

This Preliminary Official Statement and the information contained herein is subject to completion and amendment. These securities may not be sold nor may an offer to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds, in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction. As of its date, this Preliminary Official Statement has been deemed final by the School District for purposes of SEC Rule 15c2-12(b)(1) except for the information permitted to be omitted by SEC rule 15c2-12(b)(1).

New Issue
Book-Entry-Only

S&P Global Ratings †: A

TAX STATUS: In the opinion of Thrun Law Firm, P.C., Bond Counsel, assuming continued compliance by the School District with certain requirements of the Internal Revenue Code of 1986, as amended (the "Code"), (i) interest on the Bonds is excluded from gross income for federal income tax purposes, as described in the opinion, (ii) the Bonds and interest thereon are exempt from all taxation in the State of Michigan, except inheritance and estate taxes and taxes on gains realized from the sale, payment or other disposition thereof, and (iii) interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax to the extent of, and subject to, the conditions described herein. The School District has covenanted to comply with certain requirements of the Code necessary to continue the exclusion of interest on the Bonds from gross income for federal income tax purposes. See "TAX MATTERS" herein.



\$11,170,000*
CLARE PUBLIC SCHOOLS
Counties of Clare and Isabella, State of Michigan
2024 School Building and Site Bonds
(General Obligation – Unlimited Tax)

Date of Sale: October 30, 2024
Time of Sale: 11:30 AM, ET

PURPOSE AND SECURITY: The 2024 School Building and Site Bonds (the "Bonds") were authorized by the Board of Education of the Clare Public Schools, Counties of Clare and Isabella, State of Michigan (the "School District") by resolutions adopted on September 3, 2024 and expected to be adopted on November __, 2024 (the "Resolutions") and at an election of the School District electors held on August 6, 2024, for the purpose of partially remodeling, furnishing and refurbishing, and equipping and re-equipping school buildings, including remodeling for secure entrances/vestibules; erecting, furnishing, and equipping additions to the high school and primary school buildings; acquiring and installing instructional technology and instructional technology equipment for school buildings; purchasing school buses; and preparing, developing, equipping, and improving playgrounds and sites. The Bonds will pledge the full faith, credit and resources of the School District for payment of the principal and interest thereon, and will be payable from ad valorem taxes, which may be levied without limitation as to rate or amount as provided by Article IX, Section 6, of the Michigan Constitution of 1963.

BOOK-ENTRY-ONLY: The Bonds are issuable only as fully registered bonds without coupons and, when issued, will be registered in the name of Cede & Co., as Bondholder and nominee for The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository for the Bonds. Purchases of beneficial interests in the Bonds will be made in book-entry-only form in the denomination of \$5,000 or any integral multiple thereof. Purchasers of beneficial interests in the Bonds (the "Beneficial Owners") will not receive certificates representing their beneficial interest in Bonds purchased. So long as Cede & Co. is the Bondholder, as nominee of DTC, references herein to the Bondholders or registered owners shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners of the Bonds. See "BOOK-ENTRY ONLY SYSTEM" herein.

PAYMENT OF BONDS: Principal of and interest on the Bonds will be paid by The Huntington National Bank, Grand Rapids, Michigan (the "Paying Agent"). So long as DTC or its nominee, Cede & Co., is the Bondholder, such payments will be made directly to such Bondholder. Disbursement of such payments to the DTC Participants is the responsibility of DTC and disbursement of such payments to the Beneficial Owners is the responsibility of the DTC Participants and Indirect Participants, as more fully described herein. Interest will be payable semiannually on May 1 and November 1, commencing May 1, 2025, to the Bondholders of record as of the applicable record dates as stated in the Bonds.

| | | | |
|------------------------|--|---------------------------------|--------------------------|
| Dated/Delivery: | To Be Determined (Estimated to be November 26, 2024) | Principal Due: | May 1, years shown below |
| Purchase Price: | Not less than 100% or more than 120% of par value | Maximum Interest Rate: | 5.5% |
| Multiples: | 1/8 or 1/100 of 1% or both | Maximum Interest Spread: | 3.0% |

(Base CUSIP\$: _____)

| CUSIP\$ | Year | Amount* | Interest Rate | Yield | CUSIP\$ | Year | Amount* | Interest Rate | Yield |
|---------|------|-----------|---------------|-------|---------|-----------|---------|---------------|-------|
| | 2027 | \$520,000 | | | 2034 | \$915,000 | | | |
| | 2028 | 570,000 | | | 2035 | 965,000 | | | |
| | 2029 | 630,000 | | | 2036 | 1,015,000 | | | |
| | 2030 | 710,000 | | | 2037 | 1,065,000 | | | |
| | 2031 | 775,000 | | | 2038 | 1,120,000 | | | |
| | 2032 | 830,000 | | | 2039 | 1,180,000 | | | |
| | 2033 | 875,000 | | | | | | | |

INTEREST RATE RESTRICTION: Bonds maturing in any one year shall not bear an interest rate lower than Bonds maturing in the preceding year.

PRIOR REDEMPTION: Bonds of this issue maturing in years 2035 and thereafter shall be subject to redemption at the option of the School District prior to maturity as described in "PRIOR REDEMPTION – Optional Redemption" herein.

TERM BOND OPTION: Bidders shall have the option of designating bonds maturing in any year as serial bonds or term bonds, or both. Any such designation must be made within one (1) hour after the Bond sale. See "TERM BOND OPTION" herein.

MATURITY ADJUSTMENT: The School District reserves the right to adjust the aggregate principal amount of the Bonds after receipt of the bids and prior to final award. See "MATURITY ADJUSTMENT" herein.

ADJUSTMENT TO PURCHASE PRICE: In the event of a maturity adjustment, the purchase price of the Bonds will be adjusted proportionately to the adjustment in principal amount of the Bonds and in such manner as to maintain as comparable an underwriter spread as possible to the winning bid.

BOND COUNSEL: The Bonds will be offered when, as and if issued by the School District subject to the approving legal opinion of Thrun Law Firm, P.C., East Lansing, Michigan.

This cover page contains information for a quick reference only. It is not a summary of this issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

Additional information relative to this Bond issue may be obtained from:

PFM Financial Advisors LLC
555 Briarwood Circle, Suite 333
Ann Arbor, MI 48108
734-994-9700

This Official Statement is dated November __, 2024

† For an explanation of the rating, see "RATING" herein.

¹ As of date of delivery.

* Preliminary, subject to change.

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Clare Public Schools

201 E State St.
Clare, Michigan 48617
Phone: 989-386-9945

BOARD OF EDUCATION

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Trustee

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ADMINISTRATIVE STAFF

Matthew T. Forsberg
Superintendent

Amber Kruskamp
Business Manager

PROFESSIONAL SERVICES

Bond Counsel.....Thrun Law Firm, P.C.
East Lansing, Michigan

Municipal Advisor PFM Financial Advisors LLC
Ann Arbor, Michigan

Paying Agent.....The Huntington National Bank
Grand Rapids, Michigan

No dealer, broker, salesperson or other person has been authorized by the School District to give any information or to make any representations, other than those contained in the Official Statement. This Official Statement does not constitute any offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person, in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information, estimates and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder, shall, under any circumstances, create any implication that there has been no change in the affairs of the School District since the date hereof. This Official Statement is submitted in connection with the sale of the securities referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

This Official Statement and any addenda thereto were prepared relying on information of the School District and other sources and are believed to be reliable.

In making an investment decision, investors must rely on their own examination of the School District's financial records, and the terms of the offering, including the merits and risks involved.

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\$11,170,000*
CLARE PUBLIC SCHOOLS
Counties of Clare and Isabella, State of Michigan
2024 School Building and Site Bonds
(General Obligation - Unlimited Tax)

INTRODUCTION

The purpose of this Official Statement, which includes the cover page and Appendices, is to furnish information in connection with the issuance and sale by Clare Public Schools, Counties of Clare and Isabella, State of Michigan (the "School District") of its 2024 School Building and Site Bonds (the "Bonds").

INFORMATION FOR BIDDERS

Date of Sale: October 30, 2024

Time of Sale: 11:30 AM, ET

Bids may be emailed to munibids@macmi.com or submitted electronically via PARITY.

| | | | |
|------------------------|---|---------------------------------|----------------------------|
| DATED: | Date of Delivery | MAXIMUM INTEREST RATE: | 5.5% |
| FIRST INTEREST: | May 1, 2025 | MAXIMUM INTEREST SPREAD: | 3.0% |
| DENOMINATIONS: | \$5,000 or any integral multiple thereof not exceeding for each maturity the principal amount of such maturity. | MULTIPLES: | 1/8 or 1/100 of 1% or both |
| | | REGISTRATION: | Principal and Interest |

PURCHASE PRICE: Aggregate not less than 100% nor more than 120% of par value of the Bonds.

PAYING AGENT: The Huntington National Bank, Grand Rapids, Michigan

GOOD FAITH DEPOSIT: A Good Faith Deposit of \$111,700 will be required. For further information regarding this issue, see "DRAFT OFFICIAL NOTICE OF SALE".

RESTRICTION: **THE INTEREST RATE BORNE BY BONDS MATURING IN ANY YEAR SHALL NOT BE LESS THAN THE INTEREST RATE BORNE BY BONDS MATURING IN THE PRECEDING YEAR.**

PRINCIPAL DUE: May 1, annually as shown on the front cover.

ISSUE PRICE: The winning bidder shall assist the School District in establishing the issue price of the Bonds, in accordance with the requirements set forth in APPENDIX F concerning the Draft Official Notice of Sale and the Certification Regarding "Issue Price" in APPENDIX G attached hereto, and shall deliver to the School District at closing an "Issue Price" certificate prepared by Bond Counsel setting forth the reasonably expected issue price to the public and/or the sales prices of the Bonds. See APPENDICES F and G herein for additional information.

INTEREST

Interest on the Bonds will be payable on May 1, 2025 and semiannually on the 1st day of each May 1 and November 1 thereafter. Interest will be computed on the basis comprised of a 360-day year of twelve 30-day months.

MATURITY ADJUSTMENT

The School District reserves the right to adjust the principal amount of the Bonds after receipt of the bids and prior to final award. Such adjustment, if necessary, will be made in increments of \$5,000 and may be made in any maturity.

*Preliminary, subject to change.

ADJUSTMENT TO PURCHASE PRICE

In the event of a maturity adjustment, the purchase price of the Bonds will be adjusted proportionately to the adjustment in principal amount of the Bonds and in such manner as to maintain as comparable an underwriter spread as possible to the winning bid.

GOOD FAITH DEPOSIT

A certified or cashier's check in the amount of \$111,700 may be submitted contemporaneously with the bid or, in the alternative, a deposit in the amount of \$111,700 shall be made by the winning bidder by federal wire transfer as directed by PFM Financial Advisors LLC, to be received by the School District not later than noon, prevailing Eastern Time, on the next business day following the award as a guarantee of good faith on the part of the bidder to be forfeited as liquidated damages if such bid be accepted and the bidder fails to take up and pay for the Bonds. Any award made to the low bidder is conditional upon receipt of the good faith deposit. The good faith deposit will be applied to the purchase price of the Bonds. In the event the Purchaser fails to honor its accepted bid, the good faith deposit will be retained by the School District. No interest shall be allowed on the good faith deposit. Payment for the balance of the purchase price of the Bonds shall be made at the closing. Good faith checks of unsuccessful bidders will be returned via U.S. Mail.

TERM BOND OPTION

Bidders shall have the option of designating bonds maturing in any year as serial bonds or term bonds, or both. The bidder must designate whether each of the principal amounts shown on the cover hereof represent a serial maturity or a mandatory redemption requirement for a term bond maturity. There may be more than one term bond maturity. In any event, the principal amount schedule on the cover hereof shall be represented by either serial bond maturities or mandatory redemption requirements, or a combination of both. Any such designation must be made within one (1) hour after the Bond sale.

PRIOR REDEMPTION

Optional Redemption

Bonds of this issue maturing in the years 2027 through 2034, inclusive, shall not be subject to redemption prior to maturity. Bonds or portions of Bonds in multiples of \$5,000 of this issue maturing in the year 2035 and thereafter shall be subject to redemption prior to maturity, at the option of the School District, in such order as the School District may determine and by lot within any maturity, on any date occurring on or after May 1, 2034, at par and accrued interest to the date fixed for redemption.

Mandatory Redemption – Term Bonds

Principal designated by the original Purchaser of the Bonds as a term maturity shall be subject to mandatory redemption, in part, by lot, at par and accrued interest on the redemption dates corresponding to the maturities hereinbefore scheduled. When term Bonds are purchased by the School District and delivered to the Paying Agent for cancellation or are redeemed in a manner other than by mandatory redemption, the principal amount of the term Bonds affected shall be reduced by the principal amount of the Bonds so redeemed or purchased in the order determined by the School District.

Notice of Redemption and Manner of Selection

Notice of redemption of any Bond shall be given not less than thirty (30) days and not more than sixty (60) days prior to the date fixed for redemption by mail to the Registered Owner at the registered address shown on the registration books kept by the Paying Agent. Bonds shall be called for redemption in multiples of \$5,000 and Bonds of denominations of more than \$5,000 shall be treated as representing the number of Bonds obtained by dividing the denomination of the Bond by \$5,000 and such Bonds may be redeemed in part. The notice of redemption for Bonds redeemed in part shall state that upon surrender of the Bond to be redeemed a new Bond or Bonds in an aggregate principal amount equal to the unredeemed portion of the Bond surrendered shall be issued to the Registered Owner thereof. No further interest payment on the Bonds or portions of Bonds called for redemption shall accrue after the date fixed for redemption, whether presented for redemption, provided funds are on hand with the Paying Agent to redeem the same.

If less than all of the Bonds of any maturity shall be called for redemption prior to maturity unless otherwise provided, the particular Bonds or portions of Bonds to be redeemed shall be selected by the Paying Agent, in such manner as the Paying Agent in its discretion may deem proper, in the principal amounts designated by the School

District. Upon presentation and surrender of such Bonds at the corporate trust office of the Paying Agent, such Bonds shall be paid and redeemed.

So long as the book-entry-only system remains in effect, in the event of a partial redemption the Paying Agent will give notice to Cede & Co., as nominee of DTC, only, and only Cede & Co. will be deemed to be a holder of the Bonds. DTC is expected to reduce the credit balances of the applicable DTC Participants in respect of the Bonds and in turn the DTC Participants are expected to select those Beneficial Owners whose ownership interests are to be extinguished or reduced by such partial redemption, each by such method as DTC or such DTC Participants, as the case may be, deems fair and appropriate in its sole discretion.

OFFICIAL NOTICE OF SALE

See APPENDIX F - "DRAFT OFFICIAL NOTICE OF SALE".

BIDCOMP/PARITY BIDDING

Notice is hereby given that electronic proposals will be received via BIDCOMP/PARITY, in the manner described below, until 11:30 a.m., Eastern Time, on Wednesday, October 30, 2024.

Bids may be submitted electronically via BIDCOMP/PARITY pursuant to the Notice of Sale, but no bid will be received after the time for receiving bids specified above. To the extent any instructions or directions set forth in BIDCOMP/PARITY conflict with the Official Notice of Sale for the Bond, the terms of the Official Notice of Sale for the Bonds shall control. For further information about BIDCOMP/PARITY, potential bidders may contact the Municipal Advisor at (734) 994-9700 or BIDCOMP/PARITY at (212) 849-5021.

PURPOSE AND SECURITY

The Bonds were authorized by the Board of Education by resolutions adopted on September 3, 2024 and expected to be adopted on November __, 2024 (the "Resolutions") and at an election of the School District electors held on August 6, 2024, for the purpose of partially remodeling, furnishing and refurnishing, and equipping and re-equipping school buildings, including remodeling for secure entrances/vestibules; erecting, furnishing, and equipping additions to the high school and primary school buildings; acquiring and installing instructional technology and instructional technology equipment for school buildings; purchasing school buses; and preparing, developing, equipping, and improving playgrounds and sites. The Bonds will pledge the full faith, credit and resources of the School District for payment of the principal and interest thereon, and will be payable from ad valorem taxes, which may be levied without limitation as to rate or amount as provided by Article IX, Section 6, of the Michigan Constitution of 1963..

ESTIMATED SOURCES AND USES OF FUNDS

Sources of Funds:

| | |
|----------------------|--------------|
| Par Amount of Bonds | |
| Premium or Discount | _____ |
| TOTAL SOURCES | ===== |

Uses of Funds:

| | |
|------------------------|--------------|
| Capital Projects Fund | |
| Debt Service Fund | |
| Underwriter's Discount | |
| Costs of Issuance | _____ |
| TOTAL USES | ===== |

TAX PROCEDURES

Article IX, Section 3, of the Michigan Constitution provides that the proportion of true cash value at which property shall be assessed shall not exceed 50% of true cash value. The Michigan Legislature by statute has provided that property shall be assessed at 50% of its true cash value, except as described below. The Michigan Legislature or the electorate may at some future time reduce the percentage below 50% of true cash value.

On March 15, 1994, the electors of the State approved an amendment to the Michigan Constitution permitting the Legislature to authorize ad valorem taxes on a non-uniform basis. The legislation implementing this constitutional amendment added a new measure of property value known as "Taxable Value." Beginning in 1995, taxable property has two valuations -- State equalized valuation ("SEV") and Taxable Value. Property taxes are levied on Taxable Value. Generally, Taxable Value of property is the lesser of (a) the Taxable Value of the property in the immediately preceding year, adjusted for losses, and increased by the lesser of the inflation rate or 5%, plus additions, or (b) the property's current SEV. Under certain circumstances, therefore, the Taxable Value of property may be different from the same property's SEV.

When property is sold or transferred, Taxable Value is adjusted to the SEV, which under existing law is 50% of the current true cash value. The Taxable Value of new construction is equal to current SEV. Taxable Value and SEV of existing property are also adjusted annually for additions and losses.

Responsibility for assessing taxable property rests with the local assessing officer of each township and city. Any property owner may appeal the assessment to the local board of review, to the Michigan Tax Tribunal and ultimately to the Michigan courts.

The Michigan Constitution also mandates a system of equalization for assessments. Although the assessors for each local unit of government within a county are responsible for actually assessing at 50% of true cash value, adjusted for Taxable Value purposes, the final SEV and Taxable Value are arrived at through several steps. Assessments are established initially by the municipal assessor. Municipal assessments are then equalized to the 50% levels as determined by the respective county's department of equalization. Thereafter, the State equalizes the various counties in relation to each other. SEV is important, aside from its use in determining Taxable Value for the purpose of levying ad valorem property taxes, because of its role in the spreading of taxes between overlapping jurisdictions, the distribution of various State aid programs, State revenue sharing and in the calculation of debt limits.

Property that is exempt from property taxes, e.g., churches, government property, public schools, is not included in the SEV and Taxable Value data in the Official Statement. Property granted tax abatements under Act 198, Public Acts of Michigan, 1974, amended, is recorded on a separate tax roll while subject to tax abatement. The valuation of tax-abated property is based upon SEV but is not included in either the SEV or Taxable Value data in the Official Statement except as noted. Under limited circumstances, other state laws permit the partial abatement of certain taxes for other types of property for periods of up to 12 years.

LEVY AND COLLECTION OF TAXES FOR PAYMENT OF THE BONDS AND BONDHOLDER'S REMEDIES

The Resolutions authorizing the issuance of the Bonds and State law obligate the School District to levy a tax annually in an amount sufficient so that the estimated collections therefrom, will be sufficient to pay promptly when due the principal of and interest on the Bonds becoming due prior to the time of the next tax levy. The tax levy shall not be subject to limitation as to rate or amount. Taxes for the payment of the principal of or interest on the Bonds are certified for collection each year with the school tax levies. In the event of the failure of the proper officials to certify taxes for the payment of the principal and interest requirements, a timely action in the nature of mandamus could compel certification and collection of adequate taxes.

Registered owners of the Bonds may attempt to obtain a money judgment against the School District for the principal amount of the Bonds or interest not paid when due and may periodically attempt to enforce the collection of the money judgment by requiring the tax assessing officers for the School District to place the amount of such judgment on the next tax rolls of the School District. The rights of the holders of the Bonds and the enforceability thereof are subject to bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and their enforcement also may be subject to the exercise of judicial discretion in appropriate cases.

SOURCES OF SCHOOL OPERATING REVENUE

On March 15, 1994, the electors of the State of Michigan approved a ballot proposition to amend the State Constitution of 1963, in part, to increase the State sales tax from 4% to 6% as part of a complex plan to restructure the source of funding of public education (K-12) in order to reduce reliance on local property taxes for school operating purposes and to reduce the per pupil finance resource disparities among school districts.

The State school aid package passed by the Legislature as part of the school finance reform legislation instituted a per pupil foundation allowance beginning in fiscal year 1994/95. With the passage of Public Act 48 of 2021, the Legislature eliminated the foundation allowance range in 2021/22 that had been in place since the passage of the school finance reform legislation in 1994. In Public Act 120 of 2024 (“PA 120”), the Legislature established a 2024/25 target foundation allowance of \$9,608 per pupil. In the future, the foundation allowance may be adjusted annually by an index based upon the change in revenues to the State school aid fund and change in the total number of pupils statewide. The foundation allowance is funded by locally raised property taxes plus State school aid. The revenues for the State’s contribution to the foundation allowance are derived from a mix of taxing sources, including but not limited to, a statewide property tax of 6 mills on all taxable property¹, a State sales and use tax, a real estate transfer tax and a cigarette tax.

Generally, school districts are required to levy a local property tax of not more than 18 mills or the number of mills levied in 1993 for school operating purposes, whichever is less, on non-homestead properties² in order for the school district to receive its per pupil foundation allowance. An intermediate school district may seek voter approval for up to three enhancement mills for distribution to local constituent school districts on a per pupil basis. Proceeds of the enhancement mills are not counted toward the foundation allowance. Furthermore, school districts whose per pupil foundation allowance in 2024/25 calculates to an amount in excess of \$9,608 are authorized to levy additional millage to obtain the foundation allowance, first by levying such amount of the 18 mills against homestead property³ as is necessary to hold themselves harmless and, if the 18 mills is insufficient, to then levy such additional mills against all property uniformly as is necessary to obtain the foundation allowance. The School District's 2024/25 per pupil foundation allowance does not exceed \$9,608, and the School District does not levy such additional millage.

State aid appropriations and the payment schedule for State school aid may be changed by the Legislature at any time. If the amount appropriated from the State School Aid Fund exceeds the amount available for expenditure for a fiscal year, in the absence of overriding legislative action by the Legislature, the School Aid Act subjects most state aid payable to school districts for that fiscal year to an automatic proration on a per pupil basis in an amount necessary to eliminate the portion of the overage attributable to the appropriation to all school districts. See “STATE AID PAYMENTS” in APPENDIX A.

Public Act 103 of 2023 amended the State School Aid Act for the 2023/24 fiscal year increasing the School District’s foundation allowance to \$9,608 per pupil.

PA 120 amended the State School Aid Act for the 2024/25 fiscal year maintaining the School District’s foundation allowance to \$9,608 per pupil.

Pursuant to PA 120, the School District may be eligible to receive various categorical grants for specific purposes, such as special education, "at-risk" students, meal programs, early education, career and technical education programs, and other instructional and non-instructional programs. The annual amendments to the State School Aid Act determine the type and amount of those categorical funds. For further information regarding the School District's receipt of categorical funds for the 2022/23 fiscal year, see the School District's audited financial statements in APPENDIX C.

In 2020 and 2021 the U.S. Congress passed three stimulus bills providing financial support to public schools through the Elementary and Secondary Emergency Relief Fund (“ESSER Funds”). Based on the three separate federal stimulus bills, the ESSER funding is generally referred to as “ESSER I Funds,” “ESSER II Funds,” and “ESSER III Funds,” respectively.

¹ “Taxable property” in this context does not include industrial personal property.

² “Non-homestead property” includes all taxable property other than principal residence, qualified agricultural property, qualified forestry property, supportive housing property, property occupied by a public school academy, and industrial personal property. Commercial personal property, to the extent not otherwise exempt, is exempt from the first 12 mills of not more than 18 mills levied by school districts.

³ “Homestead property,” in this context, means principal residence, qualified to the extent not otherwise exempt agricultural property, qualified forestry property, supportive housing property, property occupied by a public school academy, certain industrial personal property and certain commercial personal property to the extent not otherwise exempt.

As required under Michigan law, available ESSER Funds have been appropriated and allocated to qualifying school districts. The School District has been awarded \$319,019 of the ESSER I Funds, \$1,241,099 of the ESSER II Funds and \$2,789,316 of the ESSER III Funds. ESSER funds already received by the School District are incorporated into the information in APPENDICES B and C. The School District may have received additional payments related to the ESSER Funds.

THE SOURCES OF THE SCHOOL DISTRICT'S OPERATING REVENUE DO NOT IMPACT THE TAXING AUTHORITY OF THE SCHOOL DISTRICT FOR PAYMENT OF GENERAL OBLIGATION UNLIMITED TAX SCHOOL BONDS AND DO NOT AFFECT THE OBLIGATION OF THE SCHOOL DISTRICT TO LEVY TAXES FOR PAYMENT OF DEBT SERVICE ON GENERAL OBLIGATION UNLIMITED TAX BONDS OF THE SCHOOL DISTRICT, INCLUDING THE BONDS OFFERED HEREIN.

