the following major governmental funds:

General Fund - The General Fund is used to record the general operations of the School District pertaining to education and those operations not required to be provided for in other funds.

Additionally, the School District reports the following fund types:

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes. The School District's Special Revenue Funds include the Food and Nutrition Fund and Student Activity Fund.

Debt Service Funds - Debt Service Funds are used to record tax, interest, and other revenue and the payment of interest, principal, and other expenditures on long-term debt.

Assets, Liabilities and Net Position or Equity

Cash - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables - Generally, outstanding amounts owed between funds are classified as "due from/to other funds." These amounts are caused by transferring revenues and expenses between funds to get them into the proper reporting fund. These balances are paid back as cash flow permits.

All trade and property tax receivables are shown net of an allowance for uncollectible amounts. The School District considers all accounts receivable to be fully collectible; accordingly, no allowance for uncollectible amounts is recorded.

Property taxes collected are based upon the approved tax rate for the year of levy. For the fiscal year ended June 30, 2025, the rates are as follows per \$1,000 of assessed value.

| | |
|-----------------------------------|----------|
| General Fund | |
| Non-principal residence exemption | 18.00000 |
| Commercial personal property | 6.00000 |
| Debt Service Funds | 3.30000 |

School property taxes are assessed and collected in accordance with enabling state legislation by cities and townships within the School District's boundaries.

The property tax levy runs from July 1 to June 30. Property taxes become a lien on the first day of the levy year and are due on or before September 14 or February 14. Collections are forwarded to the School District as collected by the assessing municipalities. Real property taxes uncollected as of March 1 are purchased by the counties of Ingham, Jackson, Livingston, and Washtenaw and remitted to the School District by May 15.

Investments - Investments are stated at fair value. Certificates of deposit are stated at cost which approximates fair value.

Inventories and Prepaid Items - Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed, rather than when purchased.

Certain payments to vendors reflect costs applicable to future fiscal years. For such payments in governmental funds the School District follows the consumption method, and they therefore are capitalized as prepaid items in both district-wide and fund financial statements.

Capital Assets - Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their acquisition value at the date of donation. The School District defines capital assets as assets with an initial individual cost in excess

Stockbridge Community Schools
Notes to the Financial Statements
June 30, 2025

of \$5,000. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. The School District does not have infrastructure assets. Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

| | |
|-------------------------|---------------|
| Buildings and additions | 10 - 50 years |
| Equipment and furniture | 5 - 20 years |
| Vehicles | 6 - 15 years |

Deferred Outflows of Resources - A deferred outflow of resources is a consumption of net position by the government that is applicable to a future reporting period. Deferred amounts on bond refundings are included in the district-wide financials statements. The amounts represent the difference between the reacquisition price and the net carrying amount of the prior debt. For district-wide financial statements, the School District reports deferred outflows of resources as a result of pension and OPEB plan earnings. This amount is the result of a difference between what the plan expected to earn from plan investments and what is actually earned. This amount will be amortized over the next four years and included in pension and OPEB expense. Changes in assumptions relating to the net pension liability and OPEB liability (asset) are deferred and amortized over the expected remaining services lives of the employees and retirees in the plans. The School District also reported deferred outflows of resources for pension and OPEB contributions made after the measurement date. This amount will reduce the net pension liability and OPEB liability (asset) in the following year.

Compensated Absences - The School District has recorded all liabilities associated with sick and vacation days that are considered payable from future resources. These are recorded along with the related payroll taxes as a long-term liability in the district-wide financial statements.

Long-term Obligations - In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are

deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period.

In the School District's fund financial statements, the face amount of the debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts are reported as other financing uses.

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

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

Deferred Inflows of Resources - A deferred inflow of resources is an acquisition of net position by the government that is applicable to a future reporting period. For district-wide financial statements, the School District reports deferred inflows of resources as a result of pension and OPEB plan earnings. This amount is the result of a difference between what the plan expected to earn from the plan

Stockbridge Community Schools
Notes to the Financial Statements
June 30, 2025

investments and what the plan actually earned. This amount will be amortized over the next four years and included in pension and OPEB expense. Changes in assumptions relating to the net pension liability and OPEB liability (asset) are deferred and amortized over the expected remaining services lives of the employees and retirees in the plans. Deferred inflows of resources also includes revenue received relating to the amounts included in the deferred outflows for payments related to MPERS Unfunded Actuarial Accrued Liabilities (UAAL) Stabilization defined benefit pension statutorily required contributions.

Fund Balance - In the fund financial statements, governmental funds report fund balances in the following categories:

Non-spendable - amounts that are not available in a spendable form.

Restricted - amounts that are legally imposed or otherwise required by external parties to be used for a specific purpose.

Committed - amounts that have been formally set aside by the Board of Education for specific purposes. A fund balance commitment may be established, modified, or rescinded by a resolution of the Board of Education.

Assigned - amounts intended to be used for specific purposes, as determined by the Board of Education. The Board of Education has granted the budget or finance committee or a delegated municipality official the authority to assign funds. Residual amounts in governmental funds other than the General Fund are automatically assigned by their nature.

Unassigned - all other resources; the remaining fund balances after non-spendable, restrictions, commitments, and assignments.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the School District's policy is to consider restricted funds spent first.

When an expenditure is incurred for purposes for which committed, assigned, or unassigned amounts could be used, the School District's policy is to consider the funds to be spent in the following order: (1) committed, (2) assigned, (3) unassigned.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities, as well as deferred inflows and deferred outflows of resources at the date of the financial statements and the reported amounts of revenue and expenditures during the reporting period. Actual results could differ from those estimates.

Eliminations and Reclassifications

In the process of aggregating data for the statement of net position and the statement of activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities within the governmental activities column.

Adoption of New Accounting Standards

Statement No. 101, *Compensated Absences*, updates the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures.

Upcoming Accounting and Reporting Changes

Statement No. 103, *Financial Reporting Model Improvements*, improves key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing an organization's accountability while also addressing certain application issues. This statement includes changes to management's discussion and analysis, unusual or infrequent items, presentation of the proprietary fund statements of revenues, expenses, and changes in fund net position, major component unit information,

Stockbridge Community Schools
Notes to the Financial Statements
June 30, 2025

and budgetary comparison information. This statement is effective for the year ending June 30, 2026.

Statement No. 104, *Disclosure of Certain Capital Assets*, requires certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement 34. Lease assets recognized in accordance with Statement No. 87, *Leases*, and intangible right-to-use assets recognized in accordance with Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, should be disclosed separately by major class of underlying asset in the capital as-sets note disclosures. Subscription assets recognized in accordance with Statement No. 96, *Subscription-Based Information Technology Arrangements*, also should be separately disclosed. In addition, this Statement requires intangible assets other than those three types to be disclosed separately by major class. This Statement also requires additional disclosures for capital assets held for sale. This statement is effective for the year ending June 30, 2026.

The School District is evaluating the impact that the above GASBs will have on its financial reporting.

Note 2 - Stewardship, Compliance, and Accountability

Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America and state law for the General and Special Revenue Funds. All annual appropriations lapse at fiscal year end, thereby canceling all encumbrances. These appropriations are reestablished at the beginning of the year.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body is the function level. State law requires the School District to have its budget in place by July 1. A district is not considered in violation of the law if reasonable procedures are in use by the School District to detect violations.

The Superintendent is authorized to transfer budgeted amounts between functions within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Board of Education.

Budgeted amounts are as originally adopted or as amended by the Board of Education throughout the year. Individual amendments were not material in relation to the original appropriations.

