Armada Area Schools

Financial Statements

June 30, 2022

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Armada Area Schools
Members of the Board of Education and Administration
June 30, 2022

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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, 2022, 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, 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, 2022, and the respective changes in financial position, thereof 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.

Change in Accounting Principle

As discussed in Note 1 to the financial statements, in 2022 the school district adopted new accounting guidance, GASBS No. 87, *Leases*. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Armada Area Schools' ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Armada Area Schools' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Armada Area Schools' ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of the school district's proportionate share of the net pension liability, and schedule of the school district's pension contributions, schedule of the school district's proportionate share of the net OPEB liability, 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, other than the prior year information, has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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 23, 2022 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 23, 2022

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, 2022. 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
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- 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 four Debt 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, 2022.

	2020 - 2021 Governmental Activities	2021 - 2022 Governmental Activities
Assets		
Current and other assets	$ 7,650,436	$ 7,755,059
Capital assets	38,672,349	38,179,878
Total assets	46,322,785	45,934,937
Deferred outflows of resources	11,339,635	8,777,589
Total assets and deferred outflows of resources	57,662,420	54,712,526
Liabilities		
Current liabilities	3,416,659	3,357,573
Long-term liabilities	82,527,542	64,162,034
Total liabilities	85,944,201	67,519,607
Deferred inflows of resources	5,796,826	16,298,895
Total liabilities and deferred inflows of resources	91,741,027	83,818,502
Net position		
Net investment in capital assets	75,538	2,655,189
Restricted	584,645	311,410
Unrestricted	(34,738,790)	(32,072,575)
Total net position (deficit)	(34,078,607)	(29,105,976)

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 ($29,105,976) at June 30, 2022. Total net position factors all district related debt. Capital assets, net of related debt, totaled $2,655,189. 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, $0.31 million, was restricted for capital projects. The remaining amount of net position, ($32.1) million, was unrestricted. The ($29.1) 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 2021 and 2022.

	2021	2022
Revenue		
Program revenue:		
Charges for services	$ 323,456	$ 499,360
Operating grants	5,132,705	6,364,450
General revenue:		
Property taxes	7,041,177	7,299,728
State aid - unrestricted	12,585,882	13,779,539
Other	83,143	125,639
Total revenue	25,166,363	28,068,716
Functions/Program expenses		
Instruction	$ 14,241,138	$ 12,098,041
Support services	8,533,296	9,213,753
Food services	557,361	884,310
Community services	201,599	216,421
Interest on long-term debt	1,280,874	683,560
Total revenue	24,814,268	23,096,085
Change in net position	352,095	4,972,631
Net position (deficit) - beginning	(34,430,702)	(34,078,607)
Net position (deficit) - ending	(34,078,607)	(29,105,976)

As reported in the statement of activities, the cost of all *governmental* activities this year was $23.1 million. Certain activities were partially funded from those who benefited from the programs - $.5 million or by other governments and organizations that subsidized certain programs with grants and contributions - $6.4 million. The remaining "public benefit" portion of governmental activities was funded with $7.3 million in taxes, $13.8 million in State foundation allowance, and with $ 0.1 million other revenues, such as bond refunding, interest and general entitlements.

The District experienced an increase in net position of $4,972,631. 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 $4.5 million; an increase of $.1 million from the prior year due to increase in general fund and sinking fund. The changes by major and other funds are as follows:

	General Fund	Other Funds	Total
Fund balances - beginning of year	$ 1,935,234	$ 2,452,298	$ 4,387,532
Increase (decrease)	391,252	(254,695)	136,557
Fund balances - end of year	2,326,486	2,197,603	4,524,089

In the General Fund, our principal operating fund, the fund balance increased by $0.4 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 designated portion has specific projects and/or purposes.

The other major and non-major funds decreased by $0.3 million, which is primarily due to a decrease in the Tech Bond, Debt Service Funds, Community Education, and Sinking Fund ($0.5 million). The other non-major funds provide for services, (i.e. Food Service, Student Activity, 2018 B&S) had a $0.2 million increase in fund equity. The goal of these funds is to offer programs for students and capital improvements and not develop fund equity.

General Fund Budgetary Highlights

Over the course of the year, the District revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. The financial amendment to the budget was actually adopted just before year end. 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 2021-22 General Fund budget in February and June 2022. The original General Fund budget approved by the Board in June 2021 had an estimated fund equity net loss of $0.3 million for June 30, 2022. The actual June 30, 2022 fund equity had a net increase of $0.4 million with a total fund equity of $2,326,486. The district operated on a minimal needs spending status most of the school year, which contributed to actual expenditures being lower than the final budget. 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, 2022, the District had $38.2 million invested in a broad range of capital assets, including land, buildings, and furniture and equipment. The previous two years are listed below.

	2021	2022
Capital assets		
Land, buildings, and improvements	$ 58,102,427	$ 58,821,246
Furniture and equipment	12,711,810	13,044,047
Buses and oter vehicles	1,361,149	1,459,745
Land, buildings, and improvements	283,959	283,959
Less: Accumulated depreciation	(33,786,996)	(35,429,119)
	$ 38,672,349	$ 38,179,878

In November 2013, the community passed a 10-year renewal on a 0.8394 mill sinking fund, and a 10-year renewal on the Headlee 18 mills. Both of these renewal issues will benefit the school district.

Economic Factors and Next Year's Budgets and Rates

Our elected officials and administration consider many factors when setting the District's 2023 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 2022-23 fiscal year is 75 percent of the February 2022 and 25 percent of the October 2022 student counts. The 2022-23 budget was adopted in June 2022, based on a 0-student decrease - 1,743 total. Preliminary numbers show the District's actual blended count may be slightly higher than the 1,743 budget amount. The district has hired additional teaching staff to lower class sizes, especially at the elementary level. The ESSR funds that are still available will help the district offset costs. 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 2022-23 General Fund budget in the 2023 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 an increase in per pupil funding of $450 per pupil for Armada in the 2022-23 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. Because of the lack of funding, Armada has made over $8.0 million in budget cuts over the last 20 years. Armada will continue to monitor all funding issues during these challenging times.

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, 2022

	Governmental Activities
Assets	
Cash	$ 4,443,810
Accounts receivable	99,403
Due from other governmental units	3,151,230
Prepaid items	60,616
Right to use assets - net of amortization	170,375
Capital assets not being depreciated	1,187,079
Capital assets - net of accumulated depreciation	36,822,424
Total assets	45,934,937
Deferred outflows of resources	
Deferred amount relating to the net pension liability	5,999,321
Deferred amount relating to the net OPEB liability	2,345,967
Deferred amount on debt refunding	432,301
Total deferred outflows of resources	8,777,589

See Accompanying Notes to the Financial Statements

Armada Area Schools
Statement of Net Position
June 30, 2022

	Governmental Activities
Liabilities	
Accounts payable	$ 193,081
State aid anticipation note payable	340,343
Due to other governmental units	312,219
Payroll deductions and withholdings	23,321
Accrued expenditures	844,781
Accrued salaries payable	1,275,548
Unearned revenue	368,280
Long-term liabilities	
Debt due within one year	6,183,204
Debt due in more than one year	30,825,059
Net pension liability	25,493,765
Net OPEB liability	1,660,006
Total liabilities	67,519,607
Deferred inflows of resources	
Deferred amount relating to the net pension liability	10,096,684
Deferred amount relating to the net OPEB liability	6,202,211
Total deferred inflows of resources	16,298,895
Net Position	
Net investment in capital assets	2,655,189
Restricted for	
Capital projects - sinking fund	311,410
Unrestricted (deficit)	(32,072,575)
Total net position	$ (29,105,976)