MICHIGAN PROPERTY TAX REFORM

On November 5, 2013, March 28, 2014, and April 1, 2014, a package of bills amended and replaced legislation enacted in 2012 to phase-out most personal property taxation in Michigan. The bills were contingent on Michigan voters approving a ballot question authorizing a new municipal entity, the Local Community Stabilization Authority ("LCSA"), to levy a local component of the statewide use tax and distribute that revenue to local units of government to offset their revenue losses resulting from the personal property tax reform. On August 5, 2014, voters approved that ballot question.

The bill package, together with the original 2012 legislation, created two new exemptions from the personal property tax. Under the "small taxpayer exemption," the commercial and industrial personal property of each owner with a combined true cash value in a local tax collecting unit of less than \$80,000 is exempt from ad valorem taxes in that collecting unit beginning in 2014, with such threshold being increased by the legislature to a combined true cash value in a local tax collecting unit of less than \$180,000 beginning in 2023. For businesses that do not qualify for the "small taxpayer exemption," all "eligible manufacturing personal property" (personal property used more than 50% of the time in industrial processing or direct integrated support) purchased and placed into service before 2006 or during or after 2013 became exempt beginning in 2016. Taxation on "eligible manufacturing personal property" placed into service after 2006 but before 2013 was phased-out over time; with the exemption taking effect after the property has been in service for the immediately preceding 10 years. The legislation extends certain personal property tax exemptions and tax abatements for technology parks, industrial facilities and enterprise.

Pursuant to voter approval in August 2014, the legislation also includes a formula to reimburse school districts for 100% of their lost operating millage revenue and lost sinking fund millage revenue. To provide the reimbursement, the legislation reduces the state share of the use tax and authorizes the LCSA to levy a local component of the use tax and distribute that revenue to qualifying local units. However, the reimbursement for the school district's operating millage will come from the State use tax component, which is deposited into the school state aid fund.¹ While the legislation provides reimbursement for prospective school operating losses, pursuant to legislative changes made in 2020, school districts will be reimbursed in 2021 and thereafter for debt millage calculated pursuant to a statutory formula.

Because the Bonds received voter approval after January 1, 2015, the School District will not be reimbursed for debt millage revenue it could have otherwise generated without the exemptions to make payments on the Bonds.

DESCRIPTION AND FORM OF THE BONDS

The Bonds will be issued in book-entry-only form as one fully registered Bond per maturity, without coupons, in the aggregate principal amount for each maturity set forth on the cover page hereof and may be purchased in denominations of \$5,000 or any integral multiple thereof. The Bonds will be dated as of and bear interest from the date of issuance. Interest on the Bonds shall be payable semiannually each May 1 and November 1 to maturity or early redemption, commencing May 1, 2025. Interest on the Bonds shall be computed using a 360-day year with twelve 30-day months, and the Bonds will mature on the dates and in the principal amounts and will bear interest at the rates as set forth on the cover of this Official Statement.

¹ A school district that increases its millage rate to replace debt millage revenue loss would not be eligible to receive reimbursement distributions. Further, because much of the foregone revenue is deposited into and disbursed to the State Aid Fund, in the future the legislature may choose to change the funding formulas in the State School Aid Act of 1979 (Act 94) or appropriate funds therein for other purposes.

The corporate trust office of The Huntington National Bank, Grand Rapids, Michigan or its successor will serve as the paying agent (the "Paying Agent") and also as bond registrar and transfer agent if the Bonds cease to be held in book-entry-only form. For a description of payment of principal and interest, transfers and exchanges and notice of redemption on the Bonds, which are held in the book-entry-only system, see "Book-Entry-Only System" below. Interest on the Bonds shall be payable when due by check or draft to the person or entity who or which is, as of the fifteenth (15th) day of the month preceding each interest payment date, the registered owner of record, at the owner's registered address. See also, "Transfer Outside Book-Entry-Only System" below.

BOOK-ENTRY-ONLY SYSTEM

The information in this section has been furnished by The Depository Trust Company, New York, New York ("DTC"). No representation is made by the School District or the Paying Agent as to the completeness or accuracy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof. No attempt has been made by the School District or the Paying Agent to determine whether DTC is or will be financially or otherwise capable of fulfilling its obligations. Neither the School District nor the Paying Agent will have any responsibility or obligation to DTC Participants, Indirect Participants (both as defined below) or the persons for which they act as nominees with respect to the Bonds, or for any principal, premium, if any, or interest payment thereof.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the School District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of principal, interest and redemption amounts, if any, on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the School District or the Paying Agent, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC (nor its nominee), Paying Agent, or School District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payments of principal, interest and redemption amounts, if any, to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) are the responsibility of the School District or Paying Agent, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the School District or Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The School District may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

TRANSFER OUTSIDE BOOK-ENTRY-ONLY SYSTEM

In the event that the book-entry-only system is discontinued, the following provisions would apply to the Bonds. The Paying Agent shall keep the registration books for the Bonds (the "Bond Register") at its corporate trust office. Subject to the further conditions contained in the Resolutions, the Bonds may be transferred or exchanged for one or more Bonds in different authorized denominations upon surrender thereof at the corporate trust office of the Paying Agent by the registered owners or their duly authorized attorneys; upon surrender of any Bonds to be transferred or exchanged, the Paying Agent shall record the transfer or exchange in the Bond Register and shall authenticate replacement bonds in authorized denominations; during the fifteen (15) days immediately preceding the date of mailing of any notice of redemption or any time following the mailing of any notice of redemption, the Paying Agent shall not be required to effect or register any transfer or exchange of any Bond which has been selected for such redemption, except the Bonds properly surrendered for partial redemption may be exchanged for new Bonds in authorized denominations equal in the aggregate to the unredeemed portion; the School District and Paying Agent shall be entitled to treat the registered owners of the Bonds, as their names appear in the Bond Register as of the appropriate dates, as the owners of such Bonds for all purposes under the Resolutions. No transfer or exchange made other than as described above and in the Resolutions shall be valid or effective for any purposes under the Resolutions.

PAYING AGENT AND BOND REGISTRATION

Principal and interest shall be payable and the Bonds shall be registered and transferred as described under the heading “BOOK-ENTRY-ONLY SYSTEM” above until the book-entry only system is discontinued. The School District has appointed the Paying Agent shown on the cover. In the event the book-entry only system is discontinued, the Paying Agent will also act as bond registrar and transfer agent.

LITIGATION

The School District has not been served with any litigation, administrative action or proceeding, and to the knowledge of the appropriate officials of the School District no litigation or administrative action or proceeding has been threatened against it, seeking to restrain or enjoin the issuance and delivery of the Bonds, or questioning or contesting the validity of the Bonds or the proceedings or authorities under which they are authorized to be issued, sold, executed and delivered or that would materially impact the School District finances or their ability to meet the debt service obligations on the Bonds. A certificate to such effect will be delivered to the Purchaser at the time of the original delivery of the Bonds.

TAX MATTERS

State

In the opinion of Thrun Law Firm, P.C., East Lansing, Michigan ("Bond Counsel"), based on its examination of the documents described in its opinion, under existing State of Michigan statutes, regulations, rulings and court decisions, the Bonds and the interest thereon are exempt from all taxation in the State of Michigan, except inheritance and estate taxes and taxes on gains realized from the sale, payment or other disposition thereof.

Federal

In the opinion of Bond Counsel, based upon its examination of the documents described in its opinion, under existing statutes, regulations, rulings and court decisions, the interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals; however, interest on the Bonds held by an “applicable corporation” (as defined in Section 59(k) of the Internal Revenue Code of 1986, as amended (the “Code”)) is included in annual “adjusted financial statement income” for purposes of calculating the alternative minimum tax imposed on an applicable corporation. The opinions set forth in the preceding sentence are subject to the condition that the School District comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The School District has covenanted to comply with such requirements. Failure to comply with certain of such requirements may cause the inclusion of interest on the Bonds in gross income for federal income tax purposes to be retroactive to the date of issuance of the Bonds. Bond Counsel will express no opinion regarding other federal tax consequences with respect to the Bonds.

There are additional federal tax consequences relative to the Bonds and the interest thereon. The following is a general description of some of these consequences but is not intended to be complete or exhaustive and investors should consult with their tax advisors with respect to these matters. Prospective purchasers of the Bonds should be aware that (i) interest on the Bonds is included in the effectively connected earnings and profits of certain foreign corporations for purposes of calculating the branch profits tax imposed by Section 884 of the Code, (ii) interest on the Bonds may be subject to a tax on excess net passive income of certain S Corporations imposed by Section 1375 of the Code, (iii) interest on the Bonds is included in the calculation of modified adjusted gross income for purposes of determining the taxability of social security or railroad retirement benefits, (iv) the receipt of interest on the Bonds by life insurance companies may affect the federal tax liability of such companies, (v) in the case of property and casualty insurance companies, the amount of certain loss deductions otherwise allowed is reduced by a specific percentage of, among other things, interest on the Bonds, (vi) holders of the Bonds may not deduct interest on indebtedness incurred or continued to purchase or carry the Bonds, and (vii) commercial banks, thrift institutions and other financial institutions may not deduct their costs of carrying certain obligations such as the Bonds.

Original Issue Discount¹

The initial public offering prices of certain Bonds, as set forth on the cover page of this Official Statement, may be less than the stated redemption prices at maturity (hereinafter referred to as the "OID Bonds"), and, to the extent properly allocable to each owner of such OID Bond, the original issue discount is excludable from gross income for federal income tax purposes with respect to such owner. Original issue discount is the excess of the stated redemption price at maturity of an OID Bond over the initial offering price to the public (excluding bond houses and brokers) at which price a substantial amount of the OID Bonds were sold. Under Section 1288 of the Code, original issue discount on tax-exempt bonds accrues on a compound basis. For an owner who acquires an OID Bond in this offering, the amount of original issue discount that accrues during any accrual period generally equals (i) the issue price of such OID Bond plus the amount of original issue discount accrued in all prior accrual periods, multiplied by (ii) the yield to maturity on such OID Bond (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period), less (iii) any interest payable on such OID Bond during such accrual period. The amount of original issue discount so accrued in a particular accrual period will be considered to be received ratably on each day of the accrual period, will be excluded from gross income for federal income tax purposes, and will increase the owner's tax basis in such OID Bond. Any gain realized by an owner from a sale, exchange, payment or redemption of an OID Bond would be treated as gain from the sale or exchange of such OID Bond. Owners of OID Bonds should consult with their individual tax advisors to determine whether the application of the original issue discount federal regulations will require them to include, for state and local income tax purposes, an amount of interest on the OID Bonds as income even though no corresponding cash interest payment is actually received during the tax year.

Original Issue Premium¹

For federal income tax purposes, the initial offering prices to the public (excluding bond houses and brokers) of certain Bonds, may be greater than the stated redemption prices at maturity (the "Premium Bonds"), and constitutes for the original purchasers of the Premium Bonds an amortizable bond premium. Such amortizable bond premium is not deductible from gross income. The amount of amortizable bond premium allocable to each taxable year is generally determined on the basis of a taxpayer's yield to maturity determined by using the taxpayer's basis (for purposes of determining loss on sale or exchange) of such Premium Bonds and compounding at the close of each six-month accrual period. The amount of amortizable bond premium allocable to each taxable year is deducted from the taxpayer's adjusted basis of such Premium Bonds to determine taxable gain upon disposition (including sale, redemption or payment on maturity) of such Premium Bonds.

Future Developments

No assurance can be given that any future legislation or clarifications or amendments to the Code, if enacted into law, will not contain proposals which could cause the interest on the Bonds to be subject directly or indirectly to federal or State income taxation, adversely affect the market price or marketability of the Bonds, or otherwise prevent bondholders from realizing the full current benefit of the status of the interest thereon.

Furthermore, no assurance can be given that the impact of any future court decisions will not cause the interest on the Bonds to be subject directly or indirectly to federal or State income taxation, adversely affect the market price or marketability of the Bonds, or otherwise prevent bondholders from realizing the full current benefit of the status of the interest thereon.

It is to be understood that the rights of the holders of the Bonds and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable and that their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

INVESTORS SHOULD CONSULT WITH THEIR TAX ADVISORS AS TO THE TAX CONSEQUENCES OF THEIR ACQUISITION, HOLDING OR DISPOSITION OF THE BONDS, INCLUDING THE TREATMENT OF ORIGINAL ISSUE PREMIUM AND ORIGINAL ISSUE DISCOUNT, IF ANY.

MUNICIPAL FINANCE QUALIFYING STATEMENT

The Michigan Department of Treasury has determined that the School District is in material compliance with the criteria identified in the Revised Municipal Finance Act, Act 34 of the Public Acts of Michigan, 2001, as amended, for a municipality to be granted qualified status. The School District may therefore proceed to issue the Bonds without further approval from the Department of Treasury of the State of Michigan.

¹ Preliminary, subject to change.

BOND COUNSEL’S RESPONSIBILITY

Bond Counsel has reviewed the statements made in this Official Statement under the headings “INTEREST,” “PRIOR REDEMPTION,” “PURPOSE AND SECURITY,” “TRANSFER OUTSIDE BOOK-ENTRY-ONLY SYSTEM,” “TAX MATTERS,” “MUNICIPAL FINANCE QUALIFYING STATEMENT,” “BOND COUNSEL’S RESPONSIBILITY,” and “CONTINUING DISCLOSURE” (first two paragraphs only). Except as otherwise disclosed on pages herein, Bond Counsel has not been retained to review and has not reviewed any other portion of this Official Statement for accuracy or completeness, and has not made inquiry of any official or employee of the School District or any other person and has not made independent verification of such other portions hereof, and further has not expressed and will not express an opinion as to the portions hereof.

Except as stated in the immediately preceding paragraph and to the extent necessary to render its approving opinion respecting the validity of the Bonds and the exemption of the Bonds and the interest thereon from taxation, Bond Counsel has not been retained to examine or review, and has not examined or reviewed, any financial documents, statements or other materials that have been or may be furnished in the connection with the authorization, marketing or issuance of the Bonds, and, therefore, will not express an opinion with respect to the accuracy or completeness of any such documents, statements or other materials.

The fees of Bond Counsel for services rendered in connection with its approving opinion are expected to be paid from Bond proceeds.

MUNICIPAL ADVISOR

The School District has retained PFM Financial Advisors LLC, of Ann Arbor, Michigan as municipal financial advisor (the “Municipal Advisor”) in connection with the issuance of the Bonds. In assisting to prepare the Official Statement, the Municipal Advisor has relied upon governmental officials and other sources which have access to relevant data, to provide accurate information for the Official Statement and the Municipal Advisor has not been engaged, nor has it undertaken, to independently verify the accuracy of such information. To the best of the Municipal Advisor’s knowledge and belief, the information contained in the Official Statement which it assisted in preparing, while it may be summarized, is complete and accurate. The Municipal Advisor is not a public accounting firm and has not been engaged by the School District to compile, review, examine or audit any information in the Official Statement in accordance with accounting standards.

The Municipal Advisor is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities and therefore will not participate in the underwriting of the Bonds. PFM Financial Advisors LLC is registered with the Securities and Exchange Commission and the Municipal Securities Rulemaking Board as a municipal advisor.

Requests for information concerning the School District should be addressed to PFM Financial Advisors LLC, 555 Briarwood Circle, Suite 333, Ann Arbor, Michigan 48108, telephone: (734) 994-9700.

CONTINUING DISCLOSURE

Prior to delivery of the Bonds, the School District will execute a Continuing Disclosure Agreement (the “Agreement”) for the benefit of the holders of the Bonds and the Beneficial Owners (as hereinafter defined under this caption only) to send certain information annually and to provide notice of certain events to certain information repositories pursuant to the requirements of Rule 15c2-12(b)(5) (the “Rule”) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended. “Beneficial Owner” means, under this caption only, any person, which has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including any person holding Bonds through nominees, depositories or any other intermediaries). The information to be provided on an annual basis, the events which will be noticed on an occurrence basis, and other terms of the Agreement are set forth in APPENDIX E - “FORM OF CONTINUING DISCLOSURE AGREEMENT” to this Official Statement. Additionally, the School District shall, to the extent not already provided in the School District’s annual audit filing pursuant to the Agreement, provide certain annual financial information and operating data generally consistent with the information contained in APPENDIX A within the tables under the headings “ENROLLMENT - Historical Enrollment”, “STATE AID PAYMENTS,” “PROPERTY VALUATIONS – History of Valuations,” “MAJOR TAXPAYERS,” “SCHOOL DISTRICT TAX RATES – (Per \$1,000 of Valuation),” “TAX LEVIES AND COLLECTIONS,” “RETIREMENT PLAN – Contribution to MPSERS,” “LABOR RELATIONS,” “DEBT STATEMENT – DIRECT DEBT,” and in APPENDIX B – GENERAL FUND BUDGET SUMMARY herein.

A failure by the School District to comply with the Agreement will not constitute an event of default under the Resolutions and holders of the Bonds or Beneficial Owners are limited to the remedies described in the Agreement. A failure by the School District to comply with the Agreement must be reported by the School District in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the bonds in the secondary market. Consequently, such failure may adversely affect the transferability and liquidity of the Bonds and their market price.

The School District has not in the previous five years, failed to comply, in all material respects, with any previous continuing disclosure agreements executed by the School District pursuant to the Rule. The School District has a formal continuing disclosure policy in place that encompasses annual disclosure filings and material event filings.

UNDERWRITER

The Bonds were purchased at a competitive sale on October 30, 2024, by _____ (the "Underwriter"). The Underwriter has agreed to purchase the Bonds at a price of \$_____, which represents the par amount of the Bonds \$_____, less underwriter's discount of \$_____, and plus original issue premium in the amount of \$_____. The Underwriter may offer and sell the Bonds to certain dealers and others at prices lower than the public offering price stated on the inside cover page hereof. The initial public offering price may be changed from time to time by the Underwriter.

RATING

S&P Global Ratings, acting through Standard & Poor's Financial Services, LLC ("S&P") will assign, as of the date of delivery of the Bonds, its municipal bond rating of "A" to the Bonds.

No application has been made to any other ratings service for a rating on the Bonds. The School District furnished to S&P certain materials and information in addition to that provided herein. Generally, rating agencies base their ratings on such information and materials, and on investigations, studies and assumptions. There is no assurance that such ratings will prevail for any given period of time or that they will not be revised downward or withdrawn entirely by S&P if, in its judgment, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse affect on the market price of the Bonds. Any ratings assigned represent only the views of S&P. Further information is available upon request from S&P Global Ratings, 55 Water Street, New York, New York 10014, telephone: (212) 438-1000.

OTHER MATTERS

All information contained in this Official Statement, in all respects, is subject to the complete body of information contained in the original sources thereof. In particular, no opinion or representation is rendered as to whether any projection will approximate actual results, and all opinions, estimates and assumptions, whether or not expressly identified as such, should not be considered statements of fact.

The School District certifies that to its best knowledge and belief, this Official Statement, insofar as it pertains to the School District and its economic and financial condition, is true and correct as of the date of this Official Statement, and does not contain, nor omit, any material facts or information which would make the statements contained herein misleading.

CLARE PUBLIC SCHOOLS
COUNTIES OF CLARE AND ISABELLA
STATE OF MICHIGAN

By: _____
Matthew T. Forsberg
Its: Superintendent

APPENDIX A*
CLARE PUBLIC SCHOOLS
GENERAL FINANCIAL, ECONOMIC AND SCHOOL INFORMATION

LOCATION AND AREA

Clare Public Schools, with an area of approximately 125.2 square miles, lies predominantly in Clare County, with the remainder to the south in Isabella County. The School District encompasses all of the City of Clare and Sheridan Township, and portions of Arthur, Grant, Hatton, Vernon and Wise townships. The City of Clare is the county seat and the main trading center for the School District.

The School District is located the following distances from these commercial and industrial areas:

- 15 miles north of Mt. Pleasant
- 30 miles northwest of Midland
- 50 miles northwest of Saginaw
- 80 miles north of Lansing
- 145 miles south of Mackinaw City
- 175 miles northwest of Detroit

POPULATION

The U.S. Census reported and 2022 estimated populations for the School District, the City of Clare, and the County of Clare are as follows:

| | School District | City of Clare | County of Clare |
|------------------|--------------------|------------------|--------------------|
| 2022 Estimate | 9,302 | 3,367 | 30,998 |
| 2020 U.S. Census | 8,635 | 3,254 | 30,856 |
| 2010 U.S. Census | 8,546 ¹ | 3,071 | 30,926 |

¹Based upon an extrapolation of the figures of the local units within the School District.
Source: U.S. Census Bureau via data.census.gov website

BOARD OF EDUCATION

The Board of Education (the "Board") consists of seven members who are elected at large and serve overlapping terms. The Board annually elects a President, Vice President, Treasurer and Secretary. The Board is responsible for the selection and appointment of the Superintendent of Schools. The Board meets as a single body to set or amend policy, develop long-range educational goals and act upon recommendations of the Superintendent of Schools. The Board is also responsible for adopting and periodically amending the operating budget and evaluating school programs in accordance with governing laws.

* Information included in APPENDIX A of this Official Statement was obtained from the School District unless otherwise noted.

ENROLLMENT

Historical Enrollment

Historical fall enrollment for the School District is as follows:

| School Year End | Full-time Equivalent | Change | School Year End | Full-time Equivalent | Change |
|-----------------|----------------------|--------|-----------------|----------------------|--------|
| 2024 | 1,566 | -2.31% | 2019 | 1,608 | 1.90% |
| 2023 | 1,603 | 3.02 | 2018 | 1,578 | 2.33 |
| 2022 | 1,556 | 1.10 | 2017 | 1,542 | 2.80 |
| 2021 | 1,539 | -5.87 | 2016 | 1,500 | -1.06 |
| 2020 | 1,635 | 1.68 | 2015 | 1,516 | -- |

2023/2024 Fall Count

| | | | |
|-----------------|-----|------------------|-------|
| Kindergarten | 123 | 8 th | 116 |
| 1 st | 89 | 9 th | 121 |
| 2 nd | 109 | 10 th | 126 |
| 3 rd | 126 | 11 th | 120 |
| 4 th | 124 | 12 th | 119 |
| 5 th | 110 | Sub Total | 1,525 |
| 6 th | 122 | Special Ed. | 41 |
| 7 th | 120 | Total | 1,566 |

Source: School District and Michigan Department of Education via website www.michigan.gov

SCHOOL DISTRICT FACILITIES

The following is a table showing the existing School District facilities.

| Facility | Grades Served | Year Built | Last Remodel/Addition | Type of Construction |
|-------------------------------|---------------|------------|-----------------------|----------------------|
| <i>Elementary School:</i> | | | | |
| Clare | K - 4 | 1972 | 2015 | Masonry |
| <i>Middle School:</i> | | | | |
| Clare | 5 - 8 | 1922 | 2002 | Masonry |
| <i>High School:</i> | | | | |
| Clare | 9 - 12 | 1960 | 2000 | Masonry |
| Pioneer/Adult Ed. | -- | 2001 | -- | Modular |
| <i>Additional Facilities:</i> | | | | |
| Bus Garage | | 1998 | -- | Metal-Frame |
| Stadium | | 1979 | 2014 | Metal-Frame |
| Athletic Practice | | 2023 | -- | Metal-Frame |

OTHER SCHOOLS

The following private, charter, or parochial schools are located within the School District’s boundaries:

| Name of School | Grades Served | Approximate Enrollment |
|-----------------------------|---------------|------------------------|
| Shady Lawn Parochial School | 1 - 8 | 19 |

Source: Educationbug website via <https://www.educationbug.org/private-schools/>

STATE AID PAYMENTS

The School District's primary source of funding for operating costs is the State School Aid per pupil foundation allowance. Public Act 120 of 2024 has set the target foundation allowance at \$9,608 for fiscal year 2024/2025.

In future years, this allowance may be adjusted by an index based upon the change in revenues to the state school aid fund and the change in the total number of pupils statewide. The State may reduce State School Aid appropriations at any time if the State's revenues do not meet budget expectations. See "SOURCES OF SCHOOL OPERATING REVENUE" herein for additional information.

The following table shows a five year history and a current estimate of the School District’s total state aid revenues, including categoricals and other amounts, and the per pupil state aid foundation allowance (including the 2024/25 allowance), which reflects the changes in sources of school operating revenue described herein:

| Fiscal Year End 30-Jun | Foundation Allowance per Pupil | Total State Aid Payments | Blended Pupil Count | Amount Received per Pupil ¹ |
|---------------------------|-----------------------------------|-----------------------------|------------------------|---|
| 2025 | \$9,608 | \$14,223,810 ² | 1,565.15 ² | \$9,088 ² |
| 2024 | 9,608 | 17,933,799 | 1,569.40 | 11,427 |
| 2023 | 9,150 | 16,321,576 ³ | 1,599.08 | 10,207 ³ |
| 2022 | 8,700 | 13,902,656 | 1,553.68 | 8,948 |
| 2021 | 8,111 | 13,331,939 ⁴ | 1,610.03 | 8,281 ⁴ |
| 2020 | 8,111 | 13,709,772 ⁵ | 1,630.99 | 8,406 ⁵ |

¹Represents the “Total State Aid Payments” divided by the “Blended Pupil Count”.

²Preliminary estimate, subject to change.

³Fiscal year 2023 State Aid Payments included \$793,593.63 of non-recurring revenue that was paid to the Michigan Public School Employees Retirement System toward the pension system’s unfunded accrued liability.

⁴Public Act 165 of 2020 restored the State school aid reductions contained in Public Act 146 of 2020 for the 2020/21 fiscal year, added a onetime \$65 per pupil payment and added other appropriations for qualifying school districts.

⁵Public Act 146 of 2020 provided for a prorated reduction in State school aid payments to the School District, but also provided for additional funds from the federal Coronavirus Aid, Relief, and Economic Security Act to offset the state aid loss and provided additional funds to school districts.

