

Armada Area Schools

Financial Statements

June 30, 2025



YEO & YEO

**BUSINESS SUCCESS
PARTNERS**

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Armada Area Schools
Members of the Board of Education and Administration
June 30, 2025

Members of the Board of Education

Shawn Wylin – President

Michele Meerschaert – Vice President

Susan Nieman – Treasurer

Sherrie Hill – Secretary

Andrew Blake – Trustee

Chad Nikkel – Trustee

Stacey Wolak – Trustee

Administration

Michael Musary – Superintendent

Heather Urbanek – Business Supervisor

Josie Meyers – Business Analyst



Independent Auditors' Report

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

In our opinion, based on our audit, 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 Armada Area 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 Armada Area 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 1 to the financial statements, during the year ended June 30, 2025, Armada Area 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 Armada Area 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 Armada Area 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 Armada Area 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, 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 Armada Area 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 Armada Area 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 Armada Area 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 Armada Area Schools' internal control over financial reporting and compliance.

Yeo & Yeo, P.C.

Flint, Michigan
October 20, 2025

MANAGEMENT'S DISCUSSION AND ANALYSIS

Armada Area Schools

Management's Discussion and Analysis

Armada Area Schools, a K-12 public school district located in Macomb and St. Clair Counties in Michigan.

The Management's discussion and Analysis, a requirement of GASB 34, is intended to be Armada Area Schools' discussion and analysis of the financial results for the fiscal year ended June 30, 2025. Generally Accepted Accounting Principles (GAAP) according to GASB 34 requires the reporting of two types of financial statements: District-wide Financial Statements and Fund Financial Statements.

Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the District financially as a whole. The *District-wide Financial Statements* provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a long-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements look at the District's operations in more detail than the district-wide financial statements by providing information about the District's most significant or major funds, the General Fund, Debt Service Funds, and the 2023 Building and Site Fund, and with all other funds presented in one column as non-major funds. The remaining statement, the statement of fiduciary net position, presents financial information about activities for which the District acts solely as an agent for the benefit of students and parents.

Financial Section

- Basic Financial Statements
 - o District-wide Financial Statements
 - o Fund Financial Statements
 - o Fiduciary Fund
 - o Notes to Financial Statements
- Required Supplemental Information
 - o Budgetary Comparison Schedules
- Other Supplemental Information
 - o Combining Balance Sheet Non-Major Governmental Funds
 - o Combining Statement of Revenue, Expenditures and Changes in Fund Balances – Non-major Governmental Funds

Armada Area Schools

Management's Discussion and Analysis

Reporting the District as a Whole – 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 answer this question. These statements 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 Armada Area District’s net position – the difference between assets and liabilities, 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. Many non-financial factors, such as the quality of the education provided and the safety of the schools, must be considered 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 (foundations allowance revenue), and State and federal grants finance most of these activities.

Reporting the District’s Most Significant Funds – 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, such as the Food Services and Community Enrichment Funds. Funds are also established to show that it’s meeting legal responsibilities for using certain taxes, grants, and other money, including the District’s Debt Service Funds.

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 the modified accrual method of 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 to determine whether there are more or less financial resources that can be spent in the near future to finance the District’s programs. We describe the relationship between governmental activities and governmental funds in a reconciliation format.

Armada Area Schools

Management's Discussion and Analysis

The District as a Whole

The statement of net position provides the perspective of the District as a whole. Table 1 provides a summary of the District's net position as of June 30, 2025.

	2023 - 2024 Governmental Activities	2024 - 2025 Governmental Activities
Assets		
Current and other assets	\$ 34,586,173	\$ 25,234,870
Capital assets	41,222,262	52,765,631
Total assets	75,808,435	78,000,501
Deferred outflows of resources	15,899,276	11,368,613
Total assets and deferred outflows of resources	91,707,711	89,369,114
Liabilities		
Current liabilities	8,705,394	9,731,512
Long-term liabilities	93,102,344	81,288,570
Total liabilities	101,807,738	91,020,082
Deferred inflows of resources	11,473,481	15,777,109
Total liabilities and deferred inflows of resources	113,281,219	106,797,191
Net position		
Net investment in capital assets	7,508,996	9,338,034
Restricted	600,690	5,951,951
Unrestricted	(29,683,194)	(32,718,062)
Total net position (deficit)	(21,573,508)	(17,428,077)

The above analysis focuses on the net position (see Table 1).

Armada Area Schools

Management's Discussion and Analysis

The change in net position (see Table 2) of the District's governmental activities is discussed below. The District's net position was (\$17,428,077) at June 30, 2025. Total net position factors all district related debt. Capital assets, net of related debt, totaled \$9,338,034. This 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.

The restricted amount of net position, \$6.0 million, was restricted for capital projects, food service, and the net OPEB asset. The remaining amount of net position, (\$32.7) million, was unrestricted. The (\$17.4) million in 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.

Armada Area Schools

Management's Discussion and Analysis

The results of this year's operations for the District as a whole are reported in the statement of activities (see Table 2), which shows the changes in net position for fiscal years 2024 and 2025.

	2024	2025
Revenue		
Program revenue:		
Charges for services	\$ 1,997,898	\$ 2,162,174
Operating grants	9,324,062	8,729,244
General revenue:		
Property taxes	8,368,111	8,389,986
State aid - unrestricted	13,220,554	12,944,344
Other	1,347,868	979,454
Total revenue	<u>34,258,493</u>	<u>33,205,202</u>
Functions/Program expenses		
Instruction	\$ 13,747,834	\$ 12,708,865
Support services	11,222,192	11,698,769
Food services	1,185,401	1,094,719
Community services	206,183	192,519
Interest on long-term debt	1,943,285	2,682,847
Total revenue	<u>28,304,895</u>	<u>28,377,719</u>
Change in net position	<u>5,953,598</u>	<u>4,827,483</u>
Net position (deficit) - beginning, as previously reported	(27,527,106)	(21,573,508)
Change in accounting principle (GASB 101)	<u>-</u>	<u>(682,052)</u>
Net position (deficit) - ending, as restated	<u>(27,527,106)</u>	<u>(22,255,560)</u>
Net position (deficit) - ending	<u>(21,573,508)</u>	<u>(17,428,077)</u>

As reported in the statement of activities, the cost of all *governmental* activities this year was \$28.4 million. Certain activities were partially funded from those who benefited from the programs - \$2.2 million or by other governments and organizations that subsidized certain programs with grants and contributions - \$8.7 million. The remaining "public benefit" portion of governmental activities was funded with \$8.4 million in taxes, \$12.9 million in State foundation allowance, and with \$1.0 million other revenues, such as interest and general entitlements.