See Accompanying Notes to the Financial Statements

Armada Area Schools
Statement of Activities
For the Year Ended June 30, 2022

		Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
Functions/Programs				
Governmental activities				
Instruction	$ 12,098,041	$ 21,802	$ 4,715,962	$ (7,360,277)
Supporting services	9,213,753	105,951	694,739	(8,413,063)
Food services	884,310	18,911	953,749	88,350
Community services	216,421	352,696	-	136,275
Interest on long-term debt	683,560	-	-	(683,560)
Total governmental activities	$ 23,096,085	$ 499,360	$ 6,364,450	(16,232,275)

General revenues	
Property taxes, levied for general purposes	3,110,379
Property taxes, levied for debt service	3,741,496
Property taxes, levied for sinking fund	447,853
State aid - unrestricted	13,779,539
Interest and investment earnings	16,582
Other	109,057
Total general revenues	21,204,906
Change in net position	4,972,631
Net position - beginning	(34,078,607)
Net position - ending	$ (29,105,976)

See Accompanying Notes to the Financial Statements

Armada Area Schools
Governmental Funds
Balance Sheet
June 30, 2022

	General Fund	Capital Projects Fund Tech Bond	Debt Service Funds	Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Cash	$ 2,297,346	$ 944,732	$ 91,142	$ 1,110,590	$ 4,443,810
Accounts receivable	99,403	-	-	-	99,403
Due from other funds	2,872	-	-	74,235	77,107
Due from other governmental units	3,143,828	-	-	7,402	3,151,230
Prepaid items	60,616	-	-	-	60,616
Total assets	$ 5,604,065	$ 944,732	$ 91,142	$ 1,192,227	$ 7,832,166
Liabilities and Fund Balances					
Liabilities					
Accounts payable	$ 191,690	$ -	$ -	$ 1,391	$ 193,081
State aid anticipation note payable	340,343	-	-	-	340,343
Due to other funds	74,235	-	-	2,872	77,107
Due to other governmental units	312,219	-	-	-	312,219
Payroll deductions and withholdings	23,321	-	-	-	23,321
Accrued expenditures	718,178	-	-	-	718,178
Accrued salaries payable	1,275,548	-	-	-	1,275,548
Unearned revenue	342,045	-	-	26,235	368,280
Total liabilities	3,277,579	-	-	30,498	3,308,077
Fund Balances					
Non-spendable:					
Prepaid items	60,616	-	-	-	60,616
Restricted for:					
Debt service	-	-	91,142	-	91,142
Capital projects	-	944,732	-	386,626	1,331,358
Food service	-	-	-	270,355	270,355
Committed for:					
Student/school activities	-	-	-	492,956	492,956
Assigned for:					
Community education	-	-	-	11,792	11,792
22-23 excess budgeted expenditures over revenues	484,000	-	-	-	484,000
Unassigned	1,781,870	-	-	-	1,781,870
Total fund balances	2,326,486	944,732	91,142	1,161,729	4,524,089
Total liabilities and fund balances	$ 5,604,065	$ 944,732	$ 91,142	$ 1,192,227	$ 7,832,166

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, 2022

Total fund balances for governmental funds	$ 4,524,089
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.	
Right to use assets - net of amortization	170,375
Capital assets not being depreciated	1,187,079
Capital assets - net of accumulated depreciation	36,822,424
Deferred outflows (inflows) of resources	
Deferred inflows of resources resulting from net pension liability	(10,096,684)
Deferred outflows of resources resulting from net pension liability	5,999,321
Deferred inflows of resources resulting from net OPEB liability	(6,202,211)
Deferred outflows of resources resulting from net OPEB liability	2,345,967
Deferred outflows of resources resulting from debt refunding	432,301
Certain liabilities are not due and payable in the current period and are not reported in the funds.	
Accrued interest	(126,603)
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	(25,493,765)
Net OPEB liability	(1,660,006)
Compensated absences	(31,325)
Bonds payable	(33,550,540)
School loan revolving fund payable	(3,256,112)
Other loans payable and liabilities	(170,286)
Net position of governmental activities	$ (29,105,976)

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, 2022

	General Fund	Capital Project Fund Tech Bond	Debt Service Funds	Nonmajor Governmental Funds	Total Governmental Funds
Revenues					
Local sources	$ 3,657,447	$ 1,968	$ 3,750,519	$ 1,724,123	$ 9,134,057
State sources	15,980,287	-	-	25,595	16,005,882
Federal sources	879,840	-	-	928,768	1,808,608
Interdistrict sources	1,120,169	-	-	-	1,120,169
Total revenues	21,637,743	1,968	3,750,519	2,678,486	28,068,716
Expenditures					
Current					
Education					
Instruction	12,194,742	-	-	1,120,963	13,315,705
Supporting services	8,597,376	-	-	-	8,597,376
Food services	-	-	-	825,152	825,152
Community services	155,042	-	-	46,901	201,943
Capital outlay	299,358	97,506	-	716,902	1,113,766
Debt service					
Principal	53,700	-	5,950,000	-	6,003,700
Interest and other expenditures	6,273	-	1,115,412	-	1,121,685
Total expenditures	21,306,491	97,506	7,065,412	2,709,918	31,179,327
Excess (deficiency) of revenues over expenditures	331,252	(95,538)	(3,314,893)	(31,432)	(3,110,611)
Other Financing Sources (Uses)					
Proceeds from school loan revolving fund	-	-	3,247,168	-	3,247,168
Transfers in	60,000	-	-	-	60,000
Transfers out	-	-	-	(60,000)	(60,000)
Total other financing sources (uses)	60,000	-	3,247,168	(60,000)	3,247,168
Net change in fund balance	391,252	(95,538)	(67,725)	(91,432)	136,557
Fund balances - beginning	1,935,234	1,040,270	158,867	1,253,161	4,387,532
Fund balances - ending	$ 2,326,486	$ 944,732	$ 91,142	$ 1,161,729	$ 4,524,089

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, 2022

Net change in fund balances - Total governmental funds	$ 136,557
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	(1,644,664)
Capital outlay	1,152,193
Expenses are recorded when incurred in the statement of activities. 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	11,044,955
Net change in deferred inflows (outflows) of resources related to the net pension liability	(10,631,672)
The statement of net position reports the net OPEB liability and deferred outflows of resources and deferred inflows related to the net OPEB liability and OPEB expense. However, the amount recorded on the governmental funds equals actual pension contributions.	
Net change in net OPEB liability	4,080,694
Net change in deferred inflows (outflows) of resources related to the net OPEB liability	(2,365,322)
Expenses are recorded when incurred in the statement of activities	
Interest	19,692
Compensated absences	5,233
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 deferred and amortized in the statement of activities. When debt refunding occurs, the difference in the carrying value of the refunding debt and the amount applied to the new debt is reported the same as regular debt proceeds or repayments, as a financing source or expenditure in the governmental funds. However, in the statement of net position, debt refunding may result in deferred inflows of resources or deferred outflows of resources, which are then amortized in the statement of activities.	
Debt issued	(3,247,168)
Repayments of long-term debt	6,003,700
Amortization of premiums	485,554
Amortization of amount on deferred amount on refunding	(67,121)
Change in net position of governmental activities	$ 4,972,631

See Accompanying Notes to the Financial Statements

Armada Area Schools
Fiduciary Funds
Statement of Fiduciary Net Position
June 30, 2022

	Custodial Funds
Assets	
Cash	$ 66,721
Net Position	
Assets held for other scholarships	$ 66,721

See Accompanying Notes to the Financial Statements

Armada Area Schools
Fiduciary Funds
Statement of Changes in Fiduciary Net Position
For the Year Ended June 30, 2022

	Custodial Funds
Additions	
Local sources	$ 4,400
Interest and investment earnings	3,332
Total additions	7,732
Deductions	
Scholarships	16,510
Change in net position	(8,778)
Net position - beginning	75,499
Net position - ending	$ 66,721

Note 1 - Summary of Significant Accounting Policies

The accounting policies of the Armada Area Schools (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.