Source: Michigan Department of Education via website www.michigan.gov

PROPERTY VALUATIONS

In accordance with Act No. 539, Public Acts of Michigan, 1982, and Article IX, Section 3 of the Michigan Constitution, the ad valorem State Equalized Valuation (SEV) represents 50% of true cash value. SEV does not include any value of tax exempt property (e.g. churches, governmental property) or property granted tax abatements under Act No. 198, Public Acts of Michigan, 1974, as amended. **Since 1994, ad valorem property taxes are assessed on the basis of Taxable Value, which is subject to assessment caps. SEV is used in the calculation of debt margin and true cash value.** See “TAX PROCEDURES” herein for further information.

Taxable property in the School District is assessed by the local municipal assessor, and is subject to review by the County Equalization Departments.

History of Valuations

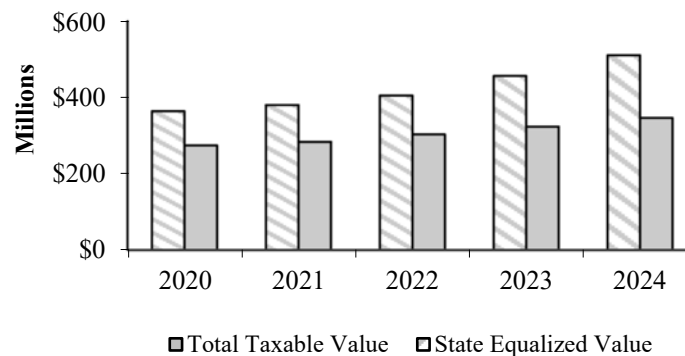
A history of the property valuations in the School District is shown below:

| Year | Principal Residence ¹ | Non- Principal Residence ¹ | Total Taxable Value | Percent Change | State Equalized Value | Percent Change |
|------|----------------------------------|---------------------------------------|---------------------|----------------|-----------------------|----------------|
| 2024 | \$206,432,265 | \$139,305,070 | \$345,737,335 | 7.15% | \$510,415,863 | 11.90% |
| 2023 | 191,369,680 | 131,309,416 | 322,679,096 | 6.73 | 456,121,695 | 12.78 |
| 2022 | 181,401,687 | 120,920,173 | 302,321,860 | 6.31 | 404,446,662 | 6.56 |
| 2021 | 175,508,909 | 108,862,791 | 284,371,700 | 3.33 | 379,536,659 | 4.45 |
| 2020 | 169,824,913 | 105,369,645 | 275,194,558 | ---- | 363,357,042 | ---- |

¹All industrial personal property is included in the principal residence tax base. While commercial personal property continues to be included in the non-principal residence tax base, it is exempt from 12 of the 18 operating mills levied on non-principal residence property only. In 2024, industrial personal property had a taxable value of \$908,900 and commercial personal property had a taxable value of \$7,609,692 in the School District.

Source: Clare and Isabella Counties Equalization Departments

History of Valuations



A summary of the 2024 valuation is as follows:

| | |
|---|-----------------------------|
| 2024 Taxable Value | \$345,737,335 |
| Plus: 2024 Equivalent IFT Taxable Value ¹ | 517,069 |
| Total 2024 Equivalent Taxable Value | <u>\$346,254,404</u> |
| Less: 2024 Disabled Veterans Exemption Taxable Value ² | <u>(2,556,508)</u> |
| Net 2024 Taxable Value | <u><u>\$343,697,896</u></u> |

¹See “INDUSTRIAL FACILITY TAX ABATEMENTS” herein.

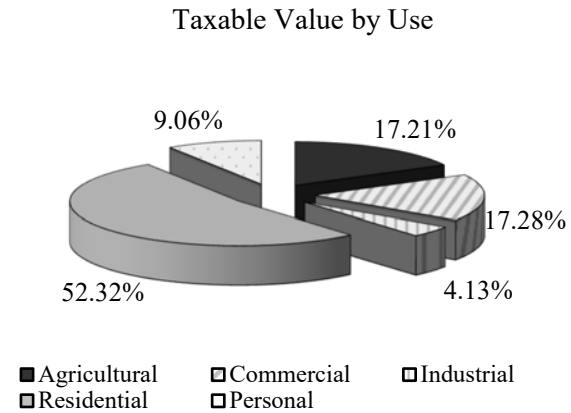
²Represents value which is exempt from taxes pursuant to Michigan’s General Property Tax Act Section 7b, MCL 211.7b, which states real property used and owned as a homestead by either (1) a disabled veteran who was discharged from the United States armed forces under honorable conditions or (2) the disabled veteran’s un-remarried, surviving spouse is exempt from property taxes, subject to certain application requirements.

Source: Clare and Isabella Counties Equalization Departments

Tax Base Composition

A breakdown of the School District's 2024 Taxable Value by class and use is as follows:

| | 2024 | Percent |
|-------------------|----------------------|----------------|
| By Class: | Taxable Value | of Total |
| Real Property | \$314,414,186 | 90.94% |
| Personal Property | 31,323,149 | 9.06 |
| TOTAL | \$345,737,335 | 100.00% |
| By Use: | | |
| Agricultural | \$59,501,632 | 17.21 |
| Commercial | 59,739,833 | 17.28 |
| Industrial | 14,294,805 | 4.13 |
| Residential | 180,877,916 | 52.32 |
| Personal | 31,323,149 | 9.06 |
| TOTAL | \$345,737,335 | 100.00% |



A breakdown of the School District's 2024 Taxable Value by municipality is as follows:

| Municipality | Total Taxable Value | Percent of Total |
|---------------------------|----------------------|------------------|
| <i>County of Clare</i> | | |
| City of Clare | \$98,670,564 | 28.54% |
| Arthur Township | 9,000,672 | 2.60 |
| Grant Township | 70,089,021 | 20.27 |
| Hatton Township | 9,139,826 | 2.64 |
| Sheridan Township | 68,074,307 | 19.69 |
| <i>County of Isabella</i> | | |
| City of Clare | 12,087,935 | 3.50 |
| Vernon Township | 47,870,088 | 13.85 |
| Wise Township | 30,804,922 | 8.91 |
| TOTAL | \$345,737,335 | 100.00% |

Source: Clare and Isabella Counties Equalization Departments

INDUSTRIAL FACILITY TAX ABATEMENTS

Under the provisions of Act 198 of the Public Acts of Michigan, 1974 ("Act 198"), plant rehabilitation districts and/or industrial development districts may be established. Businesses in these districts are offered certain property tax incentives to encourage restoration or replacement of obsolete facilities and to attract new facilities to the area. An industrial facilities tax ("IFT") is paid, at a lesser effective rate and in lieu of ad valorem property taxes, on such facilities for a period of up to 12 years. Qualifying facilities are issued abatement certificates for specific periods.

After expiration of the abatement certificate, the then-current SEV of the facility is returned to the ad valorem tax roll. The owner of such facility may obtain a new certificate, provided it has complied with the provisions of Act 198.

The 2024 Taxable Value for the properties which have been granted IFT abatements within the School District's boundaries is \$1,034,137, all of which is taxed at ½ rate. For purposes of computing "Equivalent" Taxable Value, it has been shown in the "History of Valuations" section as 50% of the Taxable Value.

Source: Clare and Isabella Counties Equalization Departments

MAJOR TAXPAYERS

Shown below are the ten largest taxpayers in the School District based on their 2024 total valuation subject to taxation.

| Taxpayer | Product/Service | 2024 Taxable Value |
|---|----------------------|-----------------------|
| Consumers Energy Co./Renosol Corp. | Utility | \$24,191,608 |
| GS3 Wise LLC | Real Estate | 2,543,700 |
| Poet Brothers LLC | Retail | 2,200,056 |
| Red Hook Properties/Jim's Body Shop | Auto Exterior Repair | 2,172,709 |
| R & R Real Estate | Real Estate | 2,162,276 |
| Clare 600 Property Holdings LLC | Real Estate | 2,141,400 |
| Packard, Roger & Paulette | Agriculture | 1,957,561 |
| PZ Equity LLC | Medical Offices | 1,952,800 |
| Alro Steel Corporation | Steel | 1,812,185 |
| Bartlett Farms Investment Corp | Investments | 1,811,397 |
| TOTALS | | \$42,945,692 |
| Total 2024 Taxable Value | | \$345,737,335 |
| Total 10 Taxpayers as a % of 2024 Total Taxable Value | | 12.42% |

Source: Clare and Isabella Counties Equalization Departments

SCHOOL DISTRICT TAX RATES - (Per \$1,000 of Valuation)

The following table shows the total School District tax rates for the past five years.

| | 2024 | 2023 | 2022 | 2021 | 2020 |
|-------------------------------|---------|---------|---------|---------|---------|
| Operating – Voted | 18.0000 | 18.0000 | 17.9820 | 17.9820 | 17.9820 |
| Debt | 2.8000 | 2.8000 | 2.9000 | 2.9000 | 2.9000 |
| Total Non-Principal Residence | 20.8000 | 20.8000 | 20.8820 | 20.8820 | 20.8820 |
| Total Principal Residence | 2.8000 | 2.8000 | 2.9000 | 2.9000 | 2.9000 |

The School District levies voted operating millage on non-principal residence property and authorized debt millage on all taxable property within the School District. The voted operating millage expires with the 2026 levy.

OTHER JURISDICTIONS' TAX RATES - (Per \$1,000 of Valuation)

The following table provides the 2023 and 2022 tax rates for select units of government that overlap with the School District's boundaries.

| | 2023 | 2022 |
|--------------------------------|---------|---------|
| State Education Tax | 6.0000 | 6.0000 |
| Clare County | 7.7116 | 7.7096 |
| City of Clare | 22.2500 | 22.2500 |
| Isabella County | 9.8220 | 9.6996 |
| Clare-Gladwin RESD | 3.0133 | 3.0133 |
| Mid Michigan Community College | 1.2183 | 1.2183 |

Source: Clare and Isabella Counties Equalization Departments

TAX LEVIES AND COLLECTIONS

The School District’s fiscal year begins July 1 and ends June 30. School District property taxes are due December 1 of each fiscal year and are payable without penalty or interest on or before the following February 14. All real property taxes remaining unpaid on March 1st of the year following the levy are turned over to the County Treasurers for collection. Clare and Isabella Counties (the “Counties”) annually pay from their Tax Payment Funds delinquent taxes on real property to all taxing units in the Counties, including the School District, shortly after the date delinquent taxes are returned to the County Treasurers for collection.

A history of tax levies and collections for the School District is as follows:

| Levy Year | Operating Tax Levy | Collections to March 1, Each Year | | Collections Plus Funding to June 30, Each Year | |
|-----------|--------------------|-----------------------------------|--------|--|---------|
| 2024 | \$2,524,619* | N/A | | N/A | |
| 2023 | 2,321,122 | \$2,005,220 | 86.39% | \$2,321,122 | 100.00% |
| 2022 | 2,204,291 | 1,869,652 | 84.82 | 2,204,291 | 100.00 |
| 2021 | 1,971,909 | 1,763,508 | 89.43 | 1,971,909 | 100.00 |
| 2020 | 1,915,123 | 1,737,621 | 90.73 | 1,915,123 | 100.00 |

*Estimated.

RETIREMENT PLAN

For the period October 1 through September 30, the School District pays an amount equal to a percentage of its employees’ wages to the Michigan Public School Employees Retirement System (“MPERS”), which is a statewide retirement plan for employees of Michigan public schools administered by the State of Michigan. These contributions are established and required by law and are calculated by using the contribution rates as determined annually by the State.

MPERS is a cost-sharing, multi-employer, statewide plan. Pension benefits, and retiree health benefits, are established by law and funded through employer contributions. The cost of retiree health benefits is funded annually on a pay-as-you-go basis, with retirees paying some of the costs. Current year liability for retiree health benefits is reflected in the figures provided below. Further information regarding MPERS, including retiree health benefits, can be found at www.michigan.gov/orsschools.

Public Act 75 of 2010 (“Act 75”) significantly modified MPERS and among other provisions required all employees hired after July 1, 2010 to participate in a new Pension Plus Plan which provides a combined defined benefit and defined contribution structure. Public Act 92 of 2017 (“Act 92”) further modified MPERS for all employees hired on or after February 1, 2018. Act 92 requires all employees hired on or after February 1, 2018 to elect to participate in a new 401(k) style defined contribution plan or a new hybrid plan with different assumptions and cost sharing.

Contribution to MPERS

The School District’s estimated annual contribution to MPERS for the 2023-24 fiscal year and the previous four fiscal years are shown below:

| Fiscal Year Ended 30-Jun | Pension Amount | Health Care Amount | Total Amount |
|--------------------------|----------------|--------------------|--------------------------|
| 2024 | \$3,641,542 | \$743,218 | \$4,384,760 ¹ |
| 2023 | 3,723,201 | 640,589 | 4,363,790 ² |
| 2022 | 2,706,244 | 599,115 | 3,305,359 |
| 2021 | 2,350,911 | 558,104 | 2,909,015 |
| 2020 | 2,228,076 | 623,294 | 2,851,370 |

¹Estimated.

²In fiscal year end 2023 the School District received a non-recurring State Aid categorical revenue amount (Section 147c(2) MPERS One-Time Deposit) of \$793,593.63 for a payment to the MPERS unfunded liability. This amount is not included in the contribution related to fiscal year end 2023 shown in the table above.

Effective for fiscal years beginning after June 15, 2014, GASB Statement 68 requires all reporting units in a multi-employer cost sharing pension plan to record a balance sheet liability for their proportionate share of the net pension liability of the plan. The School District implemented GASB 68 in its year ended June 30, 2015 financial statements. In its June 30, 2024 financial statements, the School District reported a proportionate share of the net pension liability of \$26,527,445 as of September 30, 2023.

Effective for fiscal years beginning after June 15, 2017, GASB Statement 75 requires all reporting units in a multi-employer cost sharing OPEB plan to record a balance sheet liability for their proportionate share of the net OPEB liability of the plan. The School District implemented GASB 75 in its year ended June 30, 2018 financial statements. In its June 30, 2024 financial statements, the School District reported a proportionate share of the net OPEB liability of (\$472,342) as of September 30, 2023. With a plan fiduciary net position as a percentage of total OPEB liability of 105.72%.

For additional information regarding the Pension Plan and Postemployment Benefits Other than Pensions (OPEB), see the Notes to the Financial Statements in the School District’s audited financial statements in Appendix C.

Source: Audited Financial Statements and School District

LABOR RELATIONS

The School District has labor agreements with the following employee groups. The agreements all provide for complete and comprehensive salary, wage, fringe benefit and working conditions provisions. The number of employees and duration of the agreements are as follows:

| <u>Employee Group</u> | <u>No. of Employees</u> | <u>Affiliation</u> | <u>Exp. Date of Contract</u> |
|------------------------|-----------------------------|--------------------|----------------------------------|
| Administrators | 10 | Non-Affiliated | N/A |
| Teachers | 99 | MEA | 06/30/27 |
| Secretaries | 7 | Non-Affiliated | N/A |
| Aides | 36 | MEA | 06/30/27 |
| Maintenance/Custodians | 14 | Non-Affiliated | N/A |
| Non-Affiliated | 14 | N/A | N/A |
| TOTAL | <u>180</u> | | |

The School District has not experienced a strike by any of its bargaining units within the past ten years.

DEBT STATEMENT* - (As of 10/22/24 – including the Bonds described herein)

DIRECT DEBT:

| <u>Dated Date</u> | <u>Purpose</u> | <u>Bond Type</u> | <u>Final Maturity</u> | <u>Principal Outstanding</u> |
|------------------------|-----------------------------|------------------|-----------------------|------------------------------|
| 11/10/15 | Building & Equipment & Site | UTNQ | 05/01/26 | \$660,000 |
| 02/09/16 | Refunding | UTQ | 05/01/26 | 840,000 |
| / /24 | Building & Site | UTNQ | 05/01/39 | 11,170,000* |
| NET DIRECT DEBT | | | | \$12,670,000* |

OVERLAPPING DEBT:

| <u>Percent Share</u> | <u>Municipality</u> | <u>Net Debt</u> | <u>District's Share</u> |
|--|--------------------------------|-----------------|-------------------------|
| 100.00% | City of Clare | \$3,311,938 | \$3,311,938 |
| 25.00% | Arthur Township | 0 | 0 |
| 52.28% | Grant Township | 0 | 0 |
| 21.85% | Hatton Township | 0 | 0 |
| 100.00% | Sheridan Township | 0 | 0 |
| 77.57% | Vernon Township | 0 | 0 |
| 58.64% | Wise Township | 0 | 0 |
| 17.20% | Clare County | 4,900,855 | 842,947 |
| 3.35% | Isabella County | 47,736,656 | 1,599,178 |
| 12.91% | Clare-Gladwin ISD | 620,000 | 80,042 |
| 12.91% | Mid Michigan Community College | 5,255,000 | 678,421 |
| TOTAL OVERLAPPING DEBT | | | 6,512,526 |
| NET DIRECT AND OVERLAPPING DEBT | | | \$19,182,526* |

*Preliminary, subject to change.

Source: *Municipal Advisory Council of Michigan*

OTHER DEBT

The School District has no short-term borrowing outstanding.

DEBT HISTORY

The School District has no record of default on its obligations.

FUTURE FINANCING

The School District does not have plans for additional capital financings in the next 12 months.

DEBT RATIOS*

| | |
|--|-----------------|
| Estimated School District Population | 9,302 |
| 2024 Taxable Value | \$345,737,335 |
| 2024 State Equalized Value (SEV) | \$510,415,863 |
| 2024 True Cash Value (TCV) | \$1,020,831,726 |
| Per Capita 2024 Taxable Value | \$37,168.06 |
| Per Capita 2024 State Equalized Value | \$54,871.63 |
| Per Capita 2024 True Cash Value | \$109,743.25 |
| Per Capita Net Direct Debt | \$1,362.07 |
| Per Capita Net Direct and Overlapping Debt | \$2,062.19 |
| Percent of Net Direct Debt of 2024 Taxable Value | 3.66% |
| Percent of Net Direct and Overlapping Debt of 2024 Taxable Value | 5.55% |
| Percent of Net Direct Debt of 2024 SEV | 2.48% |
| Percent of Net Direct and Overlapping Debt of 2024 SEV | 3.76% |
| Percent of Net Direct Debt of 2024 TCV | 1.24% |
| Percent of Net Direct and Overlapping Debt of 2024 TCV | 1.88% |

*Preliminary, subject to change.

LEGAL DEBT MARGIN* - (As of 10/22/24 – including the Bonds described herein)

| | | |
|---|------------------|----------------------------|
| 2024 State Equalized Value | | \$510,415,863 |
| Legal Debt Limit - 15% of SEV | | \$76,562,379 |
| Total Bonded Debt Outstanding | \$12,670,000 | |
| Less: SLRF Qualified Bonds ¹ | <u>(840,000)</u> | |
| Net Amount Subject to Legal Debt Limit | | <u>11,830,000</u> |
| LEGAL DEBT MARGIN AVAILABLE | | <u><u>\$64,732,379</u></u> |

*Preliminary, subject to change.

¹Section 1351(3) of Act 451, Public Acts of Michigan, 1976, as amended, provides that the bonded indebtedness of a school district shall not exceed 15% of the total assessed valuation of the district. Bonds not included in the computation of the legal debt margin are (1) any bond qualified under Article IX, Section 16 of the Michigan Constitution of 1963, and (2) deficit budget bonds as authorized under Section 1356. In addition, Section 605 of Act 34, Public Acts of Michigan, 2001, as amended, provides, in relevant part, that debt evidenced by a refunding security shall not be deemed to be within any statutory or charter limitation of outstanding debt limit.

EMPLOYMENT CHARACTERISTICS

Listed below are the largest employers that are located within the School District and Clare and Isabella Counties:

| Employer | Product or Service | Approx. No. of Employees |
|--|---------------------------------|--------------------------|
| <i>Within the School District</i> | | |
| Mid Michigan Med Center-Clare | Healthcare | 479 |
| StageRight Corporation | Portable State Construction | 275 |
| Clare County | Government | 237 |
| Clare Public Schools | Education | 180 |
| Jays Sporting Goods | Retail--Sporting Goods | 152 |
| JD Metal Works, Inc. | Metal Stampings | 121 |
| Doherty Hotel | Hotel/Restaurant | 95 |
| Letherer Truss & Wall Systems | Truss Manufacturer | 89 |
| Northern Logistics, LLC | Plastic Recycling | 70 |
| <i>Within the County of Clare</i> | | |
| The Rogers Group/Rogers Athletic Co., Inc. | Sports & Athletic Equipment | 350 |
| Lear Corp | Automotive Seating | 300 |
| Mid Michigan Community College | Education | 157 |
| Clare-Gladwin RESD | Education | 155 |
| MediLodge of Clare | Healthcare | 137 |
| Michigan Consulting Group/MCG Holding LLC | Metal Stampings | 125 |
| Melling Products North, LLC | Melling Engine Parts | 101 |
| MyMichigan Health | Healthcare | 85 |
| Federal Broach & Machine Company | Broaching Machines | 71 |
| <i>Within the County of Isabella</i> | | |
| Soaring Eagle Hotel & Casino | Hotel & Casino | 4,064 |
| Central Michigan University | Education | 2,644 |
| McLaren Central Michigan | Healthcare | 1,394 |
| The Delfied Company (HQ) | Refrigeration Equipment | 600 |
| Mobark, LLC | Wood Waste Processing Equipment | 500 |
| Mt. Pleasant Public Schools | Education | 421 |
| Meijer Inc. | Retail | 413 |
| Walmart Supercenter | Retail | 365 |
| Bandit Industries | Wood Chippers | 312 |

Source: 2023 Michigan Manufacturers Directory, Crain's Detroit Business Book of Lists 2023 edition, MEDC website via www.michiganbusiness.org, Manta via www.manta.com and individual employers.

EMPLOYMENT BREAKDOWN

The U.S. Census Bureau, 2018-2022 American Community Survey reports the occupational breakdown of persons 16 years and over for the City of Clare and County of Clare as follows:

| | City of Clare | | County of Clare | |
|---|---------------|---------|-----------------|---------|
| | Number | Percent | Number | Percent |
| PERSONS BY OCCUPATION | 1,346 | 100.00% | 11,041 | 100.00% |
| Management, Business, Science & Arts | 448 | 33.28 | 3,000 | 27.17 |
| Service | 386 | 28.68 | 2,219 | 20.10 |
| Sales & Office | 259 | 19.24 | 2,309 | 20.91 |
| Natural Resources, Construction & Maintenance | 116 | 8.62 | 1,349 | 12.22 |
| Production, Transportation & Material Moving | 137 | 10.18 | 2,164 | 19.60 |

The U.S. Census Bureau, 2018-2022 American Community Survey reports the breakdown by industry for persons 16 years and over in the City of Clare and County of Clare as follows:

| | City of Clare | | County of Clare | |
|--|---------------|---------|-----------------|---------|
| | Number | Percent | Number | Percent |
| PERSONS BY INDUSTRY | 1,346 | 100.00% | 11,041 | 100.00% |
| Agriculture, Forestry, Fishing, Hunting & Mining | 20 | 1.49 | 314 | 2.84 |
| Construction | 129 | 9.58 | 1,161 | 10.52 |
| Manufacturing | 67 | 4.98 | 1,673 | 15.15 |
| Wholesale Trade | 0 | 0.00 | 173 | 1.57 |
| Retail Trade | 224 | 16.64 | 1,365 | 12.36 |
| Transportation, Warehousing & Utilities | 20 | 1.49 | 485 | 4.39 |
| Information | 28 | 2.08 | 166 | 1.50 |
| Finance, Insurance & Real Estate | 15 | 1.11 | 340 | 3.08 |
| Professional, Scientific & Management Services | 84 | 6.24 | 726 | 6.58 |
| Educational, Health & Social Services | 389 | 28.90 | 2,284 | 20.69 |
| Arts, Entertainment, Recreation & Food Services | 295 | 21.92 | 1,516 | 13.73 |
| Other Services except Public Administration | 75 | 5.57 | 416 | 3.77 |
| Public Administration | 0 | 0.00 | 422 | 3.82 |

UNEMPLOYMENT

The U.S. Department of Labor, Bureau of Labor Market Statistics, reports unemployment averages for the County of Clare as compared to the State of Michigan as follows:

| <u>Annual Average</u> | <u>County of Clare</u> | <u>State of Michigan</u> |
|-----------------------|------------------------|--------------------------|
| August, 2024 | 6.8% | 4.5% |
| 2023 | 6.3 | 3.9 |
| 2022 | 6.7 | 4.1 |
| 2021* | 7.8 | 5.7 |
| 2020* | 12.0 | 10.0 |

*The above unemployment figures reflect job losses from the COVID-19 pandemic.