Excess of Expenditures over Appropriations

During the year, the School District incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated, as follows:

| Function | Final Budget | Amount of Expenditures | Budget Variances |
|-----------------------|-----------------|---------------------------|---------------------|
| General Fund | | | |
| Added needs | \$ 1,517,013 | \$ 1,712,752 | \$ 195,739 |
| School administration | 999,779 | 1,071,328 | 71,549 |
| Central | 33,820 | 42,601 | 8,781 |
| Athletic activities | 429,935 | 437,184 | 7,249 |
| Debt service | - | 132,643 | 132,643 |

Note 3 - Deposits and Investments

The School District's deposits and investments were reported in the basic financial statements in the following categories:

| | Governmental Activities |
|------|----------------------------|
| Cash | <u>\$ 10,711,806</u> |

Stockbridge Community Schools
Notes to the Financial Statements
June 30, 2025

The breakdown between deposits and investments for the School District is as follows:

| | | |
|--|--------|-----------------------|
| Deposits (checking, savings accounts, money markets, certificates of deposit) | \$ | 4,873,945 |
| Investments in securities, mutual funds, and similar vehicles | | 5,836,556 |
| Petty cash and cash on hand | | 1,305 |
| Total | \$ | <u>10,711,806</u> |

As of year end, the School District had the following investments:

| Investment | Carrying Value | Maturities | Rating | Organization |
|-------------------------------------|-------------------------|---------------------|--------|----------------------|
| External investment pools: | | | | |
| Michigan Liquid Asset Fund (MILAF): | | | | |
| MILAF + Portfolio | | | | |
| Cash Management Class | \$ 3 | 6 months average | AAAm | Standard & Poor's |
| MAX Class | <u>5,836,553</u> | 6 months average | AAAm | Standard & Poor's |
| | <u>\$ 5,836,556</u> | | | |

The valuation method for investments measured at net asset value (NAV) per share (or its equivalent) is discussed below.

As of June 30, 2025, the net asset value of the School District's investment in MILAF + Portfolio was \$5,836,556. Participation in the investment pool has not resulted in any unfunded commitments. Shares are available to be redeemed upon proper notice without restrictions under normal operating conditions. There are no limits to the number of redemptions that can be made provided the District has sufficient shares to meet the redemption request. In the event of an emergency that would make the determination of net asset value not reasonably practical, the Trust's Board of Trustees may suspend the right of withdrawal or postpone the date of payment. The net asset

value ("NAV") per share of the MILAF+ Portfolio is calculated as of the close of business each business day by dividing the net position of that Portfolio by the number of its outstanding shares. It is the MILAF+ Portfolio's objective to maintain a NAV of \$1.00 per share, however, there is no assurance that this objective will be achieved. The exact price for share transactions will be determined based on the NAV next calculated after receipt of a properly executed order. The number of shares purchased or redeemed will be determined by the NAV.

Interest rate risk - The School District does not have a formal investment policy to manage its exposure to fair value losses arising from changes in interest rates.

Credit risk - State statutes and the School District's investment policy authorize the School District to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have an office in Michigan; the School District is allowed to invest in U.S. Treasury or Agency obligations, U.S. government repurchase agreements, bankers' acceptances, commercial paper rated prime at the time of purchase that matures not more than 270 days after the date of purchase, mutual funds, and investment pools that are composed of authorized investment vehicles.

Concentration of credit risk - The School District has no policy that would limit the amount that may be invested with any one issuer.

Custodial credit risk - deposits - In the case of deposits, this is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk. As of year end, \$4,651,212 of the School District's bank balance of \$5,151,212 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial credit risk - investments - For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of year end, none of the School District's investments were exposed to custodial credit risk.

Stockbridge Community Schools
Notes to the Financial Statements
June 30, 2025

Note 4 - Capital Assets

A summary of the changes in governmental capital assets is as follows:

| | Beginning Balance | Increases | Decreases | Ending Balance |
|--|----------------------|-----------------------|---------------|---------------------|
| Governmental activities | | | | |
| Capital assets not being depreciated | | | | |
| Land | \$ 380,120 | \$ - | \$ - | \$ 380,120 |
| Capital assets being depreciated | | | | |
| Buildings and additions | 39,392,695 | 48,789 | - | 39,441,484 |
| Equipment and furniture | 2,736,018 | 143,467 | 11,684 | 2,867,801 |
| Buses and other vehicles | 1,413,505 | 74,473 | - | 1,487,978 |
| Right to use asset - equipment and furniture | 60,912 | - | - | 60,912 |
| Right to use asset - subscription arrangements | 129,116 | 98,904 | 38,254 | 189,766 |
| Total capital assets being depreciated | <u>43,732,246</u> | <u>365,633</u> | <u>49,938</u> | <u>44,047,941</u> |
| Less accumulated depreciation for | | | | |
| Buildings and additions | 17,173,233 | 1,307,480 | - | 18,480,713 |
| Equipment and furniture | 1,781,843 | 189,576 | 11,684 | 1,959,735 |
| Buses and other vehicles | 1,110,557 | 157,570 | - | 1,268,127 |
| Right to use asset - equipment and furniture | 26,292 | 12,657 | - | 38,949 |
| Right to use asset - subscription arrangements | 65,948 | 58,887 | 38,254 | 86,581 |
| Total accumulated depreciation | <u>20,157,873</u> | <u>1,726,170</u> | <u>49,938</u> | <u>21,834,105</u> |
| Net capital assets being depreciated | <u>23,574,373</u> | <u>(1,360,537)</u> | <u>-</u> | <u>22,213,836</u> |
| Net capital assets | <u>\$ 23,954,493</u> | <u>\$ (1,360,537)</u> | <u>\$ -</u> | <u>\$22,593,956</u> |

Depreciation expense of capital assets and amortization expense of right to use assets were charged to activities of the School District as follows:

Governmental activities

| | |
|-----------------------------------|-------------------------|
| Instruction | \$ 966,655 |
| Supporting services | 690,468 |
| Food services | <u>69,047</u> |
| Total governmental activities | <u>\$ 1,726,170</u> |

Note 5 - Interfund Receivables, Payables, and Transfers

Individual interfund receivable and payable balances at year end were:

| Payable Fund | Receivable Fund | Amount |
|-----------------------------|-----------------------------|-------------------|
| Nonmajor Governmental Funds | General Fund | \$ 106,546 |
| Nonmajor Governmental Funds | Nonmajor Governmental Funds | <u>503</u> |
| | | <u>\$ 107,049</u> |

The outstanding balances between funds result mainly from the time lag between the dates that transactions are recorded in the accounting system and payments between funds are made.

Management does not anticipate individual interfund balances to remain outstanding for periods in excess of one year.

Interfund transfers were made during the year to the General Fund from the Food and Nutrition Fund totaling \$25,000. This transfer was made to cover indirect costs applicable to the Food and Nutrition Fund that were initially borne by the General Fund.

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Note 6 - Unearned Revenue

Governmental funds report unearned revenue in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the components of unearned revenue are as follows:

| | |
|---|--------------|
| Grant and categorical aid payments received prior to meeting all eligibility requirements | \$ 4,994,487 |
| Food service deposits | 9,386 |
| Other | 3,088 |
| Total | \$ 5,006,961 |

Note 7 - Leases and SBITAs

Lease Liability

The School District has a copier lease that expires in February 2027. Monthly payments are \$1,137 at an implied interest rate of 1.88%. As of June 30, 2025, the value of the lease liability was \$22,369. The value of the right to use asset for furniture and equipment at the end of the current fiscal year was \$60,912 and had accumulated amortization of \$38,949.

Annual requirements to amortize obligations for leases and related interest are as follows:

| Year ending June 30, | Principal | Interest |
|----------------------|-----------|----------|
| 2026 | \$ 13,338 | \$ 306 |
| 2027 | 9,031 | 64 |
| Total | \$ 22,369 | \$ 370 |

Subscription Arrangements

The School District has entered into subscription-based information technology arrangements (SBITAs) involving:

- Various desktop and server software subscriptions
- Curriculum subscriptions

There are no future subscription payments under these SBITA agreements.

Note 8 - Long-Term Debt

The School District issues bonds, notes, 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. Other long-term obligations include compensated absences, leases and subscriptions. Compensated absences additions and deductions are reported net.