Tech Bond Fund – These funds are used for the purpose of erecting, furnishing and equipping additions to and remodeling, re-furnishing and re-equipping school buildings; acquiring and installing education technology improvements; acquiring school buses/acquiring land for site purposes; developing and improving sites; and to pay the cost of issuing the Bonds.

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.

Additionally, the School District reports the following fund types:

Capital Projects Funds – Sinking Funds are used to record the sinking fund property tax levy and other revenue and the disbursement of invoices specifically for acquiring new school sites, construction, additions, or major replacements to school buildings. The 2018 Building & Site Fund is used for the purpose of capital improvements including erecting, furnishing and equipping additions to and remodeling, re-furnishing and re-equipping school buildings; acquiring and installing education technology improvements; acquiring school buses/acquiring land for site purposes; developing and improving sites; and to pay the cost of issuing the Bonds; and to pay the cost of issuing the Bonds

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 Food Service, Community Education, and Student/School Activity Fund. Operating deficits generated by these activities are generally covered by a transfer from the General Fund.

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

Assets, Liabilities and 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.

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, 2022, 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 of 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.

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 are therefore 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. The School District defines building and site capital betterments as expenditures in excess of $20,000 that extend the useful life of the capital asset at least five years. 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. The School District does not depreciate capital assets in the year of acquisition. Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and additions	20-50 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 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 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, 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 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 balance 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 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. 87, *Leases* increases the usefulness of the District's financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financing of the right to use an underlying asset. A lessee will be required to recognize a lease liability and an intangible right-to-use a lease asset, and a lessor will be required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about the District's leasing activities.

Statement No. 99, *2022 Omnibus* enhances comparability in accounting and financial reporting and improves the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees.

Upcoming Accounting and Reporting Changes
Statement No. 96, *Subscription-Based Information Technology Arrangements,* is based on the standards established in Statement No. 87 *Leases.* This statement (1) defines a SBITA as a contract that conveys control of the right to use a SBITA vendor's IT software, alone or in combination with tangible capital assets, as specified in the contract for a period of time in an exchange or exchange-like transaction (2) requires governments with SBITAs to recognize a right-to-use subscription asset, an intangible asset, and a corresponding subscription liability, and (3) provides guidance related to outlays other than subscription payments, including implementation costs, and requirements for note disclosures related to a SBITA. This statement is effective for the year ending June 30, 2023.

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. This statement is effective for the year ending June 30, 2024.

Statement No. 101, *Compensated Absences*, updates the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. This statement is effective for the year ending June 30, 2025.

The School District is evaluating the impact that the above pronouncements 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. The Act requires expenditures to be budgeted on a functional basis. State law requires the School District to have its budget in place by July 1. A district is not considered in violation of the Act if reasonable procedures are in use by the School District to detect violations.

The Superintendent is authorized to transfer budgeted amounts within functions in any fund; however, any revisions that alter the total expenditures of any function 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
The School District did not have significant expenditure budget variances.

Compliance – Bond Proceeds

The Capital Projects Funds includes capital project activities funded with bonds issued after May 1, 1994. For these capital projects, management believes the School District has complied, in all material respects, with the applicable provisions of Section 1351a of the Revised School Code. The following is a summary of the revenue and expenditures in the Tech Bond and 2018 Building and Site Bond from the inception of the funds through the current fiscal year:

	Tech Bond	2018 Building & Site Bond
Revenues	$ 4,375,691	$ 6,705,655
Expenditures	3,430,959	6,630,439

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 and the State of Michigan Department of Treasury Letter No. 2004-4.

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	$ 4,443,810	$ 66,721	$ 4,510,531

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

Deposits (checking, savings accounts, money markets, certificates of deposit)	$ 1,010,203
Investments in securities, mutual funds, and similar vehicles	3,499,533
Petty cash and cash on hand	795
Total	$ 4,510,531

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

Investment	Fair Value	Maturities	Rating	Rating Organization
Michigan Liquid Asset Fund MILAF+ Portfolio				
Cash Management Class	$ 37,755	< 60 days	AAAm	S & P
MAX Class	3,461,778	< 60 days	AAAm	S & P
	$ 3,499,533			

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

As of June 30, 2022, the net asset value of the School District's investment in MILAF + Portfolio was $3,499,533. 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 – The School District does not have a formal investment policy to manage its exposure to fair value losses arising from changes in interest rates.

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

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

Custodial credit risk – *deposits* – In the case of deposits, this is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk. As of year end, $878,432 of the School District's bank balance of $1,178,910 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:

	Restated Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	$ 1,187,079	$ -	$ -	$ 1,187,079
Capital assets being depreciated				
Buildings and additions	53,136,887	47,376	-	53,184,263
Land improvements	3,778,461	722,253	50,810	4,449,904
Equipment and furniture	12,711,810	332,237	-	13,044,047
Buses and other vehicles	1,361,149	98,596	-	1,459,745
Right to use asset - buses and other vehicles	283,959	-	-	283,959
Total capital assets being depreciated	71,272,266	1,200,462	50,810	72,421,918
Less accumulated depreciation for				
Buildings and additions	19,006,365	1,007,639	-	20,014,004
Land improvements	2,508,549	164,280	2,541	2,670,288
Equipment and furniture	11,358,651	363,924	-	11,722,575
Buses and other vehicles	856,639	52,029	-	908,668
Right to use asset - buses and other vehicles	56,792	56,792	-	113,584
Total accumulated depreciation	33,786,996	1,644,664	2,541	35,429,119
Net capital assets being depreciated	37,485,270	(444,202)	48,269	36,992,799
Net capital assets	$ 38,672,349	$ (444,202)	$ 48,269	$ 38,179,878

Total right to use leased assets				
Right to use assets, net of amortization	$ 227,167	$ (56,792)	$ -	$ 170,375
Capital assets				
Assets not being depreciated	1,187,079	-	-	1,187,079
Other capital assets, net of depreciation	37,258,103	(387,410)	48,269	36,822,424
Net capital assets	$ 38,672,349	$ (444,202)	$ 48,269	$ 38,179,878

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

Governmental Activities	
Instruction	$ 954,651
Support services	616,377
Food services	59,158
Community services	14,478
Total governmental activities	$ 1,644,664

Note 5 - Interfund Receivable and Payable and Transfers

Individual interfund receivable and payable balances at year end were:

Receivable Fund	Payable Fund	Amount
General Fund	Nonmajor Governmental Funds	$ 2,872
Nonmajor Governmental Funds	General Fund	74,235
		$ 77,107

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

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

Interfund transfers were made during the year, between the General Fund and the Food Service Fund totaling $60,000. These transfers were made to cover the costs of the District's programs that were in excess of revenues generated from those activities.

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	$	358,895
Tuition		8,254
Other		1,131
Total	$	368,280

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, 2022, the value of the lease liability was $170,286. 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 $170,375.

