Armada Area Schools

Financial Statements

June 30, 2020

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Armada Area Schools
Members of the Board of Education and Administration
June 30, 2020

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Independent Auditors' Report

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

Report on the Financial Statements

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, 2020, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

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, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Required Supplementary Information

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Schools' basic financial statements. The other supplementary information, as identified in the table of contents, is presented for the purpose of additional analysis and are not a required part of the basic financial statements.

The other supplementary information, as identified in the table of contents, is the responsibility of management and, other than the prior year information, was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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, other than the prior year information, the other supplementary information, as identified in the table of contents, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 16, 2020 on our consideration of the 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, MI
October 16, 2020

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 16th year of implementation of the provisions of Governmental Accounting Standards Board Statement 34 (GASB 34) and 6th 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, 2020. 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 Trustee – Reporting the District's Fiduciary Responsibilities

The District acts as the trustee for its student activity funds. All of the District's fiduciary activities are reported in separate statements of fiduciary net position. These activities are excluded from the District's other financial statements because the District cannot use these assets to finance its operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

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, 2020.

	2018-2019 Governmental Activities	2019-2020 Governmental Activities
Assets		
Current and other assets	$ 7,382,486	$ 5,107,480
Capital assets	40,566,754	39,958,668
Total assets	47,949,240	45,066,148
Deferred outflow of resources	12,160,355	12,601,936
Total assets and deferred outflows of resources	60,109,595	57,668,084
Liabilities		
Current liabilities	3,222,720	2,393,138
Long-term liabilities	84,375,801	84,724,828
Total liabilities	87,598,521	87,117,966
Total liabilities and deferred inflows of resources	93,281,905	92,522,214
Net position		
Net investment in capital assets	(1,074,579)	(636,035)
Restricted	386,461	277,770
Unrestricted	(32,484,192)	(34,495,865)
Total net position (deficit)	$ (33,172,310)	$ (34,854,130)

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 $(34,854,130) at June 30, 2020. Total net position factors all district related debt. Capital assets, net of related debt, totaled $(543,390). 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, $0.35 million, was restricted for capital projects. The remaining amount of net position, $(34.7) million, was unrestricted. The $(34.7) million in unrestricted net position of governmental activities represents the *accumulated* results of all past years' operations. The operating results of the General Fund will have a significant impact on the change in unrestricted net position from year to year.

The results of this year's operations for the District as a whole are reported in the statement of activities (see Table 2), which shows the changes in net position for fiscal years 2019 and 2020.

	2019 Governmental Activities	2020 Governmental Activities
Revenue		
Program revenue:		
Charges for services	$ 677,271	$ 543,777
Operating grants	1,974,873	2,262,380
General revenue:		
Property taxes	6,449,754	6,653,841
State Aid - unrestricted	12,192,394	12,381,639
Other	225,631	165,923
Total revenue	21,519,923	22,007,560
Functions/Program Expenses		
Instruction	11,795,158	14,204,829
Support services	7,380,054	7,567,740
Food services	381,846	368,800
Community services	254,451	241,976
Interest on long-term debt	1,507,520	1,306,035
Total expenses	21,319,029	23,689,380
Change in net position	200 ,894	(1,681,820)
Net position (deficit) – beginning, as restated	(33,373,204)	(33,172,310)
Net position (deficit) - ending	$ (33,172,310)	$ (34,854,130)

As reported in the statement of activities, the cost of all *governmental* activities this year was $23.7 million. Certain activities were partially funded from those who benefited from the programs - $.54 million or by other governments and organizations that subsidized certain programs with grants and contributions - $2.3 million. The remaining "public benefit" portion of governmental activities was funded with $6.6 million in taxes, $ 12.4 million in State foundation allowance, and with $ 0.18 million other revenues, such as bond refunding, interest and general entitlements.

The District experienced an decrease in net position of $1,681,820. 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 $2.9 million; a decrease of $1.4 million from the prior year due to spending funds from the 2018 building and site bond issue and the technology bond. The changes by major and non-major funds are as follows:

	General Fund	Other Non-Major Funds	Total
Fund balances - Beginning of year	$ 1,584,559	$ 2,756,824	$ 4,341,383
Increase (decrease)	(273,354)	(1,169,174)	(1,442,528)
Fund balances - End of year	$ 1,311,205	$ 1,587,650	$ 2,898,855

In the General Fund, our principal operating fund, the fund balance decreased by $0.3 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 $1.2 million, which was primarily due spending down the 2018 Building and Site Bond and the technology fund. The other non-major funds provide for services, (i.e. Food Service, Community Education), major renovations (Sinking Fund), and for the retirement of debt and for capital improvements had a $0.8 million decrease in fund equity. The goal of these funds is to offer programs for students and capital improvements and not develop fund equity.

General Fund Budgetary Highlights

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

There were revisions made to the original 2019-20 General Fund budget in February and June 2020. The original General Fund budget approved by the Board in June 2019 had an estimated fund equity net loss of $ 0.67 million for June 30, 2020. The actual June 30, 2020 fund equity had a net loss of $ 0.3 million with a total fund equity of $1,311,205. 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 staff attrition, lower utility and transportation costs than prior years, and a higher student count than the original budget. However, the district continues to be concerned about State funding, the increased cost of health care, the retirement rate, future gasoline and utility rates. In addition, Federal funds are “drying up” and the district will not have access to as many federal grants as in years past.

Capital Asset and Debt Administration

Capital Assets

At June 30, 2020, the District had $39.9 million invested in a broad range of capital assets, including land, buildings, and furniture and equipment. The previous two years are listed below.

	2019	2020
Land, buildings and improvements	$ 57,659,479	$ 58,081,607
Furniture and equipment	11,992,121	12,620,068
Buses and other vehicles	1,703,909	1,500,089
Less: accumulated depreciation	(30,788,755)	(32,243,096)
Total capital assets	$ 40,566,754	$ 39,958,668

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 2021 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 2020-21 fiscal year is 75 percent of the February 2019 and 25 percent of the October 2020 student counts; this is the first year of the new formula. The 2020-21 budget was adopted in June 2020, based on a 25 student decrease - 1,758 total. Preliminary numbers show the District's actual blended count will be approximately 1,756 students which very close to the budgeted amount. Due to the coronavirus, the district will have increased maintenance costs during the 2020-2021 school year due to all of the cleaning and disinfecting requirements. However, the district will continue a minimal spending philosophy as well as seek additional grants. 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 2020-21 General Fund budget in the 2021 calendar year. With the slow moving economy, future student enrollment and funding will continue to be a major concern.

Since the District's revenue is heavily dependent on State funding and the health of the State's School Aid Fund, the actual revenue received depends on the State's ability to collect revenues to fund its appropriation to school districts. The State periodically holds a revenue estimating conference to estimate revenues. If actual State revenues are less than their estimates, reduction to the per pupil funding allowance may be necessary. Early State funding projections indicate that there will be a minimal increase in per pupil funding in the 2020-21 school year, but inflation will take up most of the increase. School districts in Michigan continue to feel the financial effect of the last five years where Lansing chose to "raid" the School Aid Fund to fund other areas of the State's general fund budget. The cost of health insurance and the increase in fuel cost will continue to be concerns. Local school communities, including Armada, will continue to work with the legislature 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 19 years. Most of the budget reductions for 2020-21 were due to personnel attrition and lower personnel replacement cost. Armada will have to make future budget reductions to balance the budget if the State funding trend continues.