During the current fiscal year, the School District implemented GASB Statement No. 101 – Compensated Absences. This implementation led to a restatement of the June 30, 2024 net position. The restatement was for the amount of \$(0.7) million.

Armada Area Schools

Management’s Discussion and Analysis

The District experienced an increase in net position of \$4,827,483. The assets increased primarily as a result of ongoing operations in the District.

As previously discussed, 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 a vast majority of District operating revenue resources, the Board of Education and Administration must annually evaluate the needs of the District and balance those needs with State-prescribed available unrestricted revenues.

The District’s Funds

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

As the District completed this year, the governmental funds reported a combined fund balance of \$14.9 million. The changes by general and other funds are as follows:

	<u>General Fund</u>	<u>Other Funds</u>	<u>Total</u>
Fund balances - beginning of year	\$ 3,546,788	\$ 25,203,767	\$ 28,750,555
Increase (decrease)	<u>(1,802,476)</u>	<u>(12,085,839)</u>	<u>(13,888,315)</u>
Fund balances - end of year	<u><u>1,744,312</u></u>	<u><u>13,117,928</u></u>	<u><u>14,862,240</u></u>

In the General Fund, our principal operating fund, the fund balance decreased by \$1.8 million from last year. Expenditure increases are a normal part of operations as a result of salary and benefit increases, increased costs for utilities, and other operating expenses. The district was able to function under budget in several expenditure areas including utilities, substitute teacher cost, and transportation expenses including bus fuel. The fund balance of the General Fund is available to fund costs related to allowable school operating purposes through the undesignated portion.

The other major and non-major funds decreased by \$12.1 million, which is primarily due to the spending of the 2023 building and site bond funds. The other major and non-major funds, (i.e. Debt Service, Comm. Education, Food Service, Student Activity, Tech Bond, and Sinking Funds) had a \$0.2 million increase in fund equity. The goal of these funds is to offer programs for students and capital improvements and not develop fund equity.

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. The financial amendment to the budget was actually adopted just before year end.

Armada Area Schools

Management’s Discussion and Analysis

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 revisions made to the original 2024-25 General Fund budget in February and June 2025. The final General Fund budget approved by the Board in June 2025 had an estimated fund equity net loss of \$2.4 million for June 30, 2025. The actual June 30, 2025, fund equity had a net decrease of \$1.8 million with a total fund equity of \$1,744,312. The district operated on a minimal needs spending status most of the school year. However, the district continues to be concerned about state and federal funding, the increased cost of health care, the retirement rate, future gasoline and utility rates.

Capital Asset and Debt Administration

Capital Assets

At June 30, 2025, the District had \$52.8 million invested in a broad range of capital assets, including land, buildings, and furniture and equipment. The previous two years are listed below.

	2024	2025
Capital assets		
Construction in progress	\$ 3,735,200	\$ 5,130,393
Land, buildings, and improvements	59,624,663	71,143,262
Furniture and equipment	14,498,700	14,933,847
Buses and other vehicles	1,702,196	1,670,698
Right to use assets	498,025	214,066
Less: Accumulated depreciation	(38,836,522)	(40,326,635)
	<u>\$ 41,222,262</u>	<u>\$ 52,765,631</u>

In May 2023, the community passed a 10-year renewal on a 0.85 mill sinking fund, and a \$26.5 million bond issue. Both of these will benefit the school district in future periods.

Economic Factors and Next Year’s Budgets and Rates

Our elected officials and administration consider many factors when setting the District’s 2026 fiscal year budget. One of the most important factors affecting the budget is our student count. The State foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The blended count for the 2025-26 fiscal year is 10 percent of the February 2025 student count and 90 percent of the October 2025 student counts. The 2025-26 budget was adopted in June 2025, based on a 0-student decrease - 1,700 total. Preliminary numbers show the District’s actual blended count may be slightly lower than the 1,700 budget amount, and the district has a reduced June 2025 fund equity so the district is face budget reductions in the near future. The district has little control over revenue. Under State law, the district cannot assess additional property tax revenue for general operations. As a result, District funding is heavily

Armada Area Schools

Management's Discussion and Analysis

dependent on the State's ability to fund local school operations. The district will amend the 2025-26 General Fund budget in the 2026 calendar year. With inflation rising, future student enrollment and funding will continue to be a major concern.

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. If actual State revenues are less than their estimates, reduction to the per pupil funding allowance may be necessary. Early State funding projections indicate that there will be a \$400 increase in per pupil funding for Armada in the 2025-26 school year. However, the retirement reimbursements may be reduced for the 2025-26 school year causing additional constraints on the budget. The cost of health insurance and the increase in fuel cost will still continue to be concerns. Local school communities, including Armada, will continue to work with the legislature to continue to provide adequate funding to schools. Armada will continue to monitor all funding issues for future school years.

Contacting the District's Financial Management

This financial report is designed to provide our citizens and taxpayers with a general overview of the District's finances. If you have questions about this report or need additional information, contact the Business Office:

Armada Area Schools
74500 Burk Street
Armada, Michigan 48005-3314

BASIC FINANCIAL STATEMENTS

Armada Area Schools
Statement of Net Position
June 30, 2025

	<u>Governmental Activities</u>
Assets	
Cash	\$ 819,185
Accounts receivable	253,251
Due from other governmental units	3,374,798
Investments	15,420,335
Prepaid items	321,320
Net OPEB asset	5,045,981
Capital assets not being depreciated	6,317,472
Capital assets - net of accumulated depreciation	<u>46,448,159</u>
 Total assets	 <u>78,000,501</u>
Deferred Outflows of Resources	
Deferred amount on debt refunding	214,936
Deferred amount relating to the net pension liability	9,580,690
Deferred amount relating to the net OPEB asset	<u>1,572,987</u>
 Total deferred outflows of resources	 <u>11,368,613</u>

See Accompanying Notes to the Financial Statements

Armada Area Schools
Statement of Net Position
June 30, 2025

	<u>Governmental Activities</u>
Liabilities	
Accounts payable	\$ 2,712,105
State aid anticipation note payable	121,115
Due to other governmental units	288,784
Payroll deductions and withholdings	26,715
Accrued expenditures	1,424,236
Accrued salaries payable	1,301,610
Unearned revenue	348,946
Long-term liabilities	
Net pension liability	28,752,378
Due within one year	3,508,001
Due in more than one year	<u>52,536,192</u>
Total liabilities	<u>91,020,082</u>
Deferred Inflows of Resources	
Deferred amount relating to the net pension liability	9,305,125
Deferred amount relating to the net OPEB assets	<u>6,471,984</u>
Total deferred inflows of resources	<u>15,777,109</u>
Net Position	
Net investment in capital assets	9,338,034
Restricted for:	
Food service	147,412
Capital projects	758,558
Net OPEB asset	5,045,981
Unrestricted	<u>(32,718,062)</u>
Total net position	<u>\$ (17,428,077)</u>

