

PRELIMINARY OFFICIAL STATEMENT DATED JULY 3, 2024

NEW ISSUE – Book-Entry-Only
BANK QUALIFIED

RATINGS†(1): S&P Global Ratings: AA/AA-
Michigan School Bond Qualification and Loan Program/Underlying

In the opinion of Thrun Law Firm, P.C., Bond Counsel, under existing law (i) 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, (ii) interest on the Bonds is excluded from gross income for federal income tax purposes to the extent and subject to the conditions described herein, and (iii) interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax to the extent and subject to the conditions described herein. See "TAX MATTERS" herein.

\$9,140,000*



CLINTON COMMUNITY SCHOOLS
COUNTIES OF LENAWEE AND WASHTENAW, STATE OF MICHIGAN
2024 SCHOOL BUILDING AND SITE BONDS, SERIES II
(General Obligation – Unlimited Tax)

Dated: Date of Delivery

Due: May 1, as shown below

On May 4, 2021, the qualified electors of Clinton Community Schools, Counties of Lenawee and Washtenaw, State of Michigan (the "School District") approved the issuance of bonds of the School District in the amount of not to exceed \$34,800,000 to be issued in one or more series. Proceeds of the 2024 School Building and Site Bonds, Series II (General Obligation – Unlimited Tax) (the "Bonds") in the principal amount of \$9,140,000* will constitute the second and final series of bonds under the 2021 authorization and will be used for school building and site purposes. The Bonds were authorized by the Board of Education of the School District by resolutions adopted on April 15, 2024 and expected to be adopted on July __, 2024 (together, the "Resolutions"). The Bonds will pledge the full faith and credit of the School District for payment of the principal and interest thereon and will be payable from ad valorem taxes, which may be levied on all taxable property in the School District without limitation as to rate or amount.

THE BONDS WILL BE DESIGNATED AS "QUALIFIED TAX-EXEMPT OBLIGATIONS" AS DESCRIBED IN SECTION 265(b)(3) OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED. See "QUALIFIED TAX-EXEMPT OBLIGATIONS" herein.

The Bonds are expected to be fully qualified as of the date of delivery for participation in the Michigan School Bond Qualification and Loan Program pursuant to Act 92, Public Acts of Michigan, 2005, as amended, enacted pursuant to Article IX, Section 16 of the Michigan Constitution of 1963. Under the terms of said constitutional and statutory provisions, if for any reason the School District will be or is unable to pay the principal of and interest on the Bonds when due, the School District shall borrow and the State of Michigan shall lend to it an amount sufficient to enable the School District to make the payment. See "QUALIFICATION BY THE STATE OF MICHIGAN" and APPENDIX A: "State Qualification" herein.

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 "THE BONDS – Book-Entry-Only System" herein.

Principal of and interest on the Bonds will be paid by the corporate trust office of UMB Bank, N.A., 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 DTC's Direct Participants is the responsibility of DTC and disbursement of such payments to the Beneficial Owners is the responsibility of DTC's Direct Participants and Indirect Participants, as more fully described herein. Interest will be payable semiannually on November 1 and May 1, commencing May 1, 2025, to the Bondholders of record as of the applicable record dates as stated in the Bonds.

(Base CUSIP\$: 188077)

<u>Maturity*</u>	<u>Amount*</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP\$</u>	<u>Maturity*</u>	<u>Amount*</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP\$</u>
2026	\$210,000				2037	\$460,000			
2027	210,000				2038	480,000			
2028	210,000				2039	505,000			
2029	270,000				2040	530,000			
2030	290,000				2041	560,000			
2031	330,000				2042	590,000			
2032	350,000				2043	610,000			
2033	370,000				2044	630,000			
2034	400,000				2045	640,000			
2035	415,000				2046	640,000			
2036	440,000								

THE BONDS OR PORTIONS OF THE BONDS MATURING ON OR AFTER MAY 1, 2035* ARE SUBJECT TO OPTIONAL REDEMPTION BEGINNING MAY 1, 2034*, IN THE MANNER AND AT THE TIMES DESCRIBED HEREIN. See "THE BONDS – Optional Redemption" herein.

The Bonds will be offered when, as and if issued by the School District and accepted by the Underwriter subject to the approving legal opinion of Thrun Law Firm, P.C., East Lansing, Michigan, Bond Counsel. Certain legal matters will be passed upon for the Underwriter by Miller, Canfield, Paddock and Stone, P.L.C., Detroit, Michigan. It is expected that the Bonds will be available for delivery through DTC on or about August __, 2024.

This cover page contains certain information for 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.

RAYMOND JAMES®

The date of this Official Statement is July __, 2024.

† For an explanation of the ratings, see "RATINGS" herein.

(1) As of the date of delivery.

§ CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services ("CGS") is managed on behalf of the American Bankers Association by FactSet Research Systems, Inc. Copyright(c) 2024 CUSIP Global Services. All rights reserved. CUSIP® data herein is provided by CGS. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP® numbers are provided for convenience of reference only. None of the School District, the Underwriter or its agents or counsel assume responsibility for the accuracy of such numbers.

* Preliminary, subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion and amendment. 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 this 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 omission of certain information permitted by SEC Rule 15c2-12(b)(1).

No dealer, broker, salesperson or other person has been authorized to give any information or to make any representation other than as contained in this Official Statement in connection with the offer made hereby and, if given or made, such other information or representation must not be relied upon as having been authorized by the School District or the Underwriter. This Official Statement and the information contained herein are subject to completion and amendment. These securities may not be sold nor may an offer to buy these securities be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this 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.

Information herein has been obtained from the School District, The Depository Trust Company and other sources believed to be reliable. The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information (except for information under the section captioned "UNDERWRITING" which was obtained from the Underwriter).

Upon issuance, the Bonds will not be registered under the Securities Act of 1933, as amended, or any state securities law and will not be listed on any stock or other securities exchange. Neither the Securities and Exchange Commission nor any other federal, state, municipal or other governmental entity or agency will have passed upon the adequacy of this Official Statement, or, except for the School District and the Department of Treasury of the State of Michigan, approved the Bonds for sale.

IN CONNECTION WITH THE OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE INFORMATION PRESENTED IN THIS OFFICIAL STATEMENT CONCERNING THE SCHOOL DISTRICT AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

CLINTON COMMUNITY SCHOOLS
340 East Michigan Avenue
Clinton, Michigan 49236
517.456.6501

BOARD OF EDUCATION

Kelly Schmidt, President
Shirley Harris, Vice President
Stephen Clegg, Treasurer
Dale Wingerd, Secretary
Chad Erickson, Trustee
Michael Houghton, Trustee
Monica Van Tuyle, Trustee

ADMINISTRATIVE STAFF

Kevin Beazley, Superintendent
Carol Wahl, Business Manager

BOND COUNSEL

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

MUNICIPAL ADVISOR

PFM Financial Advisors LLC
Ann Arbor, Michigan

PAYING AGENT

UMB Bank, N.A.
Grand Rapids, Michigan

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTION	1
PURPOSE AND SECURITY	1
QUALIFIED TAX-EXEMPT OBLIGATIONS	1
ESTIMATED SOURCES AND USES OF FUNDS	1
QUALIFICATION BY THE STATE OF MICHIGAN	2
THE BONDS	2
Description and Form of the Bonds	2
Book-Entry-Only System	2
Transfer Outside Book-Entry-Only System	4
Optional Redemption.....	5
Notice of Redemption and Manner of Selection.....	5
TAX PROCEDURES	5
LEVY AND COLLECTION OF TAXES FOR PAYMENT OF THE BONDS AND BONDHOLDERS’ REMEDIES.....	6
SOURCES OF SCHOOL OPERATING REVENUE	7
MICHIGAN PROPERTY TAX REFORM	8
LITIGATION.....	9
TAX MATTERS.....	9
State	9
Federal	9
Original Issue Discount	10
Original Issue Premium	10
Future Developments.....	11
APPROVAL OF LEGAL PROCEEDINGS.....	11
APPROVAL BY MICHIGAN DEPARTMENT OF TREASURY.....	11
RATINGS	11
UNDERWRITING	12
MUNICIPAL ADVISOR’S OBLIGATION	12
CONTINUING DISCLOSURE.....	13
OTHER MATTERS.....	13

- APPENDIX A: State Qualification
- APPENDIX B: General Financial, Economic and School Information
- APPENDIX C: General Fund Budget Summaries and Comparative Financial Statements
- APPENDIX D: Audited Financial Statements and Notes to Financial Statements of the
School District for the Fiscal Year Ended June 30, 2023
- APPENDIX E: Form of Legal Opinion
- APPENDIX F: Form of Continuing Disclosure Agreement

OFFICIAL STATEMENT
relating to
\$9,140,000*
CLINTON COMMUNITY SCHOOLS
COUNTIES OF LENAWEE AND WASHTENAW, STATE OF MICHIGAN
2024 SCHOOL BUILDING AND SITE BONDS, SERIES II
(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 Clinton Community Schools, Counties of Lenawee and Washtenaw, State of Michigan (the “School District”) of its 2024 School Building and Site Bonds, Series II (General Obligation – Unlimited Tax) (the “Bonds”) in the principal amount of \$9,140,000*.

PURPOSE AND SECURITY

On May 4, 2021, the qualified electors of the School District approved a proposal authorizing the issuance of bonds in an aggregate amount of not to exceed \$34,800,000 to be issued in one or more series. The Bonds in the amount of \$9,140,000*, representing the second and final series of bonds, are being issued for the purposes of (i) erecting, furnishing and equipping additions to school buildings; remodeling, equipping and re-equipping and furnishing and refurbishing school buildings; acquiring, installing, equipping and re-equipping school buildings for instructional technology; purchasing school buses; and preparing, developing and improving sites; and (ii) paying the costs of issuing the Bonds.

The Bonds, as authorized for issuance by the resolutions of the Board of Education of the School District adopted on April 15, 2024, and expected to be adopted on July __, 2024 (together, the “Resolutions”), are a full faith and credit unlimited tax general obligation of the School District. The principal of and interest on the Bonds are payable from the proceeds of ad valorem taxes levied on all taxable property in the School District which may be levied without limitation as to rate or amount. As of the date of delivery, the Bonds are expected to be fully qualified for participation in the State of Michigan School Bond Qualification and Loan Program (“SBQLP”). See “QUALIFICATION BY THE STATE OF MICHIGAN” and APPENDIX A: “State Qualification” in this Official Statement.

QUALIFIED TAX-EXEMPT OBLIGATIONS

THE BONDS WILL BE DESIGNATED AS “QUALIFIED TAX-EXEMPT OBLIGATIONS” AS DESCRIBED IN SECTION 265(b)(3) OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED.

ESTIMATED SOURCES AND USES OF FUNDS

SOURCES

Par Amount of the Bonds	
Original Issue Premium.....	
Original Issue Discount	
Total Sources.....	

USES

Deposit to Capital Projects Fund.....	
Underwriter’s Discount	
Estimated Costs of Issuance	
Total Uses.....	

*Preliminary, subject to change.

QUALIFICATION BY THE STATE OF MICHIGAN

An application will be submitted to the Michigan Department of Treasury to obtain, and it is the School District's expectation that the Bonds will receive, final qualification as of the date of delivery to participate in the SBQLP pursuant to Act 92 of the Public Acts of Michigan, 2005, as amended ("Act 92"), enacted pursuant to Article IX, Section 16, of the Michigan Constitution of 1963. Under the terms of said constitutional and statutory provisions, if for any reason the School District will be or is unable to pay the principal and interest on the Bonds when due, the School District shall borrow and the State of Michigan (the "State") shall lend to it from the School Loan Revolving Fund (the "School Loan Revolving Fund") established by the State, an amount sufficient to enable the School District to make the payment. Article IX, Section 16 of the State Constitution as implemented by Act 112 of the Public Acts of Michigan, 1961, as amended, authorizes the State, without approval of its electors, to borrow from time to time such amounts as shall be required, pledge the State's full faith and credit and issue its notes or bonds therefor, for the purpose of making loans to school districts as provided under such section. Loans to school districts for such purposes are made from the proceeds of such State borrowing. See APPENDIX A: "State Qualification," in this Official Statement.

Complete financial statements of all of the State's funds as included in the State's Annual Comprehensive Financial Report ("ACFR") prepared by the State's Office of the State Budget are available from the Budget website: www.michigan.gov/budget. The State has agreed to file its ACFR with the Municipal Securities Rulemaking Board (as described in Rule 15c2-12(b)(5) of the Securities and Exchange Commission) annually, so long as any bonds qualified for participation in the SBQLP remain outstanding.

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 November 1 and May 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.

The corporate trust office of UMB Bank, N.A., 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. 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. For a description of payment of principal and interest, transfers, exchanges and notice of redemption on the Bonds, which are held in the book-entry-only system, see "Book-Entry-Only System" below. For a description of transfers and exchanges on the Bonds if the Bonds cease to be held in book-entry-only form, see "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, the Paying Agent or Raymond James & Associates, Inc. (the "Underwriter") 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, the Paying Agent or the Underwriter 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 Direct 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 (the "Exchange Act"). 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 S&P Global Ratings ("S&P") rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission (the "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 the 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 the notices be provided directly to them.

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

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the 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 the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of principal and 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 detailed 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, the Paying Agent, or the 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 will be the responsibility of DTC and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities 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 securities depository is not obtained, Bond certificates are required to be printed and delivered to DTC.

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 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 the 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.

Optional Redemption

The Bonds or portions of the Bonds in multiples of \$5,000, maturing on or after May 1, 2035*, are 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 plus accrued interest to the date fixed for redemption.

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. The 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 face amount 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 face amount equal to the unredeemed portion of the Bond surrendered shall be issued to the registered owner thereof.

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 lot by the Paying Agent, in the principal amounts designated by the School District. Any Bonds selected for redemption will cease to bear interest on the date fixed for redemption, whether presented for redemption, provided funds are on hand with the Paying Agent to redeem said Bonds. 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.

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 or reduced 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.

*Preliminary, subject to change.

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, the Michigan Tax Tribunal, and ultimately to the Michigan appellate 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 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 BONDHOLDERS' 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, together with other amounts on hand, if any, to be borrowed from the School Loan Revolving Fund for the Bonds, 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 or could compel the School District to make application to borrow the necessary funds from the School Loan Revolving Fund and thus prevent a default. However, if a paying agent for any bonds of the School District qualified for State loans as provided in Article IX, Section 16, of the State Constitution notifies the State Treasurer that the School District has failed to deposit sufficient funds to pay principal and interest on the qualified bonds when due or if a bondholder notifies the State Treasurer that the School District has failed to pay principal or interest on such qualified bonds when due, whether or not the School District has filed a draw request with the State Treasurer, the State Treasurer shall promptly pay the principal or interest on the qualified bonds when due. There can, however, be no assurance that there will not be a delay in payment of debt service due to the procedural steps required of the School District to borrow from the School Loan Revolving Fund.

If sufficient funds for full payment of debt service on the Bonds do not reach the Paying Agent five business days prior to the debt service payment due date, the Paying Agent will notify the School District of the amount of insufficient funds four business days prior to the due date. In the event that the School District does not immediately resolve the insufficient funds situation, the Paying Agent will notify the Michigan Department of Treasury of the deficiency three business days before the payment due date and the State Treasurer shall make the payment.

Any amount paid by the State Treasurer as described in the preceding paragraphs shall be deemed a loan made to the School District pursuant to the requirements of said Article IX, Section 16, of the State Constitution. 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. See APPENDIX A: "State Qualification," in this Official Statement.

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 103 of 2023 ("PA 103"), the Legislature established a 2023/24 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 property^[1], 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 properties^[2] 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 2023/24 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 property^[3] 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 2023/24 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 B.

^[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 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.

Public Act 144 of 2022 amended the State School Aid Act for the 2022/23 fiscal year increasing the School District's foundation allowance to \$9,150 per pupil.

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

Pursuant to PA 103, 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 D.

In 2020 and 2021 the U.S. Congress passed three stimulus bills providing financial support to public schools through the Elementary and Secondary School 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.

As required under Michigan law, available ESSER Funds have been appropriated and allocated to qualifying school districts. The School District has been awarded \$76,280 of the ESSER I Funds, \$552,123 of the ESSER II Funds and \$1,340,608 of the ESSER III Funds. ESSER funds already received by the School District are incorporated into the information in Appendices C and D. The School District may have received additional payments as a part of its State School Aid 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 became 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 will be 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 zones that were to expire after 2012, until the voter approved personal property tax exemptions take effect.

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 State school aid fund.^[1] While the legislation provides reimbursement for prospective school operating losses, pursuant to legislative changes made in 2020, the School District will be reimbursed in 2021 and thereafter for debt millage calculated pursuant to a statutory formula.

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

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, restraining or enjoining, or 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. A certificate to such effect will be delivered to the Underwriter 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.

^[1]A school district that increases its millage rate, without voter approval, to replace debt millage revenue loss would not be eligible to receive reimbursement distributions. Because much of the reimbursement funds are deposited into the State school aid fund, the legislature may, in the future, change the funding formulas in the State School Aid Act of 1979 or appropriate funds therein for other purposes.

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 deduct their costs of carrying certain obligations such as the Bonds.

Original Issue Discount*

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 Premium*

For federal income tax purposes, the initial offering prices to the public (excluding bond houses and brokers) of certain Bonds, as set forth on the cover of this Official Statement, 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.

*Preliminary, subject to change.

Future Developments

No assurance can be given that any future legislation or clarifications or amendments to the Code or to Michigan statutes, 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 OR ORIGINAL ISSUE DISCOUNT, IF ANY.

APPROVAL OF LEGAL PROCEEDINGS

Legal matters incident to the authorization, issuance and sale by the School District of the Bonds are subject to the approving opinion of Thrun Law Firm, P.C., East Lansing, Michigan, Bond Counsel. Except to the extent necessary to issue its approving opinion as to the validity of the Bonds, Bond Counsel has made no inquiry as to any financial information, statements or materials contained in 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 will not express any opinion with respect to the accuracy or completeness of any such financial information, statements or materials.

Certain legal matters will be passed upon for the Underwriter by its counsel, Miller, Canfield, Paddock and Stone, P.L.C., Detroit, Michigan.

APPROVAL BY MICHIGAN DEPARTMENT OF TREASURY

The School District has received a letter from the Department of Treasury of the State of Michigan stating that the School District is in material compliance with the criteria of the Revised Municipal Finance Act, Act No. 34, Public Acts of Michigan, 2001, as amended, for a municipality to be granted qualified status.

RATINGS

S&P will assign, as of the date of delivery of the Bonds, its municipal bond rating of "AA" to the Bonds based upon the fact that each Bond will be fully qualified for participation in the SBQLP as of its date of delivery. See "QUALIFICATION BY THE STATE OF MICHIGAN," "LEVY AND COLLECTION OF TAXES FOR PAYMENT OF THE BONDS AND BONDHOLDERS' REMEDIES" and APPENDIX A: "State Qualification" herein.

S&P will also assign, as of the date of delivery of the Bonds, its underlying municipal bond rating of "AA-" to the Bonds without regard to qualification of the Bonds for participation in the SBQLP.

No application has been made to any other ratings service for ratings on the Bonds. The School District furnished to S&P certain materials and information in addition to that provided herein. Generally, the rating agency bases its 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 effect on the market price of the Bonds. Any ratings assigned represents only the view 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.

UNDERWRITING

The Underwriter has agreed, subject to the terms of the Bond Purchase Agreement, to purchase the Bonds from the School District. The Bond Purchase Agreement provides, in part, that the Underwriter, subject to certain conditions, will purchase from the School District the aggregate principal amount of Bonds for a purchase price as set forth therein. The Underwriter has further agreed to offer the Bonds to the public at the approximate initial offering prices corresponding to the yields as set forth on the cover hereto. The Underwriter may offer and sell the Bonds to certain dealers and others at prices lower than the offering prices corresponding to the yields stated on the cover hereto. The offering prices may be changed from time to time by the Underwriter. The aggregate underwriting fee for the Bonds equals _____ percent of the original principal amount of the Bonds.

The Bond Purchase Agreement provides that the obligations of the Underwriter are subject to certain conditions, including, among other things, that (i) no event has occurred which impairs or threatens to impair the validity of the Bonds or the status of the Bonds or the interest thereon as exempt from taxation in the State and interest on the Bonds is excluded from gross income for federal income tax purposes (except as described under the heading "TAX MATTERS" herein) and (ii) proceedings relating to the Bonds are not pending or threatened by the Commission.

The Bond Purchase Agreement further provides that the School District will provide to the Underwriter within seven business days of the date of the Bond Purchase Agreement sufficient copies of the Official Statement to enable the Underwriter to comply with the requirements of Rule 15c2-12(b)(4) under the Exchange Act.

MUNICIPAL ADVISOR'S OBLIGATION

The School District has retained PFM Financial Advisors LLC, Ann Arbor, Michigan, as municipal financial advisor (the "Municipal Advisor") in connection with the issuance of the Bonds. In preparing portions of 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 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.

[THIS PAGE INTENTIONALLY LEFT BLANK]

**APPENDIX A
STATE QUALIFICATION**

**ARTICLE IX, SECTION 16 OF THE
1963 STATE OF MICHIGAN CONSTITUTION**

State loans to school districts.

Sec. 16. The state, in addition to any other borrowing power, may borrow from time to time such amounts as shall be required, pledge its faith and credit and issue its notes or bonds therefor, for the purpose of making loans to school districts as provided in this section.

Amount of loans.

If the minimum amount which would otherwise be necessary for a school district to levy in any year to pay principal and interest on its qualified bonds, including any necessary allowances for estimated tax delinquencies, exceeds 13 mills on each dollar of its assessed valuation as finally equalized, or such lower millage as the legislature may prescribe, then the school district may elect to borrow all or any part of the excess from the state. In that event the state shall lend the excess amount to the school district for the payment of principal and interest. If for any reason any school district will be or is unable to pay the principal and interest on its qualified bonds when due, then the school district shall borrow and the state shall lend to it an amount sufficient to enable the school district to make the payment.

Qualified bonds.

The term "qualified bonds" means general obligation bonds of school districts issued for capital expenditures, including refunding bonds, issued prior to May 4, 1955, or issued thereafter and qualified as provided by law pursuant to Section 27 or Section 28 of Article X of the Constitution of 1908 or pursuant to this section.

Repayment of loans, tax levy by school district.

After a school district has received loans from the state, each year thereafter it shall levy for debt service, exclusive of levies for nonqualified bonds, not less than 13 mill or such lower millage as the legislature may prescribe, until the amount loaned has been repaid, and any tax collections therefrom in any year over and above the minimum requirements for principal and interest on qualified bonds shall be used toward the repayment of state loans. In any year when such levy would produce an amount in excess of the requirements and the amount due to the state, the levy may be reduced by the amount of the excess.

Bonds, state loans, repayment.

Subject to the foregoing provisions, the legislature shall have the power to prescribe and to limit the procedure, terms and conditions for the qualification of bonds, for obtaining and making state loans, and for the repayment of loans.

Power to tax unlimited.

The power to tax for the payment of principal and interest on bonds hereafter issued which are the general obligations of any school district, including refunding bonds, and for repayment of any state loans made to school districts, shall be without limitations as to rate or amount.

Rights and obligations to remain unimpaired.

All rights acquired under Sections 27 and 28 of Article X of the Constitution of 1908, by holders of bonds heretofore issued, and all obligations assumed by the state or any school district under these sections, shall remain unimpaired.

SCHOOL BOND QUALIFICATION, APPROVAL, AND LOAN ACT
Act 92 of 2005

AN ACT to prescribe the procedures, terms, and conditions for the qualification or approval of school bonds and other bonds; to authorize this state to make loans to certain school districts for the payment of certain bonds and to authorize schools to borrow from this state for that purpose; to prescribe the terms and conditions of certain loans to school districts; to prescribe the powers and duties of certain state agencies and certain state and local officials; to provide for certain fees; to prescribe certain penalties; and to repeal acts and parts of acts.

History: 2005, Act 92, Imd. Eff. July 20, 2005.

The People of the State of Michigan enact:

388.1921 Short title.

Sec. 1. This act shall be known and may be cited as the "school bond qualification, approval, and loan act".

History: 2005, Act 92, Imd. Eff. July 20, 2005.

388.1922 Purpose of act.

Sec. 2. The purpose of this act is to implement section 16 of article IX of the state constitution of 1963 and to provide for loans to school districts.

History: 2005, Act 92, Imd. Eff. July 20, 2005.

388.1923 Definitions.

Sec. 3. As used in this act:

(a) "Computed millage" means the number of mills in any year, not less than 7 mills and not more than 13 mills, determined on the date of issuance of the order qualifying the bonds or on a later date if requested by the school district and approved by the state treasurer, that, if levied by the school district, will generate sufficient annual proceeds to pay principal and interest on all the school district's qualified bonds plus principal and interest on all qualified loans related to those qualified bonds no later than the final mandatory repayment date. Based on changes of circumstances, including, but not limited to, additional bond qualification, refundings, changes in qualified loan interest rates, changes in taxable values, and assumptions contained in any then currently effective guidelines issued by the state treasurer pursuant to section 5(2)(c), the school district shall not less than annually, beginning on October 1, 2013, using methods prescribed in this act, recalculate the computed millage necessary to generate sufficient annual levy proceeds to pay principal and interest on all of the school district's qualified bonds and principal and interest on all qualified loans related to those qualified bonds not later than the final mandatory repayment date. If the school district determines that the recalculated computed millage is lower than its current millage levy rate, the school district shall promptly notify the state treasurer in writing of the recalculated computed millage. Immediately thereafter, the school district shall decrease its millage levy rate to the recalculated computed millage, but not below the computed millage established pursuant to the most recent order qualifying bonds for that school district, or to the minimum levy prescribed by law for receipt of qualified loans, whichever rate is higher. If the school district determines that the recalculated computed millage is higher than its current millage levy rate, the school district shall promptly notify the state treasurer in writing of the recalculated computed millage. Immediately thereafter, the school district shall increase its millage levy rate to the recalculated computed millage, subject to 1 of the following exceptions, and subject to any maximum millage levy rate otherwise prescribed for by law:

(i) For each school district's first recalculated computed millage required as of October 1, 2013, increase its millage levy by a percentage amount equal to the equivalent percentage of taxable value change for that school district over the immediately preceding 5 years, but not higher than the recalculated computed millage.

(ii) For each school district's subsequent recalculated computed millage beginning October 1, 2014 and each year thereafter, increase its millage levy by a percentage amount equal to the percentage of taxable value decline for the immediately preceding year ending September 30, but not to a rate higher than the recalculated computed millage.

(iii) If it is determined that a district's current computed millage is sufficient to pay all qualified loans by the mandatory final loan repayment date, no recalculation of the computed millage is required.

(b) "Final mandatory repayment date" means the final mandatory repayment date determined by the state treasurer under section 9.

(c) "Michigan finance authority" means the Michigan finance authority created under Executive

Reorganization Order No. 2010-2, MCL 12.194.

(d) "Qualified bond" means a bond that is qualified under this act for state loans as provided in section 16 of article IX of the state constitution of 1963. A qualified bond includes the interest amount required for payment of a school district's net interest obligation under an interest rate exchange or swap, hedge, or other agreement entered into pursuant to the revised municipal finance act, 2001 PA 34, MCL 141.2101 to 141.2821, but does not include a termination payment or similar payment related to the termination or cancellation of an interest rate exchange or swap, hedge, or other similar agreement. A qualified bond may include a bond issued to refund loans owed to the state under this act.

(e) "Qualified loan" means a loan made under this act or former 1961 PA 108 from this state to a school district to pay debt service on a qualified bond.

(f) "Revolving loan fund" means the school loan revolving fund created under section 16c of the shared credit rating act, 1985 PA 227, MCL 141.1066c.

(g) "School district" means a general powers school district organized under the revised school code, 1976 PA 451, MCL 380.1 to 380.1852, or a school district of the first class as described in the revised school code, 1976 PA 451, MCL 380.1 to 380.1852, having the power to levy ad valorem property taxes.

(h) "State treasurer" means the state treasurer or his or her duly authorized designee.

(i) "Taxable value" means the value determined under section 27a of the general property tax act, 1893 PA 206, MCL 211.27a.

History: 2005, Act 92, Imd. Eff. July 20, 2005;—Am. 2012, Act 437, Eff. Mar. 28, 2013.

388.1924 Qualification of new bonds; terms and conditions applicable to outstanding qualified bonds; application for prequalification.

Sec. 4. (1) A school district may issue and market bonds as qualified bonds if the state treasurer has issued an order granting qualification under this act.

(2) Except with regard to qualification of new bonds, nothing in this act shall be construed to alter the terms and conditions applicable to outstanding qualified bonds issued in accordance with former 1961 PA 108. Unless otherwise amended as permitted by this act, outstanding qualified loans incurred in association with outstanding qualified bonds described in this subsection shall bear interest as provided in section 9(8) but otherwise shall be due and payable as provided in the repayment agreements entered into between the school district and the state before the effective date of this act.

(3) The state treasurer may qualify bonds for which the state treasurer has received an application for prequalification on or before May 25, 2005 without regard to the requirements of section 5(2)(f) if the electors of the school district approve the bonds at an election held during 2005.

History: 2005, Act 92, Imd. Eff. July 20, 2005;—Am. 2012, Act 437, Eff. Mar. 28, 2013.

388.1925 Preliminary qualification; application.

Sec. 5. (1) A school district may apply to the state treasurer for preliminary qualification of a proposed school bond issue by filing an application in the form and containing the information required by this act.

(2) An application for preliminary qualification of a school bond shall contain all of the following information:

(a) The proposed ballot language to be submitted to the electors.

(b) A description of the project or projects proposed to be financed.

(c) A pro forma debt service projection showing the estimated mills the school district will levy to provide revenue the school district will use to pay the qualified bonds, any outstanding qualified bonds, and any outstanding or projected qualified loans of the school district. For the purpose of the pro forma debt service projection, the school district may assume for the first 5 years following the date of the application the average growth or decline in taxable value for the 5 years or such other period of time requested by the school district if approved by the state treasurer preceding the date of the application and the average growth or decline rate for the 20 years immediately preceding the date of the application but not more than 3% or less than 0% growth rate, for the remaining term of the proposed bonds.

(d) Evidence that the rate of utilization of each project to be financed will be at least 85% for new buildings and 60% for renovated facilities. If the projected enrollment of the district would not otherwise support utilization at the rates described in this subsection, the school district may include an explanation of the actions the school district intends to take to address the underutilization, including, if applicable, actions to close school buildings or other actions designed to assure continued assured use of the facilities being financed.

(e) Evidence that the cost per square foot of the project or projects will be reasonable in light of economic conditions applicable to the geographic area in which the school district is located.

(f) Evidence that the school district will repay all outstanding qualified bonds, the proposed qualified bonds, all outstanding qualified loans, and all qualified loans expected to be incurred with respect to all qualified bonds of the school district, including the proposed qualified bond issue, not later than the applicable final mandatory repayment date.

(g) The overall utilization rate of all school buildings in the school district, excluding special education purposes.

(h) The total bonded debt outstanding of the school district and the total taxable value of property in the school district for the school district fiscal year in which the application is filed.

(i) A statement describing any environmental or usability problems to be addressed by the project or projects.

(j) An architect's analysis of the overall condition of the facilities to be renovated or replaced as a part of the project or projects.

(k) An amortization schedule demonstrating that the weighted average maturity of the qualified bond issue does not exceed 120% of the average reasonably expected useful life of the facilities, excluding land and site improvements, being financed or refinanced with the proceeds of the qualified bonds, determined as of the later of the date on which the qualified bonds will be issued or the date on which each facility is expected to be placed in service.

(l) An agreement that the school district will keep books and records detailing the investment and expenditure of the proceeds of the qualified bonds and, at the request of the state treasurer, the school district will promptly, but not later than the date specified in the request, which date shall be not less than 5 business days after the date of the request, submit information requested by the state treasurer related to the detailed information maintained by the school district as to the investment and expenditure of the proceeds of its qualified bonds.

History: 2005, Act 92, Imd. Eff. July 20, 2005;—Am. 2012, Act 437, Eff. Mar. 28, 2013.

388.1926 Prequalification of bonds; determination by state treasurer.

Sec. 6. The state treasurer shall prequalify bonds of a school district if the state treasurer determines all of the following:

(a) The issuance of additional qualified bonds will not prevent the school district from repaying its outstanding qualified bonds, the proposed bonds, all outstanding qualified loans, and all qualified loans expected to be incurred with respect to all qualified bonds of the school district, including the proposed bond issue, not later than the applicable final mandatory repayment date.

(b) The form and language of the ballot conforms with the requirements of this act.

(c) The school district has filed an application complying with the requirements of section 5.

(d) If the proposed bond issue is approved by the voters after September 30, 2012 and will result in additional qualified loans, the outstanding balance of all qualified loans on the most recent May 1 or November 1 did not exceed \$1,800,000,000.00. The \$1,800,000,000.00 limitation described in the immediately preceding sentence does not apply after June 30, 2016.

(e) The issuance of additional qualified bonds approved by voters after September 30, 2012 will not have an adverse financial impact on the school district, this state, or the school loan revolving fund. In making this determination, the state treasurer shall consider relevant factors, including, but not limited to, whether the issuance of the proposed bond issue will cause the aggregate outstanding amount of qualified and nonqualified bonds, including the proposed bond issue, and currently outstanding qualified loans of the school district to exceed 25% of the taxable value of the school district at the time the proposed bonds are issued.

History: 2005, Act 92, Imd. Eff. July 20, 2005;—Am. 2012, Act 437, Eff. Mar. 28, 2013.

388.1927 Qualification of bonds; determination by state treasurer; order; specifications; loan agreement; reapplication; qualification of refunding bonds; requirements.

Sec. 7. (1) The state treasurer shall qualify bonds of a school district if the state treasurer determines all of the following:

(a) A majority of the school district electors have approved the bonds.

(b) The terms of the bond issue comply with applicable provisions of the revised school code, 1976 PA 451, MCL 380.1 to 380.1852.

(c) The school district is in compliance with the revised municipal finance act, 2001 PA 34, MCL 141.2101 to 141.2821.

(d) The weighted average maturity of the qualified bond issue does not exceed 120% of the average reasonably expected useful life of the facilities, excluding land and site improvements, being financed or refinanced with the proceeds of the bonds, determined as of the later of the date on which the qualified bonds

will be issued or the date on which each facility is expected to be placed in service.

(e) The school district has filed any information necessary to update the contents of the original application to reflect changes in any of the information approved in the preliminary qualification process.

(f) The school district has agreed that the school district will keep books and records detailing the investment and expenditure of the proceeds of the qualified bonds and, at the request of the state treasurer, the school district will promptly, but not later than the date specified in the request, which date shall be not less than 5 business days after the date of the request, submit information requested by the state treasurer related to the detailed information maintained by the school district as to the investment and expenditure of the proceeds of its qualified bonds.

(2) An order qualifying bonds shall specify the principal and interest payment dates for all the bonds, the maximum principal amount of and maximum interest rate on the bonds, the computed millage, if any, the final mandatory repayment date, and other matters as the state treasurer shall determine or as are required by this act.

(3) If the application for prequalification demonstrates that the school district will borrow from this state in accordance with this act, the state treasurer and the school district shall enter into a loan agreement setting forth the terms and conditions of any qualified loans to be made to the school district under this act.

(4) If a school district does not issue its qualified bonds within 180 days after the date of the order qualifying bonds, the order shall no longer be effective. However, the school district may reapply for qualification by filing an application and information necessary to update the contents of the original application for prequalification or qualification.

(5) The state treasurer shall qualify refunding bonds issued to refund qualified loans or qualified bonds if the state treasurer finds that all of the following are met:

(a) The refunding bonds comply with the provisions of the revised municipal finance act, 2001 PA 34, MCL 141.2101 to 141.2821.

(b) That the school district will repay all outstanding qualified bonds, the proposed qualified bonds, all outstanding qualified loans, and all qualified loans expected to be incurred with respect to all qualified bonds of the school district, including the proposed qualified bond issue, not later than the applicable final mandatory repayment date.

History: 2005, Act 92, Imd. Eff. July 20, 2005;—Am. 2012, Act 437, Eff. Mar. 28, 2013.

388.1928 Submission of ballot to electors; ballot.

Sec. 8. A ballot submitted to the school electors of a school district after November 8, 2005 requesting authorization to issue unlimited tax general obligations that will be guaranteed by this state in accordance with section 16 of article IX of the state constitution of 1963 shall inform the electors that if the school district expects to borrow from this state to pay debt service on the bonds, the estimated total amount of the principal of that borrowing and the interest to be paid on that borrowing, the estimated duration of the millage levy, and the estimated computed millage rate for that levy. The ballot shall also inform the electors of the total amount of qualified bond and loan debt currently outstanding and that the estimated computed millage rate may change based on changes in certain circumstances.

History: 2005, Act 92, Imd. Eff. July 20, 2005;—Am. 2012, Act 437, Eff. Mar. 28, 2013.

388.1929 Amount of borrowing; limitation; payment date for outstanding qualified loans; order; maintenance of separate accounts for each school district; duration of millage levy; amended and restated repayment agreements; waiver of portion of millage levy; findings; interest; final or later mandatory repayment date.

Sec. 9. (1) Except as otherwise provided in this act, a school district may borrow from the state an amount not greater than the difference between the proceeds of the school district's computed millage and the amount necessary to pay principal and interest on its qualified bonds, including any necessary allowances for estimated tax delinquencies.

(2) For school districts having qualified loans outstanding as of July 20, 2005, the state treasurer shall review information relating to each school district regarding the taxable value of the school district and the actual debt service of outstanding qualified bonds as of July 20, 2005 and shall issue an order establishing the payment date for all those outstanding qualified loans and any additional qualified loans expected to be incurred by those school districts related to qualified bonds issued before July 20, 2005. The payment date shall be not later than 72 months after the date on which the qualified bonds most recently issued by the school district are due and payable. The payment date established pursuant to this subsection for a school district is a final mandatory repayment date.

(3) For qualified loans related to qualified bonds issued after July 20, 2005, the qualified loans shall be due

72 months after the date on which the qualified bonds for which the school borrowed from this state are due and payable. The due date determined pursuant to this subsection for a school district is a final mandatory repayment date. This section does not preclude early repayment of qualified bonds or qualified loans.

(4) The state treasurer shall maintain separate accounts for each school district on the books and accounts of this state noting the qualified bond, the related qualified loans, the final payment date of the bonds, the final mandatory repayment date of the qualified loans, and the interest rate accrued on the loans.

(5) For qualified loans relating to qualified bonds issued after July 20, 2005, a school district shall continue to levy the computed millage until it has completely repaid all principal and interest on its qualified loans.

(6) For qualified loans relating to qualified bonds issued before July 20, 2005, a school district shall continue to comply with the levy and repayment requirements imposed before July 20, 2005. Not less than 90 days after July 20, 2005, the state treasurer and the school district shall enter into amended and restated repayment agreements to incorporate the levy and repayment requirements applicable to qualified loans issued before July 20, 2005.

(7) Upon the request of a school district made before June 1 of any year, the state treasurer annually may waive all or a portion of the millage required to be levied by a school district to pay principal and interest on its qualified bonds or qualified loans under this section if the state treasurer finds all of the following:

(a) The school board of the school district has applied to the state treasurer for permission to levy less than the millage required to be levied to pay the principal and interest on its qualified bonds or qualified loans under subsection (1).

(b) The application specifies the number of mills the school district requests permission to levy.

(c) The waiver will be financially beneficial to this state, the school district, or both.

(d) The waiver will not reduce the millage levied by the school district to pay principal and interest on qualified bonds or qualified loans under this act to less than 7 mills.

(e) The board of the school district, by resolution, has agreed to comply with all conditions that the state treasurer considers necessary.

(8) All qualified loans shall bear interest at 1 of the following rates:

(a) The greater of 3% or the average annual cost of funds used to make qualified loans plus 0.125%, but not less than the cost of funds on outstanding qualified notes and bonds issued by the Michigan finance authority to finance loans computed by the state treasurer not less often than annually.

(b) A lesser rate determined by the state treasurer to be necessary to maintain the exemption from federal income tax of interest on any bonds or notes issued to fund qualified loans.

(c) A higher rate determined by the state treasurer to be necessary to prevent the impairment of any contract of this state or the Michigan finance authority in existence on the effective date of the amendatory act that added this subdivision.

(9) A payment date determined under subsection (2) or a due date determined under subsection (3) is a final mandatory repayment date. Once established for a school district as provided in this section, a final mandatory repayment date shall apply to all qualified loans of the school district, whenever made, until 30 days after the date the school district has no outstanding qualified loans and no outstanding debt incurred to refund qualified loans. Notwithstanding this subsection, the state treasurer may determine a later mandatory repayment date for a school district that agrees to levy a higher millage, acceptable to the state treasurer, not to exceed 13 mills, than its existing computed millage.

History: 2005, Act 92, Imd. Eff. July 20, 2005;—Am. 2006, Act 71, Imd. Eff. Mar. 20, 2006;—Am. 2009, Act 50, Imd. Eff. June 18, 2009;—Am. 2012, Act 437, Eff. Mar. 28, 2013.

388.1930 Certificates of qualification or approval; file; delivery.

Sec. 10. The state treasurer shall keep all certificates of qualification or approval in a permanent file and shall deliver copies of the certificates to the school district.

History: 2005, Act 92, Imd. Eff. July 20, 2005.

388.1931 Rules; bulletins.

Sec. 11. The state treasurer may promulgate rules to implement this act pursuant to the administrative procedures act of 1969, 1969 PA 306, MCL 24.201 to 24.328, and may issue bulletins as authorized by this act.

History: 2005, Act 92, Imd. Eff. July 20, 2005;—Am. 2012, Act 437, Eff. Mar. 28, 2013.

388.1932 Failure to apply for prequalification, qualification, or approval of bond before issuance.

Sec. 12. If a school district does not apply for prequalification or qualification or approval of a bond issue

before the issuance of those bonds, the state treasurer shall not approve or qualify those bonds as qualified bonds under this act.

History: 2005, Act 92, Imd. Eff. July 20, 2005.

388.1933 School district owing revolving loan fund; filing annual loan activity application required; borrowing for debt service on qualified bonds; draw request; duties of state treasurer upon receipt of qualified loan confirmation; notification of no need to borrow by school district; invoice for repayment amount; remittance.

Sec. 13. (1) If a school district owes a balance due to the revolving loan fund or has been identified as a potential borrower, the school district shall file an annual loan activity application with the state treasurer not less than 60 days before certifying its annual tax levy. The annual loan activity application shall be submitted in a format prescribed by the state treasurer and shall provide the taxable value, debt service, and any other information necessary to determine the proper required millage levy required under this act. The application shall contain a resolution passed by the local school board authorizing a designated school district official to complete all necessary documents to obtain a loan from the revolving loan fund or for making repayment to the revolving loan fund for the year.

(2) If a school district is eligible to borrow for debt service on qualified bonds, the school district shall file a draw request with the state treasurer not less than 30 days before each date on which the school district owes the debt service. The draw request shall include all of the following:

(a) A statement of the debt service owed in the next 6 months.

(b) A copy of the most recent bank statement showing the amount on hand in the debt service accounts for all qualified bonds.

(c) A statement of any revenue received for payment of the debt service since the date of the bank statement.

(d) A statement of any withdrawals made from the debt service account since the date of the bank statement.

(3) Not more than 7 days before the date established by the state treasurer for making qualified loans, the school district shall confirm in writing the final qualified loan amount to be drawn on a certificate in the form prescribed by the state treasurer.

(4) Upon receipt of a qualified loan confirmation described in subsection (3), the state treasurer shall determine the amount of the draw, which shall be the difference between the funds on hand in all debt service accounts and the amount of the debt service, and shall make a qualified loan in that amount to the school district no later than 6 days before the date the debt service is due.

(5) When a school district's current computed millage levy is sufficient to pay principal and interest on its qualified bonds, a school district shall notify the state treasurer in writing of no need to borrow no later than 30 days before the date set for payment of the qualified bonds.

(6) Within 30 days after receipt of the annual activity application under subsection (1), the state treasurer shall send an invoice to the school district for the amount of repayment the school district owes on its outstanding qualified loans, which shall be the difference between the debt service payable or paid to bondholders and the funds on hand at the school district, less a reasonable amount of funds on hand, as determined by the state treasurer, to cover minimum balance requirements or potential tax disputes. The school district shall remit the amount specified in the invoice within 30 days after the dated date of the invoice.

History: 2005, Act 92, Imd. Eff. July 20, 2005;—Am. 2012, Act 437, Eff. Mar. 28, 2013.

388.1934 Failure of school district to pay principal and interest due on qualified bonds; notice; payment by state treasurer; billing of school district for amount paid; remittance.

Sec. 14. (1) If any paying agent for a school district's qualified bonds notifies the state treasurer that the school district has failed to deposit sufficient funds to pay principal and interest due on the qualified bonds when due, or if a bondholder notifies the state treasurer that the school district has failed to pay principal or interest on qualified bonds when due, whether or not the school district has filed a draw request with the state treasurer, the state treasurer shall promptly pay the principal or interest on the qualified bond when due.

(2) If the state treasurer pays any amount described in this section, the state treasurer shall bill the school district for the amount paid and the school district shall immediately remit the amount to the state treasurer. If the school district would have been eligible to borrow the debt service in accordance with the terms of this act, the school district shall enter into a loan agreement establishing the terms of the qualified loan as provided in this act. If the state treasurer directs the Michigan municipal bond authority to pay any amount described in this section, the state treasurer shall cause the Michigan municipal bond authority to bill the

school district for the amount paid and the school district shall immediately remit the amount to the Michigan municipal bond authority.

History: 2005, Act 92, Imd. Eff. July 20, 2005.

388.1935 Default; repayment.

Sec. 15. (1) If a school district that owes this state loan repayments relating to qualified bonds fails to levy at least the computed millage upon its taxable value for debt retirement purposes for qualified bonds and for repayment of a qualified loan made under this act while any part of the qualified loan is unpaid or defaults in its agreement to repay a qualified loan or any installment of a qualified loan, the school district shall increase its debt levy in the next succeeding year to obtain the amount necessary to repay this state the amount of the default plus a late charge of 3% and shall pay that amount to this state together with any other amounts owed during the next tax year. The school district may use other funds to repay this state including a transfer of general funds of the school district, if approved by the state treasurer. The state treasurer shall not disburse state school aid to the school district until the school district has made satisfactory arrangements with the state treasurer for the payment of the amount in default.

(2) If a school district fails to process any report, application, confirmation, or repayment as required under this act, the state treasurer may withhold a school district's state aid funds until the school district complies with the requirements under this act.

History: 2005, Act 92, Imd. Eff. July 20, 2005.

388.1936 Charging and disposition of fees.

Sec. 16. (1) The state treasurer may charge a prequalification application fee, a qualification application fee, and an annual loan activity fee in the amounts determined by the state treasurer to be required to pay the estimated administrative expenses incurred under this act for the fiscal year in which the state treasurer imposes the fee.

(2) The state treasurer shall deposit all fees collected under this act into a separate fund established within the state treasury, and shall use the proceeds of the fees solely for the purpose of administering and enforcing this act. The unexpended and unobligated balance of this fund at the end of each state fiscal year shall be carried forward over to the succeeding state fiscal year and shall not lapse to the general fund but shall be available for reappropriation for the next state fiscal year.

History: 2005, Act 92, Imd. Eff. July 20, 2005;—Am. 2012, Act 437, Eff. Mar. 28, 2013.

388.1937 False statement or unauthorized use of proceeds; violation as felony; penalty.

Sec. 17. A person who knowingly makes a false statement or conceals material information for the purpose of obtaining qualification of a bond issue under this act or for the purpose of obtaining a qualified loan under this act, or who knowingly uses all or part of the proceeds of a qualified loan obtained under this act for any purpose not authorized by this act, is guilty of a felony punishable by imprisonment for not more than 4 years or a fine of not more than \$5,000.00, or both.

History: 2005, Act 92, Imd. Eff. July 20, 2005.

388.1938 Use of remaining proceeds.

Sec. 18. If a school district has completed the projects approved by the school electors of the school district to be funded from proceeds of qualified bonds, a school district may use any remaining proceeds of the qualified bonds as follows:

(a) To pay debt service on the qualified bonds.

(b) To repay this state.

(c) If in the opinion of the school district's bond counsel use of the remaining proceeds for the purposes described in subdivisions (a) and (b) would adversely affect the federal tax treatment of interest on the qualified bonds, to pay for enhancements to the projects approved by the school electors as described in the ballot language proposing the qualified bonds.

History: 2005, Act 92, Imd. Eff. July 20, 2005;—Am. 2012, Act 437, Eff. Mar. 28, 2013.

388.1939 Actions by designee.

Sec. 19. The state treasurer may designate in writing a person or persons to take any actions required to be taken by the state treasurer under this act. The signature of any designee shall have the same force and effect as the signature of the state treasurer for all purposes of this act.

History: 2005, Act 92, Imd. Eff. July 20, 2005.

**OPINION #4422 OF THE ATTORNEY GENERAL, STATE OF MICHIGAN
DATED MARCH 12, 1965**

CONSTITUTIONAL LAW:
SCHOOL BONDS:
MUNICIPAL FINANCE COMMISSION:

Article 9, § 16, Michigan Constitution of 1963, requires school districts to borrow and State to lend sufficient sum to cover debt service payments on qualified bonds of school districts. Although this is not a pledge of full faith and credit of the State, the Municipal Finance Commission may and must enforce the duty of the district to borrow and the State to lend such sum.

No. 4422

March 12, 1965.

Hon. Sanford A. Brown
State Treasurer
Lansing, Michigan

You have asked in your letter of February 5 whether Article IX, § 16 of the Michigan Constitution of 1963 pledges the full faith and credit of the State to the payment of principal and interest of qualified school bonds.

Article IX, § 16 of the Michigan Constitution of 1963 provides in pertinent part as follows:

"The state * * * may borrow from time to time such amounts as shall be required, pledge its faith and credit and issue its notes or bonds therefor, for the purpose of making loans to school districts as provided in this section.

"If the minimum amount which would otherwise be necessary for a school district to levy in any year to pay principal and interest on its qualified bonds, including any necessary allowances for estimated tax delinquencies, exceeds 13 mills on each dollar of its assessed valuation as finally equalized, or such lower millage as the legislature may prescribe, then the school district may elect to borrow all or any part of the excess from the state. In that event the state shall lend the excess amount to the school district for payment of principal and interest. If for any reason any school district will be or is unable to pay the principal and interest on its qualified bonds when due, then the school district shall borrow and the state shall lend to it an amount sufficient to enable the school district to make the payment.

"The term 'qualified bonds' means general obligation bonds of school districts issued for capital expenditures, including refunding bonds, issued prior to May 4, 1955, or issued thereafter and qualified as provided by law pursuant to Section 27 or Section 28 of Article X of the Constitution of 1908 or pursuant to this section."

Thus, the school district is required to borrow and the State to lend an amount sufficient to enable the school district to make payments of principal and interest due on qualified bonds, and the state is empowered to borrow and to issue its notes or bonds for the purpose of making such loans, and to pledge its full faith and credit for such state bonds or notes.

The constitutional provision quoted does not pledge the full faith and credit of the state to all qualified bonds. The state is not primarily liable on qualified bonds of a school district. Rather, the state is required to lend whatever the school district needs, from time to time, to meet debt service requirements on such bonds.

You ask what remedies are available to enforce the obligation of the state.

The quoted language makes it mandatory upon the school district to borrow and upon the state to lend "an amount necessary to enable the school district to make the payment." Under Chapter II, Section 2(f) of the Municipal Finance Act [C.L. 1948 § 132.2; M.S.A. 1958 Rev. Vol. § 5.3188(4)f], the Municipal Finance Commission has power to enforce compliance with any law by, inter alia, the "institution of appropriate proceedings in the courts of the state, including those for writs of mandamus and injunction."

The Commission could and indeed must enforce the duty of the district to borrow and the state to lend. The bondholders also would have an action to enforce the duty of the district to borrow and of the state to lend.

Thus the bondholders are assured of the availability of state funds where needed to meet debt service requirements on qualified bonds. This is not a pledge of full faith and credit, but gives the bondholders as much or more protection as would such a pledge.

FRANK J. KELLEY,
Attorney General

**OPINION #4508 OF THE ATTORNEY GENERAL, STATE OF MICHIGAN
DATED AUGUST 29, 1966**

BONDS: Qualified bonds of school districts.

CONSTITUTION OF 1963: School Bond Loan Fund.

SCHOOLS: Bond Loans.

STATE TREASURER: Payment of principal and interest on qualified school district bonds.

Authority of State Treasurer and procedures to be followed in paying from the School Bond Loan Fund principal and interest on qualified school bonds upon presentment by a bondholder.

No. 4508 Hon. Allison Green
 State Treasurer
 Capitol Building
 Lansing, Michigan

August 29, 1966.

You have requested my opinion on what procedures should be followed by the state treasurer preparatory to making loans to local school districts which are unable to make payments on principal and interest of qualified school district bonds.¹

Loans to bonded school districts are authorized by Article IX, Section 16, Constitution of 1963, which in part contains pertinent language:

"If the minimum amount which would otherwise be necessary for a school district to levy in any year to pay principal and interest on its qualified bonds, including any necessary allowances for estimated tax delinquencies, exceeds 13 mills on each dollar of its assessed valuation as finally equalized, or such lower millage as the legislature may prescribe, then the school district may elect to borrow all or any part of the excess from the state. In that event the state shall lend the excess amount to the school district for the payment of principal and interest. If for any reason any school district will be or is unable to pay the principal and interest on its qualified bonds when due, then the school district shall borrow and the state shall lend to it an amount sufficient to enable the school district to make the payment.

"The term 'qualified bonds' means general obligation bonds of school districts issued for capital expenditures, including refunding bonds, issued prior to May 4, 1955, or issued thereafter and qualified as provided by law pursuant to Section 27 or Section 28 of Article X of the Constitution of 1908 or pursuant to this section."

Article IX, Section 16, Constitution of 1963, is a continuation with minor revisions of the provisions relating to school bond financing which appeared in Sections 27 and 28 of Article X, Constitution of 1908. Section 27, Article X, Constitution of 1908, was proposed by joint resolution of the legislature in 1955 and approved by the people at the regular election of April 4, 1955. The loan provisions of Section 27 ceased to have effectiveness after July 1, 1962, and were replaced by the provisions of Section 28, Article X, Constitution of 1908, which was proposed by joint resolution of the legislature in 1960 and approved by the people at the general election of November 8, 1960. Section 28 by its own terms took effect on July 1, 1962.

Section 28, Article X, Constitution of 1908, was implemented by the legislature by the enactment of Act 108, P.A. 1961, which took effect September 8, 1961. The first section of Act 108, P.A. 1961, stated that the purpose of the act was to implement Section 28 of Article X of the Constitution of 1908. The Constitution of 1963 took effect on January 1, 1964. In anticipation of the effectiveness of that Constitution, the legislature passed Act 33, P.A. 1963, Second Extra Session, such act to take effect on January 1, 1964. Act 33, P.A. 1963, Second Extra Session, amended Sections 1, 3, 8 and 9 of Act 108, P.A. 1961, and further amended section 7 of Act 108, P.A. 1961, as amended by Act 131, P.A. 1962. The first section of amendatory Act 33 stated that the act's purpose was to implement Section 16 of Article IX of the Constitution of 1963. Subsequent amendment has been made to Sections 2, 4, 6, 9 and 10 of Act 108, P.A. 1961, by Act 169, P.A. 1964, which act also added a new Section 4a.²

¹In your letter of request you stated that you were familiar with Opinion No. 4422 issued by me on March 12, 1965, in which it was ruled that Article IX, Section 16, Constitution of 1963, requires school districts to borrow and the state to lend sufficient sums to cover debt service payments on qualified bonds of school districts but that this requirement is not a pledge of the full faith and credit of the state; the Municipal Finance Commission however may and must enforce the duty of the school district to borrow and have the state to lend the necessary amounts.

²Act 108, P.A. 1961, in its present amended form appears in M.S.A. 1965 Cum. Supp. § 3.424(111) et seq.

Answer to your question is to be found in amended Sections 6, 7 and 8 of the act. These sections present two situations in which you may become involved as state treasurer. The first situation is where a loan is to be made to the school district to permit the district to meet the principal and interest requirements on its bonds without a default in payment; the second is where the principal or interest on the bonds has not been paid when due upon proper presentation because of inadequate funds resulting in a default in payment.

Under amended Section 6 of the act, in any school district where the amount necessary to be levied in any year for principal and interest on qualified bonds exceeds 7 mills on each dollar of the assessed valuation of the school district as last equalized by the state, such school district on or before 60 days prior to the time of certification of its tax levy to the assessing officer shall file with the superintendent of public instruction³ a preliminary application for a loan from the state in the amount of any part of such excess over 7 mills which the school district does not propose to levy in such year.⁴ Amended Section 6 specifies the information to be supplied in the application. The superintendent of public instruction if he finds the application in proper form shall approve or deny the application in whole or in part and notify the school district of his action. Amended Section 7 of the act provides that if a loan from the state shall become necessary for the payment of principal and interest on qualified bonds in accordance with an approved preliminary application to the superintendent of public instruction or by virtue of a supplemental application, it shall be the duty of the superintendent of public instruction after audit to forward to the state treasurer a statement setting forth the amount to be loaned to the school district for the payment of principal and interest and the date on or before which loan shall be made.⁵ The superintendent shall prepare a voucher as a basis for the issuance of a warrant and upon receipt of such statement and warrant, it shall be the duty of the state treasurer to loan to the school district from the school bond loan fund the amount set forth in the statement of the superintendent of public instruction on or before the date specified therein. The state treasurer upon making such loan shall obtain from the school district a receipt for the amount so loaned which receipt shall specify the terms of repayment in accordance with the provisions of Section 16 of Article IX, Constitution of 1963 and the act. The school district treasurer upon receipt of the loan is required to deposit the same in the debt retirement fund to be used solely for the payment of principal and interest on qualified bonds.

The foregoing summaries of the procedures prescribed by amended Section 6 and 7 relate to the first situation above-described where the loan to the school district is to be made before the school district has defaulted in the payment of the principal or interest on its bonds.

The second situation described above is covered by amended Section 8 of the act which prescribes that in the event the principal or interest on any qualified bond is not paid when due, upon proper presentation of the bond or interest coupon to the agent or officer charged with making payment thereof, the state treasurer shall forthwith pay such principal or interest upon presentation of the bond or coupon to him. Any amount so paid by the state treasurer shall be deemed a loan to the school district made pursuant to the requirements of Section 16, Article IX, Constitution of 1963, and the act and the school district shall give a receipt therefor and repay the loan in the manner provided in the act for the repayment of loans.

The method of processing loans to school districts under amended Sections 6 and 7 before default in payment of principal or interest is adequately spelled out in those sections and no additional comment from me is necessary. Your real concern is in regard to the applicable procedures which you should follow in the situation where the school district has defaulted in the payment of principal or interest on its bonds and the bond or bonds and the interest coupons have not been paid when due by the paying agent because of lack of funds. In the event of such a happening it is assumed for the purposes of this opinion that the holder of the bond or of the interest coupon will make demand on you as state treasurer for the prompt payment of the obligation thereunder. Should such demand be made on you as state treasurer, you would be entitled to take the following action before making payment:

- a. Ascertaining from the superintendent of public instruction or from the records in your own office that the bonds involved are duly qualified bonds as defined and described in amended Section 3 of the act;
- b. Requiring proof reasonably satisfactory to you that the bond or bonds or the interest coupons have been properly presented for payment to the paying agent or officer charged with the responsibility for making payment thereof and that payment has been refused because sufficient monies had not been deposited by the school district for that purpose; such proof of nonpayment may be furnished you in the form of a certificate from the paying agent.

³Article VIII, Section 3, Constitution of 1963 requires the state board of education to appoint a superintendent of public instruction who shall be the principal executive officer of the department of education and who shall have powers and duties provided by law. Section 14 of Act 287, P.A. 1964 (M.S.A. 1965 Cum. Supp. § 15.1023(14)) specifies that after June 30, 1965, a reference in any law to the powers and duties of the superintendent of public instruction shall be deemed to be made to the state board of education, subject to exceptions not pertinent here, and that the state board of education may delegate any of its functions to the superintendent. Section 300 of Act 380, P.A. 1965, creates a department of education. Section 301 of that act provides that the head of the department of education is the state board of education. Section 303 of that act transfers by a Type III transfer all powers, duties and functions then vested by law in the superintendent of public instruction to the department of education. Section 305 of the act specifies that the principal executive officer of the department of education is the superintendent of public instruction. Act 380 appears in M.S.A. 1965 Cum. Supp. at § 3.29(1) et seq. Act 380, P.A. 1965, was amended without regard to the sections involved here by Act 407, P.A. 1965. Without doubt, under the foregoing provisions the state board of education could delegate to the superintendent of public instruction the performance of all of the functions and duties imposed on the board in connection with the School Bond Loan Fund.

⁴Other details set forth in amended Section 6 have been omitted.

⁵Other details set forth in amended Section 7 have been omitted.

c. Notification to the school district given by you or your designee of the action taken by paying agent in refusing payment of the bonds or interest coupons on presentment because of the failure of the school district to have deposited funds with the paying agent for that purpose and verification from the school district of the fact of such failure to supply the required funds; notification to the school district by you or your designee that payment of the required amounts were to be made from the school bond loan fund by you as state treasurer and that such payment would be in the form of a loan to the school district which the school district would be required to be repay to the school bond loan fund in the manner required by law; the school district will be required to furnish you as state treasurer with a receipt evidencing the loan and specifying the terms of repayment, as required by law.

Upon the fulfillment of the above conditions in a manner reasonably acceptable to you, you would be authorized to make payment of the amounts due on the bonds and interest coupons and thereupon to demand their surrender and delivery to you as state treasurer.

Because of the safeguards built into the Michigan Constitution and statutes there should be no default of Michigan qualified school bonds. The School Loan Fund Program will have afforded the school district access to loan funds prior to the due date of the principle [sic] and interest on such bonds. In order to advise of the procedures in the remote possibility of nonpayment, however, I have set forth the foregoing guide lines [sic].

FRANK J. KELLEY,
Attorney General

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX B*
CLINTON COMMUNITY SCHOOLS
GENERAL FINANCIAL, ECONOMIC AND SCHOOL INFORMATION

LOCATION AND AREA

The School District occupies an area of 53.1 square miles in northern Lenawee and southern Washtenaw Counties in southeast lower Michigan. The School District is comprised of the entire Village of Clinton and portions of Clinton, Franklin, Macon and Tecumseh Townships in Lenawee County and portions of Bridgewater, Manchester and Saline Townships in Washtenaw County.

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

- 5 miles north of Tecumseh
- 20 miles southwest of Ann Arbor
- 35 miles southeast of Jackson
- 40 miles northwest of Toledo, Ohio
- 70 miles southeast of Lansing
- 60 miles southwest of Detroit

POPULATION

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

	School District	Village of Clinton	County of Lenawee
2022 Estimate	6,096	2,929	99,263
2020 U.S. Census	6,152	2,517	99,423
2010 U.S. Census	6,097 ¹	2,336	99,892

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 B 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 30-Jun	Full-time Equivalent	Change	School Year End 30-Jun	Full-time Equivalent	Change
2024	1,250	0.00%	2019	1,220	10.31%
2023	1,250	0.56	2018	1,106	5.53
2022	1,243	3.58	2017	1,048	-1.96
2021	1,200	-3.15	2016	1,069	-2.11
2020	1,239	1.56	2015	1,092	--

2023/2024 Fall Count

Kindergarten	116	7 th	85
1 st	86	8 th	93
2 nd	109	9 th	79
3 rd	85	10 th	94
4 th	107	11 th	86
5 th	103	12 th	120
6 th	87	Total	<u>1,250</u>

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>				
Clinton Elementary School	K - 5	1951	2005	Brick
<i>Middle School:</i>				
Clinton Middle School	6 - 8	1957	2005	Brick
<i>High School:</i>				
Clinton High School	9 - 12	1969	2023	Brick
<i>Preschool/Latchkey:</i>				
Clinton Preschool & Latchkey	Pre - K	2011	2022	Wood

OTHER SCHOOLS

There are no private, charter or parochial schools located within the School District's boundaries.

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 103 of 2023 has set the target foundation allowance at \$9,608 for fiscal year 2023/2024.

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 2023/24 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
2024	\$9,608	\$14,214,257 ²	1,249.44 ²	\$11,377 ²
2023	9,150	13,294,376 ³	1,248.67	10,647 ³
2022	8,700	11,440,299	1,237.74	9,243
2021	8,111	10,799,628 ⁴	1,226.54	8,805 ⁴
2020	8,111	10,488,924 ⁵	1,234.43	8,497 ⁵
2019	7,871	9,723,030	1,208.77	8,044

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

²Preliminary estimate, subject to change.

³Fiscal year 2023 State Aid Payments included \$693,680.63 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

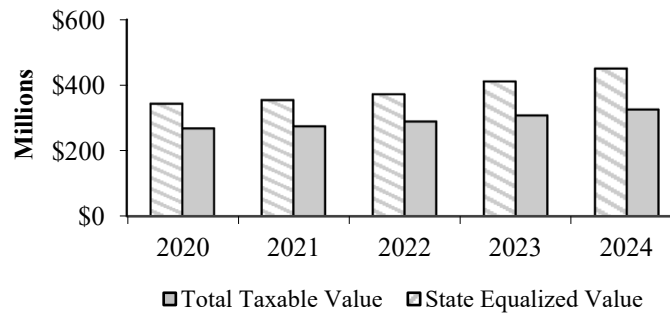
A history of the property valuations in the School District is shown below:

Year	Principal Residence ¹	Non- Principal Residence ¹	Total Taxable Value	Percent Change	State Equalized Value	Percent Change
2024	\$255,956,412	\$69,679,582	\$325,635,994	5.82%	\$451,009,400	9.60%
2023	227,890,504	79,841,348	307,731,852	6.46	411,522,300	10.51
2022	210,231,932	78,829,634	289,061,566	5.26	372,391,850	4.99
2021	200,017,706	74,592,348	274,610,054	2.39	354,689,600	3.29
2020	193,794,534	74,410,948	268,205,482	----	343,405,250	----

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 \$2,869,400 and commercial personal property had a taxable value of \$4,786,600 in the School District.

Source: Lenawee and Washtenaw County Equalization Departments

History of Valuations



A summary of the 2024 valuation is as follows:

2024 Taxable Value	\$325,635,994
Plus: 2024 Equivalent IFT Taxable Value ¹	11,700
Total 2024 Equivalent Taxable Value	\$325,647,694
Less: 2024 Veterans Exemption Taxable Value	(1,465,382)
Net 2024 Taxable Value	<u>\$324,182,312</u>

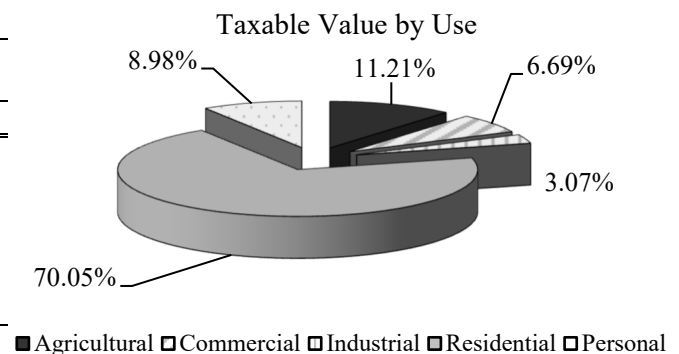
¹See “INDUSTRIAL FACILITY TAX ABATEMENTS” herein.

Source: Lenawee and Washtenaw County Equalization Departments

Tax Base Composition

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

By Class:	2024 Taxable Value	Percent of Total
Real Property	\$296,378,294	91.02%
Personal Property	29,257,700	8.98
TOTAL	\$325,635,994	100.00%
By Use:		
Agricultural	\$36,494,375	11.21%
Commercial	21,779,288	6.69
Industrial	9,988,840	3.07
Residential	228,115,791	70.05
Personal	29,257,700	8.98
TOTAL	\$325,635,994	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 Lenawee</i>		
Clinton Township	\$147,885,179	45.41%
Franklin Township	74,910,511	23.00
Macon Township	185,992	0.07
Tecumseh Township	17,382,129	5.34
<i>County of Washtenaw</i>		
Bridgewater Township	52,051,911	15.98
Manchester Township	24,449,946	7.51
Saline Township	8,770,326	2.69
TOTAL	\$325,635,994	100.00%

Source: Lenawee and Washtenaw County 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 \$23,400, 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: Lenawee and Washtenaw County Equalization Departments

TAX INCREMENT AUTHORITIES

Act 57 of the Public Acts of Michigan, 2018, as amended (the “Recodified Tax Increment Financing Act”) and Act 381 of the Public Acts of Michigan, 1996, as amended (the “Brownfield Act”) (together the “TIF Acts”) authorize the designation of specific districts known as Tax Increment Finance Authority (“TIFA”) Districts, Downtown Development Authority (“DDA”) Districts, Local Development Finance Authority (“LDFA”) Districts, Corridor Improvement Authority (“CIA”) Districts or Brownfield Redevelopment Authority (“BRDA”) Districts, which are authorized to formulate tax increment financing plans for public improvements, economic development, neighborhood revitalization, historic preservation and environmental cleanup within the district.

Tax increment financing permits the TIFA, DDA, LDFA, CIA or BRDA to capture tax revenues attributable to increases in value (“TIF Captured Value”) of real and personal property located within an approved development area while any tax increment financing plans by an established district are in place. These captured revenues are used by the District and are not passed on to the local taxing jurisdictions.

In Lenawee County, the Village of Clinton has one DDA District. The DDA does not capture the School District’s millage.

Source: Village of Clinton

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
Rover Pipeline	Pipeline	\$12,411,250
Consumers Energy	Utility	5,354,282
HMI Hardwoods LLC	Lumber/Veneer	3,853,000
Eden Home Inc.	Food Manufacturer	3,278,236
Hollingshead Materials LLC	Cement Manufacturer	2,618,715
Detroit Edison	Utility	2,060,100
Buchi, Kevin J. & Kathleen M.	Private Residence	1,609,508
Water Wheel Estates	Mobile Home Park	1,574,878
Tri-Bro LLC	Hardscape Products	1,386,452
1070 US 12 Clinton LLC	Auto Dealership	1,318,900
TOTALS		\$35,465,321
Total 2024 Taxable Value		\$325,635,994
Top 10 Taxpayers as a % of 2024 Total Taxable Value		10.89%

Source: Lenawee and Washtenaw County Equalization Departments

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

The following table shows the total School District tax rates for the current year and past four years.

	2024	2023	2022	2021	2020
Operating – Voted	18.0000	18.0000	18.0000	18.0000	18.0000
Debt	5.7500	5.7500	1.6000	1.9000	1.9000
Sinking Fund	0.0000	0.0000	1.9710	1.9896	1.9964
Total Non-Principal Residence	23.7500	23.7500	21.5710	21.8896	21.8964
Total Principal Residence	5.7500	5.7500	3.5710	3.8896	3.8964

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 municipal units of government that overlap with the School District's boundaries.

	2023	2022
State Education Tax	6.0000	6.0000
Bridgewater Township	1.3175	1.3175
Clinton Township	3.7088	3.7088
Franklin Township	3.2369	3.2369
Macon Township	2.9934	2.9934
Manchester Township	2.0207	2.0115
Saline Township	1.9073	1.9073
Tecumseh Township	0.9622	0.9622
Clinton Village	10.9300	10.9300
Lenawee County	6.4370	6.4363
Washtenaw County	6.8343	6.8343
Lenawee ISD	7.2922	7.2922
Washtenaw Community College	3.3548	3.3548

Source: Lenawee and Washtenaw County 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. Lenawee and Washtenaw 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	
2023	\$1,462,773	\$1,344,539	91.92%	\$1,442,648	98.62%
2022	1,425,661	1,287,077	90.28	1,386,806	97.27
2021	1,368,951	1,297,392	94.77	1,368,512	99.97
2020	1,334,823	1,261,583	94.51	1,334,711	99.99
2019	1,261,615	1,163,481	92.22	1,248,127	98.93

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 ¹	\$2,500,000	\$520,000	\$3,020,000
2023 ²	2,451,424	513,376	2,964,800
2022	2,315,636	522,909	2,838,545
2021	2,026,333	490,319	2,516,652
2020	1,758,706	460,756	2,219,462

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 \$693,681 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, 2023 financial statements, the School District reported a proportionate share of the net pension liability of \$26,281,406 as of September 30, 2022.

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, 2023 financial statements, the School District reported a proportionate share of the net OPEB liability of \$1,463,039 as of September 30, 2022.

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 D.

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	7	Non-Affiliated	N/A
Teachers	75	MEA	06/30/25
Supervisory/Central Staff	6	Non-Affiliated	N/A
Aides/Secretaries/Transportation	38	MEA	06/30/24*
Maintenance/Custodial	8	MEA	06/30/25
TOTAL	<u>134</u>		

*In negotiations.

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

DEBT STATEMENT* - (As of 07/03/24 – 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>
09/08/21	Building & Site, Series I	UTQ	05/01/46	\$21,855,000
/ /24	Building & Site, Series II	UTQ	05/01/46	9,140,000*
NET DIRECT DEBT				\$30,995,000*

OVERLAPPING DEBT:

<u>Percent Share</u>	<u>Municipality</u>	<u>Net Debt</u>	<u>District's Share</u>
42.61%	Bridgewater Township	\$0	\$0
93.45	Clinton Township	0	0
36.88	Franklin Township	0	0
0.22	Macon Township	0	0
9.31	Manchester Township	40,612	3,781
5.66	Saline Township	234,000	13,244
15.88	Tecumseh Township	0	0
100.00	Clinton Village	1,846,000	1,846,000
5.40	Lenawee County	17,124,092	924,701
0.36	Washtenaw County	9,475,099	34,110
7.16	Lenawee ISD	0	0
0.37	Washtenaw Community College	3,450,000	12,765

TOTAL OVERLAPPING DEBT	2,834,601
NET DIRECT AND OVERLAPPING DEBT	\$33,829,601*

*Preliminary, subject to change.

Source: *Municipal Advisory Council of Michigan*

SCHOOL LOAN REVOLVING FUND (SLRF) PROGRAM

The School District did not have a SLRF balance as of July 3, 2024.

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	6,096
2024 Taxable Value	\$325,635,994
2024 State Equalized Value (SEV)	\$451,009,400
2024 True Cash Value (TCV)	\$902,018,800
Per Capita 2024 Taxable Value	\$53,417.98
Per Capita 2024 State Equalized Value	\$73,984.48
Per Capita 2024 True Cash Value	\$147,968.96
Per Capita Net Direct Debt	\$5,084.48
Per Capita Net Direct and Overlapping Debt	\$5,549.48
Percent of Net Direct Debt of 2024 Taxable Value	9.52%
Percent of Net Direct and Overlapping Debt of 2024 Taxable Value	10.39%
Percent of Net Direct Debt of 2024 SEV	6.87%
Percent of Net Direct and Overlapping Debt of 2024 SEV	7.50%
Percent of Net Direct Debt of 2024 TCV	3.44%
Percent of Net Direct and Overlapping Debt of 2024 TCV	3.75%

*Preliminary, subject to change.

LEGAL DEBT MARGIN* - (As of 07/03/24 – including the Bonds described herein)

2024 State Equalized Value	\$451,009,400
Legal Debt Limit - 15% of SEV	67,651,410
Total Bonded Debt Outstanding	\$30,995,000
Less: SLRF Qualified Bonds ¹	<u>(30,995,000)</u>
Net Amount Subject to Legal Debt Limit	<u>0</u>
LEGAL DEBT MARGIN AVAILABLE	<u><u>\$67,651,410</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 Lenawee County:

Employer	Product or Service	Approx. No. of Employees
<i>Within the School District</i>		
Clinton Community Schools	Education	134
Eden Foods	Health Foods	99
Busch's	Grocery	99
Lenawee Fuels Inc	Petroleum & Petroleum Products	70
Michigan Pallet Inc	Wood Pallets	50
HMI Hardwoods LLC	Lumber	40
<i>Within the County of Lenawee</i>		
Inteva Products, LLC	Injection Molded Plastic Products	1,250
ProMedica Health System	Healthcare	1,195
Kirchhoff Automotive Inc.	Automotive Metal Stampings	650
Lenawee County Offices	Government	555
Hi-Lex Controls, Inc.	Automotive Window Regulators	500
Wacker Chemical Corp.	Silicone Manufacturer	400
Lenawee Intermediate School District	Education	400
Adrian Public Schools	Education	375
Plastic Omnium	Fuel Tanks	350
Gus Harrison Correctional Facility	Correctional Facility	345
Adrian Steel Company	Shelving & Metal Box Manufacturer	300
Brazeway, Inc	Aluminum Manufacturing	250
Autokinton	Welding & Machining	200
Cabinetworks Group Michigan, LLC	Kitchen Cabinet Manufacturer	200
Uniloy Inc.	Plastic Molding Machinery	200

Source: 2023 Michigan Manufacturers Directory, MEDC website via www.michiganbusiness.org, 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 Village of Clinton and County of Lenawee as follows:

	Village of Clinton		County of Lenawee	
	Number	Percent	Number	Percent
PERSONS BY OCCUPATION	1,624	100.00%	44,046	100.00%
Management, Business, Science & Arts	497	30.60	13,659	31.01
Service	387	23.83	8,670	19.68
Sales & Office	330	20.32	7,962	18.08
Natural Resources, Construction & Maintenance	106	6.53	4,350	9.88
Production, Transportation & Material Moving	304	18.72	9,405	21.35

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

PERSONS BY INDUSTRY	Village of Clinton		County of Lenawee	
	Number	Percent	Number	Percent
	1,624	100.00%	44,046	100.00%
Agriculture, Forestry, Fishing, Hunting & Mining	0	0.00	1,195	2.71
Construction	102	6.28	2,749	6.24
Manufacturing	229	14.10	8,935	20.29
Wholesale Trade	15	0.92	870	1.98
Retail Trade	166	10.22	5,297	12.03
Transportation, Warehousing & Utilities	117	7.20	1,745	3.96
Information	38	2.34	515	1.17
Finance, Insurance & Real Estate	99	6.10	1,335	3.03
Professional, Scientific & Management Services	61	3.76	3,260	7.40
Educational, Health & Social Services	583	35.90	10,593	24.05
Arts, Entertainment, Recreation & Food Services	132	8.13	3,732	8.47
Other Services except Public Administration	47	2.89	2,001	4.54
Public Administration	35	2.16	1,819	4.13

UNEMPLOYMENT

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

Annual Average	County of Lenawee	State of Michigan
April, 2024	3.9%	3.8%
2023	4.2	3.9
2022	4.5	4.1
2021*	5.4	5.7
2020*	9.2	10.0
2019	3.9	4.1

*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 Village of Clinton and County of Lenawee as follows:

	Village of Clinton		County of Lenawee	
	Number	Percent	Number	Percent
Total Population	2,929	100.00%	99,263	100.00%
0 through 19 years	709	24.21	23,292	23.46
20 through 64 years	1,872	63.91	56,654	57.07
65 years and over	348	11.88	19,317	19.47
Median Age	36.6	years	42.0	years

INCOME

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

	Village of Clinton		County of Lenawee	
	Number	Percent	Number	Percent
HOUSEHOLDS BY INCOME	1,046	100.00%	38,626	100.00%
Less than \$ 10,000	49	4.68	1,690	4.38
\$ 10,000 to \$ 14,999	0	0.00	1,033	2.67
\$ 15,000 to \$ 24,999	24	2.30	3,376	8.74
\$ 25,000 to \$ 34,999	65	6.21	3,306	8.56
\$ 35,000 to \$ 49,999	138	13.19	5,380	13.93
\$ 50,000 to \$ 74,999	239	22.85	7,600	19.68
\$ 75,000 to \$ 99,999	123	11.76	5,413	14.01
\$100,000 to \$149,999	203	19.41	6,289	16.28
\$150,000 to \$199,999	134	12.81	2,518	6.52
\$200,000 or MORE	71	6.79	2,021	5.23
Median Income	\$78,472		\$65,484	

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX C
GENERAL FUND BUDGET SUMMARIES AND
COMPARATIVE FINANCIAL STATEMENTS

Clinton Community Schools
General Fund Budget Summaries

	Final Amended 2023/24	As Adopted 2024/25
Revenues		
Local Sources	\$2,442,670	\$2,260,224
State Sources	13,596,621	13,697,345
Federal Sources	1,170,663	131,953
Incoming Transfers & Other Transactions	766,740	628,301
Athletic Revenue	42,000	45,000
Total Revenues	\$18,018,693	\$16,762,823
Expenditures		
Instructional Services		
Basic Program	\$7,763,932	\$8,306,010
Added Needs	1,967,143	2,324,734
Support		
Pupil	414,373	440,983
Instructional Staff	585,311	1,193,602
General Administration	351,597	395,767
School Administration	799,284	825,520
Business Services	320,436	356,781
Operation & Maintenance	1,567,006	2,298,891
Security	320,852	260,381
Transportation	923,036	900,060
Staff	10,132	--
Technology	65,000	92,550
Latchkey	27,989	26,799
Capital Improvements	713,000	--
Athletics	541,920	592,142
Support Services	63,833	89,575
Governmental Fund	306,000	300,000
Total Expenditures	\$16,740,844	\$18,403,795
Excess of Expenditures (over) under Revenues	\$1,277,850	(\$1,640,971)
Beginning Fund Balance - July 1	\$7,340,981	\$8,618,831
Projected Fund Balance - June 30	\$8,618,831	\$6,977,859

Source: School District

**Clinton Community Schools
General Fund**

Comparative Balance Sheet

	For Fiscal Years Ended June 30th		
	2021	2022	2023
Assets			
Cash and Cash Equivalents	\$254,299	(\$978,428)	(\$1,336,317)
Investments	4,935,840	5,424,306	6,690,850
Accounts Receivable	8,536	---	---
Due from Other Governmental Units	2,070,651	2,196,242	2,685,702
Due from Other Funds	---	1,250,000	---
Prepaid Expenditures	2,332	18,487	19,043
Restricted Assets	---	---	1,600,000
Total Assets	<u>\$7,271,658</u>	<u>\$7,910,607</u>	<u>\$9,659,278</u>
Liabilities			
Accounts Payable	\$125,322	\$119,324	\$264,934
Unearned Revenue	600,352	605,613	531,679
Accrued Expenditures	502,685	547,660	700,835
Accrued Salary	739,535	734,876	750,292
Due to Other Funds	2,278	2,892	9,120
Total Liabilities	<u>\$1,970,172</u>	<u>\$2,010,365</u>	<u>\$2,256,860</u>
Deferred Inflows of Resources:			
Unavailable Revenue	\$53,382	\$52,388	\$61,437
Total Deferred Inflows of Resources	<u>\$53,382</u>	<u>\$52,388</u>	<u>\$61,437</u>
Fund Balance			
Reserved for:			
School Lunch Program	\$120,545	\$179,714	\$182,022
Capital Outlay	---	---	1,600,000
Non-Spendable Prepaid Expenditures	2,332	18,487	19,044
Unassigned Reported in General Fund	5,125,227	5,649,653	5,539,915
Total Fund Balance	<u>\$5,248,104</u>	<u>\$5,847,854</u>	<u>\$7,340,981</u>
Total Liabilities and Fund Balance	<u>\$7,271,658</u>	<u>\$7,910,607</u>	<u>\$9,659,278</u>

Source: Audited Financial Statements

**Clinton Community Schools
General Fund**

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

	For Fiscal Years Ended June 30th		
	2021	2022	2023
Revenue			
Local Sources	\$1,784,088	\$2,170,313	\$2,387,611
State Sources	10,453,680	11,473,969	652,582
Federal Sources	741,163	276,533	13,197,051
Intermediate Sources	618,592	581,840	1,098,914
Total Revenue	<u>\$13,597,523</u>	<u>\$14,502,655</u>	<u>\$17,336,158</u>
Expenditures			
Current:			
Instruction	\$8,131,009	\$8,593,234	\$9,931,841
Supporting Services	4,049,171	4,650,130	4,838,579
Community Service	---	814	---
Food Service Activities	397,982	---	---
Athletic Activities	175,455	616,794	486,975
Capital Outlay	---	---	585,636
Principal Repayment	39,655	40,869	---
Interest & Fiscal Charges	2,089	1,063	---
Total Expenditures	<u>\$12,795,360</u>	<u>\$13,902,904</u>	<u>\$15,843,031</u>
Excess of Revenue & Other Sources Over (Under) Expenditures & Other Uses	\$802,163	\$599,751	\$1,493,127
Fund Balance - Beginning	<u>\$4,445,939*</u>	<u>\$5,248,103</u>	<u>\$5,847,854</u>
Fund Balance - Ending	<u><u>\$5,248,103</u></u>	<u><u>\$5,847,854</u></u>	<u><u>\$7,340,981</u></u>

*As restated.

Source: Audited Financial Statements

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX D
AUDITED FINANCIAL STATEMENTS

[THIS PAGE INTENTIONALLY LEFT BLANK]



INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Clinton Community Schools
Clinton, Michigan

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Clinton Community Schools (the School District) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Schools 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 Clinton Community Schools, as of June 30, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the 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 generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, 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 the School District's 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 the School District's 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the major fund budgetary comparison, the schedules of the School District's share of the net pension liability and pension contributions, the schedules of the School District's share of the net postemployment benefit other than pensions (OPEB) liability and OPEB contributions and the notes to required supplemental information, as identified in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the

**CLINTON COMMUNITY SCHOOL DISTRICT - CLINTON, MICHIGAN
MANAGEMENT AND DISCUSSION LETTER
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The other supplemental 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplemental information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 18, 2023 on our consideration of Clinton Community Schools internal control over financial reporting and 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 Clinton Community Schools internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Clinton Community Schools internal control over financial reporting and compliance.

Haven Group CPAs & Advisors

Haven Group CPAs & Advisors
Taylor, Michigan
September 18, 2023

The Management's Discussion and Analysis section of the audit report is District management's view of the District's financial condition and provides an opportunity to discuss important fiscal issues with the Board and the public. Accounting rules require this discussion and analysis, which makes reporting of finances similar to that of private business.

The management's discussion and analysis is provided at the beginning of the audit and organized so that the reader can understand the current position of the School District's financial condition. This summary should not be taken as a replacement for the audit which consists of the financial statements and other supplemental information that presents all the School District's revenues by program for the General Fund, Debt Service Fund, Capital Project Fund and Special Revenue Fund.

USING THIS ANNUAL REPORT

The School District's Annual Report consists of a series of financial statements that show information for the School District as a whole, its funds, and its fiduciary responsibilities. The *District Wide Financial Statements*, which include the **Statement of Net Position** and the **Statement of Activities** provide information about the district as a whole and present a longer-term view of the School District's finances. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. The *Fund Financial Statements* provide detailed information about the School District's most significant funds not the School District as a whole.

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

Basic Financial Statements

Government-wide Financial Statements

Fund Financial Statements

Notes to Financial Statements

Required Supplemental Information

Budgetary Information for Major Funds

Schedule of Pension and OPEB Contributions

Schedule of the School District's Proportionate Share of the Net Pension and OPEB Liabilities

Other Supplemental Information

CLINTON COMMUNITY SCHOOL DISTRICT - CLINTON, MICHIGAN
MANAGEMENT AND DISCUSSION LETTER
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

Reporting the School District as a whole

These two statements report the School District's Net Position—the difference between assets, plus deferred outflows of resources and liabilities plus deferred inflows of resources as reported in the **Statement of Net Position** – as one way to measure the School District's financial health or financial position. The **Statement of Net Position**, for the first time, combines and consolidates governmental fund's current financial resources with capital assets and long-term obligations, regardless if they are currently available or not. In comparison to "other assets", capital assets are those assets that are tangible, valued over a specified amount, and usually have a long life. They are depreciated over a useful life. More detail on capital assets and their recorded useful lives is found in the footnote section of the audit. Long-term obligations (liabilities) are those that are longer than one year. Some liabilities are classified as "short-term" for the portion due in a year, and "long-term" for the portion due in the future years (such as leases payable, compensated absences, and debt obligations). "Other liabilities" are considered to be obligations due within a year. Over time, increases or decreases in the School District's Net Position – as reported in the **Statement of Activities** – is one indicator of whether its financial health is improving or deteriorating. The relationship between revenues and expenses indicates the School District's operating results.

However, the School District's goal is to provide services to our students, not to generate a profit as commercial entities do. There are other factors to consider such as quality of education and school safety to assess the overall health of the School District.

The **Statement of Net Position** and **Statement of Activities** report the governmental activities and business-type activities. These statements for the School District will include only governmental activities, which encompass all of the School District's services including instruction, supporting services, athletics, and food service. Property taxes, unrestricted State Aid (foundation allowance revenue) and State and Federal grants finance most of these activities.

Reporting the School District's most significant funds

The School District's fund financial statements provide detailed information about the School District's most significant funds not the School District as a whole. The fund statements are similar to financial presentations in the past, but the new focus is on the School District's major funds rather than fund types. The two Account Groups: General Fixed Assets and General Long-Term Debt are no longer reported. Some funds are required by State law and by bond covenants. However, the School District establishes many other funds to help it control and manage money for particular purposes (such as **Food Service**) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other monies (such as **Debt and Capital Projects**). The School District's major fund is the **General Fund**.

CLINTON COMMUNITY SCHOOL DISTRICT - CLINTON, MICHIGAN
MANAGEMENT AND DISCUSSION LETTER
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

Most of the School District's services are reported in governmental funds. Governmental fund reporting focuses on how money flows into and out of the funds and the balances left at year-end that are available for spending in future periods. They are reported using an accounting method called "modified accrual" accounting, which measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the School District's operations and services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. We describe the relationship (or differences) between *governmental activities* and *governmental funds* in the following basic financial statements; **Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position** and the **Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Fund To the Statement of Activities**.

Fund types include the General Fund, Special Revenue Fund, Debt Retirement Fund, Capital Projects Fund, and Fiduciary Fund. The General Fund is used primarily to account for the general education requirements of the School District. Its revenues are derived from property taxes, state and federal distributions and grants and other intergovernmental revenues. The Debt Fund is used to record the funding and payment of principal and interest on Bonded Debt. The Special Revenue Fund is used to record the funding and expenditures of monies specified for a specific purpose (Food Service). Capital Project Fund is used to record the funding and expenditures related to capital outlay. The Fiduciary Fund accounts for assets held by the School District in a trustee capacity or as an agent for various student groups and related activities. Pursuant to adopting GASB 84, the activities of the Fiduciary Fund are now included with the General Fund.

The School District as a Whole

The School District's net deficit was \$(4,510,903) at the end of June 30, 2023 and \$(6,591,836) at the end of June 30, 2022, representing a net decrease in deficit of \$2,080,933. Of the total amount \$(15,871,943) was unrestricted. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the School District's ability to use those funds for day-to-day operations. Our analysis below focuses on the **Net Position** (Table 1) and **Change in Net Position** (Table 2) of the School District's governmental activities.

**CLINTON COMMUNITY SCHOOL DISTRICT - CLINTON, MICHIGAN
MANAGEMENT AND DISCUSSION LETTER
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

Net Position (Table 1)		
	<u>2023</u>	<u>2022</u>
Assets:		
Current assets	\$ 33,256,949	\$ 34,977,797
Noncurrent assets	<u>14,196,026</u>	<u>8,957,004</u>
Total assets	<u>47,452,975</u>	43,934,801
Deferred outflows of resources		
Deferred pension amounts	9,077,849	4,936,503
Deferred OPEB amounts	2,246,490	1,882,344
Deferred loss on bond refunding	-	21,275
Total deferred outflows of resources	<u>11,324,339</u>	<u>6,840,122</u>
Total assets and deferred outflows of resources	<u>58,777,314</u>	<u>50,774,923</u>
Liabilities:		
Current liabilities	4,000,725	2,744,925
Noncurrent liabilities	<u>54,351,939</u>	<u>44,273,423</u>
Total Liabilities	<u>58,352,664</u>	47,018,348
Deferred inflows of resources		
Deferred pension amounts	1,956,441	6,400,889
Deferred OPEB amounts	<u>2,979,112</u>	<u>3,947,522</u>
Total Deferred Inflows of Resources	<u>4,935,553</u>	<u>10,348,411</u>
Total liabilities and deferred inflows of resources	<u>63,288,217</u>	57,366,759
Net Position (Deficit):		
Net investment in capital assets	(12,793,099)	(18,506,914)
Restricted for school lunch program	591,674	595,591
Restricted for debt service	341,747	1,255,347
Restricted for capital project fund	23,220,718	26,431,171
Unrestricted (Deficit)	<u>(15,871,943)</u>	<u>(16,367,031)</u>
Total Net Position (Deficit)	<u>\$ (4,510,903)</u>	<u>\$ (6,591,836)</u>

**CLINTON COMMUNITY SCHOOL DISTRICT - CLINTON, MICHIGAN
MANAGEMENT AND DISCUSSION LETTER
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

The Statement of Activities presented later in the government-wide financial statement, provides greater detail on the School District's annual activity. The Statement of Activities (Table 2) shown below details the cost of the School District's governmental activities and how those activities were financed.

Table 2 Changes in Clinton Community School's Net Position		
	<u>2023</u>	<u>2022</u>
Revenues:		
Program revenues:		
Operating and grants contribution	\$ 5,305,191	\$ 3,635,104
Charges for services	1,000,262	895,367
General revenues:		
Property taxes	2,429,357	2,448,205
State aid - unrestricted	10,047,191	9,409,661
Investment income	996,700	17,175
Special revenues:		
Gain (Loss) on disposal of assets	-	-
Total revenues	<u>19,778,701</u>	<u>16,405,512</u>
Expenses:		
Instruction	10,358,072	7,657,991
Support services	4,758,135	3,962,036
Community services	-	814
Food services	564,860	615,247
Athletics	475,025	549,665
Interest expense	904,282	704,337
Other	12,395	52,076
Unallocated depreciation	624,999	558,000
Total expenses	<u>17,697,767</u>	<u>14,100,166</u>
Change in net position	<u>\$ 2,080,933</u>	<u>\$ 2,305,346</u>
Net position (deficit), beginning of year	(6,591,836)	(8,897,182)
Net position (deficit), end of year	<u>\$ (4,510,903)</u>	<u>\$ (6,591,836)</u>

Financial Analysis of the School District's Funds

The financial performance of the district as a whole is reflected in its governmental funds as well.

CLINTON COMMUNITY SCHOOL DISTRICT - CLINTON, MICHIGAN
MANAGEMENT AND DISCUSSION LETTER
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

GENERAL FUND

Factors affecting Revenue

State Aid funding - The State of Michigan provides a \$9,150 per pupil foundation allowance that provides a substantial portion of our district's revenue, 78%. In addition, we also receive various grants from the state. This means that the financial stability of the School District rests primarily with the economic health of the State of Michigan. State aid payments are made with the first payment of the school year beginning in October, and the last payment being made in August. Therefore, at the end of the School District's fiscal year end, there is adjustment made that includes 2 months of state aid payments into revenue that has not yet been made.

Schools of Choice - The School District has an agreement with the other public schools in Lenawee County to implement Lenawee County Schools of Choice (Open Enrollment) program. During the 2022-2023 school year of the 1,249 pupils enrolled, 522 (42%) of our student population were schools of choice pupils.

Factors affecting Expenses

- *Salaries and Benefits* - A significant portion of the School District's expenses are related to compensation, 80% in 2022-2023
- *Instructional purchases* - Another part of each year's budgetary expenditures includes textbooks and supplemental learning materials, supplies, and purchased services.
- *Operation and Maintenance* - Each year's budgetary expenditures also include the general operation and maintenance of our school buildings.

Budgetary Highlights

The Uniform Budget Act of the State of Michigan requires that the local Board of Education approve the original budget for the upcoming fiscal year prior to July 1, the start of the fiscal year. As a matter of practice, the School District amends its budget during the school year. In fact, all Michigan school districts must complete a second full budget after the state's official student membership count date (the first Wednesday in October), because only then are they knowledgeable of their Foundation Grant's income level. These revisions are made in order to deal with the unexpected changes in revenues and expenditures. The following analysis describes the reasons for changes in the budget during the year.

CLINTON COMMUNITY SCHOOL DISTRICT - CLINTON, MICHIGAN
MANAGEMENT AND DISCUSSION LETTER
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

Original Budget versus Final Budget (General Fund)

- *Revenues*-Original estimated budgets for revenues were \$15,048,611 versus the final budget of \$17,234,692. Major components of revenue and their original budget versus final budget are discussed below.
 - Increased by State Foundation Allowance and State Categoryals
 - Increased local by interest and internal revenue
 - Increased by Federal Childcare, ESSER, & Benchmark Grants
- *Expenditures* - The original budget for expenditures was \$15,661,051 versus the final budget of \$16,112,611. Major components of expenditures and their original budget versus final budget are discussed below.
 - Increased Transportation and Custodial costs
 - Increased in internal expenditures
 - Increase in Security
 - Decrease in Basic Salaries & Fringes for new teachers

Final Budget versus Actual Figures (General Fund)

- The majority (about 55%) of *Local Revenues* are property taxes received from Bridgewater, Manchester and Saline, seven townships including Clinton, Franklin, Macon, Tecumseh.
- *State Revenues* were budgeted at \$13,152,204 versus actual of \$13,197,051. This was an increase of \$44,847. This is due to August MPSERS increase
- *Federal Revenues* were budgeted at \$1,046,012 versus actual of \$1,098,914. This was an increase of \$52,902.
- *Overall revenues* were over budget by \$101,466 from the final budget amounts. This is a 0.5887% increase compared to the total revenue budget of \$17,234,692.
- *Expenses*- Final estimated budgets for expenses were \$16,112,611 versus an actual final amount of \$15,843,031. A favorable variance of \$269,850.
- The net variance from final budget to actual was \$371,046 favorable variance.

SPECIAL REVENUE FUND

School Lunch Fund - The School Lunch Fund receives its revenues from the sale of goods, State reimbursement and federal grants.

**CLINTON COMMUNITY SCHOOL DISTRICT - CLINTON, MICHIGAN
MANAGEMENT AND DISCUSSION LETTER
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

CAPITAL PROJECT FUND

In 2017, the School District was authorized to levy not to exceed 2 mills for a period of 6 years from 2018 to 2023 to create a sinking fund for the purchase of real estate, for the construction or repair of school buildings, for security improvements, for the acquisition or upgrading of technology. The 2017 Sinking Fund is under the new Sinking Fund millage. At the end of the fiscal year 2022-2023, the 2017 Sinking Fund had a fund balance of \$1,731,496.

New Sinking Fund Millage – Revenues are generated by taxes going toward building improvements, security improvements and acquisitions and upgrading technologies.

DEBT SERVICE FUND

This fund is directly funded through taxes. For fiscal year 2022-23 the collection of property taxes for the retirement of principal and interest relating to the School District was \$466,059. Principal and interest requirements for the 2022-23 retirement was \$516,500.

2021 BOND & CAPITAL FUND

This fund is directly funded through taxes starting fiscal year 2023-2024. For fiscal year 2021-2023 the existing UT Debt was included in the Bond and will be used to meet principal and interest obligations until tax funding begins in 2023. There were no Principal payments due on this fund for 2022-2023 fiscal year and interest requirements for the year were \$892,200.

Budget Analysis (2021 Bond & Capital Fund)

- *Revenues* – Original and final estimated budgets for revenues were \$800,000 versus actual of \$802,903. Revenues were favorable versus final budget by \$2,903.
- *Expenditures* – The original budget for expenditures was \$3,710,200 versus the final budget of \$4,910,200. Actual expenses were \$4,732,270 and were favorable versus final budget by \$177,930.
- The net variance from final budget to actual was \$180,833 favorable variance.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets-At June 30, 2023, the School District had \$14,196,026 invested in capital assets, net of accumulated depreciation. The School District had bonded debt outstanding of \$22,305,000 related to the 2021 bonded debt. As these items also relate to capital assets, the amount of *Net investment in capital assets* is \$(12,793,099). Assets, net of accumulated depreciation will probably continue to increase for the next few years because the 2021 bond issuance is for the construction of a new building.

**CLINTON COMMUNITY SCHOOL DISTRICT - CLINTON, MICHIGAN
MANAGEMENT AND DISCUSSION LETTER
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

The District's capital assets are as follows:

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>2023 Net Book Value</u>	<u>2022 Net Book Value</u>
Land	\$ 158,683	\$ -	\$ 158,683	\$ 158,683
Construction in Progress	6,569,061	-	6,569,061	1,251,956
Land Improvements	997,366	698,347	299,019	331,084
Building & Improvements	14,598,331	8,236,059	6,362,272	6,522,149
Equipment & Furniture	3,924,685	3,536,920	387,765	274,995
Vehicles	1,313,164	893,938	419,226	418,137
Total	<u>\$ 27,561,290</u>	<u>\$ 13,365,264</u>	<u>\$ 14,196,026</u>	<u>\$ 8,957,004</u>

Long-term debt Activity

At year-end, the School District had outstanding long-term debt obligations in the amount of \$27,125,805 (more detailed information about the School District's long-term liabilities is presented in Note 8 of the financial statements.)

	<u>2023</u>	<u>2022</u>
2015 Refunding Bond	\$ -	\$ 475,000
Unamortized bond premium (2015 bond)	-	21,068
2021 School Building and Site Bond - Series I	22,305,000	22,305,000
Unamortized bond premium (2021 bond)	4,684,125	4,684,125
Compensated absences	136,680	136,680
Total	<u>\$ 27,125,805</u>	<u>\$ 27,621,873</u>

**CLINTON COMMUNITY SCHOOL DISTRICT - CLINTON, MICHIGAN
MANAGEMENT AND DISCUSSION LETTER
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

**Clinton Community Schools
Statement of Net Position
June 30, 2023**

Economic Factors and Next Year’s Budget

For the 2022/2023 school year the non-homestead millage remains at 18.00 mills and expires June 2027. Clinton Community Schools is levying the full amount on these properties which is crucial in order for the district to receive the full Foundation Allowance per pupil. The district also passed a Sinking fund millage started in 2017 ended in 2022 for 1.9710 along with the Debt millage for 1.60 mills to also end 2022. The new Bond millage will start Winter 2023 and will be 5.75 mills for the HS Addition, Preschool and Elementary enhancements.

One of the most important factors affecting the budget is student count. The other is the state foundation revenue determined by multiplying the blended student count by the foundation allowance per pupil. The 2023-2024 budget was adopted in June 2023 based on an estimated number of students who will be enrolled in September 2023. In an effort to sustain student enrollment and maximize funding from the state, Clinton Community Schools continues to provide opportunities through Schools of Choice.

Under state law, the District cannot assess additional property tax revenue for general operations. As a result, District funding is heavily dependent on the State’s ability to fund local school operations and on its total student enrollment. Since over 80% of the total General Fund revenues are from the foundation allowance, school districts are in a position to compete for its share of a dwindling enrollment base.

Prudent fiscal responsibility and cost containment remain critical to the School District’s ability to effectively operate in this difficult economic climate. Over the past couple of years, the School District has made a series of budget adjustments to protect its financial future. The School District continues to explore avenues that allow it to reduce costs by restructuring its delivery of services and to remain committed to excellence in serving our students and community.

Contacting the District’s Financial Management

This financial report is designed to provide citizens, taxpayers, customers, investors, and creditors with a general overview of the School District’s finances and to demonstrate the School District’s accountability for the money it receives. If you have questions about this report or need additional information, please contact:

Business Office Clinton Community Schools, 341 East Michigan, Clinton, MI 49236.

	Governmental Activities
Assets	
Current Assets:	
Cash and equivalents	\$ (914,829)
Investments	6,690,850
Receivables:	
Accounts receivable	4,830
Due from other governmental units	2,685,702
Prepaid expenditures	19,043
Inventory	5,335
Restricted assets	24,766,020
Total Current Assets	<u>33,256,949</u>
Noncurrent Assets:	
Capital assets	27,561,290
Less accumulated depreciation	(13,365,264)
Total Noncurrent Assets	<u>14,196,026</u>
Total Assets	<u>47,452,975</u>
Deferred outflows of resources	
Deferred pension amounts	9,077,849
Deferred OPEB amounts	2,246,490
Total Deferred Outflows of Resources	<u>11,324,339</u>
Total Assets and Deferred Outflows of Resources	<u>58,777,314</u>
Liabilities	
Current Liabilities:	
Accounts payable	1,343,777
Accrued expenditures	700,835
Accrued interest	148,700
Accrued salary	750,292
Unearned revenue	538,810
Current portion of compensated absences	23,698
Current portion of long term obligations	494,613
Total Current Liabilities	<u>4,000,725</u>
Noncurrent Liabilities:	
Noncurrent portion of long term obligations	26,494,512
Noncurrent portion of compensated absences	112,982
Net Pension Liability	26,281,406
Net OPEB Liability	1,463,039
Total Noncurrent Liabilities	<u>54,351,939</u>
Total Liabilities	<u>58,352,664</u>
Deferred inflows of resources	
Revenue in support of pension contributions made subsequent to the measurement date	1,884,778
Deferred pension amounts	71,663
Deferred OPEB amounts	2,979,112
Total Deferred Inflows of Resources	<u>4,935,553</u>
Total liabilities and deferred inflows of resources	<u>63,288,217</u>
Net Position (Deficit):	
Net investment in capital assets	(12,793,099)
Restricted for school lunch program & student activities	591,674
Restricted for debt service	341,747
Restricted for capital project fund	23,220,718
Unrestricted (Deficit)	(15,871,943)
Total Net Position (Deficit)	<u>\$ (4,510,903)</u>

The notes to the financial statements are an integral part of this statement.

**Clinton Community Schools
Statement of Activities
June 30, 2023**

Functions/programs	Expenses	Program Revenues		Governmental
		Charges for Services	Operating Grants & Contributions	Activities
Governmental activities:				Net (expense)
Instruction	\$ 10,358,072	\$ 205,022	\$ 3,149,860	Revenue and
Support services	4,758,135	551,184	2,155,331	Changes in
Community services	-	-	-	Net Position
Food services	564,860	197,495	-	
Athletics	475,025	46,562	-	
Interest expense	904,282	-	-	
Other	12,395	-	-	
Unallocated depreciation	624,999	-	-	
Total governmental activities	\$ 17,697,767	\$ 1,000,262	\$ 5,305,191	\$ (11,392,314)
General revenues:				
Property taxes, levied for general purposes				1,394,106
Property taxes, levied for debt service				466,059
Property taxes, levied for capital project fund				569,191
Investment earnings				996,700
State of Michigan school aid unrestricted				10,047,191
Total general revenues				13,473,247
Change in net position (Increase)				2,080,933
Net position, beginning of year (Deficit)				(6,591,836)
Net position, end of year (Deficit)				\$ (4,510,903)

The notes to the financial statements are an integral part of this statement.

**Clinton Community Schools
Balance Sheet
Governmental Funds
June 30, 2023**

	General Fund	Capital Projects Fund	Other Nonmajor Governmental Fund	Total Governmental Funds
Assets				
Assets:				
Cash and cash equivalents	\$ (1,336,316)	\$ -	\$ 421,487	\$ (914,829)
Investments	6,690,850	-	-	6,690,850
Receivables				
Accounts	-	-	4,830	4,830
Other governmental units	2,685,702	-	-	2,685,702
Due from other funds	-	-	9,120	9,120
Inventory	-	-	5,335	5,335
Prepaid expenditures	19,043	-	-	19,043
Restricted assets	1,600,000	20,912,455	2,253,565	24,766,020
Total Assets	\$ 9,659,278	\$ 20,912,455	\$ 2,694,336	\$ 33,266,069
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	\$ 264,934	\$ 1,023,233	\$ 55,610	\$ 1,343,777
Accrued expenditures	700,835	-	-	700,835
Accrued salary	750,292	-	-	750,292
Due to other funds	9,120	-	-	9,120
Unearned revenue	531,679	-	7,131	538,810
Total Liabilities	2,256,860	1,023,233	62,741	3,342,834
Deferred Inflows of Resources:				
Unavailable revenue	61,437	-	-	61,437
Total Deferred Inflows of Resources	61,437	-	-	61,437
Fund Balances:				
Nonspendable prepaid expenditures	19,043	-	-	19,043
Nonspendable inventory	-	-	5,335	5,335
Restricted for:				
School lunch program & student activities	182,022	-	404,316	586,339
Debt service	-	-	490,447	490,447
Capital outlay	1,600,000	19,889,222	1,731,496	23,220,718
Unassigned reported in general fund	5,539,915	-	-	5,539,915
Total Fund Balances	7,340,981	19,889,222	2,631,595	29,861,798
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 9,659,278	\$ 20,912,455	\$ 2,694,336	\$ 33,266,069

The notes to the financial statements are an integral part of this statement.

Clinton Community Schools
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
June 30, 2023

Total governmental fund balances	\$ 29,861,798
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds	
The cost of capital assets is:	\$ 27,561,290
Accumulated depreciation is:	<u>(13,365,264)</u> 14,196,026
Long term liabilities are not due and payable in the current period and are not reported in the funds	
Bonds payable	(26,989,125)
Compensated absences	(136,680)
Interest payable on long term debt	(148,700)
Net pension liability	(26,281,406)
Net OPEB liability	(1,463,039)
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.	
Deferred outflow of resources related to pension (see Note 9)	9,077,849
Deferred inflow of resources related to pension (see Note 9)	(71,663)
Deferred outflow of resources related to OPEB (see Note 10)	2,246,490
Deferred inflow of resources related to OPEB (see Note 10)	(2,979,112)
Revenue in support of pension contributions made subsequent to the measurement date is reported as a deferred inflow of resources in the statement of net position and is not reported in the funds	
	(1,884,778)
Receivables collected after 60 days are considered unavailable in the governmental funds.	61,437
Net position of governmental activities (deficit)	<u>\$ (4,510,903)</u>

The notes to the financial statements are an integral part of this statement.

Clinton Community Schools
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
June 30, 2023

	General Fund	Capital Projects Fund	Other Nonmajor Governmental Fund	Total Governmental Funds
Revenues:				
Local sources				
Property taxes	\$ 1,394,106	\$ -	\$ 1,035,250	\$ 2,429,356
Investment earnings	193,797	802,903	-	996,700
Food service	-	-	197,495	197,495
Athletics	46,562	-	-	46,562
Charges for services	619,897	-	-	619,897
Other	133,250	-	3,059	136,309
Total local sources	<u>2,387,611</u>	<u>802,903</u>	<u>1,235,803</u>	<u>4,426,318</u>
Intermediate sources	652,582	-	-	652,582
State sources	13,197,051	-	-	13,197,051
Federal sources	1,098,914	-	394,786	1,493,700
Total revenues	<u>17,336,158</u>	<u>802,903</u>	<u>1,630,590</u>	<u>19,769,651</u>
Expenditures:				
Current:				
Instruction	9,931,841	-	-	9,931,841
Support	4,838,579	-	-	4,838,579
Community service	-	-	-	-
Food service activities	-	-	598,507	598,507
Athletic activities	486,975	-	-	486,975
Capital Outlay	585,636	4,731,469	201,391	5,518,496
Other	-	801	2,528	3,330
Debt service:				
Principal repayment	-	-	475,000	475,000
Interest & fiscal charges	-	-	906,450	906,450
Total expenditures	<u>15,843,031</u>	<u>4,732,270</u>	<u>2,183,876</u>	<u>22,759,178</u>
Excess (deficiency) of revenues over expenditures:	<u>1,493,127</u>	<u>(3,929,367)</u>	<u>(553,287)</u>	<u>(2,989,527)</u>
Net change in fund balance	1,493,127	(3,929,367)	(553,287)	(2,989,527)
Fund balances:				
Beginning of year	5,847,854	23,818,589	3,184,882	32,851,325
End of year	<u>\$ 7,340,981</u>	<u>\$ 19,889,222</u>	<u>\$ 2,631,595</u>	<u>\$ 29,861,798</u>

The notes to financial statements are an integral part of this statement.

Clinton Community Schools
 Reconciliation of the Statement of Revenues,
 Expenditures and Changes in Fund Balance of Governmental Funds
 To the Statement of Activities
 June 30, 2023

Net change in fund balance total governmental fund decrease	\$ (2,989,527)
Amounts reported for governmental activities in the statement 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.	
Capital outlay	5,873,086
Loss on disposal of capital assets	(9,065)
Depreciation expense	(624,999)
Repayments of principal on long-term debt is an expenditure in the governmental funds, but not in the statement of activities (where it is a reduction of liabilities).	
Current year's amortization of bond premium	21,068
Current year's amortization of loss related to bond refunding	(21,275)
Principal repayment on long-term obligations from bonds payable	475,000
Accrued interest on long-term debt is recorded in the statement of activities when incurred, it is not recorded in the governmental funds until it is paid.	
Accrued interest payable beginning of the year	151,075
Accrued interest payable end of the year	(148,700)
Compensated absences are reported on the accrual method in the statement of activities, and recorded as expenditures when financial resources are used in the governmental funds:	
Compensated payable beginning of the year	136,680
Compensated payable end of the year	(136,680)
Revenue in support of pension contributions made subsequent to measurement date	(793,856)
Change in deferred outflows of resources related to pension	4,141,346
Change in deferred inflows of resources related to pension	5,238,304
Change in net proportionate share of net pension liability	(10,162,662)
Change in deferred outflows of resources related to OPEB	364,146
Change in deferred inflows of resources related to OPEB	968,410
Change in net proportionate share of net OPEB liability	(410,467)
Governmental funds report revenues when they are collected within 60 days after the year end. Revenues are recorded in the statement of activities when earned.	
	<u>9,049</u>
Change in net position of governmental activities (Increase)	<u>\$ 2,080,933</u>

The notes to the financial statements are an integral part of this statement.

**CLINTON COMMUNITY SCHOOLS
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2023**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of Clinton Community Schools (the "School District") have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the School District's accounting policies are described below.

A. Reporting Entity

The School District is governed by the Board of Education (the "Board") of Clinton Community Schools, which has responsibility and control over all activities related to public school education within the School District. The School District receives funding from local, state, and federal government sources and must comply with all of the requirements of these funding source entities. However, the School District is not included in any other governmental reporting entity as defined by generally accepted accounting principles. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters. In addition, the School District's reporting entity does not contain any component units as defined in Governmental Accounting Standards Board Statement No. 14.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the School District. The government-wide financial statements categorize primary activities as either governmental or business-type. All of the School District's activities are classified as governmental activities.

Amounts reported in the funds as interfund receivables and payables are eliminated in the governmental activities' column of the statement of net position. Amounts reported in the funds as receivable from or payable to fiduciary funds are included in the statement of net position as receivable from or payable to external parties, rather than as internal balances. Therefore, all internal balances are eliminated in the total primary government column.

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 or segment. *Program revenues* include (1) charges paid by recipients who purchase, use or directly benefit from goods or services by a given function or segment and (2) grants and

CLINTON COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-Wide and Fund Financial Statements (Continued)

contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. State Foundation Aid, property taxes, certain revenue from the intermediate district, and other unrestricted items are not included as program revenues but instead as *general revenues*.

In the government-wide statement of net position, the governmental activities column (a) is presented on a consolidated basis, and (b) is reported on a full accrual, economic resource basis which recognizes all long-term assets and receivables as well as long-term debt and obligations. The School District's net position is reported in three parts – net investment in capital assets; restricted net position; and unrestricted net position.

The School District first utilizes restricted resources to finance qualifying activities.

The government-wide statement of activities reports both the gross and net cost of each of the School District's functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, and charges, etc.). The statement of activities reduces gross expenses by related program revenues and operating grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources, intermediate School District sources, interest income, and other revenues).

The School District does not allocate indirect costs.

This government-wide focus is more on the sustainability of the School District as an entity and the change in the School District's net position resulting from the current year's activities.

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

Governmental Funds – Governmental funds are those funds through which most school district functions typically are financed. The acquisition, use, and balances of the School District's expendable financial resources and the related current

CLINTON COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-Wide and Fund Financial Statements (Continued)

liabilities are accounted for through governmental funds. Effective July 1, 2010, the School District has implemented their Fund Balance Policy in Accordance with GASB Statement No. 54 as follows:

Purpose - The following policy has been adopted by the Board of Education in order to address the implications of Governmental Accounting Standards Board ("GASB") Statement No. 54, *Fund Balance Reporting and Governmental Fund Definitions*. The policy is created in consideration of unanticipated events that could adversely affect the financial condition of the School District and jeopardize the continuation of necessary public services. This policy will ensure that the School District maintains adequate fund balances and reserves in order to:

- a. Provide sufficient cash flow for daily financial needs,
- b. Secure and maintain investment grade bond ratings,
- c. Offset significant economic downturns or revenues shortfalls and,
- d. Provide funds for unforeseen expenditures related to emergencies.

This policy and the procedures promulgated under it supersede all previous regulations regarding the School District's fund balance and reserve policies.

Fund type definitions - The following definitions will be used in reporting activity in governmental funds across the School District. The School District may or may not report all fund types in any given reporting period, based on actual circumstances and activity.

- General fund is the primary operating fund because it accounts for all financial resources used to provide government services other than those specifically assigned to another fund.
- Special revenue funds are used to account and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specific purposes other than debt service or capital projects.
- Debt service funds are used to account for all financial resources restricted, committed or assigned to expenditure for principal and interest.

CLINTON COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-Wide and Fund Financial Statements (Continued)

- Capital projects funds are used to account for all financial resources restricted, committed or assigned to expenditure for the acquisition or construction of capital assets.
- Permanent funds are used to account for resources restricted to the extent that only earnings, and not principal, may be used for purposes that support the School District's purposes.

Fund balance reporting in governmental funds - Fund balance will be reported in governmental funds under the following categories:

Nonspendable fund balance

Definition – includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Classification – Nonspendable amounts will be determined before all other classifications and consist of the following items (as applicable in any given fiscal year):

- The School District will maintain a fund balance equal to the balance of any long-term outstanding balances due from others (including other funds of the government).
- The School District will maintain a fund balance equal to the value of inventory balances and prepaid items (to the extent that such balances are not offset with liabilities and actually result in fund balance).
- The School District will maintain a fund balance equal to the corpus (principal) of any permanent funds that are legally or contractually required to be maintained in-tact.
- The School District will maintain a fund balance equal to the balance of any land or other nonfinancial assets held for sale.

Restricted fund balance

Definition – includes amounts that can be spent only for the specific purposes stipulated by the constitution, external resource providers; or through enabling legislation.

CLINTON COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-Wide and Fund Financial Statements (Continued)

Committed fund balance

Definition – includes amounts that can be used only for the specific purposes determined by a formal action of the School District's highest level of decision-making authority (i.e., the Board of Education).

Authority to Commit – Commitments will only be used for specific purposes pursuant to a formal action of the Board of Education. A majority vote is required to approve a commitment and a two-thirds majority vote is required to remove a commitment.

Assigned fund balance

Definition – includes amounts intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed.

Authority to Assign – The Board of Education delegates to the Superintendent or his/her/their designee the authority to assign amounts to be used for specific purposes. Such assignments cannot exceed the available (spendable, unrestricted, uncommitted) fund balance in any particular fund.

Unassigned fund balance

Definition – includes the residual classification for the School District's general fund and includes all spendable amounts not contained in the other classifications. In other funds, the unassigned classification should be used only to report a deficit balance from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

Operational Guideline – The following guidelines address in the classification and use of fund balance in governmental funds:

Classifying fund balance amounts – Fund balance classifications depict the nature of the net resources that are reported in a governmental fund. An individual governmental fund may include non-spendable resources and amounts that are restricted, committed, or assigned, or any combination of those classifications. The general fund may also include an unassigned amount.

CLINTON COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-Wide and Fund Financial Statements (Continued)

Encumbrance reporting – Encumbering amounts for specific purposes for which resources have already been restricted, committed or assigned should not result in separate display of encumbered amounts. Encumbered amounts for specific purposes for which amounts have not been previously restricted, committed or assigned, will be classified as committed or assigned, as appropriate.

Prioritization of fund balance use – When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available, it shall be the policy of the School District to consider restricted amounts to have been reduced first. When an expenditure is incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, it shall be the policy of the School District that committed amounts would be reduced first, followed by assigned amounts and then unassigned amounts.

The School District reports the following major governmental fund:

The *General Fund*

The *Capital Project Fund*

Other Non-major Funds

The *Special Revenue Fund*

The *Debt Service Funds* and

The *Capital Project Sinking Fund*

C. Measurement Focus, Basis of Accounting and Basis of Presentation

Accrual Method

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. Revenues are 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 revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

CLINTON COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**C. Measurement Focus, Basis of Accounting and Basis of Presentation
(Continued)**

Modified Accrual Method

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Revenue not meeting this definition is classified as deferred inflow of resources. For this purpose, the School District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, pensions and claims and judgments, are recorded only when payment is due.

Property taxes, state and federal aid, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the School District.

State Revenue

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per pupil based on a statewide 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 School Districts. For the year ended June 30, 2023, the foundation allowance was based on pupil membership counts taken in February and October of 2022.

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 and is funded through payments from October 2022 to August 2023. Thus, the unpaid portion at June 30th is reported as due from other governmental units.

**CLINTON COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**C. Measurement Focus, Basis of Accounting and Basis of Presentation
(Continued)**

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 governmental 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 is recorded as unearned revenue. Other categorical funding is recognized when the appropriation is received.

D. Other Accounting Policies

1. Cash and equivalents include amounts in demand deposits and certificates of deposit.

The School District reports its investments in accordance with GASB 31 *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, GASB 40 *Deposit and Investment Risk Disclosures* and GASB 72 *Fair Value Measurements*. Under these standards, certain investments are valued at fair value as determined by quoted market prices or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the School District intends to hold the investment until maturity. Accordingly, investments in banker acceptances and commercial paper are recorded at amortized cost.

State statutes authorize the School District to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase.

The School District is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above. At June 30, 2023, the School District had \$6,109,353 and \$581,496 in external investment pools and money market deposit account, respectively.

**CLINTON COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Other Accounting Policies (Continued)

2. Property Taxes

Property taxes levied by the School District are collected by various municipalities and periodically remitted to the School District. The taxes are levied and become a lien as of July 1 and December 1 and are due upon receipt of the billing by the taxpayer. The actual due dates are September 14 and February 14, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity.

For the year ended June 30, 2023, the School District levied the following amounts per \$1,000 of assessed valuation.

<u>Fund</u>	<u>Mills</u>
General Fund - Non Personal Residence and commercial property	18.0
1997 Debt - total taxable value	1.60
Building & Site - total taxable value	1.97

3. Inventories and Prepaid Expenditures

Inventories are valued at cost (first-in, first-out). Inventories in the Special Revenue Fund consisting of expendable supplies held for consumption, are recorded as expenditures when consumed or used rather than when purchased. Inventories for commodities are recorded as revenue when utilized. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenditures.

4. Restricted Assets

The unspent property taxes levied and mandatory deposits held in the debt service funds are required to be set aside for future bond principal and interest payments. Unspent bond proceeds and related interest of the bonded capital projects funds are required to be set aside for allowable bond purchases. These amounts have been classified as restricted assets.

**CLINTON COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Other Accounting Policies (Continued)

5. Capital Assets

Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. Donated capital assets are valued at their estimated fair market value on the date received.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets.

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives as follows:

Buildings and additions	50 years
Furniture and equipment	5 – 20 years
Transportation equipment	3 – 7 years

The School District’s capitalization policy is to capitalize individual amounts exceeding \$5,000.

6. Deferred Outflows/Inflows

In addition to assets, the statement of net position and/or balance sheet 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. At June 30, 2023, the School District’s statement of net position had deferred outflows of resources related to deferred pension plan expenses and deferred post-employment benefits other than pension expenses (OPEB) of \$9,077,849, and \$2,246,490 respectively.

In addition to liabilities, the statement of net position and/or balance sheet 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 then. At June 30, 2023, the School District’s statement of net position had deferred inflows of resources related to its pension plan, revenue in support of pension payments made subsequent to the measurement date and deferred inflows of resources related

**CLINTON COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Other Accounting Policies (Continued)

to its OPEB plan totaling \$71,663, \$1,884,778, and \$2,979,112, respectively. Furthermore, at June 30, 2023, the School District’s balance sheet had deferred inflows of resources related to unavailable revenue totaling \$61,437.

7. Compensated absences

The liability for compensated absences reported in the government wide statement consists of earned and unused sick days. A liability for this amount is reported in the governmental funds as it comes due for payment. 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.

8. Long term obligations

In the government-wide financial statements, long-term debt obligations are reported as liabilities on the statement of net position. Bond premiums and discounts, as well as deferred charges on refunding, are deferred and amortized over the life of the debt using the straight-line method over the term of related debt. The difference between the reacquisition price and the net carrying amount of the old debt are reported as a deferred outflow of resources or deferred inflow of resources. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance cost is reported as debt expenditures at the time they are incurred.

In the fund financial statements, governmental fund types recognize debt premiums and discounts, as well as debt issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

9. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Michigan Public School Employees Retirement System (MPERS), and additions to/deductions from MPERS fiduciary net position have been determined on the same basis

CLINTON COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Other Accounting Policies (Continued)

as they are reported by MPSERS. MPSERS uses the economic resources measurement focus and the full accrual basis of accounting. Contribution revenue is recorded as contribution as contributions are due, pursuant to legal requirements. Benefit payments (including refunds of employee contributions) are recognized as expense when due and payable in accordance with the plan benefit terms. Related plan investments are reported at fair value.

10. Fair Value Measurements

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:

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 Academy's own assumptions about the factors market participants would use in pricing an investment and would be based on the best information available.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The School Districts investment from the money market deposit account is valued as Level 2 inputs. However, the School District's investment from Michigan CLASS that is classified as external investment pool and measured at fair value is not required to be categorized within the fair value hierarchy for purposes of paragraph 81a(2) of GASB Statement 72.

CLINTON COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Other Accounting Policies (Continued)

11. Use of Estimates

The process of preparing basic financial statements in conformity with accounting principles generally accepted in the United States of America 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.

12. Postemployment Benefits Other Than Pensions

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

13. New and Upcoming Accounting Pronouncements

In May 2020, the Governmental Accounting Standards Board issued GASB Statement No. 96 ("GASB 96"), *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. A SBITA is defined as a contract that conveys control of the right to use another party's (a SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022. The School District has evaluated the impact of the new SBITA standard and concluded that the School

**CLINTON COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Other Accounting Policies (Continued)

District currently does not have any agreements that would require recording a subscription liability and a right-to-use subscription asset.

In June 2022, the Governmental Accounting Standards Board issued GASB Statement No. 101 ("GASB 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. Leave is attributable to services already rendered when an employee has performed the services required to earn the leave. Leave that accumulates is carried forward from the reporting period in which it is earned to a future reporting period during which it may be used for time off or otherwise paid or settled. In estimating the leave that is more likely than not to be used or otherwise paid or settled, a government should consider relevant factors such as employment policies related to compensated absences and historical information about the use or payment of compensated absences. However, leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits should not be included in a liability for compensated absences. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023. The School District is currently evaluating the impact this Statement will have on the School district's financial statements when adopted.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the General Fund.

The School District maintains a formalized encumbrance system. Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting - under which purchase orders, contracts, and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation - is utilized in the General Fund. Encumbrances outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year.

**CLINTON COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

**NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY
(Continued)**

The School District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated. Violations, if any, are noted in the required supplementary information section.
4. The Superintendent and Business Manager are authorized to transfer budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the School Board.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund.
6. The budget was amended during the year with supplemental appropriation, the last one approved prior to June 30, 2023. The School District considers these amendments to be significant.

The Uniform Budget Act of the State of Michigan requires that the local Board of Education approve the original budget for the upcoming fiscal year prior to July 1, the start of the fiscal year. As a matter of practice, the School District amends its budget during the school year. In fact, all Michigan school districts must complete a second full budget after the state's official student membership count date (the first Wednesday in October), because only then are they knowledgeable of their Foundation Grant's income level. These revisions are made in order to deal with the unexpected changes in revenues and expenditures.

**CLINTON COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY
(Continued)

Sinking Fund Compliance

Sinking Fund – The Sinking Fund records capital project activities funded with Sinking Fund millage. For this fund, the School District has complied with the applicable provisions of Section 1212 of the Revised School Code.

NOTE 3 - DEPOSITS AND INVESTMENTS

Custodial Credit Risk of Bank Deposits - Custodial credit risk is the risk that in the event of a bank failure, the deposits may not be returned to the School District. The School District does not have a deposit policy for custodial credit risk. As of June 30, 2023, \$4,219,449 of the School District's bank balance of \$4,469,449 (money market deposit account, savings and checking accounts) that were uninsured and uncollateralized. The School District believes due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits.

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.

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. The investments in Michigan Class is considered uncollateralized and uninsured.

Interest rate risk – Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The School District Policy minimizes interest rate risk by requiring the School District to structure 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.

Credit risk - State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified in the list of authorized investments above. The School District's

**CLINTON COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

investment policy does not have specific limits in excess of state law on investment credit risk. The rating is identified below for investments held at year end.

Concentration of credit risk – State law limits allowable investments but does not limit concentration of credit risk as identified in the list of authorized investments above. The School District's policy does not have specific limits in excess of state law on concentration of credit risk. All investments held at year end are reported below.

At June 30, 2023, the maturities of investments and the credit quality ratings of investment securities held by the School District are as follows:

<u>Investment</u>	<u>Maturity</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Rating Organization</u>
Michigan CLASS	n/a	\$ 6,109,353 *	AAAm	Standard & Poor's
Money Market Fund	n/a	<u>581,497</u>	n/a	n/a
Total Investments		<u>\$ 6,690,850</u>		

*Securities are valued at amortized cost which approximates fair value.

NOTE 4 - INTERGOVERNMENTAL RECEIVABLES

Due from governmental units June 30, 2023 consist of the following:

	<u>General</u>
State Aid	\$ 2,404,758
Federal	193,780
Other Governmental Entity	<u>87,164</u>
Net Total Due from Governmental Units	<u>\$ 2,685,702</u>

No allowance for doubtful accounts is considered necessary.

**CLINTON COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 5 – RESTRICTED ASSETS

At June 30, 2023, restricted assets are composed of the following:

Description	Governmental Activities
Unspent property taxes levied for debt service	\$ 42,945
Unspent property taxes levied for sinking funds	1,763,118
Unspent bond issuance proceeds for debt service	447,502
Board restricted funds for capital projects	1,600,000
Unspent bond issuance proceeds for capital projects	20,912,455
Total	<u>\$ 24,766,020</u>

NOTE 6 - CAPITAL ASSETS

A summary of changes in the School District’s capital assets follows:

	Balance			Balance June 30, 2023
	July 1, 2022	Additions	Deletions	
Governmental Activities:				
Non-Depreciable Assets:				
Land (non-depreciable asset)	158,683	-	-	158,683
Construction in Progress	1,251,956	5,317,105	-	6,569,061
Total Non-Depreciable Assets	1,410,639	5,317,105	-	6,727,744
Depreciable Assets:				
Land Improvements	997,366	-	-	997,366
Buildings and Improvements	14,439,260	188,447	29,375	14,598,332
Equipment and Furniture	3,849,102	244,476	168,893	3,924,685
Vehicles	1,190,105	123,059	-	1,313,164
Total Depreciable Assets	20,475,832	555,981	198,267	20,833,546
Total Fixed Asset Book Cost:	21,886,472	5,873,086	198,267	27,561,290
Accumulated Depreciation:				
Land Improvements	666,282	32,065	-	698,347
Buildings and Improvements	7,917,111	339,258	20,309	8,236,059
Equipment and Furniture	3,574,107	131,706	168,893	3,536,920
Vehicles	771,968	121,970	-	893,938
Total	12,929,467	624,999	189,202	13,365,264
Net Depreciable Capital Assets	7,546,365			7,468,282
Governmental Activities Capital Assets, net	<u>8,957,004</u>			<u>14,196,026</u>

**CLINTON COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

Depreciation is computed by the straight-line method for all classes of assets. Depreciation for the fiscal year ended June 30, 2023 amounted to \$624,999. The School District determined that it was impractical to allocate depreciation and amortization to the various governmental activities as the assets serve multiple functions.

NOTE 7 – UNEARNED REVENUE

Unearned revenue at June 30, 2023 consist of the following:

State	\$ 499,059
Other Governmental Entity	39,751
Total Unearned Revenue	<u>\$ 538,810</u>

NOTE 8 - LONG-TERM DEBT

2021 School Building and Site Bond – Series I

The School District issues bonds and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. The School District had total bonded debt outstanding related to 2021 School Building and Site Bond – Series I of \$22,305,000. Remaining payments for all School Building and Site Bond – Series I indebtedness range from \$450,000 to \$1,345,000 due from 2023 through 2046 at an interest rate of 4.0%. The 2021 School Building and Site Bond – Series I are in compliance with Section 380.1212 of the School District Code.

A schedule of the 2021 School Building and Site Bond – Series I is as follows:

Year Ended June 30	Principal	Interest	Total Due
2024	\$ 450,000	\$ 892,200	\$ 1,342,200
2025	580,000	874,200	1,454,200
2026	660,000	851,000	1,511,000
2027	730,000	824,600	1,554,600
2028	765,000	795,400	1,560,400
2029-2046	19,120,000	7,973,400	27,093,400
	<u>\$ 22,305,000</u>	<u>\$ 12,210,800</u>	<u>\$ 34,515,800</u>

Under the School Building and Site Bond issuance agreement the School District is authorized to incur additional Series II debt of \$8,730,000 on August 1, 2023 and the Series II bond will mature in 2046. On May 1, 2026 School District is authorized to incur additional Series III debt of \$995,000 and the Series III bond will mature in 2033.

**CLINTON COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

The following is a schedule of the governmental long-term obligations for the School District for the year ended June 30, 2023:

	Refunding and Site Bonds	Unamortized Bond Premium	Compensated Absences	Total
Balance July 1, 2022	\$22,780,000	\$4,705,193	\$ 136,680	\$27,621,873
Additions	-	-	-	-
Deletions	475,000	21,068	-	496,068
Balance June 30, 2023	22,305,000	4,684,125	136,680	27,125,805
Less: current portion	450,000	44,613	23,698	518,311
Total due after one year	<u>\$21,855,000</u>	<u>\$4,639,512</u>	<u>\$ 112,982</u>	<u>\$26,607,494</u>

Interest expense for the year amounted to \$904,282.

NOTE 9 - EMPLOYEE RETIREMENT SYSTEM DEFINED BENEFIT PLAN

Plan Description

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

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

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

**CLINTON COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 9 - EMPLOYEE RETIREMENT SYSTEM DEFINED BENEFIT PLAN

(Continued)

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

Benefits Provided

Benefit provisions of the defined benefit pension plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions for the defined benefit (DB) pension plan. Depending on the plan option selected, member retirement benefits are determined by final average compensation, years of service, and a pension factor ranging from 1.25 percent to 1.50 percent. DB members are eligible to receive a monthly benefit when they meet certain age and service requirements. MPSERS also provides disability and survivor benefits to DB plan members.

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

Contribution

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

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2021 valuation will be amortized over a 17 year period beginning Oct. 1, 2021 and ending Sept. 30, 2038.

The School District's required and actual contributions to the plan for the year ended June 30, 2023 were \$2,451,424. The School District's required and actual contributions include an allocation of \$1,884,778 in revenue received from the State of Michigan,

**CLINTON COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 9 - EMPLOYEE RETIREMENT SYSTEM DEFINED BENEFIT PLAN
(Continued)

and remitted to MPSERS to fund the MPSERS Unfunded Actuarial Accrued Liability (UAAL) Stabilization Rate for the year ended June 30, 2023.

The schedule below summarizes pension contribution rates in effect for fiscal year September 30, 2022.

Pension Contribution Rates

Benefit Structure	Member	Employer
Basic	0.0 - 4.0%	20.14%
Member Investment Plan	3.0 - 7.0%	20.14%
Pension Plus	3.0 - 6.4%	17.22%
Pension Plus 2	6.2%	19.93%
Defined Contribution	0.0%	13.73%

Required contributions from School District were \$2,378,466 for the year ended September 30, 2022.

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

At June 30, 2023, the School District's reported a liability of \$26,281,406 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 30, 2021. The School District's proportion of the net pension liability was determined by dividing each employer's statutorily required pension contributions to the system during the measurement period by the percent of pension contributions required from all applicable employers during the measurement period. At September 30, 2022, School District's proportion was 0.06988 percent, which was an increase of 0.00180 percent from its proportion measured as of September 30, 2021.

For the year ended June 30, 2023 the School District recognized total pension expense of \$3,923,064. At June 30, 2023 the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**CLINTON COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 9 - EMPLOYEE RETIREMENT SYSTEM DEFINED BENEFIT PLAN
(Continued)

	Deferred Outflows of Resources	Deferered Inflows of Resources
Difference between actual and expected experience	\$262,906	\$58,762
Changes of assumptions	4,516,087	-
Net difference between projected and actual earnings on pension plan investments	61,630	-
Changes in proportion and differences between School District contributions and proportionate share of contributions	1,415,731	12,901
School District contributions subsequent to the measurement date	<u>2,821,495</u>	<u>-</u>
Total	<u>\$ 9,077,849</u>	<u>\$ 71,663</u>

Contributions subsequent to measurement date reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2023. Other amounts as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Plan Year Ending September 30

2023	\$ 2,043,773
2024	\$ 1,493,341
2025	\$ 1,090,877
2026	\$ 1,556,700

In addition, the School District had deferred inflows of revenues related to revenue in support of pension payments made subsequent to the measurement date totaling \$1,884,778 at June 30, 2023.

**CLINTON COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 9 - EMPLOYEE RETIREMENT SYSTEM DEFINED BENEFIT PLAN
(Continued)

Actuarial Assumptions

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

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions

Valuation Date:	September 30, 2021
Actuarial Cost Method:	Entry Age, Normal
Wage Inflation Rate:	2.75%
Investment Rate of Return	
MIP and Basic Plans:	6.00%
Pension Plus Plan:	6.00%
Pension Plus 2 Plan:	6.00%
Projected Salary Increases:	2.75% to 11.55%
	Including wage inflation at 2.75%
Cost-of-Living Pension Adjustments:	3% Annual Non-Compounded for MIP Members
Mortality: Retirees:	RP-2014 Male and Female Healthy Annuitant Mortality Tables, scaled by 82% for males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006.
Active Members:	RP-2014 Male and Female Employee Annuitant Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.

**CLINTON COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 9 - EMPLOYEE RETIREMENT SYSTEM DEFINED BENEFIT PLAN
(Continued)

Notes

- Assumption changes as a result of an experience study for the period 2012 through 2017 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2018 valuation. The total pension liability as of September 30, 2022, is based on the results of an actuarial valuation date of September 30, 2021, and rolled forward using generally accepted actuarial procedures, including the experience study.
- Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: (4.3922 for non-university employers).
- Recognition period for assets in years is 5.0000.
- Full actuarial assumptions are available in the 2022 MPERS Comprehensive Annual Financial Report found on the ORS website at www.michigan.gov/orsschools.

Long-Term Expected Return on Plan Assets

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2022, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity Pools	25.0%	5.1%
Private Equity Pools	16.0%	8.7%
International Equity	15.0%	6.7%
Fixed Income Pools	13.0%	-0.2%
Real Estate and Infrastructure Pools	10.0%	5.3%
Absolute Return Pools	9.0%	2.7%
Real Return/Opportunistic Pools	10.0%	5.8%
Short Term Investment Pools	2.0%	-0.5%
Total	<u>100.0%</u>	

*Long term rate of return are net of administrative expenses and 2.2% inflation.

**CLINTON COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 9 - EMPLOYEE RETIREMENT SYSTEM DEFINED BENEFIT PLAN
(Continued)

Rate of Return

For the fiscal year ended September 30, 2022, the annual money-weighted rate of return on pension plan investment, net of pension plan investment expense, was (4.18)%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate

A discount rate of 6.00% was used to measure the total pension liability (6.00% for the Pension Plus plan, 6.00% for the Pension Plus 2 plan, hybrid plans provided through non-university employers only). This discount rate was based on the long term expected rate of return on pension plan investments of 6.00% (6.00% for the Pension Plus plan, 6.00% for the Pension Plus 2 plan). The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the School District's proportionate share of the net pension liability, calculated using the discount rate of 6.00% (6.00% for the Pension Plus plan, 6.00% for the Pension Plus 2 plan), as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher:

1% Decrease	Current Single Discount Rate	1% Increase
5.00%	Assumption	7.00%
6.00%	6.00%	7.00%
\$34,681,692	\$26,281,406	\$19,359,191

**CLINTON COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 9 - EMPLOYEE RETIREMENT SYSTEM DEFINED BENEFIT PLAN
(Continued)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued MPSERS CAFR, available on the ORS website at www.michigan.gov/orschools.

Payable to the Pension Plan

At June 30, 2023, the School District reported a payable of approximately \$342,841 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2023.

NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Description

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

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

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

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

**CLINTON COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

(Continued)

Benefits Provided

Benefit provisions of the postemployment healthcare plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions. Retirees have the option of health coverage, which, through 2012, was funded on a cash disbursement basis. Beginning fiscal year 2013, it is funded on a prefunded basis. The System has contracted to provide the comprehensive group medical, prescription drug, dental and vision coverage for retirees and beneficiaries. A subsidized portion of the premium is paid by the System with the balance deducted from the monthly pension of each retiree healthcare recipient. For members who first worked before July 1, 2008, (Basic, MIP-Fixed, and MIP Graded plan members) the subsidy is the maximum allowed by statute. To limit future liabilities of Other Postemployment Benefits, members who first worked on or after July 1, 2008 (MIP-Plus plan members) have a graded premium subsidy based on career length where they accrue credit towards their insurance premiums in retirement, not to exceed the maximum allowable by statute. Public Act 300 of 2012 sets the maximum subsidy at 80% beginning January 1, 2013, 90% for those Medicare eligible and enrolled in the insurance as of that date. Dependents are eligible for healthcare coverage if they meet the dependency requirements set forth in Public Act 300 of 1980, as amended.

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

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

**CLINTON COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

(Continued)

Contributions

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

Employer OPEB contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2021 valuation will be amortized over a 17-year period beginning October 1, 2021 and ending September 30, 2038.

The School District’s required and actual contributions to the plan for the year ended June 30, 2023 were \$513,376.

The schedule below summarized OPEB contribution rates in effect for fiscal year ended September 30, 2022.

OPEB Contribution Rates

Benefit Structure	<u>Member</u>	<u>Employer</u>
Premium Subsidy	3.00 %	8.09 %
Personal Healthcare Fund (PHF)	0.00 %	7.23 %

Required contributions to the OPEB plan from the School District were \$526,163 for the year ended September 30, 2022.

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

At June 30, 2023, the School District reported liability of \$1,463,039 for its proportionate share of all MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2022, and the total OPEB liability used to calculate the

**CLINTON COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

(Continued)

net OPEB liability was determined by an actuarial valuation rolled forward from September 2021. The School District's proportion of the net OPEB liability was determined by dividing each employer's statutorily required OPEB contributions to the system during the measurement period by the percent of OPEB contributions required from all applicable employers during the measurement period. At September 30, 2022, the School District's proportion was 0.06907 percent, which was an increase of 0.00012 percent from its proportion measured as of October 1, 2021.

For the year ending June 30, 2023, the School District recognized OPEB expense of \$(419,008). At June 30, 2023 the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferered Inflows of Resources
Difference between actual and expected experience	\$ -	\$2,865,532
Changes of assumptions	1,304,053	106,183
Net difference between projected and actual earnings on OPEB plan investments	114,348	-
Changes in proportion and differences between School District contributions and proportionate share of contributions	438,750	7,397
School District contributions subsequent to the measurement date	<u>389,339</u>	<u>-</u>
Total	<u>\$ 2,246,490</u>	<u>\$ 2,979,112</u>

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

**CLINTON COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

(Continued)

Deferred (Inflow) and Deferred Outflow of Resources by Year <u>(To Be Recognized in Future OPEB Expenses)</u>	
2023	\$ (397,093)
2024	\$ (350,766)
2025	\$ (353,768)
2026	\$ 432
2027	\$ (21,223)
Thereafter	\$ 457

Actuarial Assumptions

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

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions

Valuation Date:	September 30, 2021
Actuarial Cost Method:	Entry Age, Normal
Wage Inflation Rate:	2.75%
Investment Rate of Return	6.00% net of investment expenses
Projected Salary Increases:	2.75% to 11.55% Including wage inflation at 2.75%

**CLINTON COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

(Continued)

Healthcare Cost Trend Rate:	Pre-65 7.75% Year 1 graded to 3.5% Year 15; 3.0% Year 120 Post-65 5.25% Year 1 graded to 3.5% Year 15; 3.0% Year 120
Mortality: Retirees:	RP-2014 Male and Female Healthy Annuitant Mortality Tables, scaled by 82% for males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006.
Active Members:	RP-2014 Male and Female Employee Annuitant Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.
Other Assumptions: Opt Out Assumptions	21% of eligible participants hired before July 1, 2008 and 30% of those hired after June 30, 2008 are assumed to opt out of the retiree health plan.
Survivor Coverage	80% of male retirees and 67% of female retirees are assumed to have coverages continuing after the retiree's death.
Coverage Election at Retirement	75% of male and 60% of female future retirees are assumed to elect coverage for 1 or more dependents.

Notes:

- Assumption changes as a result of an experience study for the period 2012 through 2017 have been adopted by the System for use in the annual OPEB valuations beginning with the September 30, 2018 valuation. The total OPEB liability as of September 30, 2022, is based on the results of an actuarial valuation date of September 30, 2021, and rolled forward using generally accepted actuarial procedures, including the experience study.
- Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: (6.2250 for non-university employers).
- Recognition period for assets in years is 5.000.
- Full actuarial assumptions are available in the 2022 MPSERS Comprehensive Annual Financial Report found on the ORS website at www.michigan.gov/orsschools.

**CLINTON COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

(Continued)

Long-Term Expected Return on Plan Assets

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan's target asset allocation as of September 30, 2022, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity Pools	25.0%	5.1%
Private Equity Pools	16.0%	8.7%
International Equity	15.0%	6.7%
Fixed Income Pools	13.0%	-0.2%
Real Estate and Infrastructure Pools	10.0%	5.3%
Absolute Return Pools	9.0%	2.7%
Real Return/Opportunistic Pools	10.0%	5.8%
Short Term Investment Pools	2.0%	-0.5%
Total	100.0%	

*Long term rate of return are net of administrative expenses and 2.2% inflation.

Rate of Return

For the fiscal year ended September 30, 2022, the annual money-weighted rate of return on OPEB plan investment, net of OPEB plan investment expense, was (4.99)%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate

A discount rate of 6.00% was used to measure the total OPEB liability. This discount rate was based on the long-term expected rate of return on OPEB plan investments of 6.00%. The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the

**CLINTON COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

(Continued)

OPEB plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the School District’s Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The following presents the School District’s proportionate share of the net OPEB liability calculated using the discount rate of 6.00%, as well as what the School District’s proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage higher:

1% Decrease	Current Discount Rate	1% Increase
5.00%	6.00%	7.00%
<u>\$2,454,107</u>	<u>\$1,463,039</u>	<u>\$628,436</u>

Sensitivity of the School District’s Proportionate Share of the Net OPEB Liability to Healthcare Cost Trend Rate

The following presents the School District’s proportionate share of the net OEB liability calculated using assumed trend rates, as well as what the School District’s proportionate share of net OPEB liability would be if it were calculated using a trend rate that is 1-percentage-point lower or 1-percentage-point higher:

1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
5.00%	6.00%	7.00%
<u>\$612,651</u>	<u>\$1,463,039</u>	<u>\$2,417,616</u>

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan’s fiduciary net position is available in the separately issued 2022 MPSERS CAFR, available on the ors website at www.michigan.gov/orsschools.

**CLINTON COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 11 - INTERFUND BALANCES AND TRANSFERS

Interfund balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system and (3) payments between funds are made. All balances at June 30, 2023 are expected to be repaid within the next fiscal year.

A schedule of interfund balances follows:

Fund	Interfund Receivable	Fund	Interfund Payable
Food Services	<u>\$ 9,120</u>	General Fund	<u>\$ 9,120</u>

Interfund transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the Debt Service Fund as debt service payments become due and (3) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE 12 - RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees, and natural disasters. The School District participates in two distinct pools of educational institutions within the State of Michigan for self-insuring property and casualty and workers’ disability compensation. The pools are considered public entity risk pools. The School District pays annual premiums under a retrospectively rated policy to the pools for the respective insurance coverage. The premiums are based on the ultimate cost of the experience to date of the participating members of the risk pool. The School District cannot estimate losses from reported and unreported claims at June 30, 2023. In the event a pool’s total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool’s policy year may be subject to special assessment to make up the deficiency.

The School District continues to carry commercial insurance for other risks of loss, including employee health and accident insurance. No settlements have occurred in excess of coverage for June 30, 2023 or any of the prior three years.

NOTE 13 - CONTINGENCIES

The School District had no contingencies at June 30, 2023.

**CLINTON COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 14 - NET POSITION RESTRICTED BY ENABLING LEGISLATION

The government-wide statement of net position reports \$24,154,139 of restricted net position at June 30, 2023, all of which is restricted by enabling legislation.

NOTE 15 – SUBSEQUENT EVENTS

Evaluation of Events and Transactions

The District's management has evaluated subsequent events through September 18, 2023, the date which the financial statements were available to be issued. District's management has concluded that no other subsequent events have occurred that would require recognition or disclosure in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

**Clinton Community Schools
Budgetary Comparison Schedule
General Fund
June 30, 2023**

	Original Budget	Final Budget	Actual	Variance with final budget Favorable (Unfavorable)
Revenues:				
Local sources	\$ 1,936,711	\$ 2,375,610	\$ 2,387,611	\$ 12,001
Intermediate sources	566,933	660,866	652,582	(8,284)
State sources	11,860,655	13,152,204	13,197,051	44,847
Federal sources	684,312	1,046,012	1,098,914	52,902
Total revenues	<u>15,048,611</u>	<u>17,234,692</u>	<u>17,336,158</u>	<u>101,466</u>
Expenditures:				
Current:				
Instruction:				
Basic programs	7,760,698	8,441,426	8,396,665	44,761
Added needs	1,653,271	1,668,423	1,535,176	133,247
Total instruction	<u>9,413,969</u>	<u>10,109,849</u>	<u>9,931,841</u>	<u>178,008</u>
Support services:				
Pupil	515,625	388,935	388,703	232
Instructional staff	866,600	692,838	680,908	11,930
General administration	353,123	318,056	315,776	2,280
School administration	869,420	640,016	651,629	(11,613)
Business and fiscal services	303,149	309,944	309,306	638
Operation & maintenance	1,219,047	1,285,601	1,219,769	65,832
Transportation	699,285	773,207	741,625	31,582
Security	-	35,804	35,140	664
Central	3,430	6,860	6,849	11
Student Activities	300,000	413,000	412,566	434
Other	584,623	621,717	661,944	(40,227)
Athletics	529,529	516,783	486,975	29,808
Total support services	<u>6,243,831</u>	<u>6,002,762</u>	<u>5,911,190</u>	<u>91,572</u>
Community service:				
Total community service	<u>3,251</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>15,661,051</u>	<u>16,112,611</u>	<u>15,843,031</u>	<u>269,580</u>
Excess (deficiency) of revenues over expenditures	<u>(612,440)</u>	<u>1,122,081</u>	<u>1,493,127</u>	<u>371,046</u>
Net change in fund balance	<u>(612,440)</u>	<u>1,122,081</u>	<u>1,493,127</u>	<u>371,046</u>
Fund balance:				
Beginning of year	5,847,854	5,847,854	5,847,854	-
End of year	<u>\$ 5,235,414</u>	<u>\$ 6,969,935</u>	<u>\$ 7,340,981</u>	<u>\$ 371,046</u>

**Clinton Community Schools
Budgetary Comparison Schedule
2021 Bond & Capital Fund
June 30, 2023**

	Original Budget	Final Budget	Actual	Variance with final budget Favorable (Unfavorable)
Revenues:				
Interest on Investments	\$ 800,000	\$ 800,000	\$ 802,903	\$ 2,903
Total revenues	<u>800,000</u>	<u>800,000</u>	<u>802,903</u>	<u>2,903</u>
Expenditures:				
Current:				
Capital Outlay	3,710,200	4,909,399	4,731,469	177,930
Other	-	801	801	-
Total expenditures	<u>3,710,200</u>	<u>4,910,200</u>	<u>4,732,270</u>	<u>177,930</u>
Excess (deficiency) of revenues over expenditures	<u>(2,910,200)</u>	<u>(4,110,200)</u>	<u>(3,929,367)</u>	<u>180,833</u>
Net change in fund balance	<u>(2,910,200)</u>	<u>(4,110,200)</u>	<u>(3,929,367)</u>	<u>180,833</u>
Fund balance:				
Beginning of year	23,818,589	23,818,589	23,818,589	-
End of year	<u>\$ 20,908,389</u>	<u>\$ 19,708,389</u>	<u>\$ 19,889,222</u>	<u>\$ 180,833</u>

Clinton Community Schools
Required Supplemental Information
Schedule of Clinton Community Schools' Pension Contributions to
Michigan Public Schools Employees Retirement Plan
Determined as of the Year Ended June 30

	2023	2022	2021	2020	2019
Statutorily required contributions	\$ 2,451,424	\$ 2,315,636	\$ 2,026,333	\$ 1,758,706	\$ 1,578,700
Contribution in relation to statutorily required contribution	2,451,424	2,315,636	2,026,333	1,758,706	1,578,700
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District's covered-employee payroll	\$ 6,598,354	\$ 6,419,261	\$ 6,173,560	\$ 5,817,535	\$ 5,305,674
Contribution as a percentage of covered-employee payroll	37.15%	36.07%	32.82%	30.23%	29.75%
	<u>2018*</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	
Statutorily required contributions	\$ 1,478,123	\$ 1,409,968	\$ 1,241,914	\$ 1,610,048	
Contribution in relation to statutorily required contribution	1,478,123	1,409,968	1,241,914	1,610,048	
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
School District's covered-employee payroll	\$ 4,874,877	\$ 5,113,927	\$ 5,137,407	\$ 5,229,203	
Contribution as a percentage of covered-employee payroll	30.32%	27.57%	24.17%	30.79%	

*Adjustment has been made to remove the MPSERS 147 c(2) previously included.

See notes to required supplemental information.

Clinton Community Schools
Required Supplemental Information
Schedule of Clinton Community Schools' Proportionate Share of the Net Pension Liability
Michigan Public Schools Employees Retirement Plan
Determined as of the Plan Year Ended September 30

	2022	2021	2020	2019	2018
School District's proportion of the net pension liability	0.06988%	0.06808%	0.06472%	0.06045%	0.05832%
School District's proportionate share of the net pension liability	\$ 26,281,406	\$ 16,118,744	\$ 22,231,979	\$ 20,019,922	\$ 17,532,339
School District's covered-employee payroll	\$ 6,743,045	\$ 6,258,027	\$ 5,860,281	\$ 5,453,721	\$ 4,928,522
School District's proportionate share of net pension liability as a percentage of its covered-employee payroll	389.76%	257.57%	379.37%	367.09%	355.73%
Plan fiduciary net position as a percentage of total pension liability	60.77%	72.60%	59.72%	60.31%	62.36%
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	
School District's proportion of the net pension liability	0.05867%	0.05892%	0.06171%	0.06000%	
School District's proportionate share of the net pension liability	\$ 15,205,000	\$ 14,701,487	\$ 15,073,622	\$ 13,216,966	
School District's covered-employee payroll	\$ 4,927,828	\$ 4,856,336	\$ 5,137,407	\$ 5,093,723	
School District's proportionate share of net pension liability as a percentage of its covered-employee payroll	308.55%	302.73%	293.41%	259.48%	
Plan fiduciary net position as a percentage of total pension liability	64.21%	63.27%	63.17%	66.20%	

See notes to required supplemental information.

Clinton Community Schools
Required Supplemental Information
Schedule of Clinton Community Schools' OPEB Contributions to
Michigan Public Schools Employees Retirement Plan
Determined as of the Year Ended June 30

	2023	2022	2021	2020	2019
Statutorily required contributions	\$ 513,376	\$ 522,909	\$ 490,319	\$ 460,756	\$ 412,837
Contribution in relation to statutorily required contribution	513,376	522,909	490,319	460,756	412,837
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
School District's covered-employee payroll	\$ 6,598,354	\$ 6,419,261	\$ 6,173,560	\$ 5,817,535	\$ 5,305,674
Contribution as a percentage of covered-employee payroll	7.78%	8.15%	7.94%	7.92%	7.78%
<u>2018</u>					
Statutorily required contributions	\$ 352,930				
Contribution in relation to statutorily required contribution	352,930				
Contribution deficiency (excess)	\$ -				
School District's covered-employee payroll	\$ 4,874,877				
Contribution as a percentage of covered-employee payroll	7.24%				

See notes to required supplemental information.

Clinton Community Schools
Required Supplemental Information
Schedule of Clinton Community Schools' Proportionate Share of the Net OPEB Liability
Michigan Public Schools Employees Retirement Plan
Determined as of the Plan Year Ended September 30

	2022	2021	2020	2019	2018
School District's proportion of the net OPEB liability	0.06907%	0.06896%	0.06593%	0.06221%	0.05782%
School District's proportionate share of the net OPEB liability	\$ 1,463,039	\$ 1,052,572	\$ 3,532,096	\$ 4,465,593	\$ 4,596,425
School District's covered-employee payroll	6,743,045	6,258,027	5,860,281	5,453,721	4,928,522
School District's proportionate share of net OPEB liability as a percentage of its covered-employee payroll	21.70%	16.82%	60.27%	81.88%	93.26%
Plan fiduciary net position as a percentage of total OPEB liability	83.09%	87.33%	59.44%	48.46%	42.95%
<u>2017</u>					
School District's proportion of the net OPEB liability	0.05839%				
School District's proportionate share of the net OPEB liability	\$ 5,171,194				
School District's covered-employee payroll	4,927,828				
School District's proportionate share of net OPEB liability as a percentage of its covered-employee payroll	104.94%				
Plan fiduciary net position as a percentage of total OPEB liability	36.39%				

See notes to required supplemental information.

CLINTON COMMUNITY SCHOOLS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2023

NOTE 1: CHANGES OF BENEFIT TERMS

There were no changes of benefit terms in 2022 for pension and OPEB.

NOTE 2: CHANGES OF ASSUMPTIONS

There were no changes of benefit assumptions in 2022 for pension and OPEB.

Pension Information

Ultimately, 10 years of data will be presented in both of the pension-related schedules. The number of years currently presented represents the number of years since the accounting standard requiring these schedules first became applicable.

Benefit Changes

There were no changes of benefit terms in 2022.

Changes in Assumptions

There were no changes of benefit assumptions in 2022.

Covered Payroll

The employer's covered payroll to be reported in the required supplemental information is defined by GASB Statement No. 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 and by GASB Statement No. 85, *Omnibus 2017*, as payroll on which contributions to the OPEB plan are based. For the School District, covered payroll represents payroll on which contributions to both plans are based.

OPEB Information

Ultimately, 10 years of data will be presented in both of the OPEB-related schedules. The number of years currently presented represents the number of years since the accounting standard requiring these schedules first became applicable.

CLINTON COMMUNITY SCHOOLS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2023

Benefit Changes

There were no changes of benefit terms in 2022.

Changes in Assumptions

There were no changes of benefit assumptions in 2022.

Covered Payroll

The employer's covered payroll to be reported in the required supplemental information is defined by GASB Statement No. 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 and by GASB Statement No. 85, *Omnibus 2017*, as payroll on which contributions to the OPEB plan are based. For the School District, covered payroll represents payroll on which contributions to both plans are based.

APPENDIX E
FORM OF APPROVING OPINION

[THIS PAGE INTENTIONALLY LEFT BLANK]



U.S. MAIL ADDRESS
P.O. Box 2575, EAST LANSING, MI 48826-2575
PHONE: (517) 484-8000 FAX: (517) 484-0041

ALL OTHER SHIPPING
2900 WEST ROAD, SUITE 400
EAST LANSING, MI 48823-6386

JEFFREY J. SOLES
ROY H. HENLEY
MICHAEL D. GRESENS
CHRISTOPHER J. IAMARINO
RAYMOND M. DAVIS
MICHELE R. EADY

KIRK C. HERALD
ROBERT A. DIETZEL
KATHERINE WOLF BROADDUS
DANIEL R. MARTIN
JENNIFER K. STARLIN
TIMOTHY T. GARDNER, JR.

IAN F. KOFFLER
FREDRIC G. HEIDEMANN
RYAN J. NICHOLSON
CRISTINA T. PATZELT
PHILIP G. CLARK
PIOTR M. MATUSIAK

JESSICA E. MCNAMARA
RYAN J. MURRAY
ERIN H. WALZ
MACKENZIE D. FLYNN
KATHRYN R. CHURCH
MARYJO D. BANASIK

CATHLEEN M. DOOLEY
AUSTIN M. DