Armada Area Schools

Financial Statements

June 30, 2024

YEO & YEO

BUSINESS SUCCESS PARTNERS

Table of Contents

Armada Area Schools
Members of the Board of Education and Administration
June 30, 2024

Members of the Board of Education

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Cheryl Murray – Vice President

Susan Nieman – Treasurer

Michele Meerschaert – Secretary

Andrew Blake – Trustee

Sherrie Hill – Trustee

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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, 2024, 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, 2024, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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.

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

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise 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 September 13, 2024, 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
September 13, 2024

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, is in its 18th year of implementation of the provisions of Governmental Accounting Standards Board Statement 34 (GASB 34) and 8th year for GASB 68 with the enclosed financial statements.

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, 2024. 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 fund, the General 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
  - District-wide Financial Statements
  - Fund Financial Statements
  - Fiduciary Fund
  - Notes to Financial Statements
- Required Supplemental Information
  - Budgetary Comparison Schedules
- Other Supplemental Information
  - Combining Balance Sheet Non-Major Governmental Funds
  - Combining Statement of Revenue, Expenditures and Changes in Fund Balances – Non-major Governmental Funds

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.

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, 2024.

	2022 - 2023 Governmental Activities	2023 - 2024 Governmental Activities
Assets		
Current and other assets	$ 34,514,535	$ 34,586,173
Capital assets	37,495,463	41,222,262
Total assets	72,009,998	75,808,435
Deferred outflows of resources	17,471,639	15,899,276
Total assets and deferred outflows of resources	89,481,637	91,707,711
Liabilities		
Current liabilities	4,117,046	8,705,394
Long-term liabilities	105,776,588	93,102,344
Total liabilities	109,893,634	101,807,738
Deferred inflows of resources	7,115,109	11,473,481
Total liabilities and deferred inflows of resources	117,008,743	113,281,219
Net position		
Net investment in capital assets	4,025,074	7,508,996
Restricted	415,456	600,690
Unrestricted	(31,967,636)	(29,683,194)
Total net position (deficit)	(27,527,106)	(21,573,508)

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

The change in net position (see Table 2) of the District's governmental activities is discussed below. The District's net position was ($21,573,508) at June 30, 2024. Total net position factors all district related debt. Capital assets, net of related debt, totaled $7,508,996. 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, $0.6 million, was restricted for capital projects and food service. The remaining amount of net position, ($29.7) million, was unrestricted. The ($21.6) 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.

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 2023 and 2024.

	2023	2024
Revenue		
Program revenue:		
Charges for services	$ 2,021,523	$ 1,997,898
Operating grants	8,640,756	9,324,062
General revenue:		
Property taxes	7,419,724	8,368,111
State aid - unrestricted	12,762,692	13,220,554
Other	309,250	1,347,868
Total revenue	31,153,945	34,258,493
Functions/Program expenses		
Instruction	$ 15,251,832	$ 13,747,834
Support services	11,789,424	11,222,192
Food services	915,982	1,185,401
Community services	283,860	206,183
Interest on long-term debt	1,333,977	1,943,285
Total revenue	29,575,075	28,304,895
Change in net position	1,578,870	5,953,598
Net position (deficit) - beginning	(29,105,976)	(27,527,106)
Net position (deficit) - ending	(27,527,106)	(21,573,508)

As reported in the statement of activities, the cost of all *governmental* activities this year was $28.3 million. Certain activities were partially funded from those who benefited from the programs - $2.0 million or by other governments and organizations that subsidized certain programs with grants and contributions - $9.3 million. The remaining "public benefit" portion of governmental activities was funded with $8.4 million in taxes, $13.2 million in State foundation allowance, and with $1.3 million other revenues, such as interest and general entitlements.

The District experienced an increase in net position of $5,953,598. 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 $28.8 million; a decrease of $1.9 million from the prior year due to the spending of the 2023 Building and Site bonds. The changes by general and other funds are as follows:

	General Fund	Other Funds	Total
Fund balances - beginning of year	$ 2,734,852	$ 27,903,602	$ 30,638,454
Increase (decrease)	811,936	(2,699,835)	(1,887,899)
Fund balances - end of year	3,546,788	25,203,767	28,750,555

In the General Fund, our principal operating fund, the fund balance increased by $0.8 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 $2.7 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 decrease 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. 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 2023-24 General Fund budget in February and June 2024. The final General Fund budget approved by the Board in June 2024 had an estimated fund equity net loss of $0.6 million for June 30, 2024. The actual June 30, 2024, fund equity had a net increase of $0.8 million with a total fund equity of $3,546,788. The district operated on a minimal needs spending status most of the school year. The district also benefited financially from state and federal COVID-19 funding, staff attrition, and a higher student count than the original budget. 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, 2024, the District had $41.2 million invested in a broad range of capital assets, including land, buildings, and furniture and equipment. The previous two years are listed below.