Long-term obligation activity is summarized as follows:

| | Beginning Balance, as Restated | Additions | Reductions | Ending Balance | Amount Due Within One Year |
|--------------------------|--------------------------------------|-----------|--------------|-------------------|----------------------------------|
| Bonds and notes payable | | | | | |
| General obligation bonds | \$ 17,280,000 | \$ - | \$ 1,245,000 | \$ 16,035,000 | \$ 1,310,000 |
| Premium on bonds | 1,610,901 | - | 158,081 | 1,452,820 | - |
| Total bonds payable | 18,890,901 | - | 1,403,081 | 17,487,820 | 1,310,000 |
| Other liabilities | | | | | |
| Leases | 35,458 | - | 13,089 | 22,369 | 13,338 |
| Subscriptions | 19,952 | 98,904 | 118,856 | - | - |
| Compensated absences | 716,943 | - | 117,406 | 599,537 | 126,907 |
| Total other liabilities | 772,353 | 98,904 | 249,351 | 621,906 | 140,245 |
| Total | \$ 19,663,254 | \$ 98,904 | \$ 1,652,432 | \$ 18,109,726 | \$ 1,450,245 |

For governmental activities, SBITAs and leases are primarily liquidated by the General Fund.

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General obligation bonds payable at year end, consist of the following:

| | |
|--|----------------------|
| \$9,250,000 2015 Refunding Bonds due in an annual installment of \$880,000 on May 1, 2026, interest at 3.00% payable semi-annually. | \$ 880,000 |
| \$16,790,000 2016 Building and Site Bonds due in annual installments of \$430,000 to \$1,675,000 through May 1, 2036, interest at 5.00% payable semi-annually. | <u>15,155,000</u> |
| Total general obligation bonded debt | <u>\$ 16,035,000</u> |

Future principal and interest requirements for bonded debt are as follows:

| Year Ending June 30, | Bonds | |
|----------------------|---------------------|---------------------|
| | Principal | Interest |
| 2026 | \$ 1,310,000 | \$ 784,150 |
| 2027 | 1,250,000 | 736,250 |
| 2028 | 1,300,000 | 673,750 |
| 2029 | 1,350,000 | 608,750 |
| 2030 | 1,400,000 | 541,250 |
| 2031-2035 | 7,750,000 | 1,606,250 |
| 2036 | <u>1,675,000</u> | <u>83,750</u> |
| Total | <u>\$16,035,000</u> | <u>\$ 5,034,150</u> |

The general obligation bonds are payable from the Debt Service Funds. As of year end, those funds had a balance of \$926,421 to pay this debt. Future debt and interest will be payable from future tax levies.

Compensated Absences

The compensated absences liability of \$599,537 at year end, has been calculated based on anticipated amounts of leave time that will either be used or paid out upon termination. The amount anticipated to be paid out over the next year is included within the amounts listed as due within one year.

Note 9 - Risk Management

The School District participates in a pool, the MASB-SEG Property and Casualty Pool with other school districts for property, fleet, liability, inland marine, equipment breakdown, builder's risk, employee dishonesty, crime, and errors and omissions. The pool is organized under Public Act 138 of 1982, as amended as a governmental group property and casualty self-insurance pool. In the event the pool's claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The District has not been informed of any special assessments being required.

The School District also participates in a pool, the SEG Self-Insurer Workers' Disability Compensation Fund, with other school districts for workers' compensation losses. The pool is organized under Public Act 317 of 1969, as amended. In the event the pool's claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The School District has not been informed of any special assessments being required.

Note 10 - Pension Plan

Postemployment Benefits Other Than Pensions (OPEB) Plan Description

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

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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 www.michigan.gov/orsschools

Benefits Provided

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

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

Contributions

Employers are required by Public Act 300 of 1980, as amended, to contribute amounts necessary to finance the coverage of active and

retired members. Contribution provisions are specified by State statute and may be amended only by action of the State Legislature.

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2023 valuation will be amortized over a 15-year period beginning October 1, 2023 and ending September 30, 2038.

The schedule below summarizes pension contribution rates in effect for plan year ended September 30, 2024.

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

Required contributions to the pension plan from the School District were \$3,166,133 for the year ending September 30, 2024.

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

At June 30, 2025, the School District reported a liability of \$18,540,072 for its proportionate share of the MPERS net pension liability. The net pension liability was measured as of September 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2023. The School District’s proportion of the net pension

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liability was determined by dividing each employer's statutorily required pension contributions to the system during the measurement period by the percent of pension contributions required from all applicable employers during the measurement period. At September 30, 2024, the School District's proportion was 0.0757 percent, which was a decrease of 0.0012 percent from its proportion measured as of September 30, 2023.

For the plan year ending September 30, 2024, the School District recognized pension expense of \$1,646,255 for the measurement period. For the reporting period ending June 30, 2025, the School District recognized total pension contribution expense of \$2,973,649.

At June 30, 2025, the School District 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 | Total |
|--|--------------------------------------|-------------------------------------|---------------------|
| Difference between expected and actual experience | \$ 503,005 | \$ (201,440) | \$ 301,565 |
| Changes of assumptions | 1,932,912 | (1,358,401) | 574,511 |
| Net difference between projected and actual earnings on pension plan investments | - | (3,538,232) | (3,538,232) |
| Changes in proportion and differences between the School District contributions and proportionate share of contributions | <u>212,171</u> | <u>(330,737)</u> | <u>(118,566)</u> |
| Total to be recognized in future | 2,648,088 | (5,428,810) | (2,780,722) |
| School District contributions subsequent to the measurement date | <u>2,812,477</u> | <u>(820,943)</u> | <u>1,991,534</u> |
| Total | <u>\$ 5,460,565</u> | <u>\$ (6,249,753)</u> | <u>\$ (789,188)</u> |

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Contributions subsequent to the measurement date reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2026. The District will offset the contribution expense in the year ended June 30, 2026 with the 147c supplemental income received subsequent to the measurement date which is included in the deferred inflows of resources. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows during the following plan years:

| Deferred (Inflow) and Deferred Outflow of Resources by Year (To Be Recognized in Future Pension Expenses) | |
|--|-----------------------|
| 2025 | \$ (533,492) |
| 2026 | 89,856 |
| 2027 | (1,377,936) |
| 2028 | <u>(959,150)</u> |
| | <u>\$ (2,780,722)</u> |

Actuarial Assumptions

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

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions:

- Valuation Date: September 30, 2023
- Actuarial Cost Method: Entry Age, Normal
- Wage inflation rate: 2.75%

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

Assumption changes as a result of an experience study for the period 2017 through 2022 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2023 valuation. The total pension liability as of September 30, 2024, is based on the results of an actuarial valuation date of September 30, 2023, and rolled forward using generally accepted actuarial procedures, including the experience study.

Recognition period for liabilities is the average of the expected remaining service lives of all employees is 4.4612 years.

Recognition period for assets is 5.0000.

Full actuarial assumptions are available in the 2024 MPSERS Annual Comprehensive Financial Report found on the ORS website at www.michigan.gov/orsschools.

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Long-Term Expected Return on Plan Assets

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2024, are summarized in the following table:

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

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

Rate of Return

For the plan year ended September 30, 2024, the annual money-weighted rate of return on pension plan investment, net of pension plan investment expense, was 15.47%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate

A discount rate of 6.00% was used to measure the total pension liability (6.00% for the Pension Plus plan, 6.00% for the Pension Plus 2, hybrid plans provided through non-university employers only). This discount rate was based on the long-term expected rate of return on pension plan investments of 6.00% (6.00% for the Pension Plus plan, 6.00% for the Pension Plus 2 plan). The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

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

| Current Single Discount Rate | | |
|-------------------------------------|---------------|---------------|
| 1% Decrease | Assumption | 1% Increase |
| 5.00% | 6.00% | 7.00% |
| \$ 27,179,945 | \$ 18,540,072 | \$ 11,345,716 |

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

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

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

There were no significant payables to the pension plan that are not ordinary accruals to the School District.

Note 11 - Postemployment Benefits Other Than Pensions (OPEB) Plan Description

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

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

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

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

Benefits Provided

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

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

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

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expenses in retirement. Participants in the PHF are automatically enrolled in a 2% employee contribution into their 457 account as of their transition date, earning them a 2% employer match into a 401(k) account. Members who selected this option stop paying the 3% contribution to retiree healthcare as of the day before their transition date, and their prior contributions were deposited into their 401(k) account.