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, 2020

	Governmental Activities
Assets	
Cash	$ 2,649,034
Accounts receivable	85,834
Due from agency funds	96
Due from other governmental units	2,327,234
Prepaid items	45,282
Capital assets not being depreciated	1,187,079
Capital assets - net of accumulated depreciation	38,771,589
Total assets	45,066,148
Deferred outflows of resources	
Deferred amount relating to the net pension liability	9,711,166
Deferred amount relating to the net OPEB liability	2,325,227
Deferred amount on debt refunding	565,543
Total deferred outflows of resources	12,601,936

Armada Area Schools
Statement of Net Position
June 30, 2020

	Governmental Activities
Liabilities	
Accounts payable	$ 306,616
State aid anticipation note payable	297,525
Due to other governmental units	15,775
Payroll deductions and withholdings	22,704
Accrued expenditures	773,389
Accrued salaries payable	941,240
Unearned revenue	35,889
Long-term liabilities	
Debt due within one year	5,806,770
Debt due in more than one year	36,569,202
Net pension liability	34,784,975
Net OPEB liability	7,563,881
Total liabilities	87,117,966
Deferred inflows of resources	
Deferred amount relating to the net pension liability	2,488,194
Deferred amount relating to the net OPEB liability	2,916,054
Total deferred inflows of resources	5,404,248
Net Position	
Net investment in capital assets	(636,035)
Restricted for	
Capital projects - sinking fund	277,770
Unrestricted (deficit)	(34,495,865)
Total net position	$ (34,854,130)

See Accompanying Notes to the Financial Statements

Armada Area Schools
Statement of Activities
For the Year Ended June 30, 2020

	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
Functions/Programs				
Governmental activities				
Instruction	$ 14,204,830	$ 20,194	$ 1,471,512	$ (12,713,124)
Supporting services	7,567,740	99,281	655,728	(6,812,731)
Food services	368,800	143,242	135,141	(90,417)
Community services	241,976	281,060	-	39,084
Interest on long-term debt	1,306,035	-	-	(1,306,035)
Total governmental activities	$ 23,689,381	$ 543,777	$ 2,262,381	(20,883,223)
General revenues				
Property taxes, levied for general purposes				2,815,423
Property taxes, levied for debt service				3,428,057
Property taxes, levied for sinking fund				410,361
State aid - unrestricted				12,381,639
Interest and investment earnings				94,314
Other				71,609
Total general revenues				19,201,403
Change in net position				(1,681,820)
Net position - beginning				(33,172,310)
Net position - ending				$ (34,854,130)

See Accompanying Notes to the Financial Statements

Armada Area Schools
Governmental Funds
Balance Sheet
June 30, 2020

	General Fund	Capital Projects Fund Tech Bond	Debt Service Fund 2005 Refunding	Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Cash	$ 1,059,626	$ 1,099,108	$ 17,295	$ 473,005	$ 2,649,034
Accounts receivable	83,770	-	-	2,064	85,834
Due from other funds	3,918	-	-	-	3,918
Due from other governmental units	2,327,234	-	-	-	2,327,234
Prepaid items	45,282	-	-	-	45,282
Total assets	$ 3,519,830	$ 1,099,108	$ 17,295	$ 475,069	$ 5,111,302
Liabilities and Fund Balance					
Liabilities					
Accounts payable	$ 306,616	$ -	$ -	$ -	$ 306,616
State aid anticipation note payable	297,525	-	-	-	297,525
Due to other funds	-	-	-	3,822	3,822
Due to other governmental units	15,775	-	-	-	15,775
Payroll deductions and withholdings	22,704	-	-	-	22,704
Accrued expenditures	588,876	-	-	-	588,876
Accrued salaries payable	941,240	-	-	-	941,240
Unearned revenue	35,889	-	-	-	35,889
Total liabilities	2,208,625	-	-	3,822	2,212,447
Fund Balance					
Non-spendable:					
Prepaid items	45,282	-	-	-	45,282
Restricted for:					
Debt service	-	-	17,295	91,701	108,996
Capital projects	-	1,099,108	-	354,565	1,453,673
Food service	-	-	-	2,441	2,441
Assigned for:					
Community education	-	-	-	22,540	22,540
20-21 excess budgeted expenditures over revenues	1,351,000	-	-	-	1,351,000
Unassigned	(85,077)	-	-	-	(85,077)
Total fund balance	1,311,205	1,099,108	17,295	471,247	2,898,855
Total liabilities and fund balances	$ 3,519,830	$ 1,099,108	$ 17,295	$ 475,069	$ 5,111,302

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, 2020

Total fund balances for governmental funds	$ 2,898,855
Total net position for governmental activities in the statement of net position is different because	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Capital assets not being depreciated	1,187,079
Capital assets - net of accumulated depreciation	38,771,589
Deferred outflows (inflows) of resources	
Deferred inflows of resources resulting from net pension liability	(2,488,194)
Deferred outflows of resources resulting from net pension liability	9,711,166
Deferred inflows of resources resulting from net OPEB liability	(2,916,054)
Deferred outflows of resources resulting from net OPEB liability	2,325,227
Deferred outflows of resources resulting from debt refunding	565,543
Certain liabilities are not due and payable in the current period and are not reported in the funds.	
Accrued interest	(184,513)
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	(34,784,975)
Net OPEB liability	(7,563,881)
Compensated absences	(39,823)
Bonds payable	(34,965,156)
School bond loan payable	(7,336,222)
Other loans payable and liabilities	(34,771)
Net position of governmental activities	$ (34,854,130)

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, 2020

	General Fund	Capital Project Fund Tech Bond	Debt Service Funds 2005 Refunding	Nonmajor Governmental Funds	Total Governmental Funds
Revenues					
Local sources	$ 3,283,013	$ 44,371	$ 236,044	$ 3,819,873	$ 7,383,301
State sources	13,718,433	-	-	12,822	13,731,255
Federal sources	470,470	-	-	174,650	645,120
Interdistrict sources	258,076	-	-	-	258,076
Total revenues	17,729,992	44,371	236,044	4,007,345	22,017,752
Expenditures					
Current					
Education					
Instruction	10,594,325	-	-	-	10,594,325
Supporting services	6,930,516	-	-	-	6,930,516
Food services	-	-	-	337,746	337,746
Community services	178,145	-	-	43,456	221,601
Capital outlay	260,906	474,343	-	1,181,074	1,916,323
Debt service					
Principal	33,597	-	2,940,000	2,650,000	5,623,597
Interest and other expenditures	2,387	-	481,197	964,865	1,448,449
Total expenditures	17,999,876	474,343	3,421,197	5,177,141	27,072,557
Deficiency of revenues over expenditures	(269,884)	(429,972)	(3,185,153)	(1,169,796)	(5,054,805)
Other Financing Sources (Uses)					
Proceeds from school bond loan fund	-	-	3,612,277	-	3,612,277
Transfers in	-	-	-	427,170	427,170
Transfers out	(3,470)	-	(412,400)	(11,300)	(427,170)
Total other financing sources (uses)	(3,470)	-	3,199,877	415,870	3,612,277
Net change in fund balance	(273,354)	(429,972)	14,724	(753,926)	(1,442,528)
Fund balance - beginning	1,584,559	1,529,080	2,571	1,225,173	4,341,383
Fund balance - ending	$ 1,311,205	$ 1,099,108	$ 17,295	$ 471,247	$ 2,898,855