	2023	2024
Capital assets		
Construction in progress	$ -	$ 3,735,200
Land, buildings, and improvements	59,311,743	59,624,663
Furniture and equipment	13,475,956	14,498,700
Buses and other vehicles	1,394,065	1,702,196
Right to use assets	498,025	498,025
Less: Accumulated depreciation	(37,184,326)	(38,836,522)
	$ 37,495,463	$ 41,222,262

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 2025 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 2024-25 fiscal year is 10 percent of the February 2024 student count and 90 percent of the October 2024 student counts. The 2024-25 budget was adopted in June 2024, based on a 0-student decrease - 1,702 total. Preliminary numbers show the District's actual blended count may be slightly higher than the 1,702 budget amount, and the district has a higher June 2024 fund equity so the district is in a good financial position. 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 dependent on the State's ability to fund local school operations. The district will amend the 2024-25 General Fund budget in the 2025 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 no increase in per pupil funding for Armada in the 2024-25 school year. However, the retirement rate will be lowered for the 2024-25 school year. This will help to offset inflationary increases and some of the staffing cost increases. 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, 2024

	Governmental Activities
Assets	
Cash	$ 1,019,049
Accounts receivable	106,136
Due from other governmental units	3,614,786
Investments	28,660,562
Prepaid items	519,120
Net OPEB asset	666,520
Capital assets not being depreciated	4,922,279
Capital assets - net of accumulated depreciation	36,299,983
Total assets	75,808,435
Deferred Outflows of Resources	
Deferred amount on debt refunding	289,058
Deferred amount relating to the net pension liability	12,820,961
Deferred amount relating to the net OPEB asset	2,789,257
Total deferred outflows of resources	15,899,276

See Accompanying Notes to the Financial Statements

Armada Area Schools
Statement of Net Position
June 30, 2024

	Governmental Activities
Liabilities	
Accounts payable	2,245,564
State aid anticipation note payable	118,271
Due to other governmental units	423,804
Payroll deductions and withholdings	57,570
Accrued expenditures	1,212,053
Accrued salaries payable	1,232,649
Unearned revenue	592,427
Long-term liabilities	
Net pension liability	37,883,966
Due within one year	2,823,056
Due in more than one year	55,218,378
Total liabilities	101,807,738
Deferred Inflows of Resources	
Deferred amount relating to the net pension liability	6,220,641
Deferred amount relating to the net OPEB assets	5,252,840
Total deferred inflows of resources	11,473,481
Net Position	
Net investment in capital assets	7,508,996
Restricted for:	
Food service	200,162
Capital projects	400,528
Unrestricted	(29,683,194)
Total net position	$ (21,573,508)

See Accompanying Notes to the Financial Statements

Armada Area Schools
Statement of Activities
For the Year Ended June 30, 2024

		Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
Functions/Programs				
Governmental activities				
Instruction	$ 13,747,834	$ 60,079	$ 6,737,339	$ (6,950,416)
Supporting services	11,222,192	1,457,489	1,418,885	(8,345,818)
Food services	1,185,401	150,913	1,167,838	133,350
Community services	206,183	329,417	-	123,234
Interest and fiscal charges on long-term debt	1,943,285	-	-	(1,943,285)
Total governmental activities	$ 28,304,895	$ 1,997,898	$ 9,324,062	(16,982,935)
General revenues				
Property taxes, levied for general purposes				3,557,301
Property taxes, levied for debt service				4,303,203
Property taxes, levied for sinking fund				507,607
State aid - unrestricted				13,220,554
Interest and investment earnings				1,247,744
Other				100,124
Total general revenues				22,936,533
Change in net position				5,953,598
Net position - beginning				(27,527,106)
Net position - ending				$ (21,573,508)

See Accompanying Notes to the Financial Statements

Armada Area Schools
Governmental Funds
Balance Sheet
June 30, 2024

	General Fund	Debt Service Funds	2023 Bldg & Site	Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Cash	$ 343,120	$ -	$ -	$ 675,929	$ 1,019,049
Accounts receivable	106,136	-	-	-	106,136
Due from other funds	1,949,809	-	-	-	1,949,809
Due from other governmental units	3,572,259	-	-	42,527	3,614,786
Investments	2,214,534	110,613	25,833,082	502,333	28,660,562
Prepaid items	519,120	-	-	-	519,120
Total assets	$ 8,704,978	$ 110,613	$ 25,833,082	$ 1,220,789	$ 35,869,462
Liabilities					
Accounts payable	$ 2,240,870	$ -	$ -	$ 4,694	$ 2,245,564
State aid anticipation note payable	118,271	-	-	-	118,271
Due to other funds	-	-	1,926,181	23,628	1,949,809
Due to other governmental units	423,804	-	-	-	423,804
Payroll deductions and withholdings	57,570	-	-	-	57,570
Accrued expenditures	497,554	-	-	1,259	498,813
Accrued salaries payable	1,230,214	-	-	2,435	1,232,649
Unearned revenue	589,907	-	-	2,520	592,427
Total liabilities	5,158,190	-	1,926,181	34,536	7,118,907