Contributions

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

Employer OPEB contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2023 valuation will be amortized over a 15-year period beginning October 1, 2023 and ending September 30, 2038.

The schedule below summarizes OPEB contribution rates in effect for plan year 2024.

| OPEB Contribution Rates | | |
|--------------------------------|--------|----------|
| Benefit Structure | Member | Employer |
| Premium Subsidy | 3.0% | 8.31% |
| Personal Healthcare Fund (PHF) | 0.0% | 7.06% |

Required contributions to the OPEB plan from the School District were \$618,196 for the year ended September 30, 2024.

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

At June 30, 2025, the School District reported an asset of \$3,201,325 for its proportionate share of the MPSERS net OPEB asset. The net OPEB asset was measured as of September 30, 2024 and the total OPEB liability or asset used to calculate the net OPEB asset was determined by an actuarial valuation rolled forward from September 2023. The School District's proportion of the net OPEB asset was determined by dividing each employer's statutorily required OPEB contributions to the system during the measurement period by the percent of OPEB contributions required from all applicable employers during the measurement period. At September 30, 2024 the School District's proportion was 0.0744 percent, which was a decrease of 0.0032 percent from its proportion measured as of September 30, 2023.

For the plan year ending September 30, 2024, the School District recognized OPEB expense of (\$1,128,418) for the measurement period. For the reporting period ending June 30, 2025, the School District recognized total OPEB contribution expense of \$122,887.

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

| | Deferred Outflows of Resources | Deferred Inflows of Resources | Total |
|--|--------------------------------------|-------------------------------------|-----------------------|
| Difference between expected and actual experience | \$ - | \$(3,392,427) | \$(3,392,427) |
| Changes of assumptions | 699,215 | (80,369) | 618,846 |
| Net difference between projected and actual earnings on OPEB plan investments | - | (606,048) | (606,048) |
| Changes in proportion and differences between the School District contributions and proportionate share of contributions | <u>122,809</u> | <u>(76,109)</u> | <u>46,700</u> |
| Total to be recognized in future | 822,024 | (4,154,953) | (3,332,929) |
| School District contributions subsequent to the measurement date | <u>59,095</u> | <u>-</u> | <u>59,095</u> |
| Total | <u>\$ 881,119</u> | <u>\$ (4,154,953)</u> | <u>\$ (3,273,834)</u> |

Contributions subsequent to the measurement date reported as deferred outflows of resources related to OPEB resulting from employer contributions subsequent to the measurement date will be recognized as an addition to the OPEB asset in the year ended June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows during the following plan years:

| Deferred (Inflow) and Deferred Outflow of Resources by Year (To Be Recognized in Future OPEB Expenses) | |
|---|-----------------------|
| 2025 | \$(1,051,873) |
| 2026 | (654,331) |
| 2027 | (646,664) |
| 2028 | (588,994) |
| 2029 | (327,182) |
| Thereafter | <u>(63,885)</u> |
| | <u>\$ (3,332,929)</u> |

Actuarial Assumptions

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

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions:

- Valuation Date: September 30, 2023
- Actuarial Cost Method: Entry Age, Normal
- Wage inflation rate: 2.75%
- Investment Rate of Return: 6.00% net of investment expenses

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- Projected Salary Increases: 2.75 – 11.55%, including wage inflation of 2.75%
- Healthcare Cost Trend Rate: Pre-65: 7.25% Year 1 graded to 3.5% Year 15; Post-65: 6.50% Year 1 graded to 3.5% Year 15
- Mortality:
 - Retirees: PubT-2010 Male and Female Retiree Mortality Tables, scaled by 116% for males and 116% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006.
 - Active: RP-2014 Male and Female Employee Annuitant Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2021 from 2010.

Other Assumptions:

- Opt Out Assumption: 21% of eligible participants hired before July 1, 2008 and 30% of those hired after June 30, 2008 are assumed to opt out of the retiree health plan.
- Survivor Coverage: 80% of male retirees and 67% of female retirees are assumed to have coverages continuing after the retiree’s death.
- Coverage Election at Retirement: 75% of male and 60% of female future retirees are assumed to elect coverage for 1 or more dependents.

Assumption changes as a result of an experience study for the period 2017 through 2022 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2023 valuation. The total OPEB liability or asset as of September 30, 2024, is based on the results of an actuarial valuation date of September 30, 2023, and rolled forward using generally accepted actuarial procedures, including the experience study.

Recognition period for liabilities is the average of the expected remaining service lives of all employees is 6.2834 years.

Recognition period for assets is 5.0000.

Full actuarial assumptions are available in the 2024 MPSERS Annual Comprehensive Financial Report found on the ORS website at www.michigan.gov/orsschools.

Long-Term Expected Return on Plan Assets

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan’s target asset allocation as of September 30, 2024, are summarized in the following table:

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

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

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Rate of Return

For the plan year ended September 30, 2024, the annual money-weighted rate of return on OPEB plan investment, net of OPEB plan investment expense, 15.45%. 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 or asset. This discount rate was based on the long-term expected rate of return on OPEB plan investments of 6.00%. The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability or asset.

Sensitivity of the School District's Proportionate Share of the Net OPEB Liability or Asset to Changes in the Discount Rate

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

| 1% Decrease 5.00% | Current Discount Rate 6.00% | 1% Increase 7.00% |
|----------------------|-----------------------------------|----------------------|
| \$ (2,474,010) | \$ (3,201,325) | \$ (3,830,166) |

Sensitivity of the School District's Proportionate Share of the Net OPEB Liability or Asset to Healthcare Cost Trend Rate

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

| 1% Decrease | Current Healthcare Cost Trend Rate | 1% Increase |
|----------------|---------------------------------------|----------------|
| \$ (3,830,172) | \$ (3,201,325) | \$ (2,526,890) |

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued 2024 MPSERS Annual Comprehensive Financial Report, available on the ORS website at www.michigan.gov/orsschools.

Payables to the OPEB Plan

There were no significant payables to the OPEB plan that are not ordinary accruals to the School District.

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. A separate report on federal compliance has been issued for the year June 30, 2025.

Note 13 - Tax Abatements

The School District receives reduced property tax revenues as a result of Industrial Facilities Tax exemptions and Brownfield Redevelopment Agreements granted by the various municipalities. Industrial facility

Stockbridge Community Schools
Notes to the Financial Statements
June 30, 2025

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, 2025, the School District's property tax revenues were reduced by \$0 under these programs.

There are no significant abatements made by the School District.

Note 14 - Change in Accounting Principle

The District restated net position as the result of adopting GASB Statement No. 101, *Compensated Absences*.

| | Governmental Activities |
|--|----------------------------|
| Net position/fund balance at June 30, 2024 | \$(11,393,262) |
| Change in accounting principle (GASB 101) | <u>(561,042)</u> |
| Restated net position/fund balance at July 1, 2024 | <u>\$(11,954,304)</u> |