See Accompanying Notes to the Financial Statements

Armada Area Schools
Statement of Activities
For the Year Ended June 30, 2025

		Program Revenues		Net (Expense)
	Expenses	Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Position
Functions/Programs				
Governmental activities				
Instruction	\$ 12,708,865	\$ 84,509	\$ 6,425,405	\$ (6,198,951)
Supporting services	11,698,769	1,724,239	1,105,582	(8,868,948)
Food services	1,094,719	74,065	1,186,347	165,693
Community services	192,519	279,361	11,910	98,752
Interest and fiscal charges on long-term debt	<u>2,682,847</u>	<u>-</u>	<u>-</u>	<u>(2,682,847)</u>
Total governmental activities	<u>\$ 28,377,719</u>	<u>\$ 2,162,174</u>	<u>\$ 8,729,244</u>	<u>(17,486,301)</u>
General revenues				
Property taxes, levied for general purposes				3,401,384
Property taxes, levied for debt service				4,456,143
Property taxes, levied for sinking fund				532,459
State aid - unrestricted				12,944,344
Interest and investment earnings				850,794
Other				<u>128,660</u>
Total general revenues				<u>22,313,784</u>
Change in net position				<u>4,827,483</u>
Net position - beginning				(21,573,508)
Change in accounting principle (GASB 101)				<u>(682,052)</u>
Net position - beginning, as restated				<u>(22,255,560)</u>
Net position - ending				<u>\$ (17,428,077)</u>

See Accompanying Notes to the Financial Statements

Armada Area Schools
Governmental Funds
Balance Sheet
June 30, 2025

	General Fund	Debt Service Funds	2023 Building & Site Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Cash	\$ 164,938	\$ -	\$ -	\$ 654,247	\$ 819,185
Accounts receivable	253,251	-	-	-	253,251
Due from other funds	154,679	-	-	-	154,679
Due from other governmental units	3,334,278	-	-	40,520	3,374,798
Investments	485,973	128,094	14,002,358	803,910	15,420,335
Prepaid items	<u>321,320</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>321,320</u>
 Total assets	 <u>\$ 4,714,439</u>	 <u>\$ 128,094</u>	 <u>\$ 14,002,358</u>	 <u>\$ 1,498,677</u>	 <u>\$ 20,343,568</u>
Liabilities					
Accounts payable	\$ 367,721	\$ -	\$ 2,336,625	\$ 7,759	\$ 2,712,105
State aid anticipation note payable	121,115	-	-	-	121,115
Due to other funds	-	-	12,999	141,680	154,679
Due to other governmental units	288,784	-	-	-	288,784
Payroll deductions and withholdings	26,715	-	-	-	26,715
Accrued expenditures	525,876	-	-	1,498	527,374
Accrued salaries payable	1,298,712	-	-	2,898	1,301,610
Unearned revenue	<u>341,204</u>	<u>-</u>	<u>-</u>	<u>7,742</u>	<u>348,946</u>
 Total liabilities	 <u>2,970,127</u>	 <u>-</u>	 <u>2,349,624</u>	 <u>161,577</u>	 <u>5,481,328</u>

See Accompanying Notes to the Financial Statements

Armada Area Schools
Governmental Funds
Balance Sheet
June 30, 2025

	General Fund	Debt Service Funds	2023 Building & Site Fund	Nonmajor Governmental Funds	Total Governmental Funds
Fund Balances					
Non-spendable					
Prepaid items	\$ 321,320	\$ -	\$ -	\$ -	\$ 321,320
Restricted for					
Food Service	-	-	-	147,412	147,412
Debt Service	-	128,094	-	-	128,094
Capital Projects	-	-	11,652,734	758,592	12,411,326
Committed for					
Student Activities	-	-	-	431,096	431,096
Assigned - 24-25 excess budgeted expenditures over revenue	1,270,000	-	-	-	1,270,000
Unassigned	<u>152,992</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>152,992</u>
 Total fund balances	 <u>1,744,312</u>	 <u>128,094</u>	 <u>11,652,734</u>	 <u>1,337,100</u>	 <u>14,862,240</u>
 Total liabilities and fund balances	 <u>\$ 4,714,439</u>	 <u>\$ 128,094</u>	 <u>\$ 14,002,358</u>	 <u>\$ 1,498,677</u>	 <u>\$ 20,343,568</u>

See Accompanying Notes to the Financial Statements

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

Total fund balances for governmental funds	\$ 14,862,240
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	6,317,472
Capital assets - net of accumulated depreciation	46,448,159
Net OPEB asset is not recorded as an asset in the governmental funds.	5,045,981
Deferred outflows (inflows) of resources	
Deferred outflows of resources resulting from debt refunding	214,936
Deferred outflows of resources resulting from the net pension liability	9,580,690
Deferred outflows of resources resulting from the net OPEB asset	1,572,987
Deferred inflows of resources resulting from the net pension liability	(9,305,125)
Deferred inflows of resources resulting from the net OPEB asset	(6,471,984)
Certain liabilities are not due and payable in the current period and are not reported in the funds.	
Accrued interest	(297,487)
Arbitrage	(599,375)
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	(28,752,378)
Compensated absences	(748,892)
Bonds payable	(47,923,173)
School bond loan payable, including accrued interest	(7,286,687)
Other loans payable and liabilities	<u>(85,441)</u>
Net position of governmental activities	<u>\$ (17,428,077)</u>

See Accompanying Notes to the Financial Statements

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

	General Fund	Debt Service Funds	2023 Building & Site Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues					
Local sources	\$ 3,992,536	\$ 4,519,088	\$ 861,932	\$ 2,341,511	\$ 11,715,067
State sources	18,767,435	-	-	744,608	19,512,043
Federal sources	484,711	-	-	441,739	926,450
Interdistrict sources	<u>1,235,095</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,235,095</u>
 Total revenues	<u>24,479,777</u>	<u>4,519,088</u>	<u>861,932</u>	<u>3,527,858</u>	<u>33,388,655</u>
Expenditures					
Current					
Education					
Instruction	14,285,997	-	-	-	14,285,997
Supporting services	11,459,573	-	-	1,720,388	13,179,961
Food services	-	-	-	1,226,680	1,226,680
Community services	165,637	-	-	59,873	225,510
Capital outlay	352,198	-	12,423,433	283,025	13,058,656
Debt service					
Principal	98,056	2,710,000	-	-	2,808,056
Interest and other expenditures	<u>7,837</u>	<u>1,902,323</u>	<u>692,666</u>	<u>-</u>	<u>2,602,826</u>
 Total expenditures	<u>26,369,298</u>	<u>4,612,323</u>	<u>13,116,099</u>	<u>3,289,966</u>	<u>47,387,686</u>
 Excess (deficiency) of revenues over expenditures	<u>(1,889,521)</u>	<u>(93,235)</u>	<u>(12,254,167)</u>	<u>237,892</u>	<u>(13,999,031)</u>