See Accompanying Notes to the Financial Statements

Armada Area Schools
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2020

Net change in fund balances - Total governmental funds	$ (1,442,528)
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 expense	(1,662,745)
Capital outlay	1,064,850
Sale of capital assets (net book value)	(10,191)
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	(3,340,264)
Net change in deferred inflows (outflows) of resources related to the net pension liability	1,009,629
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	772,432
Net change in deferred inflows (outflows) of resources related to the net OPEB liability	(224,791)
Expenses are recorded when incurred in the statement of activities	
Interest	(2,896)
Compensated absences	(1,946)
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	(3,612,277)
Repayments of long-term debt	5,623,597
Amortization of premiums	145,310
Change in net position of governmental activities	$ (1,681,820)

See Accompanying Notes to the Financial Statements

Armada Area Schools
Fiduciary Funds
Statement of Fiduciary Net Position
June 30, 2020

	Private Purpose Trust Funds	Agency Funds
Assets		
Cash	$ 81,004	$ 423,428
Liabilities		
Due to other funds	$ -	$ 96
Due to agency fund activities	-	423,332
Total liabilities	-	$ 423,428
Net Position		
Assets held for other scholarships	$ 81,004	

See Accompanying Notes to the Financial Statements

Armada Area Schools
Fiduciary Funds
Private Purpose Trust Funds
Statement of Changes in Fiduciary Net Position
For the Year Ended June 30, 2020

	Private Purpose Trust Funds
Additions	
Local sources	$ 651
Interest and investment earnings	101
Total additions	752
Deductions	
Scholarships	5,539
Change in net position	(4,787)
Net position - beginning	85,791
Net position - ending	$ 81,004

See Accompanying Notes to the Financial Statements

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, school bond loan fund activity, and other expenditures on long-term debt. The major debt service funds include the 2005 Bond.

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 and Community Education Funds. Operating deficits generated by these activities are generally covered by a transfer from the General Fund.

Debt Service Funds – Debt Service Funds are used to record tax, interest, and other revenue and the payment of interest, principal, and other expenditures on long-term debt. The debt service funds include the 2007, 2012, 2014, 2015 and 2017 Series A refunding issue and 2016 Bond.

Fiduciary Funds – Fiduciary Funds are used to account for assets held by the School District in a trustee capacity or as an agent. The Trust Funds are funds entrusted to the School District for scholarship awards and the principal and interest of the trust may be spent. The Agency Fund is custodial in nature (assets equal liabilities) and does not involve the measurement of results of operations. This fund is used to record the transactions of student groups for school and school-related purposes.

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, 2019, 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	0.8394

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.

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

Prepaid Items – Certain payments to vendors reflect costs applicable to future fiscal years. For such payments in governmental funds the School District follows the consumption method, and they 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. 90, *Majority Equity Interests* improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and improves the relevance of financial statement information for certain components. Management has determined to implement the requirements of this Statement for the fiscal year ending June 30, 2020, in accordance with the original implementation date of the statement.

Statement No. 92, *Omnibus 2020* enhances comparability in accounting and financial reporting and improves the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions about the following: (1) The effective date of Statement No. 87, Leases, and Implementation Guide No. 2019-3, Leases, for interim financial reports (2) Reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPEB) plan. (3) The applicability of Statements No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68, as amended, and No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, as amended, to reporting assets accumulated for postemployment benefits. (4) The applicability of certain requirements of Statement No. 84, Fiduciary Activities, to postemployment benefit arrangements. (5) Measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition. (6) Reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers. (7) Reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature. (8) Terminology used to refer to derivative instruments. Management has implemented the required portions of this Statement and will implement the remaining requirements as each Statement referenced becomes effective.

Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance* provides a temporary relief to governments and other stakeholders in light of the COVID-19 pandemic and provides a postponement of certain GASB Statements. This statement was effective upon issuance in May of 2020.

Upcoming Accounting and Reporting Changes

Statement No. 84, *Fiduciary Activities* improves the guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The focus of the criteria includes the following: (1) is the government controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. The four fiduciary funds that should be reported, if applicable are: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally will report fiduciary activities that are not held in a trust or similar arrangement that meets specific criteria. The requirements of this Statement are effective for the fiscal year ending June 30, 2021.

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 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 the District's leasing activities. The requirements of this Statement are effective for the fiscal year ending June 30, 2022.

Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* enhances the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify accounting for interest cost incurred before the end of a construction period. It requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reporting in a business-type activity or enterprise fund. Interest cost incurred before the end of a construction period should be recognized as an expenditure for financial statements prepared using the current financial resources measurement. The requirements of this Statement are effective for the fiscal year ending June 30, 2022.

Statement No. 91, *Conduit Debt Obligations* provides a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. This statement is effective for the year ending June 30, 2023.

Statement No. 93, *Replacement of Interbank Offered Rates* establishes accounting and financial reporting requirements related to the replacement of IBORs in hedging derivative instruments and leases. It also identifies appropriate benchmark interest rates for hedging derivative instruments. The requirements of this Statement apply to the financial statements of all state and local governments. The requirements of this Statement apply to the financial statements of all state and local governments. This statement is effective for the year ending June 30, 2022.

Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* improves financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. This statement is effective for the year ending June 30, 2023.

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	$ 4,372,789	$ 6,705,434
Expenditures	3,273,681	6,628,639

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	$ 2,649,034	$ 504,432	$ 3,153,466

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

Deposits (checking, savings accounts, money markets, certificates of deposit)	$ 781,246
Investments in securities, mutual funds, and similar vehicles	2,371,425
Petty cash and cash on hand	795
Total	$ 3,153,466

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, $579,267 of the School District's bank balance of $885,291 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 - Fair Value Measurements

The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The School District has the following recurring fair value measurements as of June 30, 2020:

Investment	Fair Value	Maturities	Rating	Rating Organization
Michigan Liquid Asset Fund	$ 2,371,425	6 mos. Avg.	AAAm	S & P

• Amounts invested in MILAF + Portfolio of $2,371,425. The MILAF + Portfolio is not registered under Rule 2a-7 under the Investment Company Act of 1940. The money market securities are valued using amortized cost, which generally approximates the current fair value of the security. However, the value is not obtained from a quoted price in an active market. (Level 2 inputs)

Note 5 - Capital Assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	$ 1,187,079	$ -	$ -	$ 1,187,079
Construction in progress	682,286	-	682,286	-
Total capital assets not being depreciated	1,869,365	-	682,286	1,187,079
Capital assets being depreciated				
Buildings and additions	52,231,000	893,767	-	53,124,767
Land improvements	3,559,114	225,422	14,775	3,769,761
Equipment and furniture	11,992,121	627,947	-	12,620,068
Buses and other vehicles	1,703,909	-	203,820	1,500,089
Total capital assets being depreciated	69,486,144	1,747,136	218,595	71,014,685
Less accumulated depreciation for				
Buildings and additions	17,597,538	988,917	-	18,586,455
Land improvements	1,383,193	133,484	14,775	1,501,902
Equipment and furniture	10,809,948	411,505	-	11,221,453
Buses and other vehicles	998,076	128,839	193,629	933,286
Total accumulated depreciation	30,788,755	1,662,745	208,404	32,243,096
Net capital assets being depreciated	38,697,389	84,391	10,191	38,771,589
Net capital assets	$ 40,566,754	$ 84,391	$ 692,477	$ 39,958,668

Depreciation expense was charged to activities of the School District as follows:

Governmental Activities	
Instruction	$ 974,092
Support services	637,224
Food services	31,054
Community services	20,375
Total governmental activities	$ 1,662,745

Note 6 - Interfund Receivable and Payable and Transfers

Individual interfund receivable and payable balances at year end were:

Receivable Fund	Payable Fund	Amount
General Fund	Nonmajor Funds	$ 3,822
General Fund	Fiduciary Fund	96
		$ 3,918

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 $3,470 and between the Debt Service Funds totaling $423,700. These transfers were made to cover the costs of the District’s programs that were in excess of revenues generated from those activities and to make debt payments.