REQUIRED SUPPLEMENTARY INFORMATION

Stockbridge Community Schools
Required Supplementary Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2025

| | <u>Budgeted Amounts</u> | | | Over (Under) Budget |
|-------------------------------|-------------------------|-------------------|-------------------|---------------------------|
| | <u>Original</u> | <u>Final</u> | <u>Actual</u> | |
| Revenues | | | | |
| Local sources | \$ 4,577,140 | \$ 4,577,140 | \$ 5,236,331 | \$ 659,191 |
| State sources | 11,258,499 | 11,258,499 | 10,439,360 | (819,139) |
| Federal sources | 701,552 | 701,552 | 511,679 | (189,873) |
| Interdistrict sources | <u>904,058</u> | <u>904,058</u> | <u>718,087</u> | <u>(185,971)</u> |
| Total revenues | <u>17,441,249</u> | <u>17,441,249</u> | <u>16,905,457</u> | <u>(535,792)</u> |
| Expenditures | | | | |
| Instruction | | | | |
| Basic programs | 8,183,434 | 8,183,434 | 8,098,672 | (84,762) |
| Added needs | 1,517,013 | 1,517,013 | 1,712,752 | 195,739 |
| Supporting services | | | | |
| Pupil | 1,371,338 | 1,371,338 | 1,015,011 | (356,327) |
| Instructional staff | 1,672,905 | 1,672,905 | 1,338,174 | (334,731) |
| General administration | 500,582 | 500,582 | 462,048 | (38,534) |
| School administration | 999,779 | 999,779 | 1,071,328 | 71,549 |
| Business | 432,205 | 432,205 | 412,890 | (19,315) |
| Operations and maintenance | 1,546,952 | 1,546,952 | 1,520,804 | (26,148) |
| Pupil transportation services | 984,873 | 984,873 | 921,761 | (63,112) |
| Central | 33,820 | 33,820 | 42,601 | 8,781 |
| Athletic activities | 429,935 | 429,935 | 437,184 | 7,249 |
| Community services | 442,997 | 442,997 | 398,944 | (44,053) |
| Capital outlay | 552,486 | 552,486 | 291,258 | (261,228) |
| Debt service | | | | |
| Principal | - | - | 131,851 | 131,851 |
| Interest and fiscal charges | <u>-</u> | <u>-</u> | <u>792</u> | <u>792</u> |
| Total expenditures | <u>18,668,319</u> | <u>18,668,319</u> | <u>17,856,070</u> | <u>(812,249)</u> |

Stockbridge Community Schools
Required Supplementary Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2025

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Over (Under) Budget</u> |
|--|-------------------------|---------------------|---------------------|------------------------------------|
| | <u>Original</u> | <u>Final</u> | | |
| Excess (deficiency) of revenues over expenditures | <u>(1,227,070)</u> | <u>(1,227,070)</u> | <u>(950,613)</u> | <u>276,457</u> |
| Other Financing Sources (Uses) | | | | |
| Proceeds from subscription arrangements | - | - | 98,904 | 98,904 |
| Transfers in | - | - | 25,000 | 25,000 |
| Transfers out | <u>(12,500)</u> | <u>(12,500)</u> | <u>-</u> | <u>12,500</u> |
| Total other financing sources (uses) | <u>(12,500)</u> | <u>(12,500)</u> | <u>123,904</u> | <u>136,404</u> |
| Net change in fund balances | (1,239,570) | (1,239,570) | (826,709) | 412,861 |
| Fund balance - beginning | <u>5,181,088</u> | <u>5,181,088</u> | <u>5,181,088</u> | <u>-</u> |
| Fund balance - ending | <u>\$ 3,941,518</u> | <u>\$ 3,941,518</u> | <u>\$ 4,354,379</u> | <u>\$ 412,861</u> |

Stockbridge Community Schools
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net Pension Liability
Michigan Public School Employees Retirement Plan
Last 10 Fiscal Years (Measurement Date September 30th, of Each June Fiscal Year)

| | June 30, | | | | | | | | | |
|--|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| | 2025 | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 |
| A. School District's proportion of net pension liability (%) | 0.0757% | 0.0769% | 0.0763% | 0.0755% | 0.0743% | 0.0729% | 0.0760% | 0.0795% | 0.0815% | 0.0821% |
| B. School District's proportionate share of net pension liability | \$ 18,540,072 | \$ 24,891,405 | \$ 28,704,302 | \$ 17,871,170 | \$ 25,521,398 | \$ 24,156,799 | \$ 22,849,380 | \$ 20,602,451 | \$ 20,327,451 | \$ 20,054,100 |
| C. School District's covered payroll | \$ 7,886,523 | \$ 7,754,529 | \$ 7,360,651 | \$ 6,809,901 | \$ 6,658,650 | \$ 6,319,148 | \$ 6,275,283 | \$ 6,609,468 | \$ 6,845,114 | \$ 6,395,384 |
| D. School District's proportionate share of net pension liability as a percentage of its covered payroll | 235.09% | 320.99% | 389.97% | 262.43% | 383.28% | 382.28% | 364.12% | 311.71% | 296.96% | 313.57% |
| E. Plan fiduciary net position as a percentage of total pension liability | 74.44% | 65.91% | 60.77% | 72.60% | 59.72% | 60.31% | 62.36% | 64.21% | 63.27% | 63.17% |

Note Disclosures

Changes of benefit terms: There were no changes of benefit terms in plan fiscal year 2024.

Changes of benefit assumptions: There were no changes of benefit assumptions in plan fiscal year 2024.

Stockbridge Community Schools
Required Supplementary Information
Schedule of the School District's Pension Contributions
Michigan Public School Employees Retirement Plan
Last 10 Fiscal Years

| | For the Years Ended June 30, | | | | | | | | | |
|---|------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| | 2025 | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 |
| A. Statutorily required contributions | \$ 2,973,649 | \$ 3,161,121 | \$ 2,763,116 | \$ 2,602,210 | \$ 2,264,907 | \$ 2,021,155 | \$ 1,910,122 | \$ 2,104,996 | \$ 1,247,336 | \$ 1,859,633 |
| B. Contributions in relation to statutorily required contributions | <u>2,973,649</u> | <u>3,161,121</u> | <u>2,763,116</u> | <u>2,602,210</u> | <u>2,264,907</u> | <u>2,021,155</u> | <u>1,910,122</u> | <u>2,104,996</u> | <u>1,247,336</u> | <u>1,859,633</u> |
| C. Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| D. School District's covered payroll | \$ 7,926,676 | \$ 7,870,416 | \$ 7,942,684 | \$ 7,194,973 | \$ 6,709,649 | \$ 6,576,231 | \$ 6,268,605 | \$ 6,338,478 | \$ 6,655,674 | \$ 6,136,223 |
| E. Contributions as a percentage of covered payroll | 37.51% | 40.16% | 34.79% | 36.17% | 33.76% | 30.73% | 30.47% | 33.21% | 18.74% | 30.31% |

Stockbridge Community Schools
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net OPEB Liability (Asset)
Michigan Public School Employees Retirement Plan
Last 10 Fiscal Years (Measurement Date September 30th, of Each June Fiscal Year)

| | June 30, | | | | | | | | | |
|---|----------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|------|------|
| | 2025 | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 |
| A. School District's proportion of the net OPEB liability (asset) (%) | 0.0744% | 0.0776% | 0.0761% | 0.0757% | 0.0753% | 0.0725% | 0.0739% | 0.0798% | | |
| B. School District's proportionate share of the net OPEB liability (asset) | \$ (3,201,325) | \$ (439,095) | \$ 1,612,306 | \$ 1,155,744 | \$ 4,036,332 | \$ 5,204,335 | \$ 5,873,144 | \$ 7,068,792 | | |
| C. School District's covered payroll | \$ 7,886,523 | \$ 7,754,529 | \$ 7,360,651 | \$ 6,809,901 | \$ 6,658,650 | \$ 6,319,148 | \$ 6,275,283 | \$ 6,609,468 | | |
| D. School District's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll | -40.59% | -5.66% | 21.90% | 16.97% | 60.62% | 82.36% | 93.59% | 106.95% | | |
| E. Plan fiduciary net position as a percentage of total OPEB liability (asset) | 143.08% | 105.04% | 83.09% | 87.33% | 59.44% | 36.39% | 42.95% | 36.39% | | |

Note Disclosures

Changes of benefit terms: There were no changes of benefit terms in plan fiscal year 2024.

Changes of benefit assumptions: There were no changes of benefit assumptions in plan fiscal year 2024.