Year ending June 30,		Principal		Interest		Total
2023	$	55,204	$	4,769	$	59,973
2024		56,750		3,223		59,973
2025		58,332		1,641		59,973
Total	$	170,286	$	9,633	$	179,919

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. The State has discretion to accelerate repayment terms if they have cause for concern. If the note is in default status, there is a penalty interest rate that may apply.

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

	Beginning Balance	Proceeds	Repayments	Ending Balance
State aid anticipation note	$ 439,847	$ 1,700,000	$ 1,799,504	$ 340,343

The state aid anticipation note agreement includes an irrevocable set-aside of $1,361,371 at year end that is considered defeased debt 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 capital leases.

Long-term obligation activity is summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within One Year
Bonds payable					
General obligation bonds	$ 38,750,000	$ -	$ 5,950,000	$ 32,800,000	$ 6,115,000
Unamortized bond premium	1,236,094	-	485,554	750,540	-
Total bonds payable	39,986,094	-	6,435,554	33,550,540	6,115,000
Notes from direct borrowings and direct placements					
School loan revolving fund	1,479	3,247,168	-	3,248,647	-
Accreted Interest- SLRF	5	7,460	-	7,465	-
Total notes from direct borrowings and direct placements	1,484	3,254,628	-	3,256,112	-
Other liabilities					
Bus lease	223,986	-	53,700	170,286	55,204
Compensated absences	36,558	10,466	15,699	31,325	13,000
Total liabilities	260,544	10,466	69,399	201,611	68,204
Total	$ 40,248,122	$ 3,265,094	$ 6,504,953	$ 37,008,263	$ 6,183,204

For governmental activities, compensated absences and bus lease are primarily liquidated by the General Fund.

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

$ 11,570,000 refunding serial bonds, issued June 2014, due in annual installments of $ 820,000 to $ 1,350,000 through May 1, 2024; interest at 4.00% to 5.00%	$ 4,830,000
$ 4,100,000 technology bonds, issued March 2016, due in annual installments of $ 300,000 to $ 700,000 through May 1, 2023; interest at 2.10%	700,000
$ 6,925,000 refunding serial bonds, issued March 2017, due in annual installments of $ 45,000 to $ 1,630,000 through May 1, 2030; interest at 2.00% - 3.00%	6,790,000
$ 15,815,000 refunding serial bonds, issued May 2017, due in annual installments of $ 2,905,000 to $ 3,885,000 through May 1, 2030; interest at 1.810% to 3.036%	3,885,000
$ 6,490,000 building & site bonds, issued May 2018, due in annual installments of $ 250,000 to $ 1,110,000 through May 1, 2032; interest at 3.00% to 5.00%	5,585,000
$ 11,010,000 refunding serial bonds, issued May 2021, due in annual installments of $ 915,000 to $ 2,195,000 through May 1, 2032; interest at 0.60% to 2.10%	11,010,000
Total general obligation bonded debt	$ 32,800,000

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

	Bonds		
	Principal	Interest	Total
Year Ending June 30,			
2023	$ 6,115,000	$ 776,498	$ 6,891,498
2024	2,625,000	651,710	3,276,710
2025	2,710,000	604,552	3,314,552
2026	2,785,000	547,056	3,332,056
2027	2,865,000	487,740	3,352,740
2028 - 2032	15,700,000	1,205,584	16,905,584
Total	$ 32,800,000	$ 4,273,140	$ 37,073,140

The general obligation bonds are payable from the Debt Service Funds. As of year end, the fund had a fund balance of $91,142 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 $6,273 and $1,115,412, respectively.

Compensated Absences

Accrued compensated absences at year end, consist of $31,325 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 advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $432,301. 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.

During 2014, the 2005 bonds were refunded. Final payment for these refunded bonds is May 1, 2026. During 2017, the 2007 debt was refunded. Final payment for these refunded bonds is May 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	$ 9,860,000
2007 Building and Site refunded in 2017	6,790,000
Total	$ 16,650,000

Note 10 - Risk Management

The 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 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 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 District must reimburse the Employment Commission for all benefits charged against the District. The District had no unemployment compensation expense for the year ended June 30, 2022. 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. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions for the defined benefit (DB) pension plan. Depending on the plan option selected, member retirement benefits are determined by final average compensation, years of service, and a pension factor ranging from 1.25 percent to 1.50 percent. DB members are eligible to receive a monthly benefit when they meet certain age and service requirements. The System also provides disability and survivor benefits to DB plan members.

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

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

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2020 valuation will be amortized over an 18-year period beginning October 1, 2020 and ending September 30, 2038.

The schedule below summarizes pension contribution rates in effect for fiscal year ended September 30, 2021.

Pension Contribution Rates		
Benefit Structure	Member	Employer
Basic	0.0 - 4.0%	19.78%
Member Investment Plan	3.0 - 7.0%	19.78%
Pension Plus	3.0 - 6.4%	16.82%
Pension Plus 2	6.2%	19.59%
Defined Contribution	0.0%	13.39%

Required contributions to the pension plan from the School District were $3,233,234 for the year ending September 30, 2021.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions
At June 30, 2022, the School District reported a liability of $25,493,765 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2020. The School 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, 2021, the School District's proportion was .1077 percent, which was an increase of .0013 percent from its proportion measured as of September 30, 2020.

For the plan year ending September 30, 2021, the School District recognized pension expense of $3,008,889 for the measurement period. For the reporting period ending June 30, 2022, the School District recognized total pension contribution expense of $3,746,911.

At June 30, 2022, 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	$ 394,909	$ (150,128)	$ 244,781
Changes of assumptions	1,607,036	-	1,607,036
Net difference between projected and actual earnings on pension plan investments	-	(8,196,163)	(8,196,163)
Changes in proportion and differences between the School District contributions and proportionate share of contributions	545,368	(35,585)	509,783
Total to be recognized in future	2,547,313	(8,381,876)	(5,834,563)
School District contributions subsequent to the measurement date	3,452,008	(1,714,808)	1,737,200
Total	$ 5,999,321	$ (10,096,684)	$ (4,097,363)

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 ended June 30, 2023. The District will offset the contribution expense in the year ended June 30, 2023 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)	
2022	$ (535,680)
2023	(1,258,555)
2024	(1,862,794)
2025	(2,177,534)
	$ (5,834,563)

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, 2020
- Actuarial Cost Method: Entry Age, Normal
- Wage inflation rate: 2.75%
- Investment Rate of Return:
  - MIP and Basic Plans: 6.80% net of investment expenses
  - Pension Plus Plan: 6.80% net of investment expenses
  - Pension Plus 2 Plan: 6.00% net of investment expenses
- Projected Salary Increases: 2.75 – 11.55%, including wage inflation at 2.75%.
- Cost-of-Living Pension Adjustments: 3% Annual Non-Compounded for MIP Members.
- Mortality:
  - Retirees: RP-2014 Male and Female Healthy Annuitant Mortality Tables, scaled by 82% for males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006.
  - Active: RP-2014 Male and Female Employee Annuitant Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.

Assumption changes as a result of an experience study for the period 2012 through 2017 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2018 valuation. The total pension liability as of September 30, 2021, is based on the results of an actuarial valuation date of September 30, 2020, 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 4.4367 years.

Recognition period for assets is 5 years.