See Accompanying Notes to the Financial Statements

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

	General Fund	Debt Service Funds	2023 Building & Site Fund	Nonmajor Governmental Funds	Total Governmental Funds
Other Financing Sources (Uses)					
Proceeds from school loan revolving fund	\$ -	\$ 110,716	\$ -	\$ -	\$ 110,716
Transfers in	87,045	-	-	-	87,045
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>(87,045)</u>	<u>(87,045)</u>
Total other financing sources (uses)	<u>87,045</u>	<u>110,716</u>	<u>-</u>	<u>(87,045)</u>	<u>110,716</u>
Net change in fund balances	(1,802,476)	17,481	(12,254,167)	150,847	(13,888,315)
Fund balances - beginning	<u>3,546,788</u>	<u>110,613</u>	<u>23,906,901</u>	<u>1,186,253</u>	<u>28,750,555</u>
Fund balances - ending	<u>\$ 1,744,312</u>	<u>\$ 128,094</u>	<u>\$ 11,652,734</u>	<u>\$ 1,337,100</u>	<u>\$ 14,862,240</u>

See Accompanying Notes to the Financial Statements

Armada Area 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	\$ (13,888,315)
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	(2,071,027)
Capital outlay	13,690,149
Sale of capital assets (net book value)	(75,753)
Expenses are recorded when incurred in the statement of activities.	
Interest	(308,341)
Arbitrage	(183,453)
Compensated absences	(12,317)
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	9,131,588
Net change in deferrals of resources related to the net pension liability	(6,324,755)
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	4,379,461
Net change in deferrals of resources related to the net OPEB asset	(2,435,414)
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	(110,716)
Repayments of long-term debt	2,808,056
Amortization of premiums	302,442
Amortization of deferred amount on debt refunding	(74,122)
Change in net position of governmental activities	<u>\$ 4,827,483</u>

See Accompanying Notes to the Financial Statements

Armada Area Schools
Fiduciary Funds
Statement of Fiduciary Net Position
June 30, 2025

	<u>Custodial Funds</u>
Assets	
Cash	<u>\$ 51,453</u>
Net Position	
Assets held for other scholarships	<u><u>\$ 51,453</u></u>

See Accompanying Notes to the Financial Statements

Armada Area Schools
Fiduciary Funds
Statement of Changes in Fiduciary Net Position
For the Year Ended June 30, 2025

	<u>Custodial Funds</u>
Additions	
Local sources	\$ 3,500
Interest and investment earnings	<u>2,251</u>
Total additions	5,751
Deductions	
Scholarships	<u>12,500</u>
Change in net position	(6,749)
Net position - beginning	<u>58,202</u>
Net position - ending	<u><u>\$ 51,453</u></u>

See Accompanying Notes to the Financial Statements

Armada Area Schools
Notes to the Financial Statements
June 30, 2025

Note 1 - Summary of Significant Accounting Policies

The accounting policies of Armada Area 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 and amortization) 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.

Armada Area Schools
Notes to the Financial Statements
June 30, 2025

Fiduciary fund statements also are reported using the economic resources measurement focus and the accrual basis of accounting.

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.

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.

Capital Projects Fund - The 2023 Building and Site Fund is used to record bond proceeds or other revenue and the disbursement of invoices specifically for acquiring new school sites, buildings, equipment, and for remodeling and repairs. The fund is kept open until the purpose for which the fund was created has been accomplished.

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 Community Education Fund, Food Service Fund, and Student Activity Fund. Operating deficits generated by these activities are generally transferred from the General Fund.

Capital Projects Fund - The Tech Bond Fund is used to record bond proceeds or other revenue and the disbursement of invoices specifically for acquiring new technology and equipment. This fund is kept open until the purpose for which the fund was created has been accomplished.

Capital Projects Fund - The Sinking Fund is used to record the sinking fund property tax levy and other revenue and the

disbursement of invoices specifically for acquiring new school sites, construction, or repair of school buildings.

Fiduciary Funds - Fiduciary Funds are used to account for assets held by the School District in a trustee capacity or as an agent. The Private-Purpose Trust Funds are funds entrusted to the School District for scholarship awards and the principal and interest of the trust may be spent.

Assets, Liabilities and Net Position or Equity

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	18.0000
Commercial personal property	6.0000
Debt Service Funds	7.0000
Sinking Fund	0.8367

School property taxes are assessed and collected in accordance with enabling state legislation by cities and townships within the School District's boundaries. All the School District's tax roll lies within the Counties of Macomb and St. Clair.

Armada Area Schools
Notes to the Financial Statements
June 30, 2025

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 Macomb and St. Clair 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.

Prepaid Items - 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 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	20 - 50 years
Site improvements	10 - 20 years
Equipment and furniture	5 - 10 years
Buses and other vehicles	5 - 10 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 and OPEB liabilities (assets) 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 and OPEB liabilities (assets) in the following year.

Compensated Absences - Sick days are earned by eligible employees at the rate depending on their classification. Certain classifications of employees may accumulate unused sick days up to a maximum amount, determined by their job classification. Retiring employees of certain job classifications, who meet certain age and years of service requirements are paid for accumulated sick days to a maximum number of days at a rate determined by their job category. There is no contractual provision for payment of unused vacation. They may be used for vacation only.

The liability for compensated absences reported in the district-wide financial statements consist of unpaid, accumulated sick and vacation balances. The compensated absences liability has been calculated based on anticipated amounts of leave time that will either be used or paid out upon termination.

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

Armada Area Schools
Notes to the Financial Statements
June 30, 2025

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

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

Deferred 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 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 and OPEB liabilities (assets) 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 Superintendent 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.

Armada Area Schools
Notes to the Financial Statements
June 30, 2025

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.

Statement No. 102, *Certain Risk Disclosures*, requires organizations to provide users of the financial statements with essential information about risks related to the organization’s vulnerabilities due to certain concentrations or constraints.

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,

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.

Armada Area Schools
Notes to the Financial Statements
June 30, 2025

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.

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			
Athletic activities	\$ 659,868	\$ 679,319	\$ 19,451

Compliance - Bond Proceeds

2023 Building & Site Bond

The Capital Projects Fund includes capital project activities funded with bonds. For this capital project, the school district has complied with the applicable provisions of Section 1351a of the Revised School Code. The project related to the 2023 Building and Site Bond is not yet considered substantially complete and a subsequent year audit is expected.