Note 7 - 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:

	Unearned
Grant and categorical aid payments received prior to meeting all eligibility requirements	$ 28,457
Tuition	7,132
Other	300
Total	$ 35,889

Note 8 - Leases

Operating Leases
The School District leases copiers with noncancelable operating leases. Total costs for such leases were $1,059 for the year. During the year one copier lease was paid off. There are no future payments due.

Note 9 - 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	$ 289,287	$ 1,500,000	$ 1,491,762	$ 297,525

The state aid anticipation note agreement includes an irrevocable set-aside of $1,202,475 at year end that is considered defeased debt and not included in the ending balance.

Note 10 - 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 and notes payable					
General obligation bonds	$ 39,090,000	$ -	$ 5,590,000	$ 33,500,000	$ 5,760,000
Unamortized bond premium	1,674,587	-	209,431	1,465,156	-
Total bonds payable	40,764,587	-	5,799,431	34,965,156	5,760,000
Notes from direct borrowings and direct placements					
School Bond Loan	3,695,023	3,471,760	-	7,166,783	-
Accreted Interest- SBLF	28,922	140,517	-	169,439	-
Total notes from direct borrowings and direct placements	3,723,945	3,612,277	-	7,336,222	-
Other liabilities					
Bus capital lease	68,368	-	33,597	34,771	34,770
Compensated absences	37,877	16,500	14,554	39,823	12,000
Total liabilities	106,245	16,500	48,151	74,594	46,770
Total	$ 44,594,777	$ 3,628,777	$ 5,847,582	$ 42,375,972	$ 5,806,770

For governmental activities, compensated absences and bus capital leases 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%	$ 6,975,000
$ 3,750,000 refunding serial bonds, issued February 2015, due in annual installments of $ 705,000 to $ 780,000 through May 1, 2022; interest at 2.00% to 5.00%	1,545,000
$ 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%	2,065,000
$ 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%	6,880,000
$ 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%	9,970,000
$ 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%	6,065,000
Total general obligation bonded debt	$ 33,500,000

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

	Bonds		
Year Ending June 30,	Principal	Interest	Total
2021	$ 5,760,000	$ 1,131,680	$ 6,891,680
2022	5,950,000	943,028	6,893,028
2023	6,115,000	776,498	6,891,498
2024	1,710,000	585,650	2,295,650
2025	1,785,000	508,650	2,293,650
2026 - 2030	9,965,000	1,485,850	11,450,850
2031 - 2033	2,215,000	100,200	2,315,200
Total	$ 33,500,000	$ 5,531,556	$ 39,031,556

The general obligation bonds are payable from the Debt Service Funds. As of year end, the fund had a fund balance of $108,996 to pay this debt. Future debt and interest will be payable from future tax levies.

School Bus Installments

School bus installment purchase payable consist of the following:

Date	Original Amount	Due Date	Interest Rate
June 30, 2017	$ 168,189	June 30, 2021	3.49%

Future principal and interest requirements are as follows:

Year ending June 30,	Principal	Interest	Total
2021	$ 34,771	$ 1,214	$ 35,985

The assets acquired through capital leases are as follows:

Assets	
Buses	$ 1,500,089
Less accumulated depreciation	933,286
Total	$ 566,803

State School Bond Loan

The State School Bond Loan consists of a borrowing agreement with the State of Michigan for the purpose of meeting the financing of current debt maturities on the School District's 2005-2018 bond issues. During 2005-2018, the School District issued $48,650,000 million in bonds to renovate School District facilities. The bond election, as passed by the voters, specified that the School District debt millage would not exceed the pre-bond vote millage of 7.5 mills, but instead the election permitted the School District to extend this levy through the year 2025. Since the monies generated by the 7.5 mills are presently not sufficient to cover the entire debt service requirements of the School District, it has been necessary for the School District to borrow a total of $7,166,783 to meet debt service requirements. Management of the School District anticipates that as the other bonds mature, the revenues provided by the debt millage will be sufficient to satisfy the future debt service requirements of the 2005-2018 bonds and all necessary borrowing from the State School Bond Loan Fund. During the year, the School District borrowed $3,471,760 and had an outstanding balance at year-end of $7,166,783, from the State School Bond Loan Fund. The School District has agreed to repay the loan amount with interest at rates and at times to be determined by the State Treasurer.

Compensated Absences
Accrued compensated absences at year end, consist of $ 39,823 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 District had advanced refundings whose differences resulted in deferred outflows of resources of $495,580 and $562,775, respectively, and are also being charged to activities through fiscal year 2030. The total net deferred amount on refunding is $565,543, which is reported on the statement of net position as a deferred outflow of resources.

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

The final payment date is May 1, 2022 for the 1997 issue for the partial refunding that occurred in 2005. During 2013, a portion of the 2005 bonds were refunded. During 2015, the 2005 Refunding debt was refunding. 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

Interest expenditures for the fiscal year in the General Fund and Debt Service Funds were $2,386 and $1,305,545, respectively.

Note 11 - 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, 2020. No provision has been made for possible future claims.

Note 12 - 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, 2018 valuation will be amortized over a 20-year period beginning October 1, 2018 and ending September 30, 2038

The schedule below summarizes pension contribution rates in effect for fiscal year ended September 30, 2019.

Pension Contribution Rates

Benefit Structure	Member	Employer
Basic	0.0 - 4.0%	18.25%
Member Investment Plan	3.0 - 7.0%	18.25%
Pension Plus	3.0 - 6.4%	16.46%
Pension Plus 2	6.2%	19.59%
Defined Contribution	0.0%	13.39%

Required contributions to the pension plan from the School District were $2,790,369 for the year ending September 30, 2019.

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

At June 30, 2020, the School District reported a liability of $34,784,975 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2018. 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, 2019, the School District's proportion was .1050 percent, which was an increase of .0004 percent from its proportion measured as of September 30, 2018.

For the plan year ending September 30, 2019, the School District recognized pension expense of $5,224,500 for the measurement period. For the reporting period ending June 30, 2020, the School District recognized total pension contribution expense of $2,903,642.