Stockbridge Community Schools
Required Supplementary Information
Schedule of the School District's OPEB Contributions
Michigan Public School Employees Retirement Plan
Last 10 Fiscal Years

| | For the Years Ended June 30, | | | | | | | | | |
|---|------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|------|------|
| | 2025 | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 |
| A. Statutorily required contributions | \$ 122,887 | \$ 618,701 | \$ 598,126 | \$ 583,340 | \$ 559,251 | \$ 493,642 | \$ 501,809 | \$ 474,667 | | |
| B. Contributions in relation to statutorily required contributions | <u>122,887</u> | <u>618,701</u> | <u>598,126</u> | <u>583,340</u> | <u>559,251</u> | <u>493,642</u> | <u>501,809</u> | <u>474,667</u> | | |
| C. Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | | |
| D. School District's covered payroll | \$ 7,926,676 | \$ 7,870,416 | \$ 7,942,684 | \$ 7,194,973 | \$ 6,709,649 | \$ 6,576,231 | \$ 6,268,605 | \$ 6,338,478 | | |
| E. Contributions as a percentage of covered payroll | 1.55% | 7.86% | 7.53% | 8.11% | 8.34% | 7.51% | 8.01% | 7.49% | | |

OTHER SUPPLEMENTARY INFORMATION

Stockbridge Community Schools
Other Supplementary Information
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2025

| | Special Revenue Funds | | Debt Service Funds | | | Total Nonmajor Governmental Funds |
|-------------------------------------|-----------------------|---------------------|--------------------|-------------------|-------------------|--|
| | Food and Nutrition | Student Activity | 2015 Debt | 2016 Debt | 2020 Debt | |
| Assets | | | | | | |
| Cash | \$ 435,518 | \$ 224,601 | \$ 393,223 | \$ 306,000 | \$ 227,198 | \$ 1,586,540 |
| Due from other funds | - | 503 | - | - | - | 503 |
| Due from other governmental units | 28,595 | - | - | - | - | 28,595 |
| Inventory | <u>13,692</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>13,692</u> |
| Total assets | <u>\$ 477,805</u> | <u>\$ 225,104</u> | <u>\$ 393,223</u> | <u>\$ 306,000</u> | <u>\$ 227,198</u> | <u>\$ 1,629,330</u> |
| Liabilities | | | | | | |
| Due to other funds | \$ 94,027 | \$ 13,022 | \$ - | \$ - | \$ - | \$ 107,049 |
| Accrued expenditures | 6,099 | - | - | - | - | 6,099 |
| Accrued salaries payable | 4,353 | - | - | - | - | 4,353 |
| Unearned revenue | <u>9,386</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>9,386</u> |
| Total liabilities | <u>113,865</u> | <u>13,022</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>126,887</u> |
| Fund Balances | | | | | | |
| Non-spendable | | | | | | |
| Inventory | 13,692 | - | - | - | - | 13,692 |
| Restricted for | | | | | | |
| Food service | 350,248 | - | - | - | - | 350,248 |
| Debt service | - | - | 393,223 | 306,000 | 227,198 | 926,421 |
| Committed | <u>-</u> | <u>212,082</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>212,082</u> |
| Total fund balances | <u>363,940</u> | <u>212,082</u> | <u>393,223</u> | <u>306,000</u> | <u>227,198</u> | <u>1,502,443</u> |
| Total liabilities and fund balances | <u>\$ 477,805</u> | <u>\$ 225,104</u> | <u>\$ 393,223</u> | <u>\$ 306,000</u> | <u>\$ 227,198</u> | <u>\$ 1,629,330</u> |

Stockbridge Community Schools
Other Supplementary Information
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2025

| | Special Revenue Funds | | Debt Service Funds | | | Total Nonmajor Governmental Funds |
|--|-----------------------|---------------------|--------------------|-------------------|-------------------|--|
| | Food and Nutrition | Student Activity | 2015 Debt | 2016 Debt | 2020 Debt | |
| Revenues | | | | | | |
| Local sources | \$ 32,297 | \$ 269,357 | \$ 1,047,540 | \$ 634,966 | \$ 412,414 | \$ 2,396,574 |
| State sources | 291,021 | - | 4,448 | 4,448 | - | 299,917 |
| Federal sources | 503,238 | - | - | - | - | 503,238 |
| | | | | | | |
| Total revenues | <u>826,556</u> | <u>269,357</u> | <u>1,051,988</u> | <u>639,414</u> | <u>412,414</u> | <u>3,199,729</u> |
| Expenditures | | | | | | |
| Current | | | | | | |
| Education | | | | | | |
| Supporting services | - | 211,845 | - | - | - | 211,845 |
| Food services | 727,993 | - | - | - | - | 727,993 |
| Capital outlay | 3,115 | - | - | - | - | 3,115 |
| Debt service | | | | | | |
| Principal | 94 | - | 890,000 | 135,000 | 220,000 | 1,245,094 |
| Interest and other expenditures | 4 | - | 53,610 | 763,660 | 4,690 | 821,964 |
| | | | | | | |
| Total expenditures | <u>731,206</u> | <u>211,845</u> | <u>943,610</u> | <u>898,660</u> | <u>224,690</u> | <u>3,010,011</u> |
| Excess (deficiency) of revenues over expenditures | 95,350 | 57,512 | 108,378 | (259,246) | 187,724 | 189,718 |
| Other Financing Sources (Uses) | | | | | | |
| Transfers out | (25,000) | - | - | - | - | (25,000) |
| Net change in fund balances | 70,350 | 57,512 | 108,378 | (259,246) | 187,724 | 164,718 |
| Fund balances - beginning | <u>293,590</u> | <u>154,570</u> | <u>284,845</u> | <u>565,246</u> | <u>39,474</u> | <u>1,337,725</u> |
| Fund balances - ending | <u>\$ 363,940</u> | <u>\$ 212,082</u> | <u>\$ 393,223</u> | <u>\$ 306,000</u> | <u>\$ 227,198</u> | <u>\$ 1,502,443</u> |

Stockbridge Community Schools

Single Audit Report

June 30, 2025



YEO & YEO

**BUSINESS SUCCESS
PARTNERS**

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**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***

Independent Auditors' Report

Members of the Board of Education
Stockbridge Community Schools
Stockbridge, 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 Stockbridge Community Schools, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise Stockbridge Community Schools' basic financial statements, and have issued our report thereon dated October 20, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Stockbridge Community Schools' 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 Stockbridge Community Schools' internal control. Accordingly, we do not express an opinion on the effectiveness of Stockbridge Community Schools' internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Stockbridge Community Schools' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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.

Yeo & Yeo, P.C.

Lansing, Michigan
October 20, 2025



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Report on Compliance for Each Major Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

Independent Auditors' Report

Members of the Board of Education
Stockbridge Community Schools
Stockbridge, Michigan

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Stockbridge Community Schools' 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 Stockbridge Community Schools' major federal programs for the year ended June 30, 2025. Stockbridge Community Schools' major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

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

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); 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 Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Stockbridge Community Schools 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 Stockbridge Community Schools' 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 agreements applicable to Stockbridge Community Schools' federal programs.

Auditors' 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 Stockbridge Community Schools' 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 GAAS, *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 Stockbridge Community Schools' compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *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 Stockbridge Community Schools' compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Stockbridge Community Schools' 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 Stockbridge Community Schools' 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 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 Auditors' 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 controls 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.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Stockbridge Community Schools, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise Stockbridge Community Schools' basic financial statements. We issued our report thereon dated October 20, 2025, which contained unmodified opinions on those financial statements. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is 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 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Yeo & Yeo, P.C.