See Accompanying Notes to the Financial Statements

Armada Area Schools
Governmental Funds
Balance Sheet
June 30, 2024

	General Fund	Debt Service Funds	2023 Bldg & Site	Nonmajor Governmental Funds	Total Governmental Funds
Fund Balances					
Non-spendable					
Prepaid items	519,120	-	-	-	519,120
Restricted for					
Food Service	-	-	-	200,162	200,162
Debt Service	-	110,613	-	-	110,613
Capital Projects	-	-	23,906,901	478,214	24,385,115
Committed - Student Activity	-	-	-	507,877	507,877
Assigned - 24-25 excess budgeted expenditures over revenue	859,000	-	-	-	859,000
Unassigned	2,168,668	-	-	-	2,168,668
Total fund balances	3,546,788	110,613	23,906,901	1,186,253	28,750,555
Total liabilities and fund balances	$ 8,704,978	$ 110,613	$ 25,833,082	$ 1,220,789	$ 35,869,462

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, 2024

Total fund balances for governmental funds	$ 28,750,555
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	4,922,279
Capital assets - net of accumulated depreciation	36,299,983
Net OPEB asset is not recorded as an asset in the governmental funds.	666,520
Deferred outflows (inflows) of resources	
Deferred outflows of resources resulting from debt refunding	289,058
Deferred outflows of resources resulting from the net pension liability	12,820,961
Deferred outflows of resources resulting from the net OPEB asset	2,789,257
Deferred inflows of resources resulting from the net pension liability	(6,220,641)
Deferred inflows of resources resulting from the net OPEB asset	(5,252,840)
Certain liabilities are not due and payable in the current period and are not reported in the funds.	
Accrued interest	(297,318)
Arbitrage	(415,922)
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	(37,883,966)
Compensated absences	(54,523)
Bonds payable	(50,935,615)
School bond loan payable, including accrued interest	(6,867,799)
Other loans payable and liabilities	(183,497)
Net position of governmental activities	$ (21,573,508)

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, 2024

	General Fund	Debt Service Funds	2023 Bldg & Site	Nonmajor Governmental Funds	Total Governmental Funds
Revenues					
Local sources	$ 4,188,516	$ 4,377,940	$ 1,420,279	$ 2,143,064	$ 12,129,799
State sources	18,752,530	-	-	659,168	19,411,698
Federal sources	1,480,215	-	-	508,670	1,988,885
Interdistrict sources	1,144,033	-	-	-	1,144,033
Total revenues	25,565,294	4,377,940	1,420,279	3,310,902	34,674,415
Expenditures					
Current					
Education					
Instruction	14,034,567	-	-	-	14,034,567
Supporting services	10,115,922	-	-	1,343,432	11,459,354
Food services	-	-	-	1,207,940	1,207,940
Community services	144,401	-	-	67,417	211,818
Capital outlay	352,127	-	3,874,095	896,377	5,122,599
Debt service					
Principal	94,601	2,625,000	-	-	2,719,601
Interest and other expenditures	11,292	1,788,418	6,725	-	1,806,435
Total expenditures	24,752,910	4,413,418	3,880,820	3,515,166	36,562,314
Excess (deficiency) of revenues over expenditures	812,384	(35,478)	(2,460,541)	(204,264)	(1,887,899)

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, 2024

	General Fund	Debt Service Funds	2023 Bldg & Site	Nonmajor Governmental Funds	Total Governmental Funds
Other Financing Sources (Uses)					
Transfers in	-	-	-	448	448
Transfers out	(448)	-	-	-	(448)
Total other financing sources (uses)	(448)	-	-	448	-
Net change in fund balances	811,936	(35,478)	(2,460,541)	(203,816)	(1,887,899)
Fund balances - beginning	2,734,852	146,091	26,367,442	1,390,069	30,638,454
Fund balances - ending	$ 3,546,788	$ 110,613	$ 23,906,901	$ 1,186,253	$ 28,750,555

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, 2024

Net change in fund balances - Total governmental funds	$ (1,887,899)
Total change in net position reported for governmental activities in the statement of activities is different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Depreciation and amortization expense	(1,737,972)
Capital outlay	5,476,175
Sale of capital assets (net book value)	(11,404)
Expenses are recorded when incurred in the statement of activities.	
Interest	(347,126)
Arbitrage	(415,922)
Compensated absences	(34,456)
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	4,713,478
Net change in deferrals of resources related to the net pension liability	(4,674,528)
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	3,127,460
Net change in deferrals of resources related to the net OPEB asset	(1,184,085)
Bond and note proceeds and capital 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.	
Repayments of long-term debt	2,719,601
Amortization of premiums	282,398
Amortization of deferred amount on debt refunding	(72,122)
Change in net position of governmental activities	$ 5,953,598

See Accompanying Notes to the Financial Statements

Armada Area Schools
Fiduciary Funds
Statement of Fiduciary Net Position
June 30, 2024

	Custodial Funds
Assets	
Cash	$ 58,202
Net Position	
Assets held for other scholarships	$ 58,202

Armada Area Schools
Fiduciary Funds
Statement of Changes in Fiduciary Net Position
For the Year Ended June 30, 2024

	Custodial Funds
Additions	
Interest and investment earnings	$ 2,580
Deductions	
Scholarships	10,999
Change in net position	(8,419)
Net position - beginning	66,621
Net position - ending	$ 58,202

See Accompanying Notes to the Financial Statements

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) 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.). The School District does not allocate indirect costs. 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.