At June 30, 2020, 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	$ 155,917	$ (145,050)	$ 10,867
Changes of assumptions	6,810,922	-	6,810,922
Net difference between projected and actual earnings on pension plan investments	-	(1,114,799)	(1,114,799)
Changes in proportion and differences between the School District contributions and proportionate share of contributions	114,764	(69,746)	45,018
Total to be recognized in future	7,081,603	(1,329,595)	5,752,008
School District contributions subsequent to the measurement date	2,629,563	(1,158,599)	1,470,964
Total	$ 9,711,166	$ (2,488,194)	$ 7,222,972

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, 2021. The District will offset the contribution expense in the year ended June 30, 2021 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)

2020	$	2,286,770
2021		1,800,395
2022		1,185,056
2023		479,787
	$	5,752,008

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, 2018.
- Actuarial Cost Method: Entry Age, Normal.
- Wage inflation rate: 2.75%.
- Investment Rate of Return:
  - MIP and Basic Plans 6.80%.
  - Pension Plus Plan 6.80%.
  - Pension Plus 2 Plan: 6.00%.
- Projected Salary Increases: 2.75 – 11.55%, including wage inflation at 2.75%.
- Cost-of-Living Pension Adjustments: 3% Annual Non-Compounded for MIP Members.
- Mortality:
  - Retirees: RP-2014 Male and Female Healthy Annuitant Mortality Tables, scaled by 82% for males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006.
  - Active Members: 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, 2017 valuation. The total pension liability as of September 30, 2019, is based on the results of an actuarial valuation date of September 30, 2018, and rolled forward using generally accepted actuarial procedures, including the experience study.

Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: 4.4977.

Recognition period for assets in years is 5.0000.

Full actuarial assumptions are available in the 2019 MPSERS Comprehensive Annual 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, 2019, are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return*
Domestic Equity Pools	28.0 %	5.5 %
Alternative Investment Pools	18.0	8.6
International Equity	16.0	7.3
Fixed Income Pools	10.5	1.2
Real Estate and Infrastructure Pools	10.0	4.2
Absolute Return Pools	15.5	5.4
Short Term Investment Pools	2.0	0.8
	100.0%	

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

Rate of Return

For the fiscal year ended September 30, 2019, the annual money-weighted rate of return on pension plan investment, net of pension plan investment expense, was 5.14%. 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 6.80% 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 (Non-Hybrid/Hybrid)* 5.80% / 5.80% / 5.00%	Current Single Discount Rate Assumption (Non-Hybrid/Hybrid)* 6.80% / 6.80% / 6.00%	1% Increase (Non-Hybrid/Hybrid)* 7.80% / 7.80% / 7.00%
$ 45,222,692	$ 34,784,975	$ 26,131,747

**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 CAFR, 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 13 - Post-employment Benefits Other Than Pensions (OPEB)

Plan Description

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

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

The System is administered by the Office of Retirement Services (ORS) within the Michigan Department of Technology, Management & Budget. The Department Director appoints the Office Director, with whom the general oversight of the System resides. The State Treasurer serves as the investment officer and custodian for the System.
The System's financial statements are available on the ORS website at www.michigan.gov/orsschools.

Benefits Provided

Benefit provisions of the postemployment healthcare plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions. Retirees have the option of health coverage, which, through 2012, was funded on a cash disbursement basis. Beginning 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, 2018 valuation will be amortized over a 20-year period beginning October 1, 2018 and ending September 30, 2038.

The schedule below summarizes OPEB contribution rates in effect for fiscal year 2019.

OPEB Contribution Rates

Benefit Structure	Member	Employer
Premium Subsidy	3.0%	7.93%
Personal Healthcare Fund (PHF)	0.0%	7.57%

Required contributions to the OPEB plan from the School District were $723,544 for the year ended September 30, 2019.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB
At June 30, 2020, the School District reported a liability of $7,563,881 for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 2018. 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, 2019, the School District's proportion was .1046 percent, which was unchanged from its proportion measured as of September 30, 2018.

For the plan year ending September 30, 2019, the School District recognized OPEB expense of $204,461 for the measurement period. For the reporting period ending June 30, 2020, the School District recognized total OPEB contribution expense of $752,465.

At June 30, 2020, 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	$ -	$ (2,775,402)	$ (2,775,402)
Changes of assumptions	1,638,940	-	1,638,940
Net difference between projected and actual earnings on OPEB plan investments	-	(131,540)	(131,540)
Changes in proportion and differences between the School District contributions and proportionate share of contributions	55,502	(9,112)	46,390
Total to be recognized in future	1,694,442	(2,916,054)	(1,221,612)
School District contributions subsequent to the measurement date	630,785	-	630,785
Total	$ 2,325,227	$ (2,916,054)	$ (590,827)

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, 2021. 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)		
2020	$	(341,141)
2021		(341,141)
2022		(275,528)
2023		(175,433)
2024		(88,369)
	$	(1,221,612)

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, 2018.
- Actuarial Cost Method: Entry Age, Normal.
- Wage inflation rate: 2.75%.
- Investment Rate of Return: 6.95%.
- Projected Salary Increases: 2.75 – 11.55%, including wage inflation of 2.75%.
- Healthcare Cost Trend Rate: 7.5% Year 1 graded to 3.5% Year 12.
- Mortality:
  - Retirees: RP-2014 Male and Female Healthy Annuitant Mortality Tables, scaled by 82% for males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006.
  - Active Members: 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 Assumptions: 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, 2017 valuation. The total OPEB liability as of September 30, 2019, is based on the results of an actuarial valuation date of September 30, 2018, and rolled forward using generally accepted actuarial procedures, including the experience study.

Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: 5.7101.

Recognition period for assets in years is 5.0000.

Full actuarial assumptions are available in the 2019 MPSERS Comprehensive Annual 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, 2019, are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return*
Domestic Equity Pools	28.0 %	5.5 %
Alternative Investment Pools	18.0	8.6
International Equity	16.0	7.3
Fixed Income Pools	10.5	1.2
Real Estate and Infrastructure Pools	10.0	4.2
Absolute Return Pools	15.5	5.4
Short Term Investment Pools	2.0	0.8
	100.0%	

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

Rate of Return
For the fiscal year ended September 30, 2019, the annual money-weighted rate of return on OPEB plan investment, net of OPEB plan investment expense, was 5.37%. 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%
$ 9,278,237	$ 7,563,881	$ 6,124,299

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
$ 6,063,267	$ 7,563,881	$ 9,278,034

OPEB Plan Fiduciary Net Position
Detailed information about the OPEB plan's fiduciary net position is available in the separately issued 2019 MPSERS CAFR, 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 14 - 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, 2020, 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 15 - 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 16 - Coronavirus Pandemic

As result of the global coronavirus pandemic of 2020, the financial picture for Michigan School Districts has seen an unanticipated change. The duration and full effects of the outbreak are currently unknown, as the local and global picture continues to change frequently. To reduce the chance of spreading COVID-19; in March 2020, public schools were closed for the remainder of the 2019-2020 school year. As a result of the pandemic, the State of Michigan encountered a revenue shortfall resulting in a revenue reduction for Districts of $175 per pupil which reduced the state aid payment in August of 2020. Subsequent to year end, multiple new revenue sources were approved; including Public Act 123 of 2020 which provides Districts an approximate $12.32 per pupil and Public Act 146 of 2020 which provides Districts $350 per pupil. These new revenue streams approved after June 30, 2020 will be recognized in the fiscal year ended June 30, 2021 in accordance with reporting criteria established by the Governmental Accounting Standards Board. Additionally, the “Return to Learn” legislation passed subsequent to year end which modifies the per pupil foundation allowance calculation and allows flexibilities in the days and attendance requirements for Districts. Local districts are able to decide whether to provide instruction virtually or face to face for the 2020-2021 school year. Currently, it is not possible to estimate the full extent of any potential impacts to the District or to determine if any changes in fair values are other than temporary in nature. Accordingly, no adjustments to the financial statements were made as a result of these events.