POPULATION BY AGE

The U.S. Census Bureau, 2018-2022 American Community Survey reports the breakdown of population by age for the City of Clare and the County of Clare as follows:

| | City of Clare | | County of Clare | |
|---------------------|---------------|---------|-----------------|---------|
| | Number | Percent | Number | Percent |
| Total Population | 3,367 | 100.00% | 30,998 | 100.00% |
| 0 through 19 years | 792 | 23.52 | 6,736 | 21.73 |
| 20 through 64 years | 1,820 | 54.05 | 16,689 | 53.84 |
| 65 years and over | 755 | 22.43 | 7,573 | 24.43 |
| Median Age | 43.2 | years | 48.2 | years |

INCOME

The U.S. Census Bureau, 2018-2022 American Community Survey reports the breakdown of household income for the City of Clare and the County of Clare as follows:

| HOUSEHOLDS BY INCOME | City of Clare | | County of Clare | |
|------------------------|---------------|---------|-----------------|---------|
| | Number | Percent | Number | Percent |
| | 1,405 | 100.00% | 11,935 | 100.00% |
| Less than \$ 10,000 | 76 | 5.41 | 559 | 4.68 |
| \$ 10,000 to \$ 14,999 | 37 | 2.63 | 848 | 7.11 |
| \$ 15,000 to \$ 24,999 | 240 | 17.08 | 1,396 | 11.70 |
| \$ 25,000 to \$ 34,999 | 217 | 15.44 | 1,462 | 12.25 |
| \$ 35,000 to \$ 49,999 | 246 | 17.51 | 2,017 | 16.90 |
| \$ 50,000 to \$ 74,999 | 183 | 13.02 | 2,396 | 20.07 |
| \$ 75,000 to \$ 99,999 | 189 | 13.45 | 1,382 | 11.58 |
| \$100,000 to \$149,999 | 135 | 9.61 | 1,198 | 10.04 |
| \$150,000 to \$199,999 | 66 | 4.70 | 319 | 2.67 |
| \$200,000 or MORE | 16 | 1.15 | 358 | 3.00 |
| Median Income | \$41,384 | | \$47,816 | |

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APPENDIX B
GENERAL FUND BUDGET SUMMARY AND
COMPARATIVE FINANCIAL STATEMENTS

Clare Public Schools
General Fund Budget Summary

| | As Adopted 2024/25 |
|---|-----------------------|
| Revenues | |
| Local Sources | \$2,772,315 |
| State Sources | 17,702,281 |
| Federal Sources | 512,973 |
| Incoming Transfers & Other Transactions | 120,000 |
| Total Revenues | \$21,107,569 |
| Expenditures | |
| Instructional Services | |
| Basic Program | \$10,468,854 |
| Added Needs | 3,491,593 |
| Adult/Continuing Education | 68,262 |
| Support | |
| Pupil | 999,363 |
| Instructional Staff | 597,694 |
| General Administration | 444,768 |
| School Administration | 1,223,402 |
| Business Services | 495,118 |
| Operation & Maintenance | 1,837,274 |
| Transportation | 673,585 |
| Central Services | 720,373 |
| Athletics | 466,406 |
| Community Services | 18,508 |
| Payments to Other Public Schools | 35,000 |
| Constructions & Improvement | -- |
| Total Expenditures | \$21,540,200 |
| Excess of Expenditures (over) under Revenues | (\$432,631) |
| Other Financing Sources (Uses) | |
| Transfers Out | (\$8,200) |
| Net Change in Fund Balance | (\$440,831) |
| Beginning Fund Balance - July 1 | \$6,033,530 |
| Projected Fund Balance - June 30 | \$5,592,699 |

Source: School District

**Clare Public Schools
General Fund**

Comparative Balance Sheet

| | For Fiscal Years Ended June 30th | | |
|--|----------------------------------|--------------------|--------------------|
| | 2022 | 2023 | 2024 |
| Assets | | | |
| Cash and Cash Equivalents | \$5,412,238 | \$4,475,975 | \$5,417,859 |
| Accounts Receivable | 5,999 | 11,455 | 6,464 |
| Due from Other Governmental Units | 2,736,441 | 3,242,876 | 3,349,783 |
| Due from Other Funds | -- | 5,981 | 11,092 |
| Inventories | -- | -- | 1,423 |
| Prepaid Expenditures | 17,230 | 45,619 | 344,151 |
| Total Assets | <u>\$8,171,908</u> | <u>\$7,781,906</u> | <u>\$9,130,772</u> |
| Liabilities | | | |
| Accounts Payable | \$136,273 | \$181,484 | \$458,315 |
| Accrued Payroll & Other Liabilities | 1,270,986 | 1,045,969 | 1,246,788 |
| Due to Other Funds | -- | -- | 415 |
| Due to Other Governmental Units | 228,432 | 392,222 | 305,448 |
| Unearned Revenue | 14,403 | 286,688 | 665,114 |
| Total Liabilities | <u>\$1,650,094</u> | <u>\$1,906,363</u> | <u>\$2,676,080</u> |
| Fund Balances | | | |
| Non-Spendable | \$17,230 | \$45,619 | \$345,574 |
| Unassigned | 6,504,584 | 5,829,924 | 6,109,118 |
| Total Fund Balances | <u>\$6,521,814</u> | <u>\$5,875,543</u> | <u>\$6,454,692</u> |
| Total Liabilities and Fund Balances | <u>\$8,171,908</u> | <u>\$7,781,906</u> | <u>\$9,130,772</u> |

Source: Audited Financial Statements

**Clare Public Schools
General Fund**

**Comparative Statement of Revenues,
Expenditures and Changes in Fund Balance**

| | For Fiscal Years Ended June 30th | | |
|--|----------------------------------|---------------------------|---------------------------|
| | 2022 | 2023 | 2024 |
| Revenues | | | |
| Local Sources | \$2,294,307 | \$2,681,778 | \$2,847,460 |
| State Sources | 14,264,290 | 16,353,314 | 18,061,185 |
| Federal Sources | 4,305,223 | 1,091,184 | 899,816 |
| Interdistrict & Other Sources | 115,840 | 123,240 | 133,936 |
| Total Revenues | <u>\$20,979,660</u> | <u>\$20,249,516</u> | <u>\$21,942,397</u> |
| Expenditures | | | |
| Current | | | |
| Instruction | \$11,548,593 | \$12,772,800 | \$13,454,604 |
| Supporting Services | 5,628,657 | 6,507,699 | 7,254,892 |
| Athletics | 418,658 | 441,732 | 472,300 |
| Community Service | 14,899 | 15,668 | 20,228 |
| Payments to Other Public Schools | 36,210 | 17,331 | 38,306 |
| Capital Outlay | 276,912 | 1,038,338 | 125,395 |
| Total Expenditures | <u>\$17,923,929</u> | <u>\$20,793,568</u> | <u>\$21,365,725</u> |
| Excess of Revenues Over (Under) Expenditures | <u>\$3,055,731</u> | <u>(\$544,052)</u> | <u>\$576,672</u> |
| Other Financing Sources (Uses) | | | |
| Proceeds from Sale of Capital Assets | \$26,679 | -- | -- |
| Operating Transfers In | -- | \$5,981 | \$11,092 |
| Operating Transfers Out | (1,883,200) | (133,200) | (8,615) |
| Total Other Financing Sources (Uses) | <u>(\$1,856,521)</u> | <u>(\$127,219)</u> | <u>\$2,477</u> |
| Excess of Revenues & Other Sources Over (Under) Expenditures & Other Uses | <u>\$1,199,210</u> | <u>(\$671,271)</u> | <u>\$579,149</u> |
| Fund Balance - Beginning | <u>\$5,322,604</u> | <u>\$6,546,814*</u> | <u>\$5,875,543</u> |
| Fund Balance - Ending | <u><u>\$6,521,814</u></u> | <u><u>\$5,875,543</u></u> | <u><u>\$6,454,692</u></u> |

*As Restated

Source: Audited Financial Statements

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APPENDIX C
AUDITED FINANCIAL STATEMENTS

The auditor was not requested to examine or review and therefore has not examined or reviewed any financial documents, statements or materials that have been or may be furnished in connection with the authorization, issuance or marketing of the Bonds and accordingly has not conducted any post-audit review procedures and will not express any opinion with respect to the accuracy or completeness of such financial documents, statements or materials.

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INDEPENDENT AUDITOR'S REPORT

September 19, 2024

Board of Education
Clare Public Schools
Clare, Michigan

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Clare Public Schools (School District), as of and for the year ended June 30, 2024 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.

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 Clare Public Schools as of June 30, 2024 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

U.S. generally accepted accounting principles requires that the management's discussion and analysis, budgetary comparison information and pension and OPEB schedules, as noted in the table of contents to be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The combining nonmajor fund financial statements, schedules of bonded indebtedness and the schedule of expenditures of federal awards as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) are presented for the purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 GAAS. In our opinion, the combining nonmajor fund financial statements, schedules of bonded indebtedness and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 19, 2024, on our consideration of the School District's 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 the School District's 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 the School District's internal control over financial reporting and compliance.

Our discussion and analysis of Clare Public Schools' (School District) financial performance provides an overview of the School District's financial activities for the fiscal year ended June 30, 2024.

Financial Highlights

The School District's net position increased by \$3,622,825 or 97%. Program revenues were \$8,475,476 or 34% of total revenues, and general revenues were \$16,681,568 or 66%.

The General Fund reported a positive fund balance of \$6,454,692.

Using this Annual Financial Report

This annual financial report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the School District financially as a whole. The *District-wide Financial Statements* provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-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 School District's operations in more detail than the district-wide financial statements by providing information about the School District's most significant funds - the General Fund and Capital Investments Fund with all other funds presented in one column as nonmajor funds. The remaining statement, the statement of fiduciary net position, presents financial information about activities for which the School District acts solely as an agent for the benefit of the school libraries. The following summarizes the presentation included in this annual financial report.

Management's Discussion and Analysis (MD&A) (Required Supplemental Information)

Basic Financial Statements

- District-wide Financial Statements
- Fund Financial Statements
- Notes to the Basic Financial Statements

Budgetary Information for the General Fund (Required Supplemental Information)

Pension Schedules (Required Supplemental Information)

OPEB Schedules (Required Supplemental Information)

Other Supplemental Information

Weinlander Fitzhugh

CLARE PUBLIC SCHOOLS
Management's Discussion & Analysis
For the Year Ended June 30, 2024

CLARE PUBLIC SCHOOLS
Management's Discussion & Analysis
For the Year Ended June 30, 2024

Reporting the District as a Whole

The Statement of Net Position and Statement of Activities

One of the most important questions asked about the School District's finances is: "Is the School District better or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the School District as a whole and about its activities in a manner that helps to answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by private sector companies. All of the current year's revenues and expenses are taken into consideration regardless of when cash is received or paid.

These two statements report the School District's net position as a way to measure the School District's financial position. The change in net position provides the reader a tool to assist in determining whether the School District's financial health is improving or deteriorating. The reader will need to consider other nonfinancial factors such as property tax base, student enrollment growth and facility conditions in arriving at their conclusion regarding the overall health of the School District.

Reporting the District's Most Significant Funds

Fund Financial Statements

The School District's fund financial statements provide detailed information about the most significant funds - not the School District as a whole. Some funds are required to be established by State law and by bond covenants. Other funds are established to help it control and manage money for particular purposes or to meet legal responsibilities for using certain taxes, grants and other sources of revenue. The School District's two types of funds, governmental and fiduciary, use different accounting approaches as further described in the notes to the financial statements.

Governmental Funds

Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources available to spend in the near future to finance the School District's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the basic financial statements.

Fiduciary Funds

The School District is the trustee, or fiduciary, for scholarship funds. All of the School District's fiduciary activities are reported in separate Statements of Fiduciary Net Position and Changes in Fiduciary Net Position. We exclude these activities from the School District's other financial statements because the assets cannot be utilized by the School District to finance its operations.

District-wide Financial Analysis

The statement of net position provides the perspective of the School District as a whole. Exhibit A provides a summary of the School District's net position as of June 30, 2024 and 2023:

| | <u>Governmental Activities</u> | |
|--|--------------------------------|-----------------------|
| | <u>2024</u> | <u>2023</u> |
| Assets | | |
| Current and other assets | \$ 15,496,307 | \$ 13,984,184 |
| Net OPEB asset | 472,342 | 0 |
| Capital assets - net of accumulated depreciation | <u>13,272,790</u> | <u>13,247,250</u> |
| Total assets | <u>29,241,439</u> | <u>27,231,434</u> |
| Deferred Outflows of Resources | | |
| Related to pensions and OPEB | <u>9,991,007</u> | <u>11,277,926</u> |
| Liabilities | | |
| Current liabilities | 3,448,539 | 2,713,065 |
| Long-term liabilities | <u>27,481,957</u> | <u>33,379,816</u> |
| Total liabilities | <u>30,930,496</u> | <u>36,092,881</u> |
| Deferred Inflows of Resources | | |
| Related to pensions and OPEB | <u>8,430,994</u> | <u>6,168,348</u> |
| Net Position | | |
| Net investment in capital assets | 11,769,087 | 11,014,845 |
| Restricted | 1,318,881 | 1,386,794 |
| Restricted for net OPEB asset | 472,342 | 0 |
| Unrestricted | <u>(13,689,354)</u> | <u>(16,153,508)</u> |
| Total net position | <u>\$ (129,044)</u> | <u>\$ (3,751,869)</u> |

The analysis above focuses on net position (see Exhibit A). The School District's net position of governmental activities were \$(129,044) at June 30, 2024. Investment in property and equipment, net of related debt totaling \$11,769,087, compares the original costs less depreciation of the School District's capital assets to long-term debt used to finance the acquisition of those assets. Most of the debt will be repaid from voter-approved property taxes collected as the debt service comes due. Restricted net position is reported separately to show legal constraints from debt requirements and legislation that limit the School District's ability to use that net position for day-to-day operations.

The \$(13,689,354) 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.

CLARE PUBLIC SCHOOLS
Management's Discussion & Analysis
For the Year Ended June 30, 2024

CLARE PUBLIC SCHOOLS
Management's Discussion & Analysis
For the Year Ended June 30, 2024

The School District implemented GASB Statement No. 68 in 2015. The effect of this Statement required the School District to report in the summary of net position, a liability of \$26,527,445 for 2024 and \$30,023,492 for 2023.

The School District implemented GASB Statement No. 75 in 2018. The effect of this Statement required the School District to report in the summary of net position, an (asset) liability of \$(472,342) for 2024 and \$1,665,043 for 2023.

The results of this year's operations for the School District as a whole are reported in the statement of activities. Exhibit B provides a summary of the changes in net position for the years ended June 30, 2024 and 2023.

| Exhibit B | <u>Governmental Activities</u> | |
|---|--------------------------------|---------------------|
| | <u>2024</u> | <u>2023</u> |
| Revenues | | |
| Program revenue: | | |
| Charges for services | \$ 870,106 | \$ 942,589 |
| Grants and categoricals | 7,605,370 | 5,394,207 |
| General revenue: | | |
| Property taxes | 3,240,920 | 3,145,512 |
| State aid | 12,947,553 | 12,314,040 |
| Other | 493,095 | 337,676 |
| Total revenues | <u>25,157,044</u> | <u>22,134,024</u> |
| Function/Program Expenses | | |
| Instruction | 12,241,246 | 11,820,008 |
| Support services | 6,578,712 | 5,862,366 |
| Community services | 20,228 | 15,668 |
| Food services | 1,051,915 | 896,799 |
| Athletics | 471,916 | 433,797 |
| Student activities | 372,990 | 337,132 |
| Payments to other public schools | 38,306 | 17,331 |
| Other | 1,000 | 1,000 |
| Facilities, acquisition, construction and equipment | 10,501 | 1,945 |
| Interest on long term debt | 47,509 | 60,770 |
| Depreciation (unallocated) | 699,896 | 713,173 |
| Total expenses | <u>21,534,219</u> | <u>20,159,989</u> |
| Change in Net Position | <u>\$ 3,622,825</u> | <u>\$ 1,974,035</u> |

As reported in the statement of activities, the cost of all of our governmental activities this year was \$21,534,219. Certain activities were partially funded from those who benefited from the programs, \$870,106, or by the other governments and organizations that subsidized certain programs with grants and categoricals of \$7,605,370. We paid for the remaining "public benefit" portion of our governmental activities with \$3,240,920 in taxes, \$12,947,553 in State aid and with our other revenues, such as interest and entitlements.

The School District's governmental activities had an increase in net position of \$3,622,825. The increase in net position differs from the change in fund balance and a reconciliation appears in the financial statements.

The School District's Funds

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

The School District's governmental funds reported a combined fund balance of \$12,790,885, which is above last year's total of \$12,000,490. The schedule below indicates the fund balance and the total change in fund balances as of June 30, 2024 and 2023.

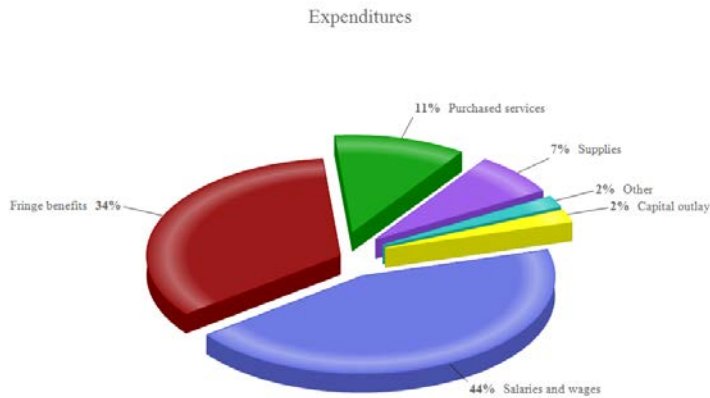
| | Fund Balance <u>6/30/2024</u> | Restated Fund Balance <u>6/30/2023</u> | Increase (Decrease) |
|---------------------|-------------------------------------|---|------------------------|
| General | \$ 6,454,692 | \$ 5,875,543 | \$ 579,149 |
| Capital Investments | 4,674,391 | 4,430,402 | 243,989 |
| Special Revenue | 716,287 | 724,807 | (8,520) |
| Debt Service | 490,119 | 337,620 | 152,499 |
| Capital Projects | 455,396 | 632,118 | (176,722) |
| | <u>\$ 12,790,885</u> | <u>\$ 12,000,490</u> | <u>\$ 790,395</u> |

- Our General Fund had an increase in fund balance of \$579,149 mainly due to an increase in the foundation allowance and categoricals.
- Our Capital Investments Fund had an increase in fund balance of \$243,989 attributable to interest earnings.
- Our Special Revenue Funds had a decrease in fund balance of \$8,520 due to the spenddown of excess fund balance in the food service fund to meet compliance requirements.
- Our Debt Service Funds had an increase in fund balance of \$152,499 due to the difference in the taxes collected and the bond and interest payments made during the year.
- Our Capital Projects Fund (Pioneer Development) had a decrease in fund balance of \$176,722 due to expenditures relating to capital projects.

CLARE PUBLIC SCHOOLS
Management's Discussion & Analysis
For the Year Ended June 30, 2024

CLARE PUBLIC SCHOOLS
Management's Discussion & Analysis
For the Year Ended June 30, 2024

As the graph below illustrates, the largest portions of General Fund expenditures are for salaries and fringe benefits. The School District by nature is a labor intensive organization.



| Expenditures by Object | 2024 | 2023 |
|------------------------|----------------------|----------------------|
| Salaries and wages | \$ 9,201,749 | \$ 8,369,785 |
| Fringe benefits | 7,334,236 | 7,154,830 |
| Purchased services | 2,244,361 | 2,317,574 |
| Supplies | 1,538,776 | 1,296,527 |
| Capital outlay | 526,661 | 1,355,692 |
| Other | 519,942 | 299,160 |
| Total | \$ 21,365,725 | \$ 20,793,568 |

Expenditures have increased by \$572,157 from the prior year mainly attributable to staffing increases and grant funding in operations and maintenance and technology.

General Fund Budgetary Highlights

Over the course of the year, the School District revises its budget to reflect changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. A schedule showing the School District's original and final budget amounts compared with amounts actually paid and received is provided in required supplemental information of these financial statements. Changes to the General Fund original budget were as follows:

- Budgeted revenues increased from the original budget by \$1,461,226. The increase is mainly due to an increase in state aid and categoricals.
- Budgeted expenditures increased from the original budget by \$877,892. Increases were mainly due to grant funding in operations and maintenance and technology.
- Actual revenues were more than final budgeted revenue by \$104,482 mainly due to state revenues being slightly higher than anticipated.
- Actual expenditures were under the final budgeted expenditures by \$306,003 mainly due to instructional and operations and maintenance costs being lower than anticipated.

Capital Assets

At June 30, 2024, the School District had \$13,272,790 invested in a broad range of capital assets, including land, buildings, furniture and equipment. This amount represents a net increase (including additions and disposals) of 0% from last year.

| | 2024 | 2023 |
|-------------------------------|----------------------|----------------------|
| Land | \$ 1,292,068 | \$ 128,336 |
| Construction in progress | 0 | 1,691,901 |
| Buildings and improvements | 20,310,022 | 19,342,555 |
| Buses and other vehicles | 1,155,143 | 1,155,143 |
| Furniture and equipment | 8,881,628 | 8,595,490 |
| Total capital assets | 31,638,861 | 30,913,425 |
| Less accumulated depreciation | 18,366,071 | 17,666,175 |
| Net capital assets | \$ 13,272,790 | \$ 13,247,250 |

This year's additions of \$725,436 were for land, a PA system, and turf building construction and equipment, and other various equipment and improvements.

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

CLARE PUBLIC SCHOOLS
Management's Discussion & Analysis
For the Year Ended June 30, 2024

CLARE PUBLIC SCHOOLS
Statement of Net Position
June 30, 2024

Debt

At the end of this year, the School District had \$1,500,000 in bonds outstanding versus \$2,225,000 in the previous year - a decrease of 33%.

| | 2024 | 2023 |
|-------------------------------------|---------------------|---------------------|
| 2015 School building and site bonds | \$ 660,000 | \$ 955,000 |
| 2016 Refunding bonds | 840,000 | 1,270,000 |
| | <u>\$ 1,500,000</u> | <u>\$ 2,225,000</u> |

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

Factors Expected to have an Effect on Future Operations

Our elected Board and administration consider many factors when setting the School District's 2025 fiscal year budget. One of the most important factors affecting the budget is our student count. The state foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The 2025 fiscal year budget was adopted in June 2024, based on an estimate of students that will be enrolled in September 2024. Under State law, the School District cannot access 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. Based on early enrollment data at the start of the 2024-2025 school year, we anticipate that the fall student count will be greater than the estimates used in creating the 2025 fiscal year budget. Once the final student count and related per pupil funding is validated, State law requires the School District to amend the budget if actual district resources are not sufficient to fund original appropriations.

Since the School District's revenue is heavily dependent on State funding and the health of the State's School Aid Fund, the actual revenue received depends on the State's ability to collect revenues to fund its appropriation to school districts. The State periodically holds a revenue-estimating conference to estimate revenues. Based on the results of the most recent conference, the State estimates funds are sufficient to fund the appropriation until 2024-2025.