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.

Tech Bond 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.

Sinking 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, 2024, 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.

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 leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments, and other employees who are expected to become eligible in the future to receive such payments upon termination, are included. The amount reported is salary related and includes no fringe benefits, since the amount of said benefits would be immaterial.

Long-term Obligations - In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period.

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

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

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

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

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. 100, *Accounting Changes and Error Corrections*, improves the clarity of the accounting and financial reporting requirements for accounting changes and error corrections, which will result in greater consistency in application in practice. More understandable, reliable, relevant, consistent, and comparable information will be provided to financial statement users for making decisions or assessing accountability. Additionally, the display and note disclosure requirements will result in more consistent, decision useful, understandable and comprehensive information for users about accounting changes and error corrections.

Upcoming Accounting and Reporting Changes
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. This statement is effective for the year ending June 30, 2025.

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. This statement is effective for the year ending June 30, 2025.

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.

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

Note 2 - Stewardship, Compliance, and Accountability

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

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

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

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

Excess of Expenditures over Appropriations

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

Function	Final Budget	Amount of Expenditures	Budget Variances
General Fund			
Pupil transportation services	$ 928,980	$ 958,989	$ 30,009

Compliance - Bond Proceeds

2023 Building & Site Bond

The Capital Projects Funds 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.

Tech 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. Beginning with the year of bond issuance, the school district has reported the annual construction activity in the Capital Projects Fund. The project for which the Tech Bond was issued was considered complete on June 30, 2024 (June 30 immediately following date of Certificate of Substantial Completion or 95% of proceeds expended) and the cumulative expenditures recognized for the construction period were $4,337,281.

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

	Tech Bond	2023 Building & Site Bond
Revenues	$ 4,414,967	$ 28,013,077
Expenditures	4,337,281	4,106,176

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	$ 1,019,049	$ 58,202	$ 1,077,251
Investments	28,660,562	-	28,660,562
	$ 29,679,611	$ 58,202	$ 29,737,813

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

Deposits (checking, savings accounts, money markets, certificates of deposit)	$ 1,076,456
Investments in securities, mutual funds, and similar vehicles	28,660,562
Petty cash and cash on hand	795
Total	$ 29,737,813

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

Investment	Carrying Value	Maturities	Rating	Rating Organization
External investment pools:				
Michigan Liquid Asset Fund (MILAF):				
MILAF + Portfolio				
Cash Management Class	$ 98,404	< 60 days	AAAm	S&P
MAX Class	28,562,158	< 60 days	AAAm	S&P
	$ 28,660,562			

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

As of June 30, 2024, the net asset value of the School District's investment in MILAF + Portfolio was $28,660,562. 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, $908,747 of the School District's bank balance of $1,201,758 was exposed to custodial credit risk because it was uninsured and uncollateralized.

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

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	-	3,735,200
Total capital assets not being depreciated	1,187,079	3,735,200	-	4,922,279
Capital assets being depreciated				
Buildings and additions	53,549,452	275,430	-	53,824,882
Site improvements	4,575,212	44,380	6,890	4,612,702
Equipment and furniture	13,475,956	1,022,744	-	14,498,700
Buses and other vehicles	1,394,065	398,421	90,290	1,702,196
Right to use asset - buses and other vehicles	498,025	-	-	498,025
Total capital assets being depreciated	73,492,710	1,740,975	97,180	75,136,505
Less accumulated depreciation for				
Buildings and additions	21,054,240	1,008,943	-	22,063,183
Site improvements	2,847,324	177,723	-	3,025,047
Equipment and furniture	12,215,798	436,977	-	12,652,775
Buses and other vehicles	868,046	28,996	85,776	811,266
Right to use asset - buses and other vehicles	198,918	85,333	-	284,251
Total accumulated depreciation	37,184,326	1,737,972	85,776	38,836,522
Net capital assets being depreciated	36,308,384	3,003	11,404	36,299,983
Net capital assets	$ 37,495,463	$ 3,738,203	$ 11,404	$ 41,222,262

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	$ 903,745
Supporting services	747,328
Food services	69,519
Community services	17,380
Total governmental activities	$ 1,737,972

Construction Contracts

At June 30, 2024, the School District had several uncompleted construction contracts in the capital projects fund. The remaining commitment on these construction contracts was approximately $16.0 million.

Note 5 - Interfund Receivables, Payables, and Transfers

Individual interfund receivable and payable balances at year end were:

Payable Fund	Receivable Fund	Amount
2023 Bldg & Site Fund	General Fund	$ 1,926,181
Nonmajor Governmental Funds	General Fund	23,628
		$ 1,949,809

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

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

Interfund transfers consist of the following:

	Transfers Out
	General Fund
Transfers in	
Nonmajor Governmental Funds	$ 448

This transfer was made to cover specific costs in the Food Service Fund from the General Fund.