Lansing, Michigan

December 11, 2025, except for our report on the Schedule of Expenditures of Federal Awards, for which the date is October 20, 2025

Stockbridge Community Schools
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2025

| Program Title/Project Number/Subrecipient Name | Grant/Project Number | Assistance Listing Number | Approved Award Amount | (Memo Only) Prior Year Expenditures | Accrued (Unearned) Revenue July 1, 2024 | Federal Funds/ Payments In-kind | Expenditures | Adjustments | Accrued (Unearned) Revenue June 30, 2025 | Awards Provided to Subrecipients |
|--|----------------------|---------------------------|-----------------------|-------------------------------------|---|---------------------------------|--------------|-------------|--|----------------------------------|
| U.S. Department of Agriculture | | | | | | | | | | |
| Passed through Michigan Department of Education | | | | | | | | | | |
| Child Nutrition Cluster | | | | | | | | | | |
| Cash assistance | | | | | | | | | | |
| School Breakfast Program | 241970 | 10.553 | \$ 93,508 | \$ 73,570 | \$ 1,702 | \$ 21,640 | \$ 19,938 | \$ - | \$ - | \$ - |
| School Breakfast Program | 251970 | | 94,727 | - | - | 91,265 | 94,727 | - | 3,462 | - |
| | | | | | 1,702 | 112,905 | 114,665 | - | 3,462 | - |
| Non-cash assistance (commodities) | | | | | | | | | | |
| Entitlement | 24 - 25 | 10.555 | 46,094 | - | - | 46,094 | 46,094 | - | - | - |
| Cash assistance | | | | | | | | | | |
| National School Lunch Program | 241960 | | 287,539 | 228,627 | 4,260 | 63,172 | 58,912 | - | - | - |
| National School Lunch Program | 251960 | | 283,567 | - | - | 275,589 | 283,567 | - | 7,978 | - |
| | | | | | 4,260 | 384,855 | 388,573 | - | 7,978 | - |
| Total Nutrition Cluster | | | | | 5,962 | 497,760 | 503,238 | - | 11,440 | - |
| Total Department of Agriculture | | | | | 5,962 | 497,760 | 503,238 | - | 11,440 | - |
| Federal Communications Commission | | | | | | | | | | |
| Passed through the Universal Service Administrative Company | | | | | | | | | | |
| Emergency Connectivity Fund Program | ECF2399011810 | 32.009 | 149,696 | 149,696 | 149,696 | 149,696 | - | - | - | - |
| U.S. Department of Education | | | | | | | | | | |
| Passed through Michigan Department of Education | | | | | | | | | | |
| Title I Grants to Local Educational Agencies | 241530 | 84.010 | 218,140 | 204,728 | 49,326 | 49,326 | - | - | - | - |
| Title I Grants to Local Educational Agencies | 251530 | | 181,235 | - | - | 149,920 | 176,990 | - | 27,070 | - |
| | | | | | 49,326 | 199,246 | 176,990 | - | 27,070 | - |
| Title II, Part A - Supporting Effective Instruction State Grants | 240520 | 84.367 | 61,659 | 42,362 | 22,186 | 21,349 | - | 837 | - | - |
| Title II, Part A - Supporting Effective Instruction State Grants | 250520 | | 51,837 | - | - | 45,086 | 50,671 | - | 5,585 | - |
| | | | | | 22,186 | 66,435 | 50,671 | 837 | 5,585 | - |
| Title IV, Part A - Student Support and Academic Enrichment | 240750 | 84.424A | 15,104 | 15,104 | 1,910 | 1,910 | - | - | - | - |
| Title IV, Part A - Student Support and Academic Enrichment | 250750 | | 13,866 | - | - | 13,865 | 13,865 | - | - | - |
| | | | | | 1,910 | 15,775 | 13,865 | - | - | - |

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

Stockbridge Community Schools
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2025

| Program Title/Project Number/Subrecipient Name | Grant/Project Number | Assistance Listing Number | Approved Award Amount | (Memo Only) Prior Year Expenditures | Accrued (Unearned) Revenue July 1, 2024 | Federal Funds/ Payments In-kind | Expenditures | Adjustments | Accrued (Unearned) Revenue June 30, 2025 | Awards Provided to Subrecipients |
|--|----------------------|---------------------------|-----------------------|-------------------------------------|---|---------------------------------|--------------|-------------|--|----------------------------------|
| Education Stabilization Fund | | | | | | | | | | |
| COVID-19 Elementary and Secondary School Emergency Relief Fund (ESSER III Formula) | 213713 | 84.425U | 1,509,491 | 1,509,491 | 111,140 | 111,140 | - | - | - | - |
| COVID-19 Elementary and Secondary School Emergency Relief Fund (Homeless Children & Youth) | 211012 | 84.425W | 14,275 | 9,923 | - | 4,194 | 4,194 | - | - | - |
| Total Education Stabilization Fund | | | | | 111,140 | 115,334 | 4,194 | - | - | - |
| Special Education Cluster | | | | | | | | | | |
| Passed through Marquette-Alger RESA IDEA Part B Grant Funded Initiatives | 250470 | 84.027A | 9,516 | - | - | 9,516 | 9,516 | - | - | - |
| Total Department of Education | | | | | 184,562 | 406,306 | 255,236 | 837 | 32,655 | - |
| U.S. Department of Health and Human Services | | | | | | | | | | |
| Direct Program | | | | | | | | | | |
| Drug-Free Communities Support Program Grants | 5NH28CE002843-08 | 93.276 | 625,000 | 516,624 | - | 74,926 | 74,926 | - | - | 74,926 |
| Passed through the Michigan Department of Human Services and Ingham Intermediate School District | | | | | | | | | | |
| Medicaid Cluster | | | | | | | | | | |
| Medical Assistance Program | 24-25 | 93.778 | 28,115 | - | - | 28,115 | 28,115 | - | - | - |
| Passed through Ingham Intermediate School District | | | | | | | | | | |
| Epidemiology and Laboratory Capacity for Infectious Diseases | 232810-HRA2024 | 93.323 | 448,000 | 447,062 | 108,954 | 108,954 | - | - | - | - |
| Total Department of Health and Human Services | | | | | 108,954 | 211,995 | 103,041 | - | - | 74,926 |
| Total Federal Programs | | | | | \$ 449,174 | \$ 1,265,757 | \$ 861,515 | \$ 837 | \$ 44,095 | \$ 74,926 |

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

Stockbridge Community Schools
Notes to the Schedule of Expenditures of Federal Awards
June 30, 2025

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Stockbridge Community Schools under programs of the federal government for the year ended June 30, 2025. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Stockbridge Community Schools, it is not intended to and does not present the financial position or change in financial position of Stockbridge Community Schools.

Note 2 - Summary of Significant Accounting Policies

Expenditures

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance where certain types of expenditures are not allowable or are limited as to reimbursement.

Indirect Cost Rate

Stockbridge Community Schools has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 3 - Reconciliation to the Financial Statements

The federal revenues per the financial statements are in agreement with the Schedule except for the following items:

| | |
|---|---------------------|
| Federal expenditures per the schedule of expenditures of federal awards | \$ 861,515 |
| Ingham Country ARP Grant (vendor relationship) | 154,239 |
| Supporting Effective Instruction State Grants adjustment | <u>(837)</u> |
| Federal revenue per the financial statements | <u>\$ 1,014,917</u> |

Note 4 - Subrecipients

Grant funds from the Drug Free Communities Support Program Grants Assistance Listing #93.276 were passed through to the subrecipient SRSly Coalition for the year ended June 30, 2025. Current year federal expenditures reported by and passed to the subrecipient were \$74,926.

Note 5 - Michigan Department of Education Disclosures

The federal amounts reported on the grant auditor report are in agreement with the schedule of expenditures of federal awards.

The amounts reported on the recipient entitlement balance report agree with the schedule of expenditures of federal awards for U.S.D.A. donated food commodities.

Note 6 - Adjustments

The June 30, 2024 Schedule recorded \$837 of expenditures to grant number 24050. These expenditures were in excess of the grant budget and therefore reported as an adjustment on the June 30, 2025 Schedule.

Stockbridge Community Schools
Schedule of Findings and Questioned Costs
June 30, 2025

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued on whether the financial statements were prepared in accordance with Generally Accepted Accounting Principles:

Unmodified

Internal control over financial reporting:

- Material weaknesses identified? _____ yes X no
- Significant deficiency(s) identified that are not considered to be material weaknesses? _____ yes X none reported

Noncompliance material to financial statements noted?

_____ yes X no

Federal Awards

Internal control over major programs:

- Material weaknesses identified? _____ yes X no
- Significant deficiency(s) identified that are not considered to be material weaknesses? _____ yes X none reported

Type of auditors' report issued on compliance for major programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with §200.516(a)?

_____ yes X no

Identification of major programs:

Assistance Listing Number(s)

Name of Federal Program or Cluster

10.553, 10.555

Nutrition Cluster

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

\$ 750,000

Auditee qualified as low-risk auditee?