REQUIRED SUPPLEMENTARY INFORMATION

Armada Area Schools
Required Supplementary Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2020

	Budgeted Amounts			Over
	Original	Final	Actual	(Under) Budget
Revenues				
Local sources	$ 3,767,000	$ 3,707,000	$ 3,283,013	$ (423,987)
State sources	14,034,000	14,214,000	13,718,433	(495,567)
Federal sources	448,000	506,000	470,470	(35,530)
Interdistrict sources	-	-	258,076	258,076
Total revenues	18,249,000	18,427,000	17,729,992	(697,008)
Expenditures				
Instruction				
Basic programs	8,742,361	9,021,668	8,650,373	(371,295)
Added needs	1,808,410	2,029,010	1,943,952	(85,058)
Supporting services				
Pupil	1,127,746	1,023,266	962,586	(60,680)
Instructional staff	1,009,061	1,040,243	752,905	(287,338)
General administration	533,000	526,000	483,551	(42,449)
School administration	1,373,059	1,372,232	1,258,740	(113,492)
Business	742,092	745,105	725,946	(19,159)
Operations and maintenance	1,468,160	1,565,511	1,500,060	(65,451)
Pupil transportation services	780,524	779,916	706,990	(72,926)
Central	253,697	245,641	244,556	(1,085)
Athletic activities	354,867	339,907	295,182	(44,725)
Community services	184,029	182,703	178,145	(4,558)
Capital outlay	344,815	341,432	260,906	(80,526)
Debt service				
Principal	37,924	37,924	33,597	(4,327)
Interest and fiscal charges	2,387	2,387	2,387	-
Total expenditures	18,762,132	19,252,945	17,999,876	(1,253,069)
Excess (deficiency) of revenues over expenditures	(513,132)	(825,945)	(269,884)	556,061

Armada Area Schools
Required Supplementary Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2020

	Budgeted Amounts Original	Budgeted Amounts Final	Actual	Over (Under) Budget
Other Financing Sources (Uses)				
Transfers in	$ 450,000	$ 470,000	$ -	$ (470,000)
Transfers out	(3,868)	(4,055)	(3,470)	585
Total other financing sources (uses)	446,132	465,945	(3,470)	(469,415)
Net change in fund balance	(67,000)	(360,000)	(273,354)	86,646
Fund balance - beginning	1,584,559	1,584,559	1,584,559	-
Fund balance - ending	$ 1,517,559	$ 1,224,559	$ 1,311,205	$ 86,646

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)

		2020	2019	2018	2017	2016	2015	2013	2012	2011	2010
A.	Reporting unit's proportion of net pension liability (%)	0.1050%	0.1046%	0.1047%	0.1051%	0.1042%	0.1092%				
B.	Reporting unit's proportionate share of net pension liability	$ 34,784,975	$ 31,444,711	$ 27,131,837	$ 26,210,832	$ 25,441,198	$ 24,055,419				
C.	Reporting unit's covered payroll	$ 9,473,900	$ 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	367.17%	353.06%	311.38%	294.93%	297.36%	254.82%				
E.	Plan fiduciary net position as a percentage of total pension liability	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 2019.
Changes of benefit assumptions: There were no changes of benefit assumptions in plan fiscal year 2019.

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									
		2020	2019	2018	2017	2016	2015	2013	2012	2011	2010
A.	Statutorily required contributions	$ 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	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 payroll	$ 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	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)

		2020	2019	2018	2016	2015	2014	2013	2012	2011	2010
A.	Reporting unit's proportion of net OPEB liability (%)	0.1054%	0.1049%	0.1046%							
B.	Reporting unit's proportionate share of net OPEB liability	$ 7,563,881	$ 8,336,313	$ 9,260,024							
C.	Reporting unit's covered payroll	$ 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	79.84%	93.60%	106.27%							
E.	Plan fiduciary net position as a percentage of total OPEB liability	48.46%	42.95%	36.39%							

Notes:

Changes of benefit terms: There were no changes of benefit terms in plan fiscal year 2019.

Changes of benefit assumptions: There were no changes of benefit assumptions in plan fiscal year 2019

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									
	2020	2018	2017	2016	2015	2014	2013	2012	2011	2010
A. Statutorily required contributions	$ 752,465	$ 716,328	$ 625,048							
B. Contributions in relation to statutorily required contributions	752,465	716,328	625,048							
C. Contribution deficiency (excess)	$ -	$ -	$ -							
D. Reporting unit's covered payroll	$ 9,473,900	$ 9,109,934	$ 8,871,582							
E. Contributions as a percentage of covered payroll	7.94%	7.86%	7.05%							

OTHER SUPPLEMENTARY INFORMATION

Armada Area Schools
Other Supplementary Information
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2020

	Special Revenue Funds		Debt Service Funds						Capital Project Fund		Total Nonmajor Governmental Funds
	Community Education	Food Service	2007 Refunding	2014 Refunding	2015 Refunding	2016 Bond	2017 Series A	2017 Series B	2018 Bldg & Site	Sinking Fund	
Assets											
Cash	$ 25,137	$ 402	$ 54	$ 36,083	$ 24,078	$ 18,937	$ 12,406	$ 143	$ 76,795	$ 278,970	$ 473,005
Accounts receivable	-	2,064	-	-	-	-	-	-	-	-	2,064
Total assets	$ 25,137	$ 2,466	$ 54	$ 36,083	$ 24,078	$ 18,937	$ 12,406	$ 143	$ 76,795	$ 278,970	$ 475,069
Liabilities and Fund Balance											
Liabilities											
Due to other funds	$ 2,597	$ 25	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,200	$ 3,822
Fund Balance											
Restricted for:											
Debt service	-	-	54	36,083	24,078	18,937	12,406	143	-	-	91,701
Capital projects	-	-	-	-	-	-	-	-	76,795	277,770	354,565
Food service	-	2,441	-	-	-	-	-	-	-	-	2,441
Assigned for:											
Community education	22,540	-	-	-	-	-	-	-	-	-	22,540
Total fund balance	22,540	2,441	54	36,083	24,078	18,937	12,406	143	76,795	277,770	471,247
Total liabilities and fund balance	$ 25,137	$ 2,466	$ 54	$ 36,083	$ 24,078	$ 18,937	$ 12,406	$ 143	$ 76,795	$ 278,970	$ 475,069

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, 2020

	Special Revenue Funds		Debt Service Funds						Capital Projects Fund		Total Nonmajor
	Community Education	Food Service	2007 Refunding	2014 Refunding	2015 Refunding	2016 Bond	2017 Series A	2017 Series B	2018 Bldg & Site	Sinking Fund	Governmental Funds
Revenues											
Local sources	$ 41,710	$ 143,250	$ 13	$ 1,349,708	$ 848,489	$ 690,648	$ 324,760	$ 18	$ 6,318	$ 414,959	$ 3,819,873
State sources	-	12,822	-	-	-	-	-	-	-	-	12,822
Federal sources	-	174,650	-	-	-	-	-	-	-	-	174,650
Total revenues	41,710	330,722	13	1,349,708	848,489	690,648	324,760	18	6,318	414,959	4,007,345
Expenditures											
Current											
Education											
Food services	-	337,746	-	-	-	-	-	-	-	-	337,746
Community services	43,456	-	-	-	-	-	-	-	-	-	43,456
Capital outlay	-	-	-	-	-	-	-	-	657,424	523,650	1,181,074
Debt service											
Principal	-	-	235,000	995,000	750,000	625,000	45,000	-	-	-	2,650,000
Interest and other expenditures	-	-	189,376	352,300	91,850	56,989	274,350	-	-	-	964,865
Total expenditures	43,456	337,746	424,376	1,347,300	841,850	681,989	319,350	-	657,424	523,650	5,177,141
Excess (deficiency) of revenues over expenditures	(1,746)	(7,024)	(424,363)	2,408	6,639	8,659	5,410	18	(651,106)	(108,691)	(1,169,796)
Other Financing Sources (Uses)											
Transfers in	-	3,470	423,500	200	-	-	-	-	-	-	427,170
Transfers out	-	-	-	-	(3,800)	(7,500)	-	-	-	-	(11,300)
Total other financing sources	-	3,470	423,500	200	(3,800)	(7,500)	-	-	-	-	415,870
Net change in fund balance	(1,746)	(3,554)	(863)	2,608	2,839	1,159	5,410	18	(651,106)	(108,691)	(753,926)
Fund balance - beginning	24,286	5,995	917	33,475	21,239	17,778	6,996	125	727,901	386,461	1,225,173
Fund balance - ending	$ 22,540	$ 2,441	$ 54	$ 36,083	$ 24,078	$ 18,937	$ 12,406	$ 143	$ 76,795	$ 277,770	$ 471,247