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	$ 570,313
Other	22,114
Total	$ 592,427

Note 7 - Leases

Lease Liability
During the 2021 fiscal year, the School District entered into a 5 year lease agreement as lessee for the use of 3 buses. An initial lease liability was recorded in the amount of $283,959 during the 2021 fiscal year. As of June 30, 2024, the value of the lease liability was $58,332. The School District is required to make annual principal and interest payments of $59,973. The lease has an interest rate of 2.80%. The value of the right-to-use asset as of the end of the current fiscal year net of accumulated amortization was $56,792.

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, 2024, the value of the lease liability was $125,165. 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 net of accumulated amortization was $156,982.

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

Year ending June 30,	Principal	Interest
2025	$ 98,056	$ 7,837
2026	41,691	4,229
2027	43,750	2,170
Total	$ 183,497	$ 14,236

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:

	Beginning Balance	Proceeds	Repayments	Ending Balance
State aid anticipation note	$ 327,369	$ 500,000	$ 709,098	$ 118,271

The state aid anticipation note agreement includes an irrevocable set-aside of $412,725 at year end that is considered defeased debt, including interest, and not included in the ending balance.

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	Additions	Reductions	Ending Balance	Amount Due Within One Year
Bonds and notes payable					
General obligation bonds	$ 51,065,000	$ -	$ 2,625,000	$ 48,440,000	$ 2,710,000
Premium on bonds	2,778,013	-	282,398	2,495,615	-
Total bonds payable	53,843,013	-	2,907,398	50,935,615	2,710,000
Notes from direct borrowings and direct placements					
School Loan Revolving Fund	6,431,346	-	-	6,431,346	-
Accrued interest- SLRF	145,680	290,773	-	436,453	-
Total notes from direct borrowings and direct placements	6,577,026	290,773	-	6,867,799	-
Other liabilities					
Leases	278,098	-	94,601	183,497	98,056
Compensated absences	20,067	48,912	14,456	54,523	15,000
Total other liabilities	298,165	48,912	109,057	238,020	113,056
Total	$ 60,718,204	$ 339,685	$ 3,016,455	$ 58,041,434	$ 2,823,056

For governmental activities, compensated absences and 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 to $1,350,000 through May 1, 2026, interest at 4.00% to 5.00%	$ 2,315,000
$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 $45,000 to $1,630,000 through May 1, 2030, interest at 3.00% to 4.00%	6,700,000
$6,490,000 serial bond due in annual installments of $390,000 to $1,125,000 through May 1, 2032, interest at 3.00%	4,950,000
$11,010,000 refunding serial bond due in annual installments of $925,000 to $2,195,000 through May 1, 2032, interest at 0.95% to 2.10%	10,095,000
Total general obligation bonded debt	$ 48,440,000

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

	Bonds	
Year Ending June 30,	Principal	Interest
2025	$ 2,710,000	$ 1,823,552
2026	2,785,000	1,766,056
2027	3,065,000	1,706,740
2028	3,155,000	1,621,996
2029	3,245,000	1,534,538
2030-2034	12,345,000	6,262,050
2035-2039	6,025,000	4,709,250
2040-2044	7,620,000	3,052,250
2045-2048	7,490,000	955,500
Total	$ 48,440,000	$ 23,431,932

The general obligation bonds are payable from the Debt Service Funds. As of year end, the fund had a balance of $110,613 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 $11,292 and $1,788,418, 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 $6,431,346 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 $0 and had an outstanding balance at year-end of $6,431,346, 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
Accrued compensated absences at year end, consist of $54,523 in accrued sick time benefits. The amount to be paid out over the next year is included within the amounts listed as due within one year.

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 $289,058. 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.

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	$ 2,390,000
2007 Building and Site refunded in 2017	6,700,000
Total	$ 9,090,000

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

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

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.

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

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

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

Pension Contribution Rates

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

Required contributions to the pension plan from the School District were $4,218,555 for the year ending September 30, 2023.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions
At June 30, 2024, the School District reported a liability of $37,883,966 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2022. The 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, 2023, the School District's proportion was .1170 percent, which was an increase of .0038 percent from its proportion measured as of September 30, 2022.

For the plan year ending September 30, 2023, the School District recognized pension expense of $5,527,989 for the measurement period. For the reporting period ending June 30, 2024, the School District recognized total pension contribution expense of $4,851,871.