The following table is a summary of the revenue and expenditures in the 2023 Capital Projects Fund from the inception of the funds through the current fiscal year:

	<u>2023 Building & Site Bond</u>
Revenues	\$ 28,875,009
Expenditures	17,222,275

Compliance - Sinking Funds

The Capital Project Fund records capital project activities funded with Sinking Fund millage. For this fund, management believes the School District has complied, in all material respects, with the applicable provisions of § 1212(1) of the Revised School Code.

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	Fiduciary Funds	Total Primary Government
Cash	\$ 819,185	\$ 51,453	\$ 870,638
Investments	<u>15,420,335</u>	<u>-</u>	<u>15,420,335</u>
	<u>\$ 16,239,520</u>	<u>\$ 51,453</u>	<u>\$ 16,290,973</u>

Armada Area 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)	\$ 869,843
Investments in securities, mutual funds, and similar vehicles	15,420,335
Petty cash and cash on hand	<u>795</u>
 Total	 <u>\$ 16,290,973</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	\$ 91,887	< 60 days	AAAm	S&P
MAX Class	<u>15,328,448</u>	< 60 days	AAAm	S&P
	<u>\$ 15,420,335</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 \$15,420,335. 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 Trustee's 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 - In accordance with its investment policy, the School District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the District's cash requirements.

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, \$728,238 of the School District's bank balance of \$1,018,077 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Armada Area Schools
Notes to the Financial Statements
June 30, 2025

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.

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	\$ 1,187,079	\$ -	\$ -	\$ 1,187,079
Construction-in-progress	3,735,200	1,395,843	650	5,130,393
Total capital assets not being depreciated	<u>4,922,279</u>	<u>1,395,843</u>	<u>650</u>	<u>6,317,472</u>
Capital assets being depreciated				
Buildings and additions	53,824,882	5,340,999	342	59,165,539
Site improvements	4,612,702	6,177,942	-	10,790,644
Equipment and furniture	14,498,700	435,147	-	14,933,847
Buses and other vehicles	1,702,196	340,868	372,366	1,670,698
Right to use asset - buses and other vehicles	498,025	-	283,959	214,066
Total capital assets being depreciated	<u>75,136,505</u>	<u>12,294,956</u>	<u>656,667</u>	<u>86,774,794</u>
Less accumulated depreciation for				
Buildings and additions	22,063,183	1,257,229	-	23,320,412
Site improvements	3,025,047	263,918	-	3,288,965
Equipment and furniture	12,652,775	431,214	-	13,083,989
Buses and other vehicles	811,266	90,125	353,748	547,643
Right to use asset - buses and other vehicles	284,251	28,541	227,166	85,626
Total accumulated depreciation	<u>38,836,522</u>	<u>2,071,027</u>	<u>580,914</u>	<u>40,326,635</u>
Net capital assets being depreciated	<u>36,299,983</u>	<u>10,223,929</u>	<u>75,753</u>	<u>46,448,159</u>
Net capital assets	<u>\$41,222,262</u>	<u>\$11,619,772</u>	<u>\$ 76,403</u>	<u>\$52,765,631</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	\$ 1,014,804
Supporting services	952,672
Food services	82,841
Community services	<u>20,710</u>

Total governmental activities \$ 2,071,027

Construction Contracts

At June 30, 2025, the School District had several uncompleted construction contracts in the capital projects fund. The remaining commitment on these construction contracts was approximately \$8.2 million.

Note 5 - Interfund Receivables, Payables, and Transfers

Individual interfund receivable and payable balances at year end were:

Payable Fund	Receivable Fund	Amount
2023 Building & Site Fund	General Fund	\$ 12,999
Nonmajor Governmental Funds	General Fund	<u>141,680</u>
		<u>\$ 154,679</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.

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Interfund transfers consist of the following:

	<u>Transfers Out</u>
	<u>Nonmajor</u> <u>Governmental Funds</u>
<u>Transfers in</u> General Fund	\$ <u>87,045</u>

The transfer from the Food Service Fund to the General Fund was made to cover indirect costs of the program.

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	\$ 333,728
Student meals	5,922
Other	<u>9,296</u>
 Total	 \$ <u>348,946</u>

Note 7 - Leases

Lease Liability

During the 2023 fiscal year, the School District entered into a 5 year lease agreement as lessee for the use of 2 buses. An initial lease liability was recorded in the amount of \$214,066 during the 2023 fiscal year. As of June 30, 2025, the value of the lease liability was \$85,441. The School District is required to make annual principal and interest

payments of \$45,920. The lease has an interest rate of 2.01%. The value of the right-to-use asset as of the end of the current fiscal year was \$128,440 and had accumulated amortization of \$85,626.

Annual requirements to amortize lease liabilities and related interest are as follows:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2026	\$ 41,691	\$ 4,229
2027	<u>43,750</u>	<u>2,170</u>
 Total	 \$ <u>85,441</u>	 \$ <u>6,399</u>

Note 8 - State Aid Anticipation Note

The School District issues state aid anticipation notes in advance of state aid collections, depositing the proceeds in the General Fund. These notes are necessary because the School District receives state aid from October through the following August for its fiscal year ending June 30th. The School District is required to pledge 100% of their state school aid, October through August, or until the note is repaid, whichever is longer.

Short-term debt activity for the year was as follows:

	<u>Beginning</u> <u>Balance</u>	<u>Proceeds</u>	<u>Repayments</u>	<u>Ending</u> <u>Balance</u>
State aid anticipation note	\$ <u>118,271</u>	\$ <u>500,000</u>	\$ <u>497,156</u>	\$ <u>121,115</u>

The state aid anticipation note agreement includes an irrevocable set-aside of \$412,247 at year end that is considered defeased debt, including interest, and not included in the ending balance.

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Note 9 - 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. The State can withhold state aid if it has to make a bond payment on behalf of the School District related to qualified bonds. For the School Bond Loan Fund or School Loan Revolving Fund, the State may withhold state aid if the School District is in default or apply late charges in an instance of default or fails to appropriately levy debt mills. Other long-term obligations include compensated absences and leases.