Full actuarial assumptions are available in the 2021 MPSERS Comprehensive 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, 2021, are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of
Domestic Equity Pools	25.0 %	5.4 %
Private Equity Pools	16.0	9.1
International Equity	15.0	7.5
Fixed Income Pools	10.5	(0.7)
Real Estate and Infrastructure Pools	10.0	5.4
Absolute Return Pools	9.0	2.6
Real Return/Opportunistic Pools	12.5	6.1
Short Term Investment Pools	2.0	(1.3)
	100.0%	

**Long-term rates of return are net of administrative expenses and 2.0% inflation.*

Rate of Return
For the fiscal year ended September 30, 2021, the annual money-weighted rate of return on pension plan investment, net of pension plan investment expense, was 27.3%. 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 6.80% was used to measure the total pension liability (6.80% for the Pension Plus plan, 6.0% 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 6.80% (6.80% for the Pension Plus plan, 6.0% 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 6.80% (6.80% for the Pension Plus plan, 6.80% 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 *
5.80% / 5.80% / 5.00%	6.80% / 6.80% / 6.00%	7.80% / 7.80% / 7.00%
$ 36,449,170	$ 25,493,765	$ 16,411,015

**Discount rates listed in the following order: Basic and Member Investment Plan (MIP), Pension Plus, and Pension Plus 2.*

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 - Post-employment Benefits Other Than Pensions

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 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, 2020 valuation will be amortized over an 18-year period beginning October 1, 2020 and ending September 30, 2038.

The schedule below summarizes OPEB contribution rates in effect for fiscal year 2021.

OPEB Contribution Rates

Benefit Structure	Member	Employer
Premium Subsidy	3.0%	8.43%
Personal Healthcare Fund (PHF)	0.0%	7.57%

Required contributions to the OPEB plan from the School District were $807,334 for the year ended September 30, 2021.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB
At June 30, 2022, the School District reported a liability of $1,660,006 for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 2020. The School District's proportion of the net OPEB liability was determined by dividing each employer's statutorily required OPEB contributions to the system during the measurement period by the percent of OPEB contributions required from all applicable employers during the measurement period. At September 30, 2021, the School District's proportion was .1088 percent, which was an increase of .0016 percent from its proportion measured as of September 30, 2020.

For the plan year ending September 30, 2021, the School District recognized OPEB expense of ($869,186) for the measurement period. For the reporting period ending June 30, 2022, the School District recognized total OPEB contribution expense of $846,483.

At June 30, 2022, 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	$ -	$(4,738,368)	$(4,738,368)
Changes of assumptions	1,387,682	(207,649)	1,180,033
Net difference between projected and actual earnings on OPEB plan investments	-	(1,251,176)	(1,251,176)
Changes in proportion and differences between the School District contributions and proportionate share of contributions	242,077	(5,018)	237,059
Total to be recognized in future	1,629,759	(6,202,211)	(4,572,452)
School District contributions subsequent to the measurement date	716,208	-	716,208
Total	$ 2,345,967	$(6,202,211)	$(3,856,244)

Contributions subsequent to the measurement date reported as deferred outflows of resources related to OPEB resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2023. 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)

2022	$(1,192,410)
2023	(1,089,049)
2024	(999,052)
2025	(932,110)
2026	(318,094)
Therafter	(41,737)
	$(4,572,452)

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, 2020
- Actuarial Cost Method: Entry Age, Normal
- Wage inflation rate: 2.75%
- Investment Rate of Return: 6.95% net of investment expenses
- Projected Salary Increases: 2.75 – 11.55%, including wage inflation of 2.75%
- Healthcare Cost Trend Rate: Pre-65: 7.75% Year 1 graded to 3.5% Year 15; 3.0% Year 120 Post-65: 5.25% Year 1 graded to 3.5% Year 15; 3.0% Year 120
- Mortality:
    - Retirees: RP-2014 Male and Female Healthy Annuitant Mortality Tables, scaled by 82% for males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006.
    - Active: RP-2014 Male and Female Employee Annuitant Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.

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

Assumption changes as a result of an experience study for the period 2012 through 2017 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2018 valuation. The total OPEB liability as of September 30, 2021, is based on the results of an actuarial valuation date of September 30, 2020, and rolled forward using generally accepted actuarial procedures, including the experience study.

Recognition period for liabilities is the average of the expected remaining service lives of all employees is 6.1312 years.

Recognition period for assets is 5 years.

Full actuarial assumptions are available in the 2020 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, 2021, are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of
Domestic Equity Pools	25.0 %	5.4 %
Private Equity Pools	16.0	9.1
International Equity	15.0	7.5
Fixed Income Pools	10.5	(0.7)
Real Estate and Infrastructure Pools	10.0	5.4
Absolute Return Pools	9.0	2.6
Real Return/Opportunistic Pools	12.5	6.1
Short Term Investment Pools	2.0	(1.3)
	100.0%	

**Long-term rates of return are net of administrative expenses and 2.0% inflation.*

Rate of Return
For the fiscal year ended September 30, 2021, the annual money-weighted rate of return on OPEB plan investment, net of OPEB plan investment expense, was 27.14%. 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 6.95% was used to measure the total OPEB liability. This discount rate was based on the long-term expected rate of return on OPEB plan investments of 6.95%. The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate
The following presents the School District's proportionate share of the net OPEB liability calculated using the discount rate of 6.95%, as well as what the School District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage higher:

1% Decrease 5.95%	Current Discount Rate 6.95%	1% Increase 7.95%
$ 3,084,590	$ 1,660,006	$ 451,042

Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate
The following presents the School District's proportionate share of the net OPEB liability calculated using assumed trend rates, as well as what the School District's proportionate share of net OPEB liability would be if it were calculated using a trend rate that is 1-percentage-point lower or 1-percentage-point higher:

1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
$ 404,032	$ 1,660,006	$ 3,073,127

OPEB Plan Fiduciary Net Position
Detailed information about the OPEB plan's fiduciary net position is available in the separately issued 2021 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 - Tax Abatements

School Districts may receive 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.

For the fiscal year ended June 30, 2022, the School District's property tax revenues were not reduced by any amounts under these programs.

There are no significant abatements made by the School District.

Note 14 - 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 15 - Change in Accounting Principle

As indicated in Note 1, The School District implemented Governmental Accounting Standards Board (GASB) Statement No. 87, Leases. GASB Statement No. 87 enhances the relevance and consistency of information of the School District's leasing activities. It establishes requirements for lease accounting based on the principle that leases are financings of the right to use an underlying asset. A lessee is required to recognize a lease liability and an intangible right to use lease asset. A lessor is required to recognize a lease receivable and a deferred inflow of resources. The implementation had no effect on net position as reported June 30, 2021.