At June 30, 2024, 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	$ 1,195,881	$ (58,032)	$ 1,137,849
Changes of assumptions	5,133,450	(2,959,830)	2,173,620
Net difference between projected and actual earnings on pension plan investments	-	(775,229)	(775,229)
Changes in proportion and differences between the School District contributions and proportionate share of contributions	1,970,732	(97,679)	1,873,053
Total to be recognized in future	8,300,063	(3,890,770)	4,409,293
School District contributions subsequent to the measurement date	4,520,898	(2,329,871)	2,191,027
Total	$ 12,820,961	$ (6,220,641)	$ 6,600,320

Contributions subsequent to the measurement date reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2025. The District will offset the contribution expense in the year ended June 30, 2025, 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)	
2024	$ 1,574,079
2025	1,239,405
2026	2,041,072
2027	(445,263)
	$ 4,409,293

Actuarial Assumptions

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

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions:

- Valuation Date: September 30, 2022
- Actuarial Cost Method: Entry Age, Normal
- Wage inflation rate: 2.75%
- Investment Rate of Return:
  - MIP and Basic Plans: 6.00% net of investment expenses
  - Pension Plus Plan: 6.00% net of investment expenses
  - Pension Plus 2 Plan: 6.00% net of investment expenses
- Projected Salary Increases: 2.75 - 11.55%, including wage inflation at 2.75%

- Cost-of-Living Pension Adjustments: 3% Annual Non-Compounded for MIP Members
- Mortality:
  - Retirees: PubT-2010 Male and Female 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 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, 2023, is based on the results of an actuarial valuation date of September 30, 2022, and rolled forward using generally accepted actuarial procedures, including the experience study.

Recognition period for liabilities is the average of the expected remaining service lives of all employees is 4.4406 years.

Recognition period for assets is 5 years.

Full actuarial assumptions are available in the 2023 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, 2023, are summarized in the following table:

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

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

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

Discount Rate
A discount rate of 6.00% was used to measure the total pension liability (6.00% for the Pension Plus plan, 6.00% for the Pension Plus 2, 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%
$ 51,181,127	$ 37,883,966	$ 26,813,599

Michigan Public School Employees' Retirement System (MPSERS) Fiduciary Net Position
Detailed information about the pension plan's fiduciary net position is available in the separately issued MPSERS Annual Comprehensive Financial Report, available on the ORS website at www.michigan.gov/orsschools.

Payables to the Michigan Public School Employees' Retirement System (MPSERS)
There were no significant payables to the pension plan that are not ordinary accruals to the School District.

Note 12 - Postemployment Benefits Other Than Pensions (OPEB)

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

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

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

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

Benefits Provided
Benefit provisions of the postemployment healthcare plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions. Retirees have the option of health coverage, which, through 2012, was funded on a cash disbursement basis. Beginning with fiscal year 2013, it is funded on a prefunded basis. The System has contracted to provide the comprehensive group medical, prescription drug, dental and vision coverage for retirees and beneficiaries. A subsidized portion of the premium is paid by the System with the balance deducted from the monthly pension of each retiree healthcare recipient. For members who

first worked before July 1, 2008, (Basic, MIP-Fixed, and MIP Graded plan members) the subsidy is the maximum allowed by statute. To limit future liabilities of Other Postemployment Benefits, members who first worked on or after July 1, 2008 (MIP-Plus plan members) have a graded premium subsidy based on career length where they accrue credit towards their insurance premiums in retirement, not to exceed the maximum allowable by statute. Public Act 300 of 2012 sets the maximum subsidy at 80% beginning January 1, 2013; 90% for those Medicare eligible and enrolled in the insurances as of that date. Dependents are eligible for healthcare coverage if they meet the dependency requirements set forth in Public Act 300 of 1980, as amended.

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

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

Contributions

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

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

The schedule below summarizes OPEB contribution rates in effect for plan year 2023.

OPEB Contribution Rates

Benefit Structure	Member	Employer
Premium Subsidy	3.0%	8.07%
Personal Healthcare Fund (PHF)	0.0%	7.21%

Required contributions to the OPEB plan from the School District were $917,832 for the year ended September 30, 2023.

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

At June 30, 2024, the School District reported an asset of $666,520 for its proportionate share of the MPSERS net OPEB asset. The net OPEB asset was measured as of September 30, 2023, and the total OPEB liability or asset used to calculate the net OPEB asset was determined by an actuarial valuation rolled forward from September 2022. 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, 2023, the School District's proportion was .1178 percent, which was an increase of .0016 percent from its proportion measured as of September 30, 2022.

For the plan year ending September 30, 2023, the School District recognized OPEB expense of $(1,027,440) for the measurement period. For the reporting period ending June 30, 2024, the School District recognized total OPEB contribution expense of $954,621.

At June 30, 2024, 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	$ -	$ (5,036,570)	$ (5,036,570)
Changes of assumptions	1,483,791	(178,676)	1,305,115
Net difference between projected and actual earnings on OPEB plan investments	2,032	-	2,032
Changes in proportion and differences between the School District contributions and proportionate share of contributions	486,067	(37,594)	448,473
Total to be recognized in future	1,971,890	(5,252,840)	(3,280,950)
School District contributions subsequent to the measurement date	817,367	-	817,367
Total	$ 2,789,257	$ (5,252,840)	$ (2,463,583)

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, 2025.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows during the following plan years:

Deferred (Inflow) and Deferred Outflow of Resources by Year (To Be Recognized in Future OPEB Expenses)	
2024	$ (1,089,966)
2025	(1,017,038)
2026	(349,621)
2027	(348,536)
2028	(309,582)
Thereafter	(166,207)
	$ (3,280,950)