Requests for Information

This financial report is designed to provide a general overview of the School District's finances for all those with an interest in the School District. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Office of the Superintendent
Clare Public School District
201 East State Street
Clare, Michigan 48617

| | Governmental Activities |
|---|----------------------------|
| Cash and investments | \$ 11,707,584 |
| Receivables - net: | |
| Accounts receivable | 10,318 |
| Due from other governmental units | 3,361,965 |
| Inventories | 22,289 |
| Prepaid expenses | 394,151 |
| Capital assets less accumulated depreciation \$18,366,071 | 13,272,790 |
| Net OPEB Asset | 472,342 |
| | <u>29,241,439</u> |
| Total assets | 29,241,439 |
| <u>Deferred Outflows of Resources</u> | |
| Related to pensions | 8,154,339 |
| Related to OPEB | 1,836,668 |
| | <u>9,991,007</u> |
| Total deferred outflows of resources | 9,991,007 |
| <u>Liabilities</u> | |
| Accounts payable | 481,697 |
| Unearned revenue | 671,489 |
| Due to other governments | 305,448 |
| Accrued payroll and other liabilities | 1,246,788 |
| Accrued interest payable | 3,117 |
| Long-term liabilities: | |
| Due within one year | 740,000 |
| Due in more than one year | 954,512 |
| Net pension liability | 26,527,445 |
| | <u>30,930,496</u> |
| Total liabilities | 30,930,496 |
| <u>Deferred Inflows of Resources</u> | |
| Related to pensions | 4,600,050 |
| Related to OPEB | 3,830,944 |
| | <u>8,430,994</u> |
| Total deferred inflows of resources | 8,430,994 |
| <u>Net Position</u> | |
| Net investment in capital assets | 11,769,087 |
| Restricted for debt service | 487,002 |
| Restricted for capital projects | 455,396 |
| Restricted for food service | 376,483 |
| Restricted for net OPEB asset | 472,342 |
| Unrestricted | (13,689,354) |
| | <u>\$ (129,044)</u> |
| Total net position | \$ (129,044) |

CLARE PUBLIC SCHOOLS
Statement of Activities
For the Year Ended June 30, 2024

| | Program Revenues | | | Governmental Activities |
|--|-----------------------------|---------------------------------------|--|----------------------------|
| Expenses | Charges for Services | Operating Grants/ Contributions | Net (Expense) Revenue and Changes in Net Position | |
| Functions/Programs | | | | |
| Primary government - | | | | |
| Governmental activities: | | | | |
| Instruction | \$ 12,241,246 | \$ 0 | \$ 5,810,517 | \$ (6,430,729) |
| Support services | 6,578,712 | 282,854 | 738,319 | (5,557,539) |
| Community services | 20,228 | 0 | 0 | (20,228) |
| Food services | 1,051,915 | 70,857 | 1,044,021 | 62,963 |
| Athletics | 471,916 | 112,352 | 12,513 | (347,051) |
| Student activities | 372,990 | 404,043 | 0 | 31,053 |
| Payments to other public schools | 38,306 | 0 | 0 | (38,306) |
| Other | 1,000 | 0 | 0 | (1,000) |
| Facilities, acquisition, construction and equipment | 10,501 | 0 | 0 | (10,501) |
| Interest on long term debt | 47,509 | 0 | 0 | (47,509) |
| Depreciation (unallocated) | 699,896 | 0 | 0 | (699,896) |
| Total governmental activities | <u>\$ 21,534,219</u> | <u>\$ 870,106</u> | <u>\$ 7,605,370</u> | <u>(13,058,743)</u> |
| General revenues: | | | | |
| Taxes: | | | | |
| Property taxes, levied for general purposes | | | 2,340,226 | |
| Property taxes, levied for debt services | | | 900,694 | |
| State aid | | | 12,947,553 | |
| Interest and investment earnings | | | 458,416 | |
| Other | | | 34,679 | |
| Total general revenues | | | <u>16,681,568</u> | |
| Change in net position | | | 3,622,825 | |
| Net position - beginning of year | | | (3,751,869) | |
| Net position - end of year | | | <u>\$ (129,044)</u> | |

CLARE PUBLIC SCHOOLS
Governmental Funds
Balance Sheet
June 30, 2024

| | General | Capital Investments | Other Nonmajor Governmental Funds | Total |
|---|----------------------------|----------------------------|--|-----------------------------|
| <u>Assets</u> | | | | |
| Cash and investments | \$ 5,417,859 | \$ 4,674,391 | \$ 1,615,334 | \$ 11,707,584 |
| Receivables - net: | | | | |
| Accounts receivable | 6,464 | 0 | 3,854 | 10,318 |
| Due from other funds | 11,092 | 0 | 415 | 11,507 |
| Due from other governmental units | 3,349,783 | 0 | 12,182 | 3,361,965 |
| Inventories | 1,423 | 0 | 20,866 | 22,289 |
| Prepaid expenditures | 344,151 | 0 | 50,000 | 394,151 |
| Total assets | <u>\$ 9,130,772</u> | <u>\$ 4,674,391</u> | <u>\$ 1,702,651</u> | <u>\$ 15,507,814</u> |
| <u>Liabilities and Fund Balance</u> | | | | |
| <u>Liabilities</u> | | | | |
| Accounts payable | \$ 458,315 | \$ 0 | \$ 23,382 | \$ 481,697 |
| Due to other funds | 415 | 0 | 11,092 | 11,507 |
| Unearned revenue | 665,114 | 0 | 6,375 | 671,489 |
| Due to other governments | 305,448 | 0 | 0 | 305,448 |
| Accrued payroll and other liabilities | 1,246,788 | 0 | 0 | 1,246,788 |
| Total liabilities | <u>2,676,080</u> | <u>0</u> | <u>40,849</u> | <u>2,716,929</u> |
| <u>Fund Balance</u> | | | | |
| Nonspendable - inventory | 1,423 | 0 | 20,866 | 22,289 |
| Nonspendable - prepaid | 344,151 | 0 | 50,000 | 394,151 |
| Restricted for debt service | 0 | 0 | 490,119 | 490,119 |
| Restricted for capital projects | 0 | 0 | 455,396 | 455,396 |
| Restricted for food service | 0 | 0 | 305,617 | 305,617 |
| Committed for student/school activities | 0 | 0 | 339,804 | 339,804 |
| Committed for capital investments | 0 | 4,674,391 | 0 | 4,674,391 |
| Unassigned | 6,109,118 | 0 | 0 | 6,109,118 |
| Total fund balance | <u>6,454,692</u> | <u>4,674,391</u> | <u>1,661,802</u> | <u>12,790,885</u> |
| Total liabilities and fund balance | <u>\$ 9,130,772</u> | <u>\$ 4,674,391</u> | <u>\$ 1,702,651</u> | <u>\$ 15,507,814</u> |

CLARE PUBLIC SCHOOLS
Reconciliation of Balance Sheet of Governmental Funds
to the Statement of Net Position
June 30, 2024

| | |
|--|---------------------|
| Total fund balance - governmental funds | \$ 12,790,885 |
| Amounts reported for governmental activities in the statement of net position are different because: | |
| Net OPEB asset is not a current financial resource and therefore is not reported in the funds | 472,342 |
| Capital assets used in governmental activities are not financial resources and are not reported in the funds | |
| Cost of the capital assets | 31,638,861 |
| Accumulated depreciation | (18,366,071) |
| Deferred outflows used in governmental activities are not financial resources and therefore are not reported in governmental funds: | |
| Related to pensions | 8,154,339 |
| Related to OPEB | 1,836,668 |
| Long-term liabilities are not due and payable in the current period and are not reported in the funds: | |
| Bonds payable | (1,500,000) |
| Compensated absences | (190,809) |
| Net pension liability | (26,527,445) |
| Bond premiums | (3,703) |
| Accrued interest payable is included as a liability in governmental activities | (3,117) |
| Deferred inflows used in governmental activities are not recognized as current resources and therefore are not reported in governmental funds: | |
| Related to pensions | (4,600,050) |
| Related to OPEB | (3,830,944) |
| Total net position - governmental activities | <u>\$ (129,044)</u> |

CLARE PUBLIC SCHOOLS
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended June 30, 2024

| | <u>General</u> | <u>Capital Investments</u> | <u>Other Nonmajor Governmental Funds</u> | <u>Total</u> |
|---|---------------------|----------------------------|--|----------------------|
| Revenues | | | | |
| Local sources | \$ 2,847,460 | \$ 243,989 | \$ 1,439,056 | \$ 4,530,505 |
| State sources | 18,061,185 | 0 | 243,614 | 18,304,799 |
| Federal sources | 899,816 | 0 | 810,947 | 1,710,763 |
| Interdistrict and other sources | 133,936 | 0 | 0 | 133,936 |
| Total revenues | <u>21,942,397</u> | <u>243,989</u> | <u>2,493,617</u> | <u>24,680,003</u> |
| Expenditures | | | | |
| Current: | | | | |
| Instruction | 13,454,604 | 0 | 0 | 13,454,604 |
| Support services | 7,254,892 | 0 | 7,571 | 7,262,463 |
| Athletics | 472,300 | 0 | 0 | 472,300 |
| Community services | 20,228 | 0 | 0 | 20,228 |
| Capital outlay | 125,395 | 0 | 218,981 | 344,376 |
| Payments to other public schools | 38,306 | 0 | 0 | 38,306 |
| Food services | 0 | 0 | 1,145,878 | 1,145,878 |
| Student activities | 0 | 0 | 372,990 | 372,990 |
| Miscellaneous | 0 | 0 | 1,000 | 1,000 |
| Debt service: | | | | |
| Principal | 0 | 0 | 725,000 | 725,000 |
| Interest and other | 0 | 0 | 52,463 | 52,463 |
| Total expenditures | <u>21,365,725</u> | <u>0</u> | <u>2,523,883</u> | <u>23,889,608</u> |
| Excess (deficiency) of revenues over expenditures | <u>576,672</u> | <u>243,989</u> | <u>(30,266)</u> | <u>790,395</u> |
| Other Financing Sources (Uses) | | | | |
| Operating transfers in | 11,092 | 0 | 8,615 | 19,707 |
| Operating transfers out | (8,615) | 0 | (11,092) | (19,707) |
| Total other financing sources (uses) | <u>2,477</u> | <u>0</u> | <u>(2,477)</u> | <u>0</u> |
| Net change in fund balance | 579,149 | 243,989 | (32,743) | 790,395 |
| Fund balance - beginning of year | <u>5,875,543</u> | <u>4,430,402</u> | <u>1,694,545</u> | <u>12,000,490</u> |
| Fund balance - end of year | <u>\$ 6,454,692</u> | <u>\$ 4,674,391</u> | <u>\$ 1,661,802</u> | <u>\$ 12,790,885</u> |

CLARE PUBLIC SCHOOLS
 Reconciliation of the Statement of Revenues, Expenditures and
 Changes in Fund Balance of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2024

| | |
|---|---------------------|
| Net change in fund balance - total governmental funds | \$ 790,395 |
| Amounts reported for governmental activities in the statements of activities are different because: | |
| Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation | |
| Depreciation expense | (699,896) |
| Capital outlay | 725,436 |
| The issuance of long-term debt (e.g. bonds) provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental fund. Neither transactions, however, has any effect of premiums, discounts, and similar items when the debt is first issued, where as these amounts are deferred and amortized in the statement of activities. The effect of these differences is the treatment of debt and related items as follows: | |
| Repayment of bonds | 725,000 |
| Premium on issuance | 3,702 |
| Increases in compensated absences are reported as a reduction in expenditures when financial resources are used in the governmental fund in accordance with GASB Interpretation No. 6 | |
| | (6,933) |
| Interest expense is reported as a reduction in expenditures on the Statement of Activities | |
| | 1,253 |
| Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds | |
| Pension related items | 594,977 |
| OPEB related items | <u>1,488,891</u> |
| Change in net position of governmental activities | <u>\$ 3,622,825</u> |

CLARE PUBLIC SCHOOLS
 Fiduciary Funds
 Statement of Fiduciary Net Position
June 30, 2024

| | |
|--|---------------------------------|
| | Private <u>Purpose Trust</u> |
| <u>Assets</u> | |
| Cash and investments | <u>\$ 48,599</u> |
| <u>Net Position</u> | |
| Restricted net position | <u>\$ 48,599</u> |
| CLARE PUBLIC SCHOOLS Fiduciary Funds Statement of Changes in Fiduciary Net Position <u>For the Year Ended June 30, 2024</u> | |
| | Private <u>Purpose Trust</u> |
| <u>Additions</u> | |
| Contributions | \$ 136,050 |
| <u>Deductions</u> | |
| Scholarships | <u>132,725</u> |
| | 3,325 |
| Net position - beginning of year | <u>45,274</u> |
| Net position - end of year | <u>\$ 48,599</u> |

CLARE PUBLIC SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Clare Public Schools (the "School District") conform to U.S. generally accepted accounting principles (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the School District:

Reporting Entity

The School District is governed by an elected 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 and Fund Financial Statements

The district-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All of the School District's government-wide activities are considered governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments and other items are not properly included among program revenues are reported as general revenue.

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

CLARE PUBLIC SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting and Financial Statement Presentation

District-wide Statements - The district-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants, categorical aid and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

As a general rule, the effect of interfund activity has been eliminated from the district-wide financial statements.

Amounts reported as program revenue include (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes and unrestricted State aid.

Fund-based 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 government considers revenue 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. Fiduciary Funds account for assets held by the District in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the District under the terms of a formal trust agreement. Fiduciary funds are not included in the government-wide statements.

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.

CLARE PUBLIC SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 provided for in other funds. Included are all transactions related to the approved current operating budget.

Capital Investment Fund - The Capital Investment Fund is used to account for the recording of transactions relative to the improvement of the facilities of the School District.

Assets, Liabilities, and Net Position or Equity

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

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds." Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds."

Inventory and Prepaid Items - Inventories are valued at cost, on a first-in, first-out basis. Inventory is maintained in the General Fund and Special Revenue Fund (Food Service Fund). Certain payments to vendors reflect costs applicable to future fiscal years and is recorded as prepaid items in both district-wide and fund financial statements.

Capital Assets - Capital assets, which include land, buildings, equipment and vehicles, are reported in the applicable governmental activities column in the district-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and any asset susceptible to theft. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. 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-type assets.

Buildings, equipment and vehicles are depreciated using the straight-line method over the following useful lives:

| | |
|----------------------------|------------|
| Buildings and improvements | 5-50 years |
| Buses and other vehicles | 5-8 years |
| Furniture and equipment | 3-25 years |

Compensated Absences - The liability for compensated absences reported in the district-wide statements consists of unpaid, accumulated annual and sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who are currently 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.

CLARE PUBLIC SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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

Fund Equity - The fund balance classifications are reported on the extent to which a government is bound to observe constraints imposed on the use of the resources in governmental funds. The fund balances are classified as nonspendable, restricted, committed, assigned and unassigned.

Nonspendable fund balance represents amounts that are not in a spendable form. The School District's nonspendable fund balance represents inventories and prepaid expenditures. In the fund financial statements, governmental funds report restrictions on fund balances for amounts that are legally restricted by outside parties for a specific purpose. Committed fund balance represents funds formally set aside by the School District for a particular purpose. The use of committed funds would be approved by the Board of Education through the budget process or official board action.

Assigned fund balance would represent tentative management plans that are subject to change which at the present time the School District does not have any assigned fund balance. The School District's intent would be to spend uncommitted/unassigned funds prior to the use of committed funds. When both restricted and unrestricted resources are available for use, it is the School District's policy to use restricted resources first, then unrestricted resources as they are needed.

Deferred Outflows and Inflows of Resources

Deferred outflows - In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. For district-wide financial statements, the School District reports deferred outflows of resources related to pensions and other postemployment benefits. 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 other postemployment benefits expense. Changes in assumptions relating to the net pension and other postemployment benefits liability are deferred and amortized over the expected remaining service lives of the employees and retirees in the plan. The School District also reported deferred outflows of resources for pension and other postemployment benefits contributions made after the measurement date. This amount will reduce the net pension and other postemployment benefits liability in the following year.

CLARE PUBLIC SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Inflows - In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. For district-wide financial statements, the School District reports deferred inflows of resources related to pensions and other postemployment benefits. 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 other postemployment benefits expense. Changes in assumptions relating to the net pension liability are deferred and amortized over the expected remaining service lives of the employees and retirees in the plan. Deferred inflows of resources also includes revenue received relating to Section 147c state aid deferred to offset the deferred outflows related to Section 147c pension contributions subsequent to the measurement period.

Use of Estimates - The process of preparing the basic financial statements in conformity with U.S. generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

Property taxes - For the taxpayers of the School District, properties are assessed as of December 31 and the related property taxes are levied and become a lien on July 1. The final collection date is February 28, after which uncollected taxes are added to the County delinquent tax rolls.

State Aid - For the fiscal year ended June 30, 2024, the State of Michigan adopted a foundation grant approach which provides for a specific annual amount of revenue per student based on a state-wide formula. The foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes which may be levied at a rate of up to 18 mills. The state revenue is recognized during the foundation period (currently the fiscal year) and is funded through payments from October 2023 - August 2024. The local revenue is recognized as outlined in Note 1. Amounts receivable from the State of Michigan at June 30, 2024 relating to state aid is \$3,216,546.

The School District also receives revenue from the state to administer certain categorical education programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Certain categorical funds require an accounting to the state of the expenditures incurred. For categorical funds meeting this requirement, funds received, which are not expended by the close of the fiscal year are recorded as deferred revenue. Other categorical funding is recognized when the appropriation is received.

CLARE PUBLIC SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Events Occurring After Reporting Date - Management evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through the date of the accompanying independent auditor's report, which is the date the financial statements were available to be issued.

NOTE 2 - BUDGETS

The State of Michigan adopted a Uniform Budgeting and Accounting Act (Act) applicable to all local governmental entities in the state. The law requires appropriation acts to be adopted for General and Special Revenue Funds of school districts prior to the expenditure of monies in a fiscal year.

Clare Public Schools follows these procedures in establishing the budgetary data reflected in the financial statements.

1. The School District's Superintendent submits to the Board of Education a proposed budget prior to July 1 of each year. The budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted to obtain taxpayer comments.
3. Budgeted amounts are as originally adopted, or as amended by the Board of Education throughout the year. Budgets are adopted to the functional level.
4. Appropriations lapse at year-end and therefore cancels all encumbrances. These appropriations are re-established at the beginning of the following year.

A comparison of actual results of operations to the budgeted amounts (at the level of control adopted by the Board of Education) for the General Fund is presented as Required Supplemental Information.

Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated. Violations, if any, in the general fund are noted in the required supplementary information section.

NOTE 3 - CASH AND INVESTMENTS

In accordance with Michigan Compiled Laws, the District is authorized to invest in the following investment vehicles:

1. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.

CLARE PUBLIC SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2024

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

2. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation (FDIC) or a savings and loan association which is a member of the Federal Savings and Loan Insurance Corporation (FSLIC) or a credit union which is insured by the National Credit Union Administration (NCUA), but only if the bank, savings and loan association, or credit union is eligible to be a depository of surplus funds belonging to the State under section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of the Michigan Compiled Laws.
3. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
4. The United States government or federal agency obligations repurchase agreements.
5. Bankers acceptances of United States banks.
6. Mutual funds composed of investment vehicles, which are legal for direct investment by local units of government in Michigan.

Michigan Compiled Laws allow for collateralization of government deposits, if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA 105, MCL 21.143, to secure deposits of State surplus funds, securities issued by the Federal Loan Mortgage Corporation, Federal National Mortgage Association, or Government National Mortgage Association.

At year-end, the School District's deposits and investments were reported in the basic financial statements in the following categories:

| | Primary Government | Fiduciary Funds | Total |
|---------------------------|-----------------------|-----------------|---------------|
| Cash and cash equivalents | \$ 11,707,584 | \$ 48,599 | \$ 11,756,183 |

As of June 30, 2024 the School District had deposits and investments subject to the following risk:

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. As of June 30, 2024, \$11,463,762 of the School District's bank balance of \$11,963,762 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 School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

CLARE PUBLIC SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2024

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

The School District will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the School District will do business.

Interest rate risk. In accordance with its investment policy, the School District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the School District's cash requirements.

| Investment type | Fair value | Weighted average maturity (years) |
|--------------------------------------|--------------|--|
| MILAF External Investment Pool - CMC | \$ 9,877,575 | N/A |

Concentration of credit risk. The School District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the School District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. Obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure by credit quality.

| Investment type | Fair value | Rating | Rating Agency |
|--------------------------------------|--------------|--------|-------------------|
| MILAF External Investment Pool - CMC | \$ 9,877,575 | AAAm | Standard & Poor's |

Foreign currency risk. The School District is not authorized to invest in investments which have this type of risk.

Fair value measurement. The School District is required to disclose amounts within a framework established for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described as follows:

CLARE PUBLIC SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2024

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

- Level 1: Quoted prices in active markets for identical securities.
- Level 2: Prices determined using other significant observable inputs. Observable inputs are inputs that other market participants may use in pricing a security. These may include prices for similar securities, interest rates, prepayment speeds, credit risk and others.
- Level 3: Prices determined using significant unobservable inputs. In situations where quoted prices or observable inputs are unavailable or deemed less relevant, unobservable inputs may be used. Unobservable inputs reflect the School District's own assumptions about the factors market participants would use in pricing an investment and would be based on the best information available.

The School District does not have any investments subject to the fair value hierarchy.

The School District voluntarily invests certain excess funds in external pooled investment funds which included money market funds. One of the pooled investment funds utilized by the School District is the Michigan Investment Liquid Asset Fund (MILAF). MILAF funds are considered external investment pools as defined by the GASB and as such are recorded at amortized cost which approximates fair value. The MILAF (MAX Class) fund requires notification of redemptions prior to 14 days to avoid penalties. These funds are not subject to the fair value disclosures.

| | |
|--------------------------------------|-------------------|
| | Amortized Cost |
| MILAF External Investment pool - CMC | \$ 9,877,575 |

The cash and cash equivalents and investments referred to above have been reported in either the cash and cash equivalents or investments captions on the financial statements, based upon criteria disclosed in Note 1.

CLARE PUBLIC SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2024

NOTE 4 - CAPITAL ASSETS

A summary of changes in governmental capital assets follows:

| | Balance June 30, 2023 | Additions | Disposals and Adjustments | Balance June 30, 2024 |
|--|--------------------------|--------------|------------------------------|--------------------------|
| Assets not being depreciated: | | | | |
| Land | \$ 128,336 | \$ 1,163,732 | \$ 0 | \$ 1,292,068 |
| Construction in progress | 1,691,901 | 0 | (1,691,901) | 0 |
| Subtotal | 1,820,237 | 1,163,732 | (1,691,901) | 1,292,068 |
| Capital assets being depreciated/amortized: | | | | |
| Buildings and improvements | 19,342,555 | 967,467 | 0 | 20,310,022 |
| Buses and other vehicles | 1,155,143 | 0 | 0 | 1,155,143 |
| Furniture and equipment | 8,595,490 | 286,138 | 0 | 8,881,628 |
| Subtotal | 29,093,188 | 1,253,605 | 0 | 30,346,793 |
| Accumulated depreciation/amortization: | | | | |
| Buildings and improvements | 9,167,066 | 429,917 | 0 | 9,596,983 |
| Buses and other vehicles | 772,504 | 110,673 | 0 | 883,177 |
| Furniture and equipment | 7,726,605 | 159,306 | 0 | 7,885,911 |
| Subtotal | 17,666,175 | 699,896 | 0 | 18,366,071 |
| Net capital assets being depreciated/amortized | 11,427,013 | 553,709 | 0 | 11,980,722 |
| Net capital assets | \$ 13,247,250 | \$ 1,717,441 | \$ (1,691,901) | \$ 13,272,790 |

Depreciation/amortization expense for fiscal year ended June 30, 2024 was \$699,896. The School District determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

CLARE PUBLIC SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2024

NOTE 5 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

A summary of interfund receivable and payable balances at June 30, 2024 are as follows:

| | | Payables | | |
|-------------|--------------|------------------|---------------|------------------|
| | | Food Service | General | Total |
| Receivables | General | \$ 11,092 | \$ 0 | \$ 11,092 |
| | Food Service | 0 | 415 | 415 |
| Total | | <u>\$ 11,092</u> | <u>\$ 415</u> | <u>\$ 11,507</u> |

A summary of interfund transfers made during the year ended June 30, 2024 are as follows:

| | | Transfers Out | | |
|--------------|---------------------|---------------|-----------------|------------------|
| | | General Fund | Food Service | Total |
| Transfers In | General Fund | \$ 0 | \$ 11,092 | \$ 11,092 |
| | Student Activity | 1,000 | 0 | 1,000 |
| | Pioneer Development | 7,200 | 0 | 7,200 |
| | Food Service | 415 | 0 | 415 |
| | Total | | <u>\$ 8,615</u> | <u>\$ 11,092</u> |

These interfund receivable and payable balances resulted from the time lag between the dates that (1) interfund goods and service are provided or reimbursable expenditures occur; (2) transactions are recorded in the accounting system; and (3) payments between funds are made.

The transfers are used to contribute into the Pioneer Development Fund and to contribute to student activities.

NOTE 6 - RECEIVABLES

Receivables at June 30, 2024 consist of accounts (fees), intergovernmental grants and interest.

A summary of the intergovernmental receivables (due from other governmental units) follows:

| | |
|----------------------------|---------------------|
| State aid and state grants | \$ 3,216,546 |
| Federal grants | 130,644 |
| Local governments | 14,775 |
| | <u>\$ 3,361,965</u> |

CLARE PUBLIC SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2024

NOTE 7 - UNEARNED REVENUE

Governmental funds report unearned revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also reflect unearned revenue in connection with resources that have been received but not yet earned. At the end of the current fiscal year, grant and categorical aid payments received prior to meeting all eligibility requirements amounted to \$671,489.

NOTE 8 - LONG-TERM OBLIGATIONS

The following is a summary of governmental long-term obligations for the School District for the year ended June 30, 2024:

| | Balance July 1, 2023 | Additions | Retirements and Payments | Balance June 30, 2024 | Amount Due Within One Year |
|--------------------------|-------------------------|-----------------|-----------------------------|--------------------------|----------------------------------|
| General obligation bonds | \$ 2,232,405 | \$ 0 | \$ 728,702 | \$ 1,503,703 | \$ 740,000 |
| Compensated absences | 183,876 | 6,933 | 0 | 190,809 | 0 |
| | <u>\$ 2,416,281</u> | <u>\$ 6,933</u> | <u>\$ 728,702</u> | <u>\$ 1,694,512</u> | <u>\$ 740,000</u> |

Long-term obligations at June 30, 2024 is comprised of the following issues:

General obligation bonds:

| | |
|--|---------------------|
| 2015 School building and site bonds due in annual installments of \$100,000 to \$340,000 through May 1, 2026 with an interest rate from 2.00% to 3.00% | \$ 660,000 |
| 2016 Refunding bonds due in annual installments of \$420,000 to \$490,000 through May 1, 2026 with an interest rate from .75% to 2.15% | 840,000 |
| | 1,500,000 |
| Premium | 3,703 |
| Total bonded debt | <u>\$ 1,503,703</u> |

Under the terms of the present contracts between the Board of Education of Clare Public Schools and the various employee groups, including teachers, administration, custodians and extra support personnel, the School District is contingently liable for compensated absences (sick pay). The amount of compensated absences, calculated based on number of years of service, amounts to \$190,809 at June 30, 2024.

CLARE PUBLIC SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2024

NOTE 8 - LONG-TERM OBLIGATIONS (CONTINUED)

The annual debt service requirements on long-term debt as of June 30, 2024, including interest payments are as follows:

| Year Ended June 30 | General Obligation Bonds | | |
|--------------------|--------------------------|------------------|---------------------|
| | Principal | Interest | Total |
| 2025 | \$ 740,000 | \$ 37,440 | \$ 777,440 |
| 2026 | 760,000 | 19,230 | 779,230 |
| | <u>\$ 1,500,000</u> | <u>\$ 56,670</u> | <u>\$ 1,556,670</u> |

NOTE 9 - RISK MANAGEMENT

The School District is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The School District has purchased commercial insurance for medical claims and participates in the SET-SEG risk pool for claims relating to workers' compensation, general liability, and property/casualty claims. Settled claims relating to the commercial insurance did not exceed the amount of insurance coverage in any of the past three fiscal years.

The SET-SEG shared-risk pool program in which the School District participates operates as a common risk-sharing management program for school districts in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

NOTE 10 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS

Plan Description

The Michigan Public School Employees' Retirement System (MPERS) (System) 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. MPERS issues a publicly available Comprehensive Annual Financial Report that can be obtained at www.michigan.gov/orsschools.