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	\$48,440,000	\$ -	\$2,710,000	\$45,730,000	\$2,785,000
Premium on bonds	<u>2,495,615</u>	<u>-</u>	<u>302,442</u>	<u>2,193,173</u>	<u>-</u>
Total bonds payable	<u>50,935,615</u>	<u>-</u>	<u>3,012,442</u>	<u>47,923,173</u>	<u>2,785,000</u>
Notes from direct borrowings and direct placements					
School Loan Revolving Fund	6,431,346	110,716	-	6,542,062	-
Accrued interest- SLRF	<u>436,453</u>	<u>308,172</u>	<u>-</u>	<u>744,625</u>	<u>-</u>
Total notes from direct borrowings and direct placements	<u>6,867,799</u>	<u>418,888</u>	<u>-</u>	<u>7,286,687</u>	<u>-</u>
Other liabilities					
Leases	183,497	-	98,056	85,441	41,691
Compensated absences	<u>736,575</u>	<u>12,317</u>	<u>-</u>	<u>748,892</u>	<u>681,310</u>
Total other liabilities	<u>920,072</u>	<u>12,317</u>	<u>98,056</u>	<u>834,333</u>	<u>723,001</u>
Total	<u>\$58,723,486</u>	<u>\$ 431,205</u>	<u>\$3,110,498</u>	<u>\$56,044,193</u>	<u>\$3,508,001</u>

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

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

\$11,570,000 refunding serial bond due in annual installments of \$965,000 through May 1, 2026, interest at 4.00%	\$ 965,000
\$24,380,000 serial bond due in annual installments of \$200,000 to \$1,985,000 through May 1, 2048, interest at 5.00%	24,380,000
\$6,925,000 refunding serial bond due in annual installments of \$400,000 to \$1,630,000 through May 1, 2030, interest at 4.00%	6,655,000
\$6,490,000 serial bond due in annual installments of \$435,000 to \$1,125,000 through May 1, 2032, interest at 3.00%	4,560,000
\$11,010,000 refunding serial bond due in annual installments of \$935,000 to \$2,195,000 through May 1, 2032, interest at 1.15% to 2.10%	<u>9,170,000</u>
Total general obligation bonded debt	<u>\$45,730,000</u>

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

<u>Year Ending June 30,</u>	<u>Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2026	\$ 2,785,000	\$ 1,824,586
2027	3,065,000	1,744,682
2028	3,155,000	1,649,002
2029	3,245,000	1,548,896
2030	3,340,000	1,443,844
2031-2035	10,100,000	5,908,240
2036-2040	6,310,000	4,408,000
2041-2045	7,995,000	2,671,250
2046-2048	<u>5,735,000</u>	<u>581,000</u>
Total	<u>\$45,730,000</u>	<u>\$21,779,500</u>

The general obligation bonds are payable from the Debt Service Funds. As of year end, the fund had a balance of \$128,094 to pay this debt. Future debt and interest will be payable from future tax levies.

Interest expenditures for the fiscal year in the General Fund and Debt Service Funds were \$7,837 and \$1,902,323, respectively.

State School Bond Loan

The State School Bond Loan consists of a borrowing agreement with the State of Michigan for the purpose of meeting the financing of current debt maturities on the School District's Building & Site and Refunding bonds. Since the monies generated by the 7.0 mills are presently not sufficient to cover the entire debt service requirements of the School District, it has been necessary for the School District to borrow a total of \$6,542,062 to meet debt service requirements. Management of the School District anticipates that as the bonds mature, the revenues provided by the debt millage will be sufficient to satisfy the future debt service requirements of the Building & Site and Refunding bonds and all necessary borrowing from the State School Bond Loan Fund. During

the year, the School District borrowed \$110,716 and had an outstanding balance at year-end of \$6,542,062, from the State School Bond Loan Fund. The School District has agreed to repay the loan amount with interest at rates and at times to be determined by the State Treasurer.

Compensated Absences

The compensated absences liability of \$748,892 at year end, has been calculated based on anticipated amounts of leave time that will either be used or paid out upon termination. Compensated absences additions and deductions are reported net.

Deferred Amount on Refunding

The previous periods advance refunding's resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$214,936. This amount is reported in the accompanying statement of net position as a deferred outflow of resources and is being charged to activities through fiscal year 2030.

Defeased Debt

In prior years, the School District has defeased various bonds issued by creating separate irrevocable trust funds. New debt has been issued and the net proceeds of each refunding were placed in separate special escrow accounts and invested in securities of the U.S. Government and its agencies. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the refunded bonds are considered to be defeased. Accordingly, the trust account assets and liability for the defeased bonds are not included in the School District's financial statements.

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The final payment date is May 1, 2030. As of year end, the amount of defeased debt outstanding but removed from the School District's financial statements is as follows:

2005 Building and Site refunded in 2014	\$ 1,015,000
2007 Building and Site refunded in 2017	<u>6,655,000</u>
 Total	 <u>\$ 7,670,000</u>

Note 10 - Risk Management

The School District is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation) and certain medical benefits provided to employees. The School District has purchased commercial insurance for general liability, property and casualty and health and vision claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in the past three fiscal years.

The School District is subject to the Michigan Employment Security Act and has elected to pay unemployment claims on a direct self-insured basis. Under this method, the School District must reimburse the Employment Commission for all benefits charged against the School District. The School District had no unemployment compensation expense for the year. No provision has been made for possible future claims.

Note 11 - Pension Plan

Plan Description

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

and the State Superintendent of Instruction, who serves as an ex-officio member.

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

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, 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.

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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 \$4,910,112 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 \$28,752,378 for its proportionate share of the MPSERS 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 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 .1174 percent, which was an increase of .0004 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 \$3,125,678 for the measurement period. For the reporting period ending June 30, 2025, the School District recognized total pension contribution expense of \$4,915,981.

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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	\$ 780,072	\$ (312,399)	\$ 467,673
Changes of assumptions	2,997,606	(2,106,640)	890,966
Net difference between projected and actual earnings on pension plan investments	-	(5,487,173)	(5,487,173)
Changes in proportion and differences between the School District contributions and proportionate share of contributions	<u>1,295,484</u>	<u>(105,349)</u>	<u>1,190,135</u>
Total to be recognized in future	5,073,162	(8,011,561)	(2,938,399)
School District contributions subsequent to the measurement date	<u>4,507,528</u>	<u>(1,293,564)</u>	<u>3,213,964</u>
Total	<u>\$ 9,580,690</u>	<u>\$ (9,305,125)</u>	<u>\$ 275,565</u>

Contributions subsequent to the measurement date reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 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	\$ (212,877)
2026	592,385
2027	(1,901,385)
2028	<u>(1,416,522)</u>
	<u><u>\$ (2,938,399)</u></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%

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- 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 in years 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 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:

	Target	Long Term
Asset Class	Allocation	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.

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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:

1% Decrease	Current Single Discount Rate Assumption	1% Increase
5.00%	6.00%	7.00%
<u>\$ 42,151,295</u>	<u>\$ 28,752,378</u>	<u>\$ 17,595,202</u>

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

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

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

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

Note 12 - Postemployment Benefits Other Than Pensions (OPEB)

Plan Description

The Michigan Public School Employees' Retirement System (System or MPERS) is a cost-sharing, multiple employer, state-wide, defined benefit public employee retirement plan 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,

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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 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 \$974,411 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 \$5,045,981 for its proportionate share of the MPSERS net OPEB asset. The net OPEB asset was measured as of September 30,

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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 .1172 percent, which was a decrease of .0006 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 \$(1,694,392) for the measurement period. For the reporting period ending June 30, 2025, the School District recognized total OPEB contribution expense of \$249,907.