Actuarial Assumptions

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

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions:

- Valuation Date: September 30, 2022
- Actuarial Cost Method: Entry Age, Normal
- Wage inflation rate: 2.75%
- Investment Rate of Return: 6.00% net of investment expenses
- Projected Salary Increases: 2.75 – 11.55%, including wage inflation of 2.75%
- Healthcare Cost Trend Rate: Pre-65: 7.50% Year 1 graded to 3.5% Year 15; Post-65: 6.25% Year 1 graded to 3.5% Year 15;
- Mortality:
    - Retirees: PubT-2010 Male and Female 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 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, 2023, is based on the results of an actuarial valuation date of September 30, 2022, and rolled forward using generally accepted actuarial procedures, including the experience study.

Recognition period for liabilities is the average of the expected remaining service lives of all employees in years is 6.5099.

Recognition period for assets is 5 years.

Full actuarial assumptions are available in the 2023 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, 2023, are summarized in the following table:

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

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

Rate of Return

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

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%
$ 690,982	$ (666,520)	$ (1,833,160)

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
$ (1,836,069)	$ (666,520)	$ 599,314

OPEB Plan Fiduciary Net Position
Detailed information about the OPEB plan's fiduciary net position is available in the separately issued 2023 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.

REQUIRED SUPPLEMENTARY INFORMATION

Armada Area Schools
Required Supplementary Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2024

	Budgeted Amounts			
	Original	Final	Actual	Over (Under) Budget
Revenues				
Local sources	$ 4,290,000	$ 4,507,064	$ 4,188,516	(318,548)
State sources	18,885,000	18,472,480	18,752,530	280,050
Federal sources	1,320,000	1,520,668	1,480,215	(40,453)
Interdistrict sources	1,093,000	1,143,788	1,144,033	245
Total revenues	25,588,000	25,644,000	25,565,294	(78,706)
Expenditures				
Instruction				
Basic programs	12,135,480	11,696,213	11,129,885	(566,328)
Added needs	2,961,171	2,958,614	2,904,682	(53,932)
Supporting services				
Pupil	1,479,716	1,733,272	1,612,977	(120,295)
Instructional staff	1,013,708	1,236,380	1,024,787	(211,593)
General administration	690,451	678,451	599,566	(78,885)
School administration	1,952,614	1,835,606	1,724,621	(110,985)
Business	941,695	912,080	878,294	(33,786)
Operations and maintenance	2,728,533	2,501,265	2,426,346	(74,919)
Pupil transportation services	1,019,771	928,980	958,989	30,009
Central	303,461	342,708	325,638	(17,070)
Athletic activities	502,504	565,984	564,704	(1,280)
Community services	71,675	149,216	144,401	(4,815)
Capital outlay	276,221	566,915	352,127	(214,788)
Debt service				
Principal	-	94,601	94,601	-
Interest and fiscal charges	-	11,292	11,292	-
Total expenditures	26,077,000	26,211,577	24,752,910	(1,458,667)
Excess (deficiency) of revenues over expenditures	(489,000)	(567,577)	812,384	1,379,961

Armada Area Schools
Required Supplementary Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2024

	Budgeted Amounts			Over (Under)
	Original	Final	Actual	Budget
Other Financing Uses				
Transfers out	-	(423)	(448)	25
Net change in fund balances	(489,000)	(568,000)	811,936	1,379,986
Fund balance - beginning	2,734,852	2,734,852	2,734,852	-
Fund balance - ending	$ 2,245,852	$ 2,166,852	$ 3,546,788	$ 1,379,986

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,									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
A. School District's proportion of the net pension liability (%)	0.1170%	0.1133%	0.1077%	0.1064%	0.1050%	0.1046%	0.1047%	0.1051%	0.1042%	0.1092%
B. School District's proportionate share of the net pension liability	$ 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	$ 24,055,419
C. School District's covered payroll	$ 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	$ 9,440,221
D. School District's proportionate share of the net pension liability as a percentage of its covered payroll	321.46%	376.96%	259.49%	385.02%	367.17%	353.06%	311.38%	294.93%	297.36%	254.82%
E. Plan fiduciary net position as a percentage of total pension liability	65.91%	60.77%	72.60%	59.72%	60.31%	62.36%	64.21%	63.27%	63.17%	66.20%

Note Disclosures

Changes of benefit terms: There were no changes of benefit terms in plan fiscal year 2023.

Changes of benefit assumptions: There were no changes of benefit assumptions in plan fiscal year 2023.