REQUIRED SUPPLEMENTARY INFORMATION

Armada Area Schools
Required Supplementary Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2022

	Budgeted Amounts			Over
	Original	Final	Actual	(Under) Budget
Revenues				
Local sources	$ 4,733,000	$ 5,094,000	$ 3,657,447	$ (1,436,553)
State sources	14,870,000	15,980,000	15,980,287	287
Federal sources	492,000	633,000	879,840	246,840
Interdistrict sources	-	-	1,120,169	1,120,169
Total revenues	20,095,000	21,707,000	21,637,743	(69,257)
Expenditures				
Instruction				
Basic programs	8,250,000	10,056,855	9,960,352	(96,503)
Added needs	2,090,000	2,397,367	2,234,390	(162,977)
Supporting services				
Pupil	1,622,000	1,369,900	1,301,986	(67,914)
Instructional staff	820,000	1,022,556	872,632	(149,924)
General administration	546,000	557,000	548,642	(8,358)
School administration	1,816,000	1,663,759	1,612,981	(50,778)
Business	1,186,000	1,005,221	986,816	(18,405)
Operations and maintenance	1,704,000	1,734,871	1,713,982	(20,889)
Pupil transportation services	815,000	934,241	858,716	(75,525)
Central	492,000	299,132	293,623	(5,509)
Athletic activities	388,000	410,281	407,998	(2,283)
Community services	456,000	230,603	155,042	(75,561)
Capital outlay	162,000	415,214	299,358	(115,856)
Debt service				
Principal	-	54,000	53,700	(300)
Interest and fiscal charges	-	7,000	6,273	(727)
Total expenditures	20,347,000	22,158,000	21,306,491	(851,509)
Excess (deficiency) of revenues over expenditures	(252,000)	(451,000)	331,252	782,252
Other Financing Sources				
Transfers in	-	-	60,000	60,000
Net change in fund balance	(252,000)	(451,000)	391,252	842,252
Fund balance - beginning	1,935,234	1,935,234	1,935,234	-
Fund balance - ending	$ 1,683,234	$ 1,484,234	$ 2,326,486	$ 842,252

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)

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
A. Reporting unit's proportion of net pension liability (%)	0.1077%	0.1064%	0.1050%	0.1046%	0.1047%	0.1051%	0.1042%	0.1092%		
B. Reporting unit's proportionate share of net pension liability	$ 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. Reporting unit's covered payroll	$ 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. Reporting unit's proportionate share of net pension liability as a percentage of its covered payroll	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	72.60%	59.72%	60.31%	62.36%	64.21%	63.27%	63.17%	66.20%		

Notes:
Changes of benefit terms: There were no changes of benefit terms in plan fiscal year 2021.
Changes of benefit assumptions: There were no changes of benefit assumptions in plan fiscal year 2021.

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,									
		2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
A.	Statutorily required contribution	$ 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	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.	Reporting unit's covered payro	$ 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	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
Michigan Public School Employees Retirement Plan
Last 10 Fiscal Years (Measurement Date September 30th of Each June Fiscal Year)

		2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
A.	Reporting unit's proportion of net OPEB liability (%)	0.1088%	0.1072%	0.1054%	0.1049%	0.1046%					
B.	Reporting unit's proportionate share of net OPEB liability	$ 1,660,006	$ 5,740,700	$ 7,563,881	$ 8,336,313	$ 9,260,024					
C.	Reporting unit's covered payro	$ 9,824,451	$ 9,490,006	$ 9,473,900	$ 8,906,340	$ 8,713,411					
D.	Reporting unit's proportionate share of net OPEB liability as a percentage of its covered payroll	16.90%	60.49%	79.84%	93.60%	106.27%					
E.	Plan fiduciary net position as a percentage of total OPEB liability	87.33%	59.44%	48.46%	42.95%	36.39%					

Notes:
Changes of benefit terms: There were no changes of benefit terms in plan fiscal year 2021.
Changes of benefit assumptions: There were no changes of benefit assumptions in plan fiscal year 2021.

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,									
		2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
A.	Statutorily required contribution:	$ 846,483	$ 755,265	$ 752,465	$ 716,328	$ 625,048					
B.	Contributions in relation to statutorily required contributions	846,483	755,265	752,465	716,328	625,048					
C.	Contribution deficiency (excess	$ -	$ -	$ -	$ -	$ -					
D.	Reporting unit's covered payro	$ 10,666,683	$ 9,683,188	$ 9,473,900	$ 9,473,900	$ 9,109,934					
E.	Contributions as a percentage o covered payroll	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, 2022

	Special Revenue Funds			Capital Project Fund		Total Nonmajor Governmental Funds
	Community Education	Food Service	Student/School Activity Fund	2018 Bldg & Site	Sinking Fund	
Assets						
Cash	$ 19,889	$ 211,119	$ 492,956	$ 75,216	$ 311,410	$ 1,110,590
Due from other funds	-	74,235	-	-	-	74,235
Due from other governmental units	-	7,402	-	-	-	7,402
Total assets	$ 19,889	$ 292,756	$ 492,956	$ 75,216	$ 311,410	$ 1,192,227
Liabilities and Fund Balances						
Liabilities						
Accounts payable	$ 1,391	$ -	$ -	$ -	$ -	$ 1,391
Due to other funds	2,872	-	-	-	-	2,872
Unearned revenue	3,834	22,401	-	-	-	26,235
Total liabilities	8,097	22,401	-	-	-	30,498
Fund Balances						
Restricted for:						
Capital projects	-	-	-	75,216	311,410	386,626
Food service	-	270,355	-	-	-	270,355
Committed for:						
Student/School activities	-	-	492,956	-	-	492,956
Assigned for:						
Community education	11,792	-	-	-	-	11,792
Total fund balances	11,792	270,355	492,956	75,216	311,410	1,161,729
Total liabilities and fund balances	$ 19,889	$ 292,756	$ 492,956	$ 75,216	$ 311,410	$ 1,192,227

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, 2022

	Special Revenue Funds			Capital Projects Fund		Total Nonmajor Governmental Funds
	Community Education	Food Service	Student/School Activity Fund	2018 Bldg & Site	Sinking Fund	
Revenues						
Local sources	$ 46,870	$ 18,989	$ 1,209,330	$ 155	$ 448,779	$ 1,724,123
State sources	-	25,595	-	-	-	25,595
Federal sources	-	928,768	-	-	-	928,768
Total revenues	46,870	973,352	1,209,330	155	448,779	2,678,486
Expenditures						
Current						
Education						
Instruction	-	-	1,120,963	-	-	1,120,963
Food services	-	825,152	-	-	-	825,152
Community services	46,901	-	-	-	-	46,901
Capital outlay	-	-	-	-	716,902	716,902
Total expenditures	46,901	825,152	1,120,963	-	716,902	2,709,918
Excess (deficiency) of revenues over expenditures	(31)	148,200	88,367	155	(268,123)	(31,432)
Other Financing Sources (Uses)						
Transfers out	-	(60,000)	-	-	-	(60,000)
Net change in fund balances	(31)	88,200	88,367	155	(268,123)	(91,432)
Fund balances - beginning	11,823	182,155	404,589	75,061	579,533	1,253,161
Fund balances - ending	$ 11,792	$ 270,355	$ 492,956	$ 75,216	$ 311,410	$ 1,161,729

Armada Area Schools
Other Supplementary Information
Schedule of Outstanding Bonded Indebtedness
June 30, 2022

Year Ending June 30,	2014 Refunding	2016 Tech Bond	2017 Series A	2017 Series B	2018 Building & Site Bond	2021 Refunding	Total
2023	$ 1,230,000	$ 700,000	$ 45,000	$ 3,885,000	$ 255,000	$ -	$ 6,115,000
2024	1,285,000	-	45,000	-	380,000	915,000	2,625,000
2025	1,350,000	-	45,000	-	390,000	925,000	2,710,000
2026	965,000	-	400,000	-	485,000	935,000	2,785,000
2027	-	-	1,485,000	-	435,000	945,000	2,865,000
2028	-	-	1,545,000	-	445,000	965,000	2,955,000
2029	-	-	1,595,000	-	470,000	980,000	3,045,000
2030	-	-	1,630,000	-	510,000	1,000,000	3,140,000
2031	-	-	-	-	1,090,000	2,150,000	3,240,000
2032	-	-	-	-	1,125,000	2,195,000	3,320,000
Total	$ 4,830,000	$ 700,000	$ 6,790,000	$ 3,885,000	$ 5,585,000	$ 11,010,000	$ 32,800,000
Principal payments due the first day of	May	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	May and November	
Interest rate	4.00% - 5.00%	2.10%	2.00% - 3.00%	1.810% - 3.036%	3.00%	0.60% - 2.10%	
Original issue	$ 11,570,000	$ 4,100,000	$ 6,925,000	$ 15,815,000	$ 6,490,000	$ 11,010,000	

Armada Area Schools

Single Audit Report

June 30, 2022

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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Independent Auditors' Report

Management and the Board of Education
Armada Area Schools
Armada, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Armada Area Schools, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Armada Area Schools' basic financial statements, and have issued our report thereon dated September 23, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Armada Area Schools' internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Armada Area Schools' internal control. Accordingly, we do not express an opinion on the effectiveness of Armada Area Schools' internal control.