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	\$ -	\$ (5,347,199)	\$ (5,347,199)
Changes of assumptions	1,102,115	(126,679)	975,436
Net difference between projected and actual earnings on OPEB plan investments	-	(955,262)	(955,262)
Changes in proportion and differences between the School District contributions and proportionate share of contributions	<u>378,075</u>	<u>(42,844)</u>	<u>335,231</u>
Total to be recognized in future	1,480,190	(6,471,984)	(4,991,794)
School District contributions subsequent to the measurement date	<u>92,797</u>	<u>-</u>	<u>92,797</u>
Total	<u>\$ 1,572,987</u>	<u>\$ (6,471,984)</u>	<u>\$ (4,898,997)</u>

Armada Area Schools
Notes to the Financial Statements
June 30, 2025

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	\$ (1,606,995)
2026	(943,076)
2027	(942,087)
2028	(903,623)
2029	(500,915)
Thereafter	(95,098)
	<u>\$ (4,991,794)</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

- 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-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.

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 in years is 6.2834.

Recognition period for assets in years is 5.0000.

Armada Area Schools
Notes to the Financial Statements
June 30, 2025

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	2.2%
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 OPEB plan investment, net of OPEB plan investment expense, was 15.45%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

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%
<u>\$ (3,899,576)</u>	<u>\$ (5,045,981)</u>	<u>\$ (6,037,170)</u>

Armada Area Schools
Notes to the Financial Statements
June 30, 2025

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
\$ (6,037,181)	\$ (5,045,981)	\$ (3,982,925)

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 13 - Contingent Liabilities

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

Note 14 - Tax Abatements

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

promote construction of new industrial facilities, or to rehabilitate historical facilities; Brownfield redevelopment agreements are intended to reimburse taxpayers that remediate environmental contamination on their properties.

There are no significant abatements made by the School District.

Note 15 - Change in Accounting Principle

During the year ended June 30, 2025, the School District was required to adopt GASB 101, *Compensated Absences*. As a result, the following restatement was necessary to be made in the financial statements:

	Governmental Activities
Net Position - June 30, 2024, as previously reported	\$(21,573,508)
Adjustments:	
Change in accounting principle (GASB 101)	\$ (682,052)
Net Position - July 1, 2024, as restated	<u>\$(22,255,560)</u>

REQUIRED SUPPLEMENTARY INFORMATION

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

	Budgeted Amounts			Over (Under) Budget
	Original	Final	Actual	
Revenues				
Local sources	\$ 4,200,000	\$ 4,609,510	\$ 3,992,536	\$ (616,974)
State sources	18,889,000	18,325,004	18,767,435	442,431
Federal sources	526,000	475,938	484,711	8,773
Interdistrict sources	1,500,000	1,183,548	1,235,095	51,547
Total revenues	25,115,000	24,594,000	24,479,777	(114,223)
Expenditures				
Instruction				
Basic programs	11,121,248	11,325,016	11,104,908	(220,108)
Added needs	2,904,682	3,209,514	3,181,089	(28,425)
Supporting services				
Pupil	1,635,693	2,028,316	1,978,639	(49,677)
Instructional staff	1,124,787	1,199,348	1,164,187	(35,161)
General administration	711,566	701,000	660,173	(40,827)
School administration	2,296,621	1,947,599	1,899,914	(47,685)
Business	953,294	952,849	897,362	(55,487)
Operations and maintenance	2,612,345	2,687,746	2,678,781	(8,965)
Pupil transportation services	1,014,989	1,195,629	1,169,546	(26,083)
Central	325,638	347,883	331,652	(16,231)
Athletic activities	670,716	659,868	679,319	19,451
Community services	144,401	174,984	165,637	(9,347)
Capital outlay	458,020	413,355	352,198	(61,157)
Debt service				
Principal	-	98,056	98,056	-
Interest and fiscal charges	-	7,837	7,837	-
Total expenditures	25,974,000	26,949,000	26,369,298	(579,702)
Deficiency of revenues over expenditures	(859,000)	(2,355,000)	(1,889,521)	465,479

Armada Area 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>		
Other Financing Sources				
Transfers in	\$ -	\$ -	\$ 87,045	\$ 87,045
Net change in fund balances	(859,000)	(2,355,000)	(1,802,476)	552,524
Fund balance - beginning	<u>3,546,788</u>	<u>3,546,788</u>	<u>3,546,788</u>	<u>-</u>
Fund balance - ending	<u>\$ 2,687,788</u>	<u>\$ 1,191,788</u>	<u>\$ 1,744,312</u>	<u>\$ 552,524</u>

Armada Area 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 the net pension liability (%)	0.1174%	0.1170%	0.1133%	0.1077%	0.1064%	0.1050%	0.1046%	0.1047%	0.1051%	0.1042%
B. School District's proportionate share of the net pension liability	\$ 28,752,378	\$ 37,883,966	\$ 42,597,444	\$ 25,493,765	\$ 36,538,720	\$ 34,784,975	\$ 31,444,711	\$ 27,131,837	\$ 26,210,832	\$ 25,441,198
C. School District's covered payroll	\$ 12,409,159	\$ 11,785,090	\$ 11,300,211	\$ 9,824,451	\$ 9,490,006	\$ 9,473,900	\$ 8,906,340	\$ 8,713,411	\$ 8,887,203	\$ 8,555,666
D. School District's proportionate share of the net pension liability as a percentage of its covered payroll	231.70%	243.97%	376.96%	259.49%	385.02%	367.17%	353.06%	311.38%	294.93%	297.36%
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.