Armada Area Schools
Other Supplementary Information
Fiduciary Funds
Statement of Changes in Amounts Due to Student Groups
For the Year Ended June 30, 2020

Elementary Activity Funds	Due to (From) Student Groups July 1, 2019	Cash Receipts	Cash Disbursements	Due to (From) Student Groups June 30, 2020
KINDERGARTEN FIELD TRIPS	$ 566	$ 39	$ 39	$ 566
FIRST GRADE FIELD TRIPS	212	2,085	1,944	354
SECOND GRADE FIELD TRIPS	674	1,220	1,388	506
LIBRARY DONATIONS	435	-	-	435
BOOK FAIR/ACCELERATED READERS	4,384	183	3,211	1,356
STUDENT COUNCIL	239	-	57	182
SUPER KIDS DAY	5,041	1,324	2,322	4,043
DRUG ALLIANCE	13,668	17,284	20,817	10,134
INDIVIDUAL ROOM ACCOUNT	1,015	500	691	824
GRANTS	325	-	-	325
SKI CLUB	1,348	-	-	1,348
ELEMENTARY MISCELLANEOUS	3,852	7,254	8,759	2,347
THIRD GRADE FIELD TRIPS	1,209	1,115	1,522	801
FOURTH GRADE FIELD TRIPS	949	3,924	3,975	898
FIFTH GRADE FIELD TRIPS	778	5,185	5,566	397
ROBOTICS PROGRAM	3,334	2,750	1,271	4,813
LATER ELEMENTARY RESERVE ACCOUNT	16,391	2,827	19,205	13
YEARBOOK	9,907	1,617	5,915	5,609
GARDEN CLUB	3,526	1,799	2,472	2,853
SAFETY PATROL	1,493	4,208	2,690	3,010
BOOK CLUB	9	-	-	9
STUDENT ENHANCEMENT	8,310	1,491	5,577	4,224
TECHNOLOGY CLUB	92	-	-	92
STEAM	1,578	-	25	1,553
TECHNOLOGY	1,160	-	1,002	158
	80,495	54,804	88,450	46,849

Armada Area Schools
Other Supplementary Information
Fiduciary Funds
Statement of Changes in Amounts Due to Student Groups
For the Year Ended June 30, 2020

Middle School Activity Funds	Due to (From) Student Groups July 1, 2019	Cash Receipts	Cash Disbursements	Due to (From) Student Groups June 30, 2020
MIDDLE SCHOOL	$ 25,395	$ 9,547	$ 8,869	$ 26,073
6TH GRADE	293	-	293	-
7TH GRADE	834	2,019	2,173	680
8TH GRADE	438	3,387	3,112	714
FOREIGN LANGUAGE	237	-	-	237
MATH	910	-	-	910
LIBRARY	5,460	1,921	1,921	5,460
SCADDS	217	-	-	217
STUDENT COUNCIL	1,982	1,553	765	2,771
YEARBOOK	9,699	541	249	9,992
MIDDLE SCHOOL RESERVE ACCOUNT	1,112	162	135	1,139
BAND	1,280	15,200	15,220	1,260
MIDDLE SCHOOL TECH LAB	714	-	-	714
SCIENCE	829	12	145	696
MIDDLE SCHOOL L.C.C.E.	267	-	4	263
PHYSICAL EDUCATION	978	3	-	981
CEDAR POINT	4,287	4,139	4,647	3,779
CHOIR	2,335	310	1,683	962
ART	473	-	-	473
DIGITAL MEDIA ARTS	402	-	-	402
LANGUAGE ARTS	336	-	-	336
SOCIAL STUDIES	352	-	-	352
NATIONAL JR HONOR SOCIETY	431	350	407	374
MIDDLE SCHOOL ROBOTICS PROGRAM	4,983	6,377	6,850	4,511
CLASS OF 2022	726	-	-	726
	64,969	45,521	46,471	64,019

Armada Area Schools
Other Supplementary Information
Fiduciary Funds
Statement of Changes in Amounts Due to Student Groups
For the Year Ended June 30, 2020

High School Activity Funds	Due to (From) Student Groups July 1, 2019	Cash Receipts	Cash Disbursements	Due to (From) Student Groups June 30, 2020
A.H.S. SENIOR PARTY	$ 1,409	$ 52,697	$ 36,738	$ 17,368
AUTO SHOP	98	-	-	98
BAND	1,276	700	-	1,976
CHOIR	6,712	4,239	5,765	5,186
CLASS OF 2005	25	-	-	25
CLASS OF 2006	1,056	-	-	1,056
CLASS OF 2007	216	-	-	216
CLASS OF 2009	2,177	-	-	2,177
CLASS OF 2010	2,984	-	-	2,984
CLASS OF 2011	325	-	-	325
CLASS OF 2012	2,257	-	-	2,257
CLASS OF 2013	1,005	-	-	1,005
CLASS OF 2014	3,081	-	-	3,081
CLASS OF 2015	4,092	-	-	4,092
CLASS OF 2016	1,170	-	-	1,170
CLASS OF 2017	1,339	-	-	1,339
CLASS OF 2018	3,697	-	-	3,697
CLASS OF 2019	1,145	-	-	1,145
CLASS OF 2020	1,195	1,416	1,445	1,167
CLASS OF 2021	966	-	-	966
CLASS OF 2023	-	438	-	438
LIBRARY	726	-	-	726
AHS PARENT GROUP	-	200	68	132
STUDENT SENATE	8,913	11,605	11,739	8,780
HIGH SCHOOL L.C.C.E.	105	-	-	105
HIGH SCHOOL MISCELLANEOUS	162	1,167	1,167	162
THEATRE	16,617	43,063	40,271	19,410
NATIONAL HONOR SOCIETY	780	2,112	1,067	1,825
CULINARY	118	300	195	223
REGIT	7,767	20,238	18,603	9,401
HIGH SCHOOL RESERVE ACCOUNT	9,572	3,759	1,200	12,131
S.A.D.D.	141	-	-	141
NEELY SCHOLARSHIP	9,502	4,000	10,000	3,502
LUKE HURD MEMORIAL SCHOLARSHIP	1,000	2,000	2,000	1,000
GENERAL SCIENCE	631	-	-	631
MISCELLANEOUS SCHOLARSHIPS	15,129	25,795	17,752	23,172