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 option of receiving health, prescription drug, dental and vision coverage under the Michigan Public School Employees' Retirement Act.

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 of Michigan Investment Board serves as the investment fiduciary and custodian for the system.

CLARE PUBLIC SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2024

NOTE 10 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS (CONTINUED)

Benefits Provided - Overall

Participants are enrolled in one of multiple plans based on date of hire and certain voluntary elections. A summary of the pension plans offered by MPERS is as follows:

| Plan Name | Plan Type | Plan Status |
|------------------------------|----------------------|-------------|
| Basic | Defined Benefit | Closed |
| Member Investment Plan (MIP) | Defined Benefit | Closed |
| Pension Plus | Hybrid | Closed |
| Pension Plus 2 | Hybrid | Open |
| Defined Contribution | Defined Contribution | Open |

Benefits Provided - Pension

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. Retirement benefits for DB plan members are determined by final average compensation and years of service. 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.

Prior to Pension reform of 2010 there were two plans commonly referred to as Basic and the Member Investment Plan (MIP). Basic Plan member's contributions range from 0% - 4%. On January 1, 1987, the Member Investment Plan (MIP) was enacted. MIP members enrolled prior to January 1, 1990, contribute at a permanently fixed rate of 3.9% of gross wages. Members first hired January 1, 1990, or later including Pension Plus Plan members, contribute at various graduated permanently fixed contribution rates from 3.0% - 7.0%.

Pension Reform 2010

On May 19, 2010, the Governor signed Public Act 75 of 2010 into law. As a result, any member of the Michigan Public School Employees' Retirement System (MPERS) who became a member of MPERS after June 30, 2010 is a Pension Plus member. Pension Plus is a hybrid plan that contains a pension component with an employee contribution (graded, up to 6.4% of salary) and a flexible and transferable defined contribution (DC) tax-deferred investment account that earns an employer match of 50% (up to 1% of salary) on employee contributions. Retirement benefits for Pension Plus members are determined by final average compensation and years of service. Disability and survivor benefits are available to Pension Plus members.

CLARE PUBLIC SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2024

NOTE 10 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS
(CONTINUED)

Pension Reform 2012

On September 4, 2012, the Governor signed Public Act 300 of 2012 into law. The legislation grants all active members who first became a member before July 1, 2010 and 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 pension. Any changes to a member's pension 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 the reform, members voluntarily chose to increase, maintain, or stop their contributions to the pension fund.

An amount determined by the member's election of Option 1, 2, 3, or 4 described below:

Option 1 – Members voluntarily elected to increase their contributions to the pension fund as noted below, and retain the 1.5% pension factor in their pension formula. The increased contribution would begin as of their transition date and continue until they terminate public school employment.

- Basic plan members: 4% contribution
- Member Investment Plan (MIP)-Fixed, MIP-Graded, and MIP-Plus members: a flat 7% contribution

Option 2 – Members voluntarily elected to increase their contribution to the pension fund as stated in Option 1 and retain the 1.5% pension factor in their pension formula. The increased contribution would begin as of their transition date and continue until they reach 30 years of service. If and when they reach 30 years of service, their contribution rates will return to the previous level in place as of the day before their transition date (0% for Basic plan members, 3.9% for MIP-Fixed, up to 4.3% for MIP-Graded, or up to 6.4% for MIP-Plus). The pension formula for any service thereafter would include a 1.25% pension factor.

Option 3 – Members voluntarily elected not to increase their contribution to the pension fund and maintain their current level of contribution to the pension fund. The pension formula for their years of service as of the day before their transition date will include a 1.5% pension factor. The pension formula for any service thereafter will include a 1.25% pension factor.

CLARE PUBLIC SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2024

NOTE 10 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS
(CONTINUED)

Option 4 – Members voluntarily elected to no longer contribute to the pension fund and therefore are switched to the Defined Contribution plan for future service as of their transition date. As a DC participant they receive a 4% employer contribution to the tax-deferred 401(k) account and can choose to contribute up to the maximum amounts permitted by the IRS to a 457 account. They vest in employer contributions and related earnings in their 401(k) account based on the following schedule: 50% at 2 years, 75% at 3 years, and 100% at 4 years of service. They are 100% vested in any personal contributions and related earnings in their 457 account. Upon retirement, if they meet age and service requirements (including their total years of service), they would also receive a pension (calculated based on years of service and final average compensation as of the day before their transition date and a 1.5% pension factor).

Members who did not make an election before the deadline defaulted to Option 3 as described above. Deferred or nonvested public school employees on September 3, 2012, who return to public school employment on or after September 4, 2012, will be considered as if they had elected Option 3 above. Returning members who made the retirement plan election will retain whichever option they chose.

Employees who first worked on or after September 4, 2012 choose between two retirement plans: the Pension Plus Plan and a Defined Contribution that provides a 50% employer match up to 3% of salary on employee contributions.

Final Average Compensation (FAC) - Average of highest 60 consecutive months for Basic Plan members and Pension Plus members (36 months for MIP members). FAC is calculated as of the last day worked unless the member elected Option 4, in which case the FAC is calculated at the transition date.

Pension Reform of 2017

On July 13, 2017, the Governor signed Public Act 92 of 2017 into law. The legislation closed the Pension Plus plan to newly hired employees as of February 1, 2018 and created a new, optional Pension Plus 2 plan with similar plan benefit calculations but containing a 50/50 contribution share between the employee and the employer, including the cost of future unfunded liabilities. The assumed rate of return on the Pension Plus 2 plan is 6%. Further, under certain adverse actuarial conditions, the Pension Plus 2 plan will close to new employees if the actuarial funded ratio falls below 85% for two consecutive years. The law included other provisions to the retirement eligibility age, plan assumptions, and unfunded liability payment methods.

CLARE PUBLIC SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2024

**NOTE 10 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS
(CONTINUED)**

Benefits Provided – Other postemployment benefit (OPEB)

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 health care 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.

Retiree Healthcare Reform of 2012

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 will be deposited into their 401(k) accounts.

Regular Retirement (no reduction factor for age)

Eligibility – A Basic plan member may retire at age 55 with 30 years credited service; or age 60 with 10 years credited service. For Member Investment Plan (MIP) members, age 46 with 30 years credited service; or age 60 with 10 years credited service; or age 60 with 5 years of credited service provided member worked through 60th birthday and has credited service in each of the last 5 years. For Pension Plus Plan (PPP) members, age 60 with 10 years of credited service.

CLARE PUBLIC SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2024

**NOTE 10 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS
(CONTINUED)**

Annual Amount – The annual pension is paid monthly for the lifetime of a retiree. The calculation of a member's pension is determined by their pension election under PA 300 of 2012.

Member Contributions

Depending on the plan selected, member contributions range from 0% - 7% for pension and 0% - 3% for other postemployment benefits. Plan members electing the defined contribution plan are not required to make additional contributions.

Employer Contributions

Employers are required by Public Act 300 of 1980, as amended, to contribute amounts necessary to finance the coverage of pension benefits and OPEB. 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 normal cost is the annual cost assigned under the actuarial funding method, to the current and subsequent plan years. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis.

Pension and OPEB contributions made in the fiscal year ending September 30, 2023 were determined as of the September 30, 2020 actuarial valuations. The pension and OPEB benefits, the unfunded (overfunded) actuarial accrued liabilities as of September 30, 2020, are amortized over a 16-year period beginning October 1, 2022 and ending September 30, 2038.

The School District's contributions are determined based on employee elections. There are several different benefit options included in the plan available to employees based on date of hire. Contribution rates are adjusted annually by the ORS. The range of rates is as follows:

| | Pension | Other Postemployment Benefit |
|--------------------------------------|-----------------|------------------------------------|
| October 1, 2023 - September 30, 2024 | 13.90% - 23.03% | 7.06% - 8.31% |
| October 1, 2022 - September 30, 2023 | 13.75% - 20.16% | 7.21% - 8.07% |

The School District's pension contributions for the year ended June 30, 2024 were equal to the required contribution total. Total pension contributions were approximately \$3,653,000. Of the total pension contributions approximately \$3,524,000 was contributed to fund the Defined Benefit Plan and approximately \$129,000 was contributed to fund the Defined Contribution Plan.

CLARE PUBLIC SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2024

**NOTE 10 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS
(CONTINUED)**

The School District's OPEB contributions for the year ended June 30, 2024 were equal to the required contribution total. Total OPEB contributions were approximately \$777,000. Of the total OPEB contributions approximately \$699,000 was contributed to fund the Defined Benefit Plan and approximately \$78,000 was contributed to fund the Defined Contribution Plan.

These amounts, for both pension and OPEB benefits, include contributions funded from State Revenue Section 147c restricted to fund the MPSERS Unfunded Actuarial Accrued Liability (UAAL) Stabilization Rate (100% for pension and 0% for OPEB).

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

Pension Liabilities

The net pension liability was measured as of September 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation date of September 30, 2022 and rolled-forward using generally accepted actuarial procedures. The School District's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined.

| MPSERS (Plan) Non-University Employers: | September 30, 2023 | September 30, 2022 |
|---|--------------------|--------------------|
| Total Pension Liability | \$ 94,947,828,557 | \$ 95,876,795,620 |
| Plan Fiduciary Net Position | \$ 62,581,762,238 | \$ 58,268,076,344 |
| Net Pension Liability | \$ 32,366,066,319 | \$ 37,608,719,276 |
| Proportionate share | 0.08196 % | 0.07983 % |
| Net Pension liability for the School District | \$ 26,527,445 | \$ 30,023,492 |

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

For the year ended June 30, 2024, the School District recognized pension expense of approximately \$960,000.

CLARE PUBLIC SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2024

**NOTE 10 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS
(CONTINUED)**

At June 30, 2024, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred (Inflows) of Resources</u> |
|---|---------------------------------------|--|
| Differences between expected and actual experience | \$ 837,391 | \$ (40,636) |
| Net difference between projected and actual earnings on pension plan investments | 0 | (542,837) |
| Changes in assumptions | 3,594,589 | (2,072,559) |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 539,782 | (264,811) |
| Unearned revenue related to pension portion of section 147 c | 0 | (1,679,206) |
| School District's contributions subsequent to the measurement date | 3,182,578 | 0 |
| Total | <u>\$ 8,154,340</u> | <u>\$ (4,600,049)</u> |

\$3,182,578, reported as deferred outflows of resources related to pensions resulting from School District employer contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

Other amounts reported as deferred outflows of resources and (deferred inflows) of resources related to pensions will be recognized in pension expense as follows:

| Year Ended June 30 | <u>Amount</u> |
|--------------------|---------------------|
| 2025 | \$ 614,577 |
| 2026 | 472,703 |
| 2027 | 1,287,093 |
| 2028 | (323,454) |
| | <u>\$ 2,050,919</u> |

CLARE PUBLIC SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2024

NOTE 10 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS
(CONTINUED)

OPEB (Asset) Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

OPEB (Asset) Liabilities

The net OPEB (asset) liability was measured as of September 30, 2023, and the total OPEB liability used to calculate the net OPEB (asset) liability was determined by an actuarial valuation date of September 30, 2022 and rolled-forward using generally accepted actuarial procedures. The School District's proportion of the net OPEB (asset) liability was based on a projection of its long-term share of contributions to the OPEB plan relative to the projected contributions of all participating reporting units, actuarially determined.

| MPSERS (Plan) Non-University Employers: | September 30, 2023 | September 30, 2022 |
|---|--------------------|--------------------|
| Total OPEB Liability | \$ 11,223,648,949 | \$ 12,522,713,324 |
| Plan Fiduciary Net Position | \$ 11,789,347,341 | \$ 10,404,650,683 |
| Net OPEB (Asset) Liability | \$ (565,698,392) | \$ 2,118,062,641 |
| Proportionate share | 0.08350 % | 0.07861 % |
| Net OPEB (Asset) Liability for the School District | \$ (472,342) | \$ 1,665,043 |

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2024, the School District recognized OPEB expense of approximately \$(853,000).

CLARE PUBLIC SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2024

NOTE 10 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS
(CONTINUED)

At June 30, 2024, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred (Inflows) of Resources</u> |
|---|---|--|
| Difference between expected and actual experience | \$ 0 | \$ (3,569,262) |
| Net difference between projected and actual plan investments | 1,440 | 0 |
| Changes in assumption | 1,051,517 | (126,623) |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 224,140 | (135,059) |
| School District's contributions subsequent to the measurement date | <u>559,570</u> | <u>0</u> |
| Total | <u>\$ 1,836,667</u> | <u>\$ (3,830,944)</u> |

\$559,570, reported as deferred outflows of resources related to OPEB resulting from School District employer contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB (asset) liability in the subsequent fiscal year.

Other amounts reported as deferred outflows of resources and (deferred inflows) of resources related to OPEB will be recognized in OPEB expense as follows:

| Year Ended June 30 | <u>Amount</u> |
|--------------------|-----------------------|
| 2025 | \$ (838,137) |
| 2026 | (819,173) |
| 2027 | (313,731) |
| 2028 | (277,462) |
| 2029 | (202,427) |
| Thereafter | (102,917) |
| | <u>\$ (2,553,847)</u> |

Actuarial Assumptions

Investment rate of return for Pension - 6.00% a year, compounded annually net of investment and administrative expenses for the MIP, Basic, Pension Plus and Pension Plus 2 groups.

CLARE PUBLIC SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2024

NOTE 10 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS
(CONTINUED)

Investment rate of return for OPEB - 6.00% a year, compounded annually net of investment and administrative expenses.

Salary increases - The rate of pay increase used for individual members is 2.75% - 11.55%, including wage inflation at 2.75%.

Inflation - 3.0%

Mortality assumptions -

Retirees: PubT-2010 Male and Female Retiree Mortality Tables scaled by 116% for males and 116% for females and adjusted for mortality improvements using projection scale MP-2021 from 2010

Active: PubT-2010 Male and Female Employee Mortality Tables scaled 100% and MP-202 adjusted for mortality improvements using projection scale from 2010.

Disabled Retirees: PubNS-2010 Male and Female Disabled Retiree Mortality Tables scaled 100% and adjusted for mortality improvements using projection scale MP-2021 from 2010.

Experience study - The annual actuarial valuation report of the System used for these statements is dated September 30, 2022. Assumption changes as a result of an experience study for the periods 2017 through 2022 have been adopted by the System for use in the determination of the total pension and OPEB liability beginning with the September 30, 2023 valuation.

The long-term expected rate of return on pension and other postemployment benefit plan investments - The pension rate was 6.00% (MIP, Basic, Pension Plus Plan and Pension Plus 2 Plan), and the other postemployment benefit rate was 6.00%, net of investment and administrative expenses 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 and OPEB 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.

Cost of Living Pension Adjustments – 3.0% annual non-compounded for MIP members.

Healthcare cost trend rate for other postemployment benefit – Pre 65, 7.50% for year one and graded to 3.5% for year fifteen. Post 65, 6.25% for year one and graded to 3.5% in year fifteen.

Additional assumptions for other postemployment benefit only – Applies to individuals hired before September 4, 2012:

Opt Out Assumption - 21% of eligible participants hired before July 1, 2008 and 30% of those hired after June 30, 2008 are assumed to opt out of the retiree health plan.

CLARE PUBLIC SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2024

NOTE 10 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS
(CONTINUED)

Survivor Coverage - 80% of male retirees and 67% of female retirees are assumed to have coverage 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.

The target asset allocation at September 30, 2023 and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

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

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

Rate of return - For fiscal year ended September 30, 2023, the annual money-weighted rate of return on pension and OPEB plan investments, net of pension and OPEB plan investment expense, was 8.29% and 7.94% respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amount actually invested.

Pension discount rate - A single discount rate of 6.00% was used to measure the total pension liability. This discount rate was based on the long-term rate of return on pension plan investments of 6.00%. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that contributions from school districts will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those 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.

CLARE PUBLIC SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2024

**NOTE 10 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS
(CONTINUED)**

OPEB discount rate - A single discount rate of 6.00% 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 6.00%. The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that school districts 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 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 a single discount rate of 6.00%, 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 point higher than the current rate:

| | <u>Pension</u> | | |
|--|---------------------|----------------------|---------------------|
| | <u>1% Decrease</u> | <u>Discount Rate</u> | <u>1% Increase</u> |
| School District's proportionate share of the net pension liability | <u>\$35,838,500</u> | <u>\$26,527,445</u> | <u>\$18,775,654</u> |

Sensitivity of the net OPEB (asset) liability to changes in the discount rate - The following presents the School District's proportionate share of the net OPEB (asset) liability calculated using the discount rate of 6.00%, as well as what the Reporting Unit's proportionate share of the net OPEB (asset) liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

| | <u>Other postemployment benefit</u> | | |
|---|-------------------------------------|----------------------|----------------------|
| | <u>1% Decrease</u> | <u>Discount Rate</u> | <u>1% Increase</u> |
| School District's proportionate share of the net OPEB (asset) liability | <u>\$489,677</u> | <u>\$(472,342)</u> | <u>\$(1,299,104)</u> |

CLARE PUBLIC SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2024

**NOTE 10 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS
(CONTINUED)**

Sensitivity to the net OPEB (asset) liability to changes in the healthcare cost trend rates - The following presents the School District's proportionate share of the net other postemployment benefit liability calculated using the healthcare cost trend rate, as well as what the School District's proportionate share of the net other postemployment benefit (asset) liability would be if it were calculated using a healthcare cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

| | <u>Other postemployment benefit</u> | | |
|---|-------------------------------------|--|--------------------|
| | <u>1% Decrease</u> | <u>Current Healthcare cost trend rates</u> | <u>1% Increase</u> |
| School District's proportionate share of the net OPEB (asset) liability | <u>\$(1,299,104)</u> | <u>\$(472,342)</u> | <u>\$424,716</u> |

Pension and OPEB Plan Fiduciary Net Position - Detailed information about the pension and OPEB plan's fiduciary net position is available in the separately issued Michigan Public School Employees Retirement System 2023 Annual Comprehensive Financial Report.

Payable to the Pension and OPEB Plan - At year end the School District is current on all required pension and other postemployment benefit plan payments. Amounts accrued at year end for accounting purposes are included in the financial statements as a liability titled accrued payroll and payroll liabilities. These amounts represent current payments for June paid in July, accruals for summer pay primarily for teachers and the contributions due funded from State Revenue Section 147c restricted to fund the MPSERS Unfunded Actuarial Accrued Liability (UAAL).

NOTE 11 - GRANTS

The School District receives significant financial assistance from federal and state governmental agencies in the form of grants. The disbursement of funds received under these programs generally require compliance with terms and conditions specified in the grant agreements and are subject to audit by the School District's independent auditors and other governmental auditors. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable fund. Based on prior experience, the School District administration believes such disallowance, if any, would be immaterial.

CLARE PUBLIC SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2024

NOTE 12 - ECONOMIC DEPENDENCY

The School District received approximately 81% of their General Fund revenue from the Michigan Department of Education. Due to the significance of this revenue source to the School District, the School District is considered to be economically dependent.

NOTE 13 - TAX ABATEMENTS

The School District receives reduced property tax revenues as a result of Industrial Facilities Tax exemptions, Brownfield Redevelopment Agreements, and Payments in Lieu of Taxes (PILOT) granted by cities, villages and townships. 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; PILOT programs apply to multiple unit housing for citizens of low income and the elderly.

The taxes abated for the General Fund operating millage is considered by the State of Michigan when determining the School District's section 22 funding of the State School Aid Act.

There are no significant abatements made by the School District.

CLARE PUBLIC SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2024

NOTE 14 - UPCOMING ACCOUNTING PRONOUNCEMENT

In June 2022, the GASB issued Statement No. 101, *Compensated Absences*. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. This statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements. The School District is currently evaluating the impact this standard will have on the financial statements when adopted during the 2024-2025 fiscal year.

In December 2023, the GASB issued Statement No. 102, *Certain Risk Disclosures*. This Statement requires a government to assess whether a concentration or constraint makes the government vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. If a government determines that those criteria for disclosure have been met for a concentration or constraint, it should disclose information in notes to financial statements in sufficient detail to enable users of financial statements to understand the nature of circumstances disclosed and the government's vulnerability to the risk of substantial impact. The School District is currently evaluating the impact this standard will have on the financial statements when adopted during the 2024-2025 fiscal year.

In April 2024, the GASB issued Statement No. 103, *Financial Reporting Model Improvements*. This Statement establishes new accounting and financial reporting requirements—or modifies existing requirements—related to the following:

- a. Management's discussion and analysis (MD&A);
 - i. Requires that the information presented in MD&A be limited to the related topics discussed in five specific sections:
 - 1) Overview of the Financial Statements,
 - 2) Financial Summary,
 - 3) Detailed Analyses,
 - 4) Significant Capital Asset and Long-Term Financing Activity,
 - 5) Currently Known Facts, Decisions, or Conditions;
 - ii. Stresses detailed analyses should explain why balances and results of operations changed rather than simply presenting the amounts or percentages by which they changed;
 - iii. Removes the requirement for discussion of significant variations between original and final budget amounts and between final budget amounts and actual results;
- b. Unusual or infrequent items;
- c. Presentation of the proprietary fund statement of revenues, expenses, and changes in fund net position;
 - i. Requires that the proprietary fund statement of revenues, expenses, and changes in fund net position continue to distinguish between operating and nonoperating revenues and expenses and clarifies the definition of operating and nonoperating revenues and expenses;

CLARE PUBLIC SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2024

CLARE PUBLIC SCHOOLS
Required Supplemental Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2024

NOTE 14 - UPCOMING ACCOUNTING PRONOUNCEMENT (CONTINUED)

- ii. Requires that a subtotal for operating income (loss) and noncapital subsidies be presented before reporting other nonoperating revenues and expenses and defines subsidies;
- d. Information about major component units in basic financial statements should be presented separately in the statement of net position and statement of activities unless it reduces the readability of the statements in which case combining statements of should be presented after the fund financial statements;
- e. Budgetary comparison information should include variances between original and final budget amounts and variances between final budget and actual amounts with explanations of significant variances required to be presented in the notes to RSI;

The School District is currently evaluating the impact this standard will have on the financial statements when adopted during the 2025-2026 fiscal year.

NOTE 15 - SUBSEQUENT EVENT

At the August, 6, 2024 election, voters approved the School District's bond proposal that authorizes a 15 year renewal at no increase to the current millage rate, that will generate approximately \$12.1 million for safety and security upgrades, renovations and improvements.

| | Original Budget | Final Amended Budget | Actual | Variances with Final Budget Favorable (Unfavorable) |
|---|---------------------|----------------------------|---------------------|--|
| Revenues | | | | |
| Local sources | \$ 2,652,915 | \$ 2,838,901 | \$ 2,847,460 | \$ 8,559 |
| State sources | 16,786,617 | 17,968,839 | 18,061,185 | 92,346 |
| Federal sources | 829,657 | 896,239 | 899,816 | 3,577 |
| Interdistrict and other sources | 107,500 | 133,936 | 133,936 | 0 |
| Total revenues | <u>20,376,689</u> | <u>21,837,915</u> | <u>21,942,397</u> | <u>104,482</u> |
| Expenditures | | | | |
| Instruction: | | | | |
| Basic programs | 9,990,886 | 10,100,220 | 9,973,112 | 127,108 |
| Added needs | 3,496,615 | 3,445,442 | 3,395,981 | 49,461 |
| Adult/continuing education | 74,046 | 87,628 | 85,511 | 2,117 |
| Support services: | | | | |
| Pupil | 919,169 | 967,224 | 963,044 | 4,180 |
| Instructional staff | 449,510 | 506,469 | 500,186 | 6,283 |
| General administrative | 413,678 | 405,334 | 401,381 | 3,953 |
| School administrative | 1,232,961 | 1,238,741 | 1,226,262 | 12,479 |
| Business services | 422,613 | 486,694 | 481,103 | 5,591 |
| Operations and maintenance | 1,855,934 | 2,278,873 | 2,226,897 | 51,976 |
| Transportation | 543,771 | 482,966 | 463,163 | 19,803 |
| Information services | 820,134 | 1,003,951 | 992,856 | 11,095 |
| Athletics | 438,990 | 482,443 | 472,300 | 10,143 |
| Community services | 17,529 | 20,348 | 20,228 | 120 |
| Capital outlay | 88,000 | 125,395 | 125,395 | 0 |
| Payments to other public schools | 30,000 | 40,000 | 38,306 | 1,694 |
| Total expenditures | <u>20,793,836</u> | <u>21,671,728</u> | <u>21,365,725</u> | <u>306,003</u> |
| Excess (deficiency) of revenues over expenditures | <u>(417,147)</u> | <u>166,187</u> | <u>576,672</u> | <u>410,485</u> |
| Other Financing Sources (Uses) | | | | |
| Operating transfers in | 0 | 0 | 11,092 | 11,092 |
| Operating transfers out | (8,200) | (8,200) | (8,615) | (415) |
| Total other financing sources (uses) | <u>(8,200)</u> | <u>(8,200)</u> | <u>2,477</u> | <u>10,677</u> |
| Net change in fund balance | (425,347) | 157,987 | 579,149 | 421,162 |
| Fund balance - beginning of year, restated | 5,875,543 | 5,875,543 | 5,875,543 | 0 |
| Fund balance - end of year | <u>\$ 5,450,196</u> | <u>\$ 6,033,530</u> | <u>\$ 6,454,692</u> | <u>\$ 421,162</u> |

CLARE PUBLIC SCHOOLS
 Required Supplemental Information
 Schedule of the Reporting Unit's Proportionate Share of the Net Pension Liability
 Michigan Public School Employees Retirement Plan
Last 10 Fiscal Years (Amounts were determined as of 9/30 of each fiscal year)

| | <u>2023</u> | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Reporting unit's proportion of net pension liability (%) | 0.08196 % | 0.07983 % | 0.08030 % | 0.08188 % | 0.08085 % | 0.07850 % | 0.07822 % | 0.07924 % | 0.08030 % | 0.07913 % |
| Reporting unit's proportionate share of net pension liability | \$26,527,445 | \$30,023,492 | \$19,010,902 | \$28,126,818 | \$26,774,702 | \$23,598,758 | \$20,270,552 | \$19,768,701 | \$19,613,275 | \$17,429,523 |
| Reporting unit's covered-employee payroll* | \$ 8,435,064 | \$ 7,696,397 | \$ 7,195,513 | \$ 7,228,138 | \$ 7,210,314 | \$ 6,729,903 | \$ 6,519,937 | \$ 6,677,500 | \$ 6,693,671 | \$ 6,722,422 |
| Reporting unit's proportionate share of net pension liability as a percentage of its covered-employee payroll | 31.79750 % | 25.63458 % | 37.84940 % | 25.69839 % | 26.92958 % | 28.51804 % | 32.16458 % | 33.77814 % | 34.12827 % | 38.56917 % |
| Plan fiduciary net position as a percentage of total pension liability (Non-university employers) | 66.30000 % | 60.77000 % | 72.60000 % | 59.72000 % | 60.31000 % | 62.36000 % | 63.27000 % | 63.01000 % | 62.92000 % | 66.20000 % |

* The employer's covered payroll is defined by GASB 82, *Pension Issues - an amendment to GASB Statements No. 67, No. 68, and No. 73*, as payroll on which contributions to a pension plan are based. For non-university employers, covered payroll for both pension and OPEB represents payroll on which contributions to both plans are based.