Armada Area 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	\$ 4,915,981	\$ 4,851,871	\$ 4,320,247	\$ 3,746,911	\$ 3,230,589	\$ 2,903,642	\$ 2,769,638	\$ 2,648,039	\$ 2,359,107	\$ 2,009,389
B. Contributions in relation to statutorily required contributions	<u>(4,915,981)</u>	<u>(4,851,871)</u>	<u>(4,320,247)</u>	<u>(3,746,911)</u>	<u>(3,230,589)</u>	<u>(2,903,642)</u>	<u>(2,769,638)</u>	<u>(2,648,039)</u>	<u>(2,359,107)</u>	<u>(2,009,389)</u>
C. Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
D. School District's covered payroll	\$ 13,346,438	\$ 12,204,435	\$ 11,594,272	\$ 10,666,683	\$ 9,683,188	\$ 9,473,900	\$ 9,109,934	\$ 8,871,582	\$ 9,012,744	\$ 8,857,974
E. Contributions as a percentage of covered payroll	36.83%	39.75%	37.26%	35.13%	33.36%	30.65%	30.40%	29.85%	26.18%	22.68%

Armada Area 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) (%)	0.1172%	0.1178%	0.1162%	0.1088%	0.1072%	0.1054%	0.1049%	0.104600%		
B. School District's proportionate share of the net OPEB liability (asset)	\$ (5,045,981)	\$ (666,520)	\$ 2,460,940	\$ 1,660,006	\$ 5,740,700	\$ 7,563,881	\$ 8,336,313	\$ 9,260,024		
C. School District's covered payroll	\$ 12,409,159	\$ 11,785,090	\$ 11,785,090	\$ 9,824,451	\$ 9,490,006	\$ 9,473,900	\$ 8,906,340	\$ 8,713,411		
D. School District's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	-40.66%	-5.66%	20.88%	16.90%	60.49%	79.84%	93.60%	106.27%		
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.

Armada Area 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	\$ 249,907	\$ 954,621	\$ 949,424	\$ 846,483	\$ 755,265	\$ 752,465	\$ 716,328	\$ 625,048		
B. Contributions in relation to statutorily required contributions	(249,907)	(954,621)	(949,424)	(846,483)	(755,265)	(752,465)	(716,328)	(625,048)		
C. Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		
D. School District's covered payroll	\$ 13,346,438	\$ 12,204,435	\$ 12,204,435	\$ 10,666,683	\$ 9,683,188	\$ 9,473,900	\$ 9,473,900	\$ 9,109,934		
E. Contributions as a percentage of covered payroll	1.87%	7.82%	7.78%	7.94%	7.80%	7.94%	7.56%	6.86%		

OTHER SUPPLEMENTARY INFORMATION

Armada Area Schools
Other Supplementary Information
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2025

	Special Revenue Funds			Capital Projects Funds		Total Nonmajor Governmental Funds
	Community Education	Food Service	Student Activity	Tech Bond	Sinking	
Assets						
Cash	\$ 10,375	\$ 203,109	\$ 440,763	\$ -	\$ -	\$ 654,247
Due from other governmental units	-	40,520	-	-	-	40,520
Investments	-	-	-	34	803,876	803,910
Total assets	<u>\$ 10,375</u>	<u>\$ 243,629</u>	<u>\$ 440,763</u>	<u>\$ 34</u>	<u>\$ 803,876</u>	<u>\$ 1,498,677</u>
Liabilities						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 7,759	\$ 7,759
Due to other funds	8,555	85,899	9,667	-	37,559	141,680
Accrued expenditures	-	1,498	-	-	-	1,498
Accrued salaries payable	-	2,898	-	-	-	2,898
Unearned revenue	1,820	5,922	-	-	-	7,742
Total liabilities	<u>10,375</u>	<u>96,217</u>	<u>9,667</u>	<u>-</u>	<u>45,318</u>	<u>161,577</u>
Fund Balances						
Restricted for						
Food service	-	147,412	-	-	-	147,412
Capital projects	-	-	-	34	758,558	758,592
Committed for						
Student activities	-	-	431,096	-	-	431,096
Total fund balances	<u>-</u>	<u>147,412</u>	<u>431,096</u>	<u>34</u>	<u>758,558</u>	<u>1,337,100</u>
Total liabilities and fund balances	<u>\$ 10,375</u>	<u>\$ 243,629</u>	<u>\$ 440,763</u>	<u>\$ 34</u>	<u>\$ 803,876</u>	<u>\$ 1,498,677</u>

Armada Area 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			Capital Projects Funds		Total Nonmajor Governmental Funds
	Community Education	Food Service	Student Activity	Tech Bond	Sinking	
Revenues						
Local sources	\$ 59,873	\$ 74,628	\$ 1,643,607	\$ 1,488	\$ 561,915	\$ 2,341,511
State sources	-	744,608	-	-	-	744,608
Federal sources	-	441,739	-	-	-	441,739
Total revenues	59,873	1,260,975	1,643,607	1,488	561,915	3,527,858
Expenditures						
Current						
Education						
Supporting services	-	-	1,720,388	-	-	1,720,388
Food services	-	1,226,680	-	-	-	1,226,680
Community services	59,873	-	-	-	-	59,873
Capital outlay	-	-	-	79,140	203,885	283,025
Total expenditures	59,873	1,226,680	1,720,388	79,140	203,885	3,289,966
Excess (deficiency) of revenues over expenditures	-	34,295	(76,781)	(77,652)	358,030	237,892
Other Financing Uses						
Transfers out	-	(87,045)	-	-	-	(87,045)
Net change in fund balances	-	(52,750)	(76,781)	(77,652)	358,030	150,847
Fund balances - beginning	-	200,162	507,877	77,686	400,528	1,186,253
Fund balances - ending	\$ -	\$ 147,412	\$ 431,096	\$ 34	\$ 758,558	\$ 1,337,100

Armada Area Schools
Other Supplementary Information
Schedule of Outstanding Bonded Indebtedness
June 30, 2025

Year Ending June 30,	2023 Building & Site	2021 Refunding	2018 Building & Site	2017 Series A	2014 Refunding	Total
2026	\$ -	\$ 935,000	\$ 485,000	\$ 400,000	\$ 965,000	\$ 2,785,000
2027	200,000	945,000	435,000	1,485,000	-	3,065,000
2028	200,000	965,000	445,000	1,545,000	-	3,155,000
2029	200,000	980,000	470,000	1,595,000	-	3,245,000
2030	200,000	1,000,000	510,000	1,630,000	-	3,340,000
2031 - 2035	3,540,000	4,345,000	2,215,000	-	-	10,100,000
2036 - 2040	6,310,000	-	-	-	-	6,310,000
2041 - 2045	7,995,000	-	-	-	-	7,995,000
2046 - 2048	5,735,000	-	-	-	-	5,735,000
Total	<u>\$ 24,380,000</u>	<u>\$ 9,170,000</u>	<u>\$ 4,560,000</u>	<u>\$ 6,655,000</u>	<u>\$ 965,000</u>	<u>\$ 45,730,000</u>
Principal payments due the first day of	May	May	May	May	May	
Interest payments due the first day of	May and November	May and November	May and November	May and November	May and November	
Interest rate	5.00%	1.15% - 2.10%	3.00%	4.00%	5.00%	
Original issue	<u>\$ 24,380,000</u>	<u>\$ 11,010,000</u>	<u>\$ 6,490,000</u>	<u>\$ 6,925,000</u>	<u>\$ 11,570,000</u>	