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Armada Area Schools' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Purpose of this Report

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

Yeo & Yeo, P.C.

Flint, Michigan
September 23, 2022

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

Independent Auditors' Report

Management and the Board of Education
Armada Area Schools
Armada, Michigan

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Armada Area Schools' compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of Armada Area Schools' major federal programs for the year ended June 30, 2022. Armada Area Schools' major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, Armada Area Schools complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditors' Responsibilities for the Audit of Compliance

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

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Armada Area Schools' compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Armada Area Schools' internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Armada Area Schools' internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control over Compliance

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

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

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

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

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Armada Area Schools, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Armada Area Schools' basic financial statements. We issued our report thereon dated September 23, 2022, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Yeo & Yeo, P.C.

Flint, Michigan
September 23. 2022

Armada Area Schools
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2022

Federal Grantor Pass Through Grantor Program Title Grant Number	Federal Assistance Listing Number	Award Grant Entitlement Program Amount	Inventory/ Accrued (Unearned) Revenue at July 1, 2021	Prior Year Expenditures	Current Year Expenditures	Current Year Cash Payments/ In Kind Received	Inventory/ Accrued (Unearned) Revenue at June 30, 2022
U.S. DEPARTMENT OF AGRICULTURE							
Child Nutrition Cluster							
Passed through Michigan Department of Education							
Non-Cash Assistance							
Entitlement Commodities	10.555	$ 37,826	$ -	$ -	$ 37,826	$ 37,826	$ -
Cash Assistance							
COVID-19 Seamless Summer Option (SSO) - Breakfast							
211971	10.553	23,847	-	-	23,847	23,847	-
221971	10.553	186,680	-	-	186,680	186,680	-
COVID-19 Seamless Summer Option (SSO) - Lunch							
211961	10.555	77,439	-	-	77,439	77,439	-
211965	10.555	851	-	-	851	851	-
220910	10.555	12,558	-	-	12,558	34,959	(22,401)
221961	10.555	588,953	-	-	588,953	588,953	-
Total Cash Assistance		890,328	-	-	890,328	912,729	(22,401)
Total Child Nutrition Cluster		928,154	-	-	928,154	950,555	(22,401)
Passed through Michigan Department of Education							
COVID-19 Pandemic EBT Local Level Costs							
210980-2021	10.649	614	-	-	614	614	-
TOTAL U.S. DEPARTMENT OF AGRICULTURE		928,768	-	-	928,768	951,169	(22,401)
U.S. DEPARTMENT OF EDUCATION							
Special Education Cluster							
Passed through the Macomb Intermediate School District							
IDEA Flowthrough							
210450-2021	84.027	344,068	64,934	344,068	-	64,934	-
220450-2122	84.027	373,404	-	-	342,996	248,630	94,366
221280-2122	84.027X	82,715	-	-	75,846	50,498	25,348
Total IDEA Flowthrough		800,187	64,934	344,068	418,842	364,062	119,714
IDEA Preschool Incentive							
210460-2021	84.173	24,285	3,694	24,285	-	3,694	-
220460-2122	84.173	15,698	-	-	15,698	15,698	-
221285-2122	84.173X	7,734	-	-	7,734	5,240	2,494
Total IDEA Preschool Incentive		47,717	3,694	24,285	23,432	24,632	2,494
Total Special Education Cluster		847,904	68,628	368,353	442,274	388,694	122,208

Armada Area Schools
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2022

Federal Grantor / Pass Through Grantor / Program Title / Grant Number	Federal Assistance Listing Number	Award Grant Entitlement Program Amount	Inventory/ Accrued (Unearned) Revenue at July 1, 2021	Prior Year Expenditures	Current Year Expenditures	Current Year Cash Payments/ In Kind Received	Inventory/ Accrued (Unearned) Revenue at June 30, 2022
U.S. DEPARTMENT OF EDUCATION (Continued)							
Passed through the Michigan Department of Education							
Title I - Educationally Deprived							
221530-2122	84.010	34,951	-	-	34,951	34,951	-
Passed through the Macomb Intermediate School District							
Vocational Education - Secondary							
Regional Allocation (Perkins)							
213520-2112-16	84.048	22,810	4,658	22,810	-	4,658	-
223520-2212-16	84.048	20,447	-	-	20,447	20,447	-
Total Region Allocation (Perkins)		43,257	4,658	22,810	20,447	25,105	-
Passed through the Michigan Department of Education							
Title IIA - Teacher/Principal Training & Recruiting							
210520-2021	84.367	24,173	-	22,229	1,944	1	1,943
220520-2122	84.367	22,451	-	-	20,507	3,383	17,124
Total Title IIA		46,624	-	22,229	22,451	3,384	19,067
Passed through the Michigan Department of Education							
Education Stabilization Fund							
211202-2122 COVID-19 Governor's Emergency Education Relief (GEER) II Teacher & Support Staff Payments	84.425C	6,500	-	-	6,500	6,500	-
211222-2022 COVID-19 GEER II Benchmark Assessment Funding	84.425C	14,400	-	-	14,400	14,400	-
213722-2122 COVID-19 Elementary and Secondary School Emergency Relief (ESSER) II - Summer Programming	84.425D	34,100	-	-	34,100	34,100	-
213742-2122 COVID-19 ESSER II - Credit Recovery	84.425D	7,807	-	-	7,807	6,355	1,452
213713-2122 COVID-19 ARP/ESSER III	84.425U	143,788	-	-	143,788	-	143,788
Total Education Stabilization Fund		206,595	-	-	206,595	61,355	145,240
TOTAL U.S. DEPARTMENT OF EDUCATION		1,179,331	73,286	413,392	726,718	513,489	286,515
TOTAL FEDERAL AWARDS		$ 2,108,099	$ 73,286	$ 413,392	$ 1,655,486	$ 1,464,658	$ 264,114

Armada Area Schools
Notes to the Schedule of Expenditures of Federal Awards
June 30, 2022

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (SEFA) includes the federal award activity of Armada Area Schools under programs of the federal government for the year ended June 30, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Armada Area Schools, it is not intended to and does not present the financial position or changes in financial position of Armada Area Schools.

Note 2 - Summary of Significant Accounting Policies

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

Indirect Cost Rate
Armada Area Schools has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 3 - Reconciliation to Financial Statements

The federal revenues per the financial statement are in agreement with the SEFA except for the following which is related to beneficiary payments for child care:

Expenditures per the schedule of expenditures of federal awards	$	1,655,486
Child Care Relief grant not reported on SEFA		153,122
Federal revenues per the financial statements	$	1,808,608

Note 4 - Funds Transferred to Subrecipients

The Schools District did not transfer any federal funds to subrecipients during the fiscal year.

Note 5 - Michigan Department of Education Disclosures

Management has reported the expenditures in the SEFA equal to those amounts reported in the annual or final cost reports that have been submitted for that particular grant year.