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CLARE PUBLIC SCHOOLS
 Required Supplemental Information
 Schedule of the Reporting Unit's Pension Contributions
 Michigan Public School Employees Retirement Plan
Last 10 Reporting Unit Fiscal Years (Amounts were determined as of 6/30 of each fiscal year)

| | <u>2024</u> | <u>2023</u> | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|--|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Statutorily required contributions | \$ 3,641,542 | \$ 3,723,201 | \$ 2,706,244 | \$ 2,350,911 | \$ 2,228,076 | \$ 2,107,210 | \$ 2,104,454 | \$ 1,827,125 | \$ 1,824,355 | \$ 1,537,475 |
| Contributions in relation to statutorily required contributions* | <u>3,641,542</u> | <u>3,723,201</u> | <u>2,706,244</u> | <u>2,350,911</u> | <u>2,228,076</u> | <u>2,107,210</u> | <u>2,104,454</u> | <u>1,827,125</u> | <u>1,824,355</u> | <u>1,537,475</u> |
| Contribution deficiency (excess) | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> |
| Reporting unit's covered-employee payroll** | \$ 8,943,277 | \$ 8,482,812 | \$ 7,738,520 | \$ 6,906,099 | \$ 7,280,972 | \$ 7,058,585 | \$ 6,676,629 | \$ 6,473,975 | \$ 6,366,764 | \$ 6,757,761 |
| Contributions as a percentage of covered-employee payroll | 40.72 % | 43.89 % | 34.97 % | 34.04 % | 30.60 % | 29.85 % | 31.52 % | 28.22 % | 28.65 % | 22.75 % |

* Contributions in relation to statutorily required contributions are the contributions a reporting unit actually made to the System, as distinct from the statutorily required contributions.

** The employer's covered payroll is defined by GASB 82, *Pension Issues - an amendment to GASB Statements No. 67, No. 68, and No. 73*, as payroll on which contributions to a pension plan are based. For non-university employers, covered payroll for both pensions and OPEB represents payroll on which contributions to both plans are based.

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CLARE PUBLIC SCHOOLS
 Required Supplemental Information
 Schedule of the Reporting Unit's Proportionate Share of the Net OPEB (Asset) Liability
 Michigan Public School Employees Retirement Plan
Last 10 Fiscal Years (Amounts were determined as of 9/30 of each fiscal year)

| | <u>2023</u> | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> |
|--|----------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Reporting unit's proportion of net OPEB (asset) liability (%) | 0.08350 % | 0.07861 % | 0.07902 % | 0.08121 % | 0.08230 % | 0.07893 % | 0.07819 % |
| Reporting unit's proportionate share of net OPEB (asset) liability | \$ (472,342) | \$ 1,665,043 | \$ 1,206,109 | \$ 4,350,626 | \$ 5,907,389 | \$ 6,273,706 | \$ 6,924,477 |
| Reporting unit's covered-employee payroll* | \$ 8,435,064 | \$ 7,696,397 | \$ 7,195,513 | \$ 7,228,138 | \$ 7,210,314 | \$ 6,729,903 | \$ 6,519,937 |
| Reporting unit's proportionate share of net OPEB (asset) liability as a percentage of its covered-employee payroll | (1,785.79589)% | 462.23413 % | 596.58895 % | 166.14018 % | 122.05585 % | 107.27157 % | 94.15783 % |
| Plan fiduciary net position as a percentage of total OPEB liability (Non-university employers) | 105.72000 % | 83.09000 % | 87.33000 % | 59.44000 % | 48.46000 % | 42.95000 % | 36.39000 % |

* The employer's covered payroll is defined by GASB 85, *Omnibus 2017*, as payroll on which contributions to the OPEB plan are based. For non-university employers, covered payroll for both pension and OPEB represents payroll on which contributions to both plans are based.

With the implementation of GASB Statement No. 75 in 2018, the 10 year history will be provided prospectively until a full 10 year history is shown.

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CLARE PUBLIC SCHOOLS
 Required Supplemental Information
 Schedule of the Reporting Unit's OPEB Contributions
 Michigan Public School Employees Retirement Plan
Last 10 Reporting Unit Fiscal Years (Amounts were determined as of 6/30 of each fiscal year)

| | <u>2024</u> | <u>2023</u> | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Statutorily required contributions | \$ 743,218 | \$ 640,589 | \$ 599,115 | \$ 558,104 | \$ 623,294 | \$ 588,759 | \$ 531,709 |
| Contributions in relation to statutorily required contributions* | 743,218 | 640,589 | 599,115 | 558,104 | 623,294 | 588,759 | 531,709 |
| Contribution deficiency (excess) | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 |
| Reporting unit's covered-employee payroll** | \$ 8,943,277 | \$ 8,482,812 | \$ 7,738,520 | \$ 6,906,099 | \$ 7,280,972 | \$ 7,058,585 | \$ 6,676,629 |
| Contributions as a percentage of covered-employee payroll | 8.31 % | 7.55 % | 7.74 % | 8.08 % | 8.56 % | 8.34 % | 7.96 % |

* Contributions in relation to statutorily required contributions are the contributions a reporting unit actually made to the System, as distinct from the statutorily required contributions.

** The employer's covered payroll is defined by GASB 85, *Omnibus 2017*, as payroll on which contributions to the OPEB plan are based. For non-university employers, covered payroll for both pension and OPEB represents payroll on which contributions to both plans are based.

With the implementation of GASB Statement No. 75 in 2018, the 10 year history will be provided prospectively until a full 10 year history is shown.

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CLARE PUBLIC SCHOOLS
Notes to Required Supplementary Information
For the Year Ended June 30, 2024

NOTE 1 - PENSION INFORMATION

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

Changes of assumptions: The assumptions changes for 2023 were:

- ◆ Mortality assumptions were updated to the Pub-2010 Male and Female Retiree Mortality Tables from the RP-2014 Male and Female Healthy Annuitant table.

NOTE 2 - OPEB INFORMATION

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

Changes of assumptions: The assumptions changes for 2023 were:

- ◆ Healthcare cost trend rate
 - Pre 65 decreased to 7.50% for year one graded to 3.50% for year fifteen from 7.75% for year one graded to 3.50% for year fifteen.
 - Post 65 increased to 6.25% for year one and graded to 3.5% for year fifteen from 5.25% for year one and graded to 3.5% for year fifteen
- ◆ Mortality assumptions were updated to the Pub-2010 Male and Female Retiree Mortality Tables from the RP-2014 Male and Female Healthy Annuitant table.

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APPENDIX D
FORM OF APPROVING OPINION

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DRAFT LEGAL OPINION

Clare Public Schools
Counties of Clare and Isabella
State of Michigan

We have acted as bond counsel in connection with the issuance by Clare Public Schools, Counties of Clare and Isabella, State of Michigan (the “Issuer”), of its bonds in the aggregate principal amount of \$_____ designated 2024 School Building and Site Bonds (General Obligation - Unlimited Tax) (the “Bonds”). The Bonds are in fully registered form and issued without coupons, are dated _____, 2024, are of \$5,000 denomination or any integral multiple thereof, are subject to redemption prior to maturity at the option of the Issuer in the manner and at the times as set forth in the Bonds, mature on May 1 of each year, and bear interest payable on May 1, 2025, and semiannually thereafter on November 1 and May 1 of each year in the amounts and at the rates as follows:

| <u>Year</u> | <u>Amount</u> | <u>Rate</u> | <u>Year</u> | <u>Amount</u> | <u>Rate</u> |
|-------------|---------------|-------------|-------------|---------------|-------------|
|-------------|---------------|-------------|-------------|---------------|-------------|

The Bonds maturing on May 1, 20__, are term Bonds subject to mandatory redemption in part, by lot, on the redemption dates and at the redemption price equal to the principal amount thereof as provided in the Bonds.

We have examined the documents which we deem authentic and pertinent to the validity of the Bonds, including the certified record evidencing the authorization of the Bonds by the electors and board of education of the Issuer, a copy of the approval of the Department of Treasury of the State of Michigan to issue the Bonds, and a specimen of the Bond certificate of said issue.

Based upon the foregoing, we are of the opinion that under existing law:

- (1) the Bonds have been lawfully authorized and issued and are enforceable obligations of the Issuer in accordance with their terms;
- (2) the Bonds are the general obligation of the Issuer for which its full faith, credit and resources have been irrevocably pledged;
- (3) the Issuer has the power, and is obligated, to levy taxes on all taxable property now situated within the corporate boundaries of the Issuer, without limitation as to rate or amount, sufficient to pay the principal of and interest on the Bonds;



Clare Public Schools
Counties of Clare and Isabella
State of Michigan

_____, 2024
Page 2

(4) the Bonds and the interest thereon are exempt from all taxation in the State of Michigan, except inheritance and estate taxes and taxes on gains realized from the sale, payment or other disposition thereof; and

(5) the interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals; however, interest on the Bonds held by an “applicable corporation” as defined in Section 59(k) of the Internal Revenue Code of 1986, as amended (the “Code”), is included in annual “adjusted financial statement income” for purposes of calculating the alternative minimum tax imposed on an applicable corporation. The opinions set forth in the preceding sentence are subject to the condition that the Issuer comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The Issuer has covenanted to comply with such requirements. Failure to comply with certain of such requirements may cause the inclusion of interest on the Bonds in gross income for federal income tax purposes to be retroactive to the date of issuance of the Bonds. We express no opinion regarding other federal tax consequences arising with respect to the Bonds.

The rights of the owners of the Bonds and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors’ rights heretofore or hereafter enacted to the extent constitutionally applicable and that their enforcement of such rights may also be subject to the exercise of judicial discretion in appropriate cases.

THRUN LAW FIRM, P.C.

TLF/MDG

APPENDIX E
FORM OF CONTINUING DISCLOSURE AGREEMENT

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**FORM OF
CONTINUING DISCLOSURE AGREEMENT**

**\$11,170,000
CLARE PUBLIC SCHOOLS
COUNTIES OF CLARE AND ISABELLA
STATE OF MICHIGAN
2024 SCHOOL BUILDING AND SITE BONDS
(GENERAL OBLIGATION - UNLIMITED TAX)**

This Continuing Disclosure Agreement (the “Agreement”) is executed and delivered by Clare Public Schools, Counties of Clare and Isabella, State of Michigan (the “Issuer”), in connection with the issuance of its \$11,170,000 2024 School Building and Site Bonds (General Obligation - Unlimited Tax) (the “Bonds”). The Bonds are being issued pursuant to resolutions adopted by the Board of Education of the Issuer on September 3, 2024 and _____, 2024 (together, the “Resolution”). The Issuer covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Agreement. This Agreement is being executed and delivered by the Issuer for the benefit of the Bondholders and in order to assist the Participating Underwriter in complying with the Rule. The Issuer acknowledges that this Agreement does not address the scope of any application of Rule 10b-5 promulgated by the SEC pursuant to the 1934 Act to the Annual Reports or notices of the Listed Events provided or required to be provided by the Issuer pursuant to this Agreement.

SECTION 2. Definitions. In addition to the definitions set forth in the Resolution, which apply to any capitalized term used in this Agreement unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“Annual Report” shall mean any Annual Report provided by the Issuer pursuant to, and as described in, Sections 3 and 4 of this Agreement.

“Bondholder” means the registered owner of a Bond or any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including any person holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bond for federal income tax purposes.

“Dissemination Agent” means any agent designated as such in writing by the Issuer and which has filed with the Issuer a written acceptance of such designation, and such agent’s successors and assigns.

“EMMA” shall mean the MSRB’s Electronic Municipal Market Access which provides continuing disclosure services for the receipt and public availability of continuing disclosure documents and related information required by Rule 15c2-12 promulgated by the SEC.

“Financial Obligation” shall mean (a) a debt obligation, (b) a derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation, or (c) a guarantee of (a) or (b) provided; however, that a “Financial Obligation”



shall not include any municipal security for which a final official statement has been provided to the MSRB consistent with the Rule.

“Listed Events” shall mean any of the events listed in Section 5(a) of this Agreement.

“MSRB” shall mean the Municipal Securities Rulemaking Board.

“1934 Act” shall mean the Securities Exchange Act of 1934, as amended.

“Official Statement” shall mean the final Official Statement for the Bonds dated _____, 2024.

“Participating Underwriter” shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with the offering of the Bonds.

“Resolution” shall mean the resolutions duly adopted by the Issuer authorizing the issuance, sale and delivery of the Bonds.

“Rule” shall mean Rule 15c2-12 promulgated by the SEC pursuant to the 1934 Act, as the same may be amended from time to time.

“SEC” shall mean the Securities and Exchange Commission.

“State” shall mean the State of Michigan.

SECTION 3. Provision of Annual Reports.

(a) Each year, the Issuer shall provide, or shall cause the Dissemination Agent to provide, on or prior to the end of the sixth month after the end of the fiscal year of the Issuer commencing with the fiscal year ending June 30, 2024, to EMMA an Annual Report for the preceding fiscal year which is consistent with the requirements of Section 4 of this Agreement. Currently, the Issuer’s fiscal year ends on June 30. In each case, the Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by specific reference other information as provided in Section 4 of this Agreement; provided, however, that if the audited financial statements of the Issuer are not available by the deadline for filing the Annual Report, they shall be provided when and if available, and unaudited financial statements in a format similar to the financial statements contained in the Official Statement shall be included in the Annual Report.

(b) The Annual Report shall be submitted to EMMA either through a web-based electronic submission interface or through electronic computer-to-computer data connections with EMMA in accordance with the submission process, document format and configuration requirements established by the MSRB. The Annual Report shall also include all related information required by MSRB to accurately identify: (i) the category of information being provided; (ii) the period covered by the Annual Report; (iii) the issues or specific securities to which the Annual Report is related (including CUSIP number, Issuer name, state, issue description/securities name, dated date, maturity date, and/or coupon rate); (iv) the name of any obligated person other than the Issuer; (v) the name and date of the document; and (vi) contact information for the Dissemination Agent or the Issuer’s submitter.

(c) If the Issuer is unable to provide to EMMA an Annual Report by the date required in subsection (a), the Issuer shall send a notice in a timely manner to the MSRB in substantially the form attached as Appendix A.

(d) If the Issuer's fiscal year changes, the Issuer shall send a notice of such change to the MSRB in substantially the form attached as Appendix B. If such change will result in the Issuer's fiscal year ending on a date later than the ending date prior to such change, the Issuer shall provide notice of such change to the MSRB on or prior to the deadline for filing the Annual Report in effect when the Issuer operated under its prior fiscal year. Such notice may be provided to the MSRB along with the Annual Report, provided that it is filed at or prior to the deadline described above.

SECTION 4. Content of Annual Reports. The Issuer's Annual Report shall contain or include by reference the following:

(a) audited financial statements of the Issuer prepared pursuant to State laws, administrative rules and guidelines and pursuant to accounting and reporting policies conforming in all material respects to generally accepted accounting principles as applicable to governmental units as such principles are prescribed, in part, by the Financial Accounting Standards Board and modified by the Government Accounting Standards Board and in effect from time to time; and

(b) additional annual financial information and operating data as set forth in the Official Statement under "CONTINUING DISCLOSURE".

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the Issuer or related public entities, which previously have been provided to each of the Repositories or filed with the SEC. If the document included by specific reference is a final official statement, it must be available from the MSRB. The Issuer shall clearly identify each such other document so included by reference.

SECTION 5. Reporting of Significant Events.

(a) The Issuer covenants to provide, or cause to be provided, notice in a timely manner not in excess of ten business days of the occurrence of any of the following events with respect to the Bonds in accordance with the Rule:

- (1) principal and interest payment delinquencies;
- (2) non-payment related defaults, if material;
- (3) unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) substitution of credit or liquidity providers, or their failure to perform;
- (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security;
- (7) modifications to rights of security holders, if material;
- (8) bond calls, if material, and tender offers;
- (9) defeasances;

- (10) release, substitution, or sale of property securing repayment of the securities, if material;
- (11) rating changes;
- (12) bankruptcy, insolvency, receivership or similar event of the Issuer or other obligated person;
- (13) the consummation of a merger, consolidation, or acquisition involving the Issuer or other obligated person or the sale of all or substantially all of the assets of the Issuer or other obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- (14) appointment of a successor or additional trustee or the change of name of a trustee, if material;
- (15) incurrence of a Financial Obligation of the Issuer or other obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Issuer or other obligated person, any of which affect security holders, if material;
- (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the Issuer or other obligated person, any of which reflect financial difficulties.

(b) Whenever the Issuer obtains knowledge of the occurrence of a Listed Event, the Issuer shall as soon as possible determine if such event would constitute material information for the Bondholders, provided that any event other than those listed under Section 5(a)(2), (6), (7), (8), (10), (13), (14) or (15) above will always be deemed to be material. Events listed under Section 5(a)(6) and (8) above will always be deemed to be material except with respect to that portion of those events which must be determined to be material.

(c) The Issuer shall promptly cause a notice of the occurrence of a Listed Event, determined to be material in accordance with the Rule, to be electronically filed with EMMA, together with a significant event notice cover sheet substantially in the form attached as Appendix C. In connection with providing a notice of the occurrence of a Listed Event described in Section 5(a)(9) above, the Issuer shall include in the notice explicit disclosure as to whether the Bonds have been escrowed to maturity or escrowed to call, as well as appropriate disclosure of the timing of maturity or call.

(d) The Issuer acknowledges that the “rating changes” referred to above in Section 5(a)(11) of this Agreement may include, without limitation, any change in any rating on the Bonds or other indebtedness for which the Issuer is liable.

(e) The Issuer acknowledges that it is not required to provide a notice of a Listed Event with respect to credit enhancement when the credit enhancement is added after the primary offering of the Bonds, the Issuer does not apply for or participate in obtaining such credit enhancement, and such credit enhancement is not described in the Official Statement.

SECTION 6. Termination of Reporting Obligation.

(a) The Issuer's obligations under this Agreement shall terminate upon the legal defeasance of the Resolution or the prior redemption or payment in full of all of the Bonds.

(b) This Agreement, or any provision hereof, shall be null and void in the event that the Issuer (i) receives an opinion of nationally recognized bond counsel, addressed to the Issuer, to the effect that those portions of the Rule, which require such provisions of this Agreement, do not or no longer apply to the Bonds, whether because such portions of the Rule are invalid, have been repealed, amended or modified, or are otherwise deemed to be inapplicable to the Bonds, as shall be specified in such opinion, and (ii) delivers notice to such effect to the MSRB.

SECTION 7. Dissemination Agent. The Issuer, from time to time, may appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent.

SECTION 8. Amendment. Notwithstanding any other provision of this Agreement, this Agreement may be amended, and any provision of this Agreement may be waived to the effect that:

(a) such amendment or waiver is made in connection with a change in circumstances that arises from a change in legal requirements, a change in law or a change in the identity, nature or status of the Issuer, or the types of business in which the Issuer is engaged;

(b) this Agreement as so amended or taking into account such waiver, would have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances, in the opinion of independent legal counsel; and

(c) such amendment or waiver does not materially impair the interests of the Bondholders, in the opinion of independent legal counsel.

If the amendment or waiver results in a change to the annual financial information required to be included in the Annual Report pursuant to Section 4 of this Agreement, the first Annual Report that contains the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of such change in the type of operating data or financial information being provided. If the amendment or waiver involves a change in the accounting principles to be followed in preparing financial statements, the Annual Report for the year in which the change is made shall present a comparison between the financial statements or information prepared based on the new accounting principles and those prepared based on the former accounting principles. The comparison should include a qualitative discussion of such differences and the impact of the changes on the presentation of the financial information. To the extent reasonably feasible, the comparison should also be quantitative. A notice of the change in the accounting principles should be sent by the Issuer to the MSRB. Further, if the annual financial information required to be provided in the Annual Report can no longer be generated because the operations to which it related have been materially changed or discontinued, a statement to that effect shall be included in the first Annual Report that does not include such information.

SECTION 9. Additional Information. Nothing in this Agreement shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Agreement. If the Issuer chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Agreement, the Issuer shall have no obligation under this Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. Default. In the event of a failure of the Issuer to comply with any provision of this Agreement, any Bondholder may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Issuer to comply with its obligations under this Agreement. A default under this Agreement shall not be deemed an Event of Default under the Resolution or the Bonds, and the sole remedy under this Agreement in the event of any failure of the Issuer to comply with the Agreement shall be an action to compel performance.

SECTION 11. Duties of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Agreement.

SECTION 12. Beneficiaries. This Agreement shall inure solely to the benefit of the Issuer, the Dissemination Agent, the Participating Underwriter, and the Bondholders and shall create no rights in any other person or entity.

SECTION 13. Governing Law. This Agreement shall be construed and interpreted in accordance with the laws of the State, and any suits and actions arising out of this Agreement shall be instituted in a court of competent jurisdiction in the State. Notwithstanding the foregoing, to the extent this Agreement addresses matters of federal securities laws, including the Rule, this Agreement shall be construed and interpreted in accordance with such federal securities laws and official interpretations thereof.

CLARE PUBLIC SCHOOLS
COUNTIES OF CLARE AND ISABELLA
STATE OF MICHIGAN

By: _____
Its: Superintendent

Dated: _____, 2024

APPENDIX A

NOTICE TO THE MSRB OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Clare Public Schools, Clare and Isabella Counties, Michigan
Name of Bond Issue: 2024 School Building and Site Bonds (General Obligation - Unlimited Tax)
Date of Bonds: _____, 2024

NOTICE IS HEREBY GIVEN that the Issuer has not provided an Annual Report with respect to the above-named Bonds as required by Section 3 of its Continuing Disclosure Agreement with respect to the Bonds. The Issuer anticipates that the Annual Report will be filed by _____.

CLARE PUBLIC SCHOOLS
COUNTIES OF CLARE AND ISABELLA
STATE OF MICHIGAN

By: _____
Its: Superintendent

Dated: _____



APPENDIX B

NOTICE TO THE MSRB OF CHANGE IN ISSUER'S FISCAL YEAR

Name of Issuer: Clare Public Schools, Clare and Isabella Counties, Michigan
Name of Bond Issue: 2024 School Building and Site Bonds (General Obligation - Unlimited Tax)
Date of Bonds: _____, 2024

NOTICE IS HEREBY GIVEN that the Issuer's fiscal year has changed. Previously, the Issuer's fiscal year ended on _____. It now ends on _____.

CLARE PUBLIC SCHOOLS
COUNTIES OF CLARE AND ISABELLA
STATE OF MICHIGAN

By: _____
Its: Superintendent

Dated: _____



APPENDIX C

SIGNIFICANT EVENT NOTICE COVER SHEET

This cover sheet and significant event notice should be provided in an electronic format to the Municipal Securities Rulemaking Board pursuant to Securities and Exchange Commission Rule 15c2-12(b)(5)(i)(C) and (D).

Issuer's and/or other Obligated Person's Name: _____

Issuer's Six-Digit CUSIP Number(s): _____

or Nine-Digit CUSIP Number(s) to which this significant event notice relates: _____

Number of pages of attached significant event notice: _____

Description of Significant Events Notice (Check One):

1. Principal and interest payment delinquencies
2. Non-payment related defaults
3. Unscheduled draws on debt service reserves reflecting financial difficulties
4. Unscheduled draws on credit enhancements reflecting financial difficulties
5. Substitution of credit or liquidity providers, or their failure to perform
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security
7. Modifications to rights of security holders
8. Bond calls
9. Tender offers
10. Defeasances
11. Release, substitution, or sale of property securing repayment of the securities
12. Rating changes
13. Bankruptcy, insolvency, receivership or similar event of the Issuer or other obligated person
14. The consummation of a merger, consolidation, or acquisition involving the Issuer or other obligated person or the sale of all or substantially all of the assets of the Issuer or other obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms
15. Appointment of a successor or additional trustee or the change of name of a trustee
16. Incurrence of a financial obligation of the Issuer or other obligated person
17. Agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation that affect security holders
18. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the Issuer or other obligated person that reflect financial difficulties
19. Other significant event notice (specify) _____

I hereby represent that I am authorized by the issuer or its agent to distribute this information publicly:

Signature: _____

Name: _____ Title: _____

Employer: _____

Address: _____

City, State, Zip Code: _____

Voice Telephone Number: (_____) _____

The MSRB Gateway is www.msrb.org or through the EMMA portal at emma.msrb.org/submission/Submission_Portal.aspx. Contact the MSRB at (703) 797-6600 with questions regarding this form or the dissemination of this notice. The cover sheet and notice may also be faxed to the MAC at (313) 963-0943.