Armada Area Schools
Other Supplementary Information
Fiduciary Funds
Statement of Changes in Amounts Due to Student Groups
For the Year Ended June 30, 2020

	Due to (From) Student Groups July 1, 2019	Cash Receipts	Cash Disbursements	Due to (From) Student Groups June 30, 2020
MISCELLANEOUS GRANTS	$ 1,400	$ 1,181	$ 2,181	$ 400
SPANISH CLUB	1	-	-	1
THE TIGER DEN	614	15,684	16,059	239
AP EXAMS	9,386	26,403	25,309	10,480
GRANDMA'S SCHOLARSHIP	300	-	-	300
BUILDING TRADES	7,825	5,948	5,440	8,334
SPECIAL EDUCATION FIELD DAY	372	-	-	372
COUNSELING	4,917	11,800	9,781	6,935
POWDER PUFF FOOTBALL	1,329	2,055	2,221	1,162
HEIDE/O'LEARY SCHOLARSHIP	75	-	-	75
HEALTH OCCUPATIONS	13	8,812	8,237	589
H S ONLINE TUTORING	6,649	2,155	4,475	4,329
MATH	232	116	56	292
TECHNOLOGY	8,447	7,305	2,998	12,754
GREEN HOUSE	87	-	-	87
ACA	329	-	-	329
KUZMINSKI SCHOLARHSIP	500	500	-	1,000
SPELLING BEE	363	-	-	363
PROM	737	30	600	167
KEYS TO SUCCESS FUNDRAISER	1,500	1,000	1,943	557
GRADUATION DVDS	595	-	-	595
	153,061	256,718	227,310	182,470

Armada Area Schools
Other Supplementary Information
Fiduciary Funds
Statement of Changes in Amounts Due to Student Groups
For the Year Ended June 30, 2020

	Due to (From) Student Groups July 1, 2019	Cash Receipts	Cash Disbursements	Due to (From) Student Groups June 30, 2020
Auxiliary Services Fund				
Auxiliary Internal Reserve Fund	$ 83	$ 2	$ -	$ 86
Child Care	90	82	32	140
Preschool	4,814	6,358	5,293	5,879
	4,988	6,442	5,325	6,105
Burk Street Activity Funds				
MISCELLANEOUS	1,880	-	-	1,880
PROJECT CARE	9,035	6,725	996	14,764
MISCELLANEOUS DINNER	4	-	-	4
BENEFIT FOR BOOKS	121	-	-	121
VENDING MACHINE PROFIT	4,689	5,535	7,669	2,555
PROGRAM DEVELOPMENT	69	-	-	69
PARKING LOT MAINTENANCE	15,950	-	-	15,950
BURK STREET RESERVE ACCOUNT	152	14	-	167
A.P.P.L.E	215	1,888	1,780	322
SPECIAL SERVICES	221	-	-	221
G WINNE SCHOLARSHIP	1,225	200	-	1,425
	33,561	14,361	10,444	37,478

Armada Area Schools
Other Supplementary Information
Fiduciary Funds
Statement of Changes in Amounts Due to Student Groups
For the Year Ended June 30, 2020

Macomb Academy for the Arts and Sciences Activity Funds	Due to (From) Student Groups July 1, 2019	Cash Receipts	Cash Disbursements	Due to (From) Student Groups June 30, 2020
MA2S RESERVE ACCOUNT	$ 46	$ 36	$ 30	$ 52
WRESTLING	1,799	6,009	5,914	1,894
JV BASEBALL	20	-	-	20
VARSITY BASEBALL	3,851	122	3,553	420
GIRLS BASKETBALL	3,127	13,064	13,149	3,041
JV VOLLEYBALL	2,065	14,698	11,502	5,261
BOYS BASKETBALL	8,772	16,354	13,849	11,276
SOCCER	689	292	165	816
GIRLS SOFTBALL	1,085	-	369	716
HIGH SCHOOL POWERLIFTING	74	-	-	74
TRACK	6,260	16,673	18,092	4,841
VARSITY FOOTBALL	22,531	28,220	41,816	8,935
GIRLS VARSITY SOCCER	848	-	-	848
VARSITY BOY TENNIS	1,369	348	345	1,372
EQUESTRIAN TEAM	61	-	61	0
GOLF	2	1,315	1,285	32
GIRLS VARSITY TENNIS	137	473	456	155
DANCE CLUB	602	-	-	602
ATHLETICS ACTIVITY	3,946	9,408	7,050	6,303
BOYS GOLF	26	230	230	26
TRAP TEAM	738	3,960	2,574	2,124
BOWLING	-	3,395	2,920	475
FISHING CLIB	-	1,345	655	690
MS BASKETBALL	188	-	-	188
MS CHEER	1,310	2,899	3,711	498
MS WRESTLING	564	2,012	2,403	172
MS VOLLEYBALL	328	-	167	161
CHEERLEADERS	1,493	14,069	12,165	3,398
FUNDRAISERS	972	2,340	2,206	1,107
RESEARCH FUND	55	-	10	45
FIELD TRIPS	2	-	-	2
BETA CLUB	614	-	-	614
MA2S MISCELLANEOUS	157	312	170	299
ROBOTICS PROGRAM	6,046	43,807	20,692	29,160
MA2S AMBASSADORS	367	-	-	367
ART CLUB	31	-	-	31
TECH LIBRARY	395	-	-	395
COMPUTER CLUB	-	180	180	-
	70,570	181,559	165,717	86,411
Total	$ 407,644	$ 559,406	$ 543,717	$ 423,332

Armada Area Schools
Other Supplementary Information
Schedule of Outstanding Bonded Indebtedness
June 30, 2020

Year Ending June 30,	2014 Refunding	2015 Refunding	2016 Tech Bond	2017 Series A	2017 Series B	2018 Building & Site Bond	Total
2021	$ 1,045,000	$ 765,000	$ 665,000	$ 45,000	$ 3,005,000	$ 235,000	$ 5,760,000
2022	1,100,000	780,000	700,000	45,000	3,080,000	245,000	5,950,000
2023	1,230,000	-	700,000	45,000	3,885,000	255,000	6,115,000
2024	1,285,000	-	-	45,000	-	380,000	1,710,000
2025	1,350,000	-	-	45,000	-	390,000	1,785,000
2026	965,000	-	-	400,000	-	485,000	1,850,000
2027	-	-	-	1,485,000	-	435,000	1,920,000
2028	-	-	-	1,545,000	-	445,000	1,990,000
2029	-	-	-	1,595,000	-	470,000	2,065,000
2030				1,630,000		510,000	2,140,000
2031						1,090,000	1,090,000
2032	-	-	-	-	-	1,125,000	1,125,000
Total	$ 6,975,000	$ 1,545,000	$ 2,065,000	$ 6,880,000	$ 9,970,000	$ 6,065,000	$ 33,500,000
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%	2.00% - 5.00%	2.10%	2.00% - 3.00%	1.810% - 3.036%	3.00%	
Original issue	$ 11,570,000	$ 3,750,000	$ 4,100,000	$ 6,925,000	$ 15,815,000	$ 6,490,000	

OTHER REPORT

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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, each major fund, and the aggregate remaining fund information of Armada Area Schools as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Armada Area Schools' basic financial statements, and have issued our report thereon dated October 16, 2020.

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) to determine the 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.

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 determination of financial statement amounts. 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
October 16, 2020