The federal amounts reported on the Grant Auditor Report (GAR) and the MISD Subrecipient Schedule are in agreement with the SEFA except for the following:

CFDA#	Project#	Cash Received per SEFA	Add Amount Disbursed in 21-22 per the MISD Subrecipient Schedule confirmation but received in 22-23 by the District	Cash paid per June 30, 2022 MISD Subrecipient Schedule
84.027	220450-2122	$ 248,630	$ 30,766	$ 279,396

The amounts reported on the Recipient Entitlement Balance Report (PAL Report) agree with the SEFA for USDA donated food commodities.

Armada Area Schools
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2022

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued on whether the financial statements were prepared in accordance with Generally Accepted Accounting Principles:			Unmodified	
Internal control over financial reporting:				
• Material weakness(es) identified?	____	Yes	X	No
• Significant deficiency(ies) identified that are not considered to be material weaknesses?	____	Yes	X	None reported
Noncompliance material to financial statements noted?	____	Yes	X	No

Federal Awards

Internal control over major programs:				
• Material weakness(es) identified?	____	Yes	X	No
• Significant deficiency(ies) identified that are not considered to be material weakness(es)?	____	Yes	X	None reported
Type of auditors' report issued on compliance for major programs:			Unmodified	
Any audit findings disclosed that are required to be reported in accordance with §200.516(a)?	____	Yes	X	No

Armada Area Schools
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2022

Identification of major programs:

Assistance Listing Numbers	*Name of Federal Program*
84.425C / 84.425D / 84.425U	Education Stabilization Fund
10.553/10.555	Child Nutrition Cluster

Dollar threshold used to distinguish between type A and type B programs: $ 750,000

Auditee qualified as low-risk auditee: ______ Yes ___X___ No

Section II - *Government Auditing Standards* Findings

There were no *Government Auditing Standards* findings for the year ended June 30, 2022.

Section III - Federal Award Findings

There were no findings or questioned costs for Federal Awards for the year ended June 30, 2022.

Section IV - Prior Year Audit Findings

Government Auditing Standards Findings

There were no *Government Auditing Standards* findings for the year ended June 30, 2021.

Federal Award Findings

There were no findings or questioned costs for Federal Awards for the year ended June 30, 2021.

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September 23, 2022

Management and the Board of Education
Armada Area Schools
Armada, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Armada Area Schools (the School District) as of and for the year ended June 30, 2022. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards* and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter dated May 23, 2022. Professional standards also require that we communicate to you the following information related to our audit.

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

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the School District are described in the footnotes of the financial statements. The School District has adopted the following Governmental Accounting Standards Board Statements effective July 1, 2021:

- Statement No. 87, *Leases* increases the usefulness of the financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. A lessee will be required to recognize a lease liability and an intangible right-to-use a lease asset, and a lessor will be required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about leasing activities.

- Statement No. 99, *2022 Omnibus* enhances comparability in accounting and financial reporting and improves the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees.

We noted no transactions entered into by the School District during the year where there is lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statement in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the School District's financial statements were:

- The useful lives of its capital assets. Useful lives are estimated based on the expected length of time during which the asset is able to deliver a given level of service.

- Net pension liability, and related deferred outflows of resources and deferred inflows of resources. The estimate is based on an actuarial report.

- Net other postemployment benefits (OPEB) liability, and related deferred outflows of resources and deferred inflows of resources. The estimate is based on an actuarial report.

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

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

A significant risk is an identified and assessed risk of material misstatement that, in the auditor's professional judgment, requires special audit consideration. Within our audit, we focused on the following areas.

- Management override of controls
- Improper revenue recognition
- Significant estimates
- Implementation of new accounting standard

Additional Information

Cybersecurity Posture

Cybersecurity posture, an overall measure of cybersecurity strength, is more prevalent than ever as organizations continue to face cybersecurity risks. Billions of emails are sent every day, some of which contain attachments with malicious files or malicious embedded links aimed at negatively impacting unsuspecting organizations. Not only can a successful attack cost thousands of dollars and put a strain on IT resources while remediation efforts are underway, but sensitive information may be breached. Additionally, cyber insurance coverage may be difficult or costly to obtain without adequate safeguards in place within your organization.

Risk assessment is a first step in mitigating cybersecurity risks and improving your organization's overall cybersecurity posture. The National Institute of Standards and Technology published *Framework for Improving Critical Infrastructure Cybersecurity*, which "enables organizations, regardless of size, degree of cybersecurity risk, or cybersecurity sophistication, to apply the principles and best practices of risk management to improving the security and resilience of critical infrastructure." The framework is designed to cover five areas including identification, protection, detection, responsiveness and recovery. The publication can be found at www.nist.gov.

Once you have performed a risk assessment, it's time to take action. A few simple solutions that are recommended to prevent cyber-attacks include:

- **Document your program** – Identify specific roles and responsibilities as well as adopting security policies and procedures for your organization to follow, is generally a good practice to have guidelines to follow in the event of an attack. Annually, risks should be reassessed, and the program should be modified to address any identified risks.

- **Offsite back up location** – Frequent data backups are a good safeguard; but if your entire network is compromised, restoring a backup saved to the network, becomes problematic. Routinely backing up data and storing offsite, allows for your organization to get back up and running as quickly as possible, if your network is attacked.

- **Require routine password changes** – Frequently, people have a bad habit of using the same password for multiple applications. Inevitably, at some point that password will likely be compromised in one of those applications. Requiring users to change their password routinely, reduces the risk of your system being accessed with a compromised password. Requiring a complex password to be of a certain length and contain a mixture of character types, reduces your risk even further.
- **Utilizing multifactor authentication (MFA)** – knowing that people may use the same password to access multiple applications, this extra security layer makes it more difficult for attackers to gain access to your system. Microsoft claims that MFA can block over 99.9 percent of account compromise attacks.
- **Provide cybersecurity training** – Security awareness training provides a human firewall to protect your system. Training sessions and automated simulated attacks are utilized to help train people on how to spot phishing email attacks. Yeo & Yeo is able to provide security training to your employees.

Placing significant emphasis on evaluating your organization's cybersecurity posture, and channeling sufficient resources towards proper risk assessment, implementation, and education will reduce the likelihood of a cybersecurity threat and help lessen the impact of a breach.

Accounting Standards

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial. The adjustments identified during the audit have been communicated to management and management has posted all adjustments.

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

There were no known uncorrected misstatements that were more than trivial.

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated as of the date of the audit report.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the School District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

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

Emphasis of Matters in Independent Auditors' Report

Our report will include the following emphasis of matter paragraph:

> **Adoption of New Accounting Standards**
> As described in Note 1 to the financial statements, during the year ended June 30, 2022, the School District adopted GASB Statement No. 87, *Leases*. Our opinions are not modified with respect to this matter.

Other Reports

Other information that is required to be reported to you is included in the: Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*; Independent Auditors' Report on Compliance For Each Major Federal Program; Independent Auditors' Report on Internal Control Over Compliance; Independent Auditors' Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance; and the Schedule of Findings and Questioned Costs. Please read all information included in those reports to ensure you are aware of relevant information.

Report on Required Supplementary Information

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

Report on Other Supplementary Information

We were engaged to report on other supplementary information as described in the table of contents of the financial statements, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the information and use of management, the Board of Education, and others within the School District, and is not intended to be, and should not be, used by anyone other than these specified parties.

Yeo & Yeo, P.C.

Flint, Michigan