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APPENDIX F
DRAFT OFFICIAL NOTICE OF SALE

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OPTIONAL DTC BOOK-ENTRY-ONLY

OFFICIAL NOTICE OF SALE

\$11,170,000

CLARE PUBLIC SCHOOLS

COUNTIES OF CLARE AND ISABELLA

STATE OF MICHIGAN

**2024 SCHOOL BUILDING AND SITE BONDS
(GENERAL OBLIGATION - UNLIMITED TAX)**

BIDS for the purchase of the above 2024 School Building and Site Bonds (the “Bond” or “Bonds”) will be received electronically on behalf of Clare Public Schools, Clare and Isabella Counties, Michigan (the “Issuer”), on Wednesday, 30th day of October, 2024, until 11:30 a.m., prevailing Eastern Time, by the Municipal Advisory Council of Michigan (the “MAC”) via email at munibids@macmi.com. The bids will be opened and read at the MAC at that time. Award of the bid will be made on behalf of the Issuer by an authorized officer of the Issuer by 5:00 p.m., prevailing Eastern Time, on that date.

ELECTRONIC BIDS: Bidders submitting signed bids electronically must ensure their bids are received prior to the time and date fixed for receipt of bids. Bidders submitting bids electronically bear the full risk of failed or untimely transmission of their bids, and bidders are encouraged to confirm the timely receipt of their full and complete bids by telephoning the MAC at (313) 963-0420. Bidders submitting bids electronically must satisfy the requirements of the good faith deposit obligations described herein.

PARITY: Bids may be presented via *PARITY* on the date and at the time shown above provided that such bidders must also comply with the good faith deposit requirements described herein. To the extent any instructions or directions set forth in *PARITY* conflict with this Notice, the terms of this Notice shall control. For further information about *PARITY*, potential bidders may contact PFM Financial Advisors LLC, at (734) 994-9700 or *PARITY* at (212) 849-5021.

OPTIONAL DTC BOOK-ENTRY-ONLY: Unless otherwise requested by the winning bidder (the “Purchaser”), the Bonds will be initially offered as registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company, New York, New York (“DTC”) under DTC’s Book-Entry-Only system of registration. If DTC Book-Entry-Only is used, purchasers of interests in the Bonds (the “Beneficial Owners”) will not receive physical delivery of bond certificates, and ownership by the Beneficial Owners of the Bonds will be evidenced by book-entry-only. As long as Cede & Co. is the registered owner of the Bonds as nominee of DTC, payments of principal and interest payments will be made directly to such registered owner which will in turn remit such payments to the DTC participants for subsequent disbursement to the Beneficial Owners.

BOND DETAILS: Said Bonds will be fully registered Bonds, of the denomination of \$5,000 each or multiples thereof up to the amount of a single maturity, shall be dated the date of delivery (anticipated to be November 26, 2024), numbered in order of issue from 1 upwards and will bear interest from their dated date payable on May 1, 2025, and semiannually thereafter.

The Bonds will mature on May 1 as follows:

| <u>Year</u> | <u>Amount</u> | <u>Year</u> | <u>Amount</u> |
|-------------|---------------|-------------|---------------|
| 2027 | \$520,000 | 2034 | \$ 915,000 |
| 2028 | 570,000 | 2035 | 965,000 |
| 2029 | 630,000 | 2036 | 1,015,000 |
| 2030 | 710,000 | 2037 | 1,065,000 |
| 2031 | 775,000 | 2038 | 1,120,000 |
| 2032 | 830,000 | 2039 | 1,180,000 |
| 2033 | 875,000 | | |

All or a portion of interest payable May 1, 2025, is to be paid out of the proceeds from the sale of the Bonds, and an amount sufficient therefor shall be deposited in the Debt Retirement Fund immediately upon receipt of such proceeds.

MATURITY ADJUSTMENT: The Issuer reserves the right to increase or decrease the aggregate principal amount of the Bonds after receipt of the bids and prior to final award. Such adjustment, if necessary, will be made in increments of \$5,000 and may be made in any maturity.

ADJUSTMENT TO PURCHASE PRICE: In the event of a maturity adjustment, the purchase price of the Bonds will be adjusted proportionately to the adjustment in principal amount of the Bonds and in such manner as to maintain as comparable an underwriter spread as possible to the winning bid.

TERM BOND OPTION: Bidders shall have the option of designating bonds maturing in any year as serial bonds or term bonds, or both. The bidder must designate whether each of the principal amounts shown above represent a serial maturity or a mandatory redemption requirement for a term bond maturity. There may be more than one term bond maturity. In any event, the above principal amount schedule shall be represented by either serial bond maturities or mandatory redemption requirements, or a combination of both. Any such designation must be made within one (1) hour after the Bond sale.

PAYING AGENT: Principal and interest shall be payable at a bank or trust company qualified to act as a paying agent in Michigan (the "Paying Agent"), or such other Paying Agent as the Issuer may hereafter designate by notice mailed to the registered owner not less than sixty (60) days prior to any change in Paying Agent. In the event the Bonds cease to be held in book entry form only, the Paying Agent will serve as bond registrar and transfer agent, interest shall be paid by check mailed to the owner as shown by the registration books of the Issuer as of the close of business on the 15th day of the month preceding any interest payment date and the Bonds will be transferable only upon the registration books of the Issuer kept by the Paying Agent. See "Optional DTC Book-Entry-Only" above.

PRIOR REDEMPTION:

A. Mandatory Redemption - Term Bonds.

Principal designated by the Purchaser as a term maturity shall be subject to mandatory redemption, in part, by lot, at par and accrued interest on the redemption dates corresponding to the maturities hereinbefore scheduled. When term Bonds are purchased by the Issuer and delivered

to the Paying Agent for cancellation or are redeemed in a manner other than by mandatory redemption, the principal amount of the term Bonds affected shall be reduced by the principal amount of the Bonds so redeemed or purchased in the order determined by the Issuer.

B. Optional Redemption.

Bonds of this issue maturing in the years 2027 through 2034, inclusive, shall not be subject to redemption prior to maturity. The Bonds or portions of Bonds maturing on or after May 1, 2035, are subject to redemption prior to maturity at the option of the Issuer in multiples of \$5,000 in such order as the Issuer may determine, by lot within any maturity, on any date occurring on or after May 1, 2034, at par and accrued interest to the date fixed for redemption.

Notice of redemption of any Bond shall be given not less than thirty (30) days and not more than sixty (60) days prior to the date fixed for redemption by mail to the Registered Owner at the registered address shown on the registration books kept by the Paying Agent. Bonds shall be called for redemption in multiples of \$5,000 and Bonds of denominations of more than \$5,000 shall be treated as representing the number of Bonds obtained by dividing the denomination of the Bond by \$5,000 and such Bonds may be redeemed in part. The notice of redemption for Bonds redeemed in part shall state that upon surrender of the Bond to be redeemed a new Bond or Bonds in an aggregate principal amount equal to the unredeemed portion of the Bond surrendered shall be issued to the Registered Owner thereof. No further interest payment on the Bonds or portions of Bonds called for redemption shall accrue after the date fixed for redemption, whether presented for redemption, provided funds are on hand with the Paying Agent to redeem the same.

If less than all of the Bonds of any maturity shall be called for redemption prior to maturity unless otherwise provided, the particular Bonds or portions of Bonds to be redeemed shall be selected by the Paying Agent, in such manner as the Paying Agent in its discretion may deem proper, in the principal amounts designated by the Issuer. Upon presentation and surrender of such Bonds at the corporate trust office of the Paying Agent, such Bonds shall be paid and redeemed.

INTEREST RATE AND BIDDING DETAILS: The Bonds shall bear interest at a rate or rates, not exceeding five and five tenths percent (5.5%) per annum, to be fixed by the bids therefor, expressed in multiples of 1/8 or 1/100 of 1%, or both. The interest on any one Bond shall be at one rate only. All Bonds maturing in any one year must carry the same interest rate. The difference between the highest and lowest interest rates bid shall not exceed three percent (3%) per annum. No proposal for the purchase of less than all of the Bonds or at a price less than 100% or greater than 120% of the par value, or at a price which will cause the true interest cost on the Bonds to exceed five and five tenths percent (5.5%) per annum, will be considered. The interest rate borne by bonds maturing in any year shall not be less than the interest rate borne by Bonds maturing in the preceding year.

PURPOSE AND SECURITY: The Bonds were authorized at an election on August 6, 2024, for the purpose of partially remodeling, furnishing and refurbishing, and equipping and re-equipping school buildings, including remodeling for secure entrances/vestibules; erecting, furnishing, and equipping additions to the high school and primary school buildings; acquiring and installing instructional technology and instructional technology equipment for school buildings; purchasing school buses; and preparing, developing, equipping, and improving playgrounds and sites. The Bonds will pledge the full faith, credit and resources of the Issuer for payment of the

principal and interest thereon, and will be payable from ad valorem taxes, which may be levied without limitation as to rate or amount as provided by Article IX, Section 6, of the Michigan Constitution of 1963.

GOOD FAITH: A certified or cashier's check in the amount of \$111,700 may be submitted contemporaneously with the bid or, in the alternative, a deposit in the amount of \$111,700 shall be made by the Purchaser by federal wire transfer as directed by PFM Financial Advisors LLC, to be received by the Issuer not later than noon, prevailing Eastern Time, on the next business day following the award as a guarantee of good faith on the part of the Purchaser to be forfeited as liquidated damages if such bid is accepted and the bidder fails to take delivery of and pay the purchase price for the Bonds. Any award made to the Purchaser is conditional upon receipt of the good faith deposit. The good faith deposit will be applied to the purchase price of the Bonds. In the event the Purchaser fails to honor its accepted bid, the good faith deposit will be retained by the Issuer. No interest shall be allowed on the good faith deposit. Payment for the balance of the purchase price of the Bonds shall be made at the closing. Good faith checks of unsuccessful bidders will be returned via U.S. Mail.

AWARD OF BONDS: The Bonds will be awarded to the bidder whose bid produces the lowest true interest cost which is the rate that will discount all future cash payments so that the sum of the present value of all cash flows will equal the Bond proceeds computed from November 26, 2024 (the anticipated date of delivery).

LEGAL OPINION: Bids shall be conditioned upon the unqualified approving opinion of Thrun Law Firm, P.C., East Lansing, Michigan, bond counsel, the original of which will be furnished without expense to the Purchaser of the Bonds at the delivery thereof. The fees of Thrun Law Firm, P.C. for services rendered in connection with such approving opinion are expected to be paid from Bond proceeds. Except to the extent necessary to issue its approving opinion as to the validity of the above Bonds, Thrun Law Firm, P.C. has not been requested to examine or review, and has not examined or reviewed, any financial documents, statements or other materials that have been or may be furnished in connection with the authorization, marketing or issuance of the Bonds and, therefore, has not expressed and will not express an opinion with respect to the accuracy or completeness of any such financial documents, statements or materials.

TAX MATTERS: In the opinion of bond counsel, assuming continued compliance by the Issuer with certain requirements of the Internal Revenue Code of 1986, as amended (the "Code"), interest on the Bonds is excluded from gross income for federal income tax purposes, as described in the opinion, and the Bonds and interest thereon are exempt from all taxation in the State of Michigan, except inheritance and estate taxes and taxes on gains realized from the sale, payment or other disposition thereof. The Issuer has covenanted to comply with certain requirements of the Code necessary to continue the exclusion of interest on the Bonds from gross income for federal income tax purposes.

OFFICIAL STATEMENT: Upon the sale of the Bonds, the Issuer will publish an Official Statement in substantially the same form as the Preliminary Official Statement, subject to minor additions, deletions and revisions as required to complete the Preliminary Official Statement. Promptly after the sales date, but in no event later than seven (7) business days after such date, the Issuer will provide the Purchaser with either a reasonable number of final Official Statements or a reasonably available electronic version of the same. The Issuer will determine which format will

be provided. The Purchaser agrees to supply to the Issuer all necessary pricing information and any underwriter identification necessary to complete the Official Statement within twenty-four (24) hours after the award of Bonds. Additional copies of the final Official Statement may be obtained up to three months following the sale of the Bonds by a request and payment of costs to the financial consultant. The Issuer agrees to provide to the Purchaser at closing a certificate executed by appropriate officers of the Issuer acting in their official capacities, to the effect that as of the date of delivery the information contained in the Official Statement, and any supplement to the Official Statement, relating to the Issuer and the Bonds are true and correct in all material respects, and that the Official Statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

CONTINUING DISCLOSURE: As more particularly described in the Official Statement, the Issuer will agree in the bond resolution or sales resolution to provide or cause to be provided, in accordance with the requirements of Rule 15c2-12 (the “Rule”) promulgated by the Securities and Exchange Commission, (i) on or prior to the end of the sixth month after the end of the fiscal year of the Issuer, commencing with the fiscal year ended June 30, 2024, certain annual financial information and operating data, including audited financial statements for the preceding fiscal year, generally consistent with the information contained or cross-referenced in the Official Statement relating to the Bonds, (ii) timely notice of the occurrence of certain significant events with respect to the Bonds and (iii) timely notice of a failure by the Issuer to provide the required annual financial information on or before the date specified in (i) above.

BOND INSURANCE: In the event the Purchaser elects to obtain bond insurance for the Bonds, all costs and expenses related to such bond insurance shall be the responsibility of the Purchaser. The failure of such bond insurance to be issued at or before delivery of the Bonds shall not be a basis for the Purchaser to refuse to accept delivery of the Bonds. In the event the Purchaser obtains bond insurance, the bond insurer shall not be entitled to be designated as an addressee of any bond counsel opinion related to the Bonds, nor shall the bond insurer be entitled to a reliance letter associated with the same. If the Purchaser obtains bond insurance, the Issuer agrees only to insert any reasonable and necessary insurance language in the Bonds.

CERTIFICATION REGARDING “ISSUE PRICE”: Please see Appendix G to the Preliminary Official Statement for the Bonds, dated October 22, 2024, for information and requirements concerning establishing the issue price for the Bonds.

CLOSING DOCUMENTS: Drafts of all closing documents, including the form of Bond and bond counsel’s legal opinion, may be requested from Thrun Law Firm, P.C. Final closing documents will be in substantially the same form as the drafts provided. Closing documents will not be modified at the request of a bidder, regardless of whether the bidder’s proposal is accepted.

DELIVERY OF BONDS: The Issuer will furnish Bonds ready for execution at its expense. Bonds will be delivered without expense to the Purchaser at a place to be mutually agreed upon with the Purchaser. The usual closing documents, including a certificate that no litigation is pending affecting the issuance of the Bonds, will be delivered at the time of the delivery of the Bonds. If the Bonds are not tendered for delivery by twelve o’clock, noon, prevailing Eastern Time, on the 45th day following the date of sale, or the first business day thereafter if the 45th day is not a business day, the Purchaser may on that day, or any time thereafter until delivery of the

Bonds, withdraw the proposal by serving notice of cancellation in writing, on the undersigned, in which event the Issuer shall promptly return the good faith deposit. Accrued interest to the date of delivery of the Bonds shall be paid by the Purchaser at the time of delivery. Payment for the Bonds shall be made in federal reserve funds. Unless the Purchaser furnishes the Paying Agent with a list giving the denominations and names in which it wishes to have the certificates issued at least five (5) business days prior to delivery of the Bonds, the Bonds will be delivered in the form of a single certificate for each maturity registered in the name of the Purchaser, subject to the election under the “Optional DTC Book-Entry-Only” provisions herein.

CUSIP NUMBERS: CUSIP numbers will be printed on the Bonds at the option of the Purchaser; however, neither the failure to print CUSIP numbers nor any improperly printed CUSIP numbers shall be cause for the Purchaser to refuse to take delivery of and pay the purchase price for the Bonds. Application for CUSIP numbers will be made by PFM Financial Advisors LLC, municipal advisor to the Issuer. The CUSIP Service Bureau’s charge for the assignment of CUSIP identification numbers shall be paid by the Purchaser.

BIDDER CERTIFICATION - NOT “IRAN-LINKED BUSINESS”: By submitting a bid, the bidder shall be deemed to have certified that it is not an “Iran-Linked Business” as defined in Act 517, Public Acts of Michigan, 2012; MCL 129.311, et seq.

FURTHER INFORMATION may be obtained from PFM Financial Advisors LLC, 555 Briarwood Circle, Suite 333, Ann Arbor, Michigan 48108, telephone: (734) 994-9700.

THE RIGHT IS RESERVED TO REJECT ANY OR ALL BIDS.

Samantha Sharp
Secretary, Board of Education

APPENDIX G
CERTIFICATION REGARDING “ISSUE PRICE”

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CERTIFICATION REGARDING “ISSUE PRICE”: The initial Purchaser of the Bonds (the “Purchaser”) must assist the Issuer in establishing the issue price of the Bonds and will be required to furnish, at least ten (10) days prior to the delivery of the Bonds, a certificate in a form acceptable to bond counsel as to the “issue price” of the Bonds within the meaning of Section 1273 of the Internal Revenue Code of 1986, as amended.

The certificate will set forth the reasonably expected initial offering price to the public or the sales price or prices of the Bonds, together with the supporting pricing wires or equivalent communications with such modifications as may be appropriate or necessary in the sole judgment of bond counsel. The Issuer intends that the provisions of Treasury Regulation Section 1.148-1(f)(3)(i) (defining “competitive sale” for purposes of establishing the issue price of the Bonds) will apply to the initial sale of the Bonds (the “competitive sale requirements”) because:

- (i) the Issuer shall disseminate the Notice of Sale to potential underwriters in a manner that is reasonably designed to reach potential underwriters;
- (ii) all bidders shall have an equal opportunity to bid;
- (iii) the Issuer may receive bids from at least three underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds; and
- (iv) the Issuer anticipates awarding the sale of the Bonds to the bidder who submits a firm offer to purchase the Bonds at the highest price (or lowest interest cost), as set forth in the Notice of Sale.

Any bid submitted pursuant to the Notice of Sale shall be considered a firm offer for the purchase of the Bonds, as specified in the bid. Bids will not be subject to cancellation in the event that the competitive sale requirements are not satisfied. Unless the bidder intends to hold the Bonds for its own account with no intention to offer the Bonds to the public, the bidder, by submitting a bid, represents to the Issuer that the bidder has an established industry reputation for underwriting new issuances of municipal bonds.

In the event that the competitive sale requirements are not satisfied, the Issuer shall so advise the Purchaser. In that case, the Purchaser shall have the option to designate whether the issue price will be calculated upon either (a) the first price at which 10% of each maturity of the Bonds (the “10% test”) is sold to the public as the issue price of that maturity, applied on a maturity-by-maturity basis, or (b) a commitment to neither offer nor sell any of the Bonds of any maturity to any person at a price that is higher than the initial offering price referenced in the Purchaser’s bid (the “initial offering price”) during the holding period as defined herein.

If the 10% test is selected, the Purchaser shall advise the Issuer if any maturity of the Bonds satisfies the 10% test as of the date and time of the award of the Bonds, and bidders should prepare their bids on the assumption that all of the maturities of the Bonds will be subject to the 10% test in order to establish the issue price of the Bonds. If the competitive sale requirements are not satisfied and the 10% test is selected, then until the 10% test has been satisfied as to each maturity of the Bonds, the Purchaser agrees to promptly report to the Issuer the prices at which the unsold Bonds of that maturity have been sold to the public. That reporting obligation shall continue, whether or not the Closing Date has occurred, until the 10% test has been satisfied as to the Bonds of that maturity or until all Bonds of that maturity have been sold.

In the event the “hold-the-offering-price” method is selected, for each maturity of the Bonds the Purchaser shall (a) neither offer nor sell any of the Bonds of such maturity to any person at a price that is higher than the initial offering price for such maturity during the holding period for such maturity (the “hold-the-offering-price rule”), and (b) verify that any selling group agreement shall contain the agreement of each dealer who is a member of the selling group, and any retail distribution agreement shall contain the agreement of each broker-dealer who is a party to the retail distribution agreement, to comply with the hold-the-offering-price rule. Pursuant to such agreement, no underwriter (as defined below) shall offer or sell any maturity of the Bonds at a price that is higher than the respective initial offering price for that maturity of the Bonds during the holding period.

By submitting a bid, each bidder confirms that: (i) any agreement among underwriters, any selling group agreement and each retail distribution agreement (to which the bidder is a party) relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter, each dealer who is a member of the selling group, and each broker-dealer that is a party to such retail distribution agreement, as applicable, to either abide by the hold-the-offering-price limitations stated herein or to report the prices at which it sells to the public the unsold Bonds of each maturity allotted to it until it is notified by the Purchaser that the 10% test has been satisfied as to the Bonds of that maturity or all Bonds of that maturity have been sold to the public, if and for so long as directed by the Purchaser and as set forth in the related pricing wires, depending on whether the hold-the-offering-price method or the 10% test is selected by the Purchaser, and (ii) any agreement among underwriters relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter that is a party to a retail distribution agreement to be employed in connection with the initial sale of the Bonds to the public to require each broker-dealer that is a party to such retail distribution agreement to either abide by the hold-the-offering-price limitations stated herein or to report the prices at which it sells to the public the unsold Bonds of each maturity allotted to it until it is notified by the Purchaser or such underwriter that the 10% test has been satisfied as to the Bonds of that maturity or all Bonds of that maturity have been sold to the public, if and for so long as directed by the Purchaser or such underwriter and as set forth in the related pricing wires, depending on whether the hold-the-offering-price method or the 10% test is selected by the Purchaser.

Sales of any Bonds to any person who is a related party to an underwriter shall not constitute sales to the public for purposes of the Notice of Sale. Further, for purposes of this section of the Notice of Sale:

- (i) “public” means any person other than an underwriter or a related party,
- (ii) “underwriter” means (A) any person who agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the public and (B) any person who agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Bonds to the public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the public),
- (iii) a purchaser of any of the Bonds is a “related party” to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (i) at least 50%

common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profit interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other),

- (iv) “sale date” means the date that the Bonds are awarded by the Issuer to the Purchaser,
- (v) “holding period” means, for each maturity of the Bonds, the period starting on the Sale Date and ending on the earlier of (i) the close of the fifth business day after the Sale Date, or (ii) the date on which the Underwriter has sold at least 10% of each maturity to the Public at prices that are no higher than the Initial Offering Price for such maturity, and
- (vi) “maturity” means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate maturities.

In addition, if the Purchaser will obtain a municipal bond insurance policy or other credit enhancement for the Bonds in connection with their original issuance, the Purchaser will be required, as a condition of delivery of the Bonds, to certify whether the premium therefor representing the transfer of credit risk will be less than the present value of the interest expected to be saved as a result of such insurance or other credit enhancement. The form of an acceptable certificate will be provided by bond counsel.

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BID FORM

To: Secretary, Board of Education
Clare Public Schools
c/o Municipal Advisory Council
munibids@macmi.com
Phone: (800) 337-0696

Sale Date: October 30, 2024
11:30 AM, ET

RE: \$11,170,000* Clare Public Schools, Counties of Clare and Isabella, State of Michigan, 2024 School Building and Site Bonds

For all or none of the above Bonds, in accordance with the Official Notice of Sale, we will pay you \$11,170,000* of \$ _____ for fully registered bonds bearing interest rates and maturing in the stated years as follows:

| | | | | | |
|------|-------|------|-------|------|-------|
| 2027 | _____ | 2032 | _____ | 2036 | _____ |
| 2028 | _____ | 2033 | _____ | 2037 | _____ |
| 2029 | _____ | 2034 | _____ | 2038 | _____ |
| 2030 | _____ | 2035 | _____ | 2039 | _____ |
| 2031 | _____ | | | | |

The following maturities have been designated as Term Bonds:

| <u>Mandatory Redemption</u> | | <u>Mandatory Redemption</u> | |
|-----------------------------|----------|-----------------------------|----------|
| From: _____ | to _____ | From: _____ | to _____ |
| From: _____ | to _____ | From: _____ | to _____ |
| From: _____ | to _____ | From: _____ | to _____ |

In making this offer, we accept all of the terms and conditions of the Official Notice of Sale published in The Bond Buyer.

Not as a part of our offer, the above quoted prices being controlling, but only as an aid for the verification of the offer, we have made the following computations:

TRUE INTEREST COST: _____ % (calculated from November 26, 2024)

Account Manager: _____ By: _____

Account Members: _____

The foregoing offer is hereby accepted by and on behalf of Clare Public Schools, Counties of Clare and Isabella, State of Michigan on the 30th day of October, 2024.

Attest: _____ By _____

Title: _____ Title _____

*Preliminary, subject to change.



Additional information relative to this Bond issue may be obtained from:

PFM Financial Advisors LLC
555 Briarwood Circle, Suite 333
Ann Arbor, MI 48108
(734) 994-9700



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