 X yes _____ no

Stockbridge Community Schools
Schedule of Findings and Questioned Costs
June 30, 2025

SECTION II - GOVERNMENT AUDITING STANDARDS FINDINGS

There were no findings under *Government Auditing Standards* for the year ended June 30, 2025.

SECTION III - FEDERAL AWARD FINDINGS

There were no findings or questioned costs for Federal Awards for the year ended June 30, 2025.

Stockbridge Community Schools
Summary Schedule of Prior Audit Findings
June 30, 2025

SECTION IV - PRIOR AUDIT FINDINGS

GOVERNMENT AUDITING STANDARDS FINDINGS

There were no findings under *Government Auditing Standards* for the year ended June 30, 2024.

FEDERAL AWARD FINDINGS

There were no findings or questioned costs for Federal Awards for the year ended June 30, 2024.



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December 11, 2025

Management and the Board of Education
Stockbridge Community Schools
Stockbridge, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Stockbridge Community Schools (the School District) as of and for the year ended June 30, 2025. We are required to communicate certain matters to you in accordance with generally accepted auditing standards that are related to internal control and the audit.

Our communication includes the following:

- I. Auditors' Communication of Significant Matters with Those Charged with Governance
- II. Matters for Management's Consideration

Matters for management's consideration are not required to be communicated but we believe are valuable for management.

We discussed these matters with various personnel in the School District during the audit and with management. We would also be pleased to meet with you to discuss these matters at your convenience.

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.

Yeo & Yeo, P.C.

Lansing, Michigan

Appendix I

Auditors' Communication of Significant Matters with Those Charged with Governance

Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, and *Government Auditing Standards* and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter to you dated May 6, 2025. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the School District are described in the footnotes of the financial statements. The School District has adopted the following Governmental Accounting Standards Board Statements effective July 1, 2024:

- Statement No. 101, *Compensated Absences*, updates the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures.

We noted no transactions entered into by the School District during the year for which there is 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:

- The useful lives of its capital assets. Useful lives are estimated based on the expected length of time during which the asset is able to deliver a given level of service.
- Net pension liability, and related deferred outflows of resources and deferred inflows of resources. The estimate is based on an actuarial report.
- Net other postemployment benefits (OPEB) liability(asset), and related deferred outflows of resources and deferred inflows of resources. The estimate is based on an actuarial report.
- Compensated Absences. Management's estimate is based pay rates in effect at the end of the reporting period and the likelihood that employees will use or be paid out for earned time.

We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

Disclosures in the financial statements are neutral, consistent and clear.

Auditors are required to use professional judgment to identify areas of the audit that have a significant risk of material misstatement and perform special audit consideration in those areas. Within our audit, we focused additional consideration on the following areas:

- Management override of controls
- Improper revenue recognition

- Implementation of new accounting standard
- Turnover in Business Manager position

Accounting Standards and Regulatory Updates

The Governmental Accounting Standards Board has released additional Statements. Details regarding these Statements are described in the footnotes of the financial statements.

The final issuance of our financial statements and single audits has been delayed due to the pending release of the 2025 Compliance Supplement. This Supplement is essential for ensuring that our audit procedures align with current federal requirements. Without its publication, we were unable to complete the necessary testing and reporting that single audits require. The financial statement audit submission complies with the State of Michigan deadline. The finalization of this communication with governance and the single audit reporting package was completed as soon as possible once the release of the 2025 Compliance Supplement occurred.

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. Management has corrected all such misstatements except one related to the current and prior year accruals of benefits for hourly and non-contract employees. This resulted in liabilities being overstated by \$57,410, net position and beginning net position being understated by \$57,410 and \$54,487, respectively, change in net position being understated by \$2,923 and expenditures being overstated by \$2,923 in the General Fund and district-wide statements.

In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Management has determined that the effects of the uncorrected misstatements summarized above are immaterial both individually and in the aggregate, to the financial statements taken as a whole. The uncorrected misstatements or the matters underlying them could potentially cause future period financial statements to be materially misstated, even though, in our judgment, such uncorrected misstatements are immaterial to the financial statements under 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 auditors' 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 as of the date of the audit report.

Management's Consultations with Other 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 auditors' 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.

Emphasis of Matters in Independent Auditors' Report

Our report will include the following emphasis of matter paragraph:

Adoption of New Accounting Standard

As discussed in Note 14 to the financial statements, during the year ended June 30, 2025, Stockbridge Community Schools adopted new accounting guidance, GASB Statement No. 101, *Compensated Absences*. Our opinions are not modified with respect to this matter.

Other Reports

Other information that is required to be reported to you is included in the: Independent Auditors' 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*; Independent Auditors' Report on Compliance For Each Major Federal Program; Independent Auditors' Report on Internal Control Over Compliance; Independent Auditors' Report on Schedule of Expenditures of Federal Awards Required by the Uniform Grant Guidance; and the Schedule of Findings and Questioned Costs. Please read all information included in those reports to ensure you are aware of relevant information.

Report on Required Supplementary Information

We applied certain limited procedures to management's discussion and analysis and the remaining required supplementary information (RSI) as described in the table of contents of the financial statements 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.

Report on Other Supplementary Information

We were engaged to report on other supplementary information as described in the table of contents of the financial statements, 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.

Appendix II Matters for Management's Consideration

In planning and performing our audit of the financial statements of the School District as of and for the year ended June 30, 2025, we considered the School District's internal control over financial reporting (internal control) as a basis for designing audit procedures for the purpose of expressing our opinion 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.

However, during our audit we became aware of the following matters for management's consideration that are opportunities for strengthening internal controls and improving operating efficiency. This letter does not affect our report dated October 20, 2025, on the financial statements of the School District.

Net Cash Resources

As a result of the changes in the food service program including the introduction of the Michigan School Meals program, meal claim revenues were in excess of anticipated amounts. A proportional increase to expenditures did not occur, resulting in a growth in net cash resources in an amount that exceeded the three-month average expenditure requirement included in the federal regulations. The noncompliance has not been determined to be material to the federal program or the financial statements, as it has not resulted in questioned costs, or negatively impacted the program; as the District is actively working on using the funds to enhance the program. However, the District must continue to take action to return to compliance. We recommend that the District look at possible enhancements to the program in order to develop a spend down plan to return to compliance with this requirement.

Additionally, we noted the District transfers a flat \$25,000 each year from the Food Service Fund to the General Fund to cover indirect costs and this practice has been in place for several years. It is understood that this amount is used out of conservatism and administrative efficiency, however, if the District calculated indirect cost in accordance with relevant requirements and transferred that (presumably higher) amount, it could help alleviate this situation of excess net cash resources.

Approved Budget

During the audit, we noted the budget imported into the School District's accounting software did not agree to the board approved budget. Additionally, the original budget was not amended during the year resulting in budget variances. We recommend the board approved budgets are reconciled to the accounting software and amended a minimum of two times throughout the year to ensure internal financial reporting, including budget to actual comparisons, are being utilized effectively for monitoring controls.

Review of Journal Entries and Bank Reconciliations

This year, the District had three different individuals occupy the Business Manager position. As a result, we focused our attention on internal controls that this position is responsible for to determine if there were any issues during these transitions. There were two issues that we noted:

1. Journal entries can be posted to the general ledger by the Business Manager or Payroll Accountant. The District's established practices are for entries made by either of those employees to be reviewed by the other. During the audit, we noted a journal entry we selected to test (from June) that was entered and posted by the Business Manager but was not reviewed by the Payroll Accountant. Upon further inquiry it was noted that the District relies on the monitoring of monthly internal financial reports by the Board of Education and Superintendent in place of this control. We recommend that this control be reinstated and performed consistently going forward. Higher-level review is an important control in its own right and should be continued, but not as a substitute for transaction-level monitoring controls.
2. Bank reconciliations were not being completed and reconciled to the trial balance for the first 5 months of the fiscal year. All missing bank reconciliations were completed in December 2024 and the remaining bank reconciliations for the fiscal year were completed timely. This matter is communicated for informational purposes only, no recommended process changes.