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,									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
A. Statutorily required contributions	$ 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	$ 1,870,100
B. Contributions in relation to statutorily required contributions	(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)	(1,870,100)
C. Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
D. School District's covered payroll	$ 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	$ 8,950,264
E. Contributions as a percentage of covered payroll	39.75%	37.26%	35.13%	33.36%	30.65%	30.40%	29.85%	26.18%	22.68%	20.89%

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,									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
A. School District's proportion of the net OPEB liability (asset) (%)	0.1178%	0.1162%	0.1088%	0.1072%	0.1054%	0.1049%	0.1046%			
B. School District's proportionate share of the net OPEB liability (asset)	$ (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	$ 11,785,090	$ 11,300,211	$ 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	-5.66%	21.78%	16.90%	60.49%	79.84%	93.60%	106.27%			
E. Plan fiduciary net position as a percentage of total OPEB liability (asset)	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 2023.

Changes of benefit assumptions: There were no changes of benefit assumptions in plan fiscal year 2023.

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, 2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
A. Statutorily required contributions	$ 954,621	$ 949,424	$ 846,483	$ 755,265	$ 752,465	$ 716,328	$ 625,048			
B. Contributions in relation to statutorily required contributions	(954,621)	(949,424)	(846,483)	(755,265)	(752,465)	(716,328)	(625,048)			
C. Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -			
D. School District's covered payroll	$ 12,204,435	$ 11,594,272	$ 10,666,683	$ 9,683,188	$ 9,473,900	$ 9,473,900	$ 9,109,934			
E. Contributions as a percentage of covered payroll	7.82%	8.19%	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, 2024

	Special Revenue Funds			Capital Projects Funds		Total Nonmajor Governmental Funds
	Community Education	Food Service	Student Activity	Tech Bond	Sinking	
Assets						
Cash	$ 3,259	$ 162,829	$ 509,841	$ -	$ -	$ 675,929
Due from other governmental units	-	42,527	-	-	-	42,527
Investments	-	-	-	77,686	424,647	502,333
Total assets	$ 3,259	$ 205,356	$ 509,841	$ 77,686	$ 424,647	$ 1,220,789
Liabilities						
Accounts payable		$ -	$ -	$ -	$ 4,694	$ 4,694
Due to other funds	739	1,500	1,964	-	19,425	23,628
Accrued expenditures	-	1,259	-	-	-	1,259
Accrued salaries payable	-	2,435	-	-	-	2,435
Unearned revenue	2,520	-	-	-	-	2,520
Total liabilities	3,259	5,194	1,964	-	24,119	34,536
Fund Balances						
Restricted for						
Food service	-	200,162	-	-	-	200,162
Capital projects	-	-	-	77,686	400,528	478,214
Committed	-	-	507,877	-	-	507,877
Total fund balances	-	200,162	507,877	77,686	400,528	1,186,253
Total liabilities and fund balances	$ 3,259	$ 205,356	$ 509,841	$ 77,686	$ 424,647	$ 1,220,789

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, 2024

	Special Revenue Funds			Capital Projects Funds		
	Community Education	Food Service	Student Activity	Tech Bond	Sinking	Total Nonmajor Governmental Funds
Revenues						
Local sources	$ 62,625	$ 151,310	$ 1,380,614	$ 16,232	$ 532,283	$ 2,143,064
State sources	-	659,168	-	-	-	659,168
Federal sources	-	508,670	-	-	-	508,670
Total revenues	62,625	1,319,148	1,380,614	16,232	532,283	3,310,902
Expenditures						
Current						
Education						
Supporting services	-	-	1,343,432	-	-	1,343,432
Food services	-	1,207,940	-	-	-	1,207,940
Community services	67,417	-	-	-	-	67,417
Capital outlay	-	-	-	437,672	458,705	896,377
Total expenditures	67,417	1,207,940	1,343,432	437,672	458,705	3,515,166
Excess (deficiency) of revenues over expenditures	(4,792)	111,208	37,182	(421,440)	73,578	(204,264)
Other Financing Sources						
Transfers in	-	448	-	-	-	448
Net change in fund balances	(4,792)	111,656	37,182	(421,440)	73,578	(203,816)
Fund balances - beginning	4,792	88,506	470,695	499,126	326,950	1,390,069
Fund balances - ending	$ -	$ 200,162	$ 507,877	$ 77,686	$ 400,528	$ 1,186,253

Armada Area Schools
Other Supplementary Information
Schedule of Outstanding Bonded Indebtedness
June 30, 2024

Year Ending June 30,	2023 Building & Site	2021 Refunding	2018 Building & Site	2017 Series A	2014 Refunding	Total
2025	$ -	$ 925,000	$ 390,000	$ 45,000	$ 1,350,000	$ 2,710,000
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 - 2034	2,645,000	5,345,000	2,725,000	1,630,000	-	12,345,000
2035 - 2039	6,025,000	-	-	-	-	6,025,000
2040 - 2044	7,620,000	-	-	-	-	7,620,000
2045 - 2048	7,490,000	-	-	-	-	7,490,000
Total	$ 24,380,000	$ 10,095,000	$ 4,950,000	$ 6,700,000	$ 2,315,000	$ 48,440,000
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%	0.60% - 2.10%	3.00%	2.00 - 3.00%	4.00% - 5.00%	
Original issue	$ 24,380,000	$ 11,010,000	$ 6,490,000	$ 6,925,000	$ 11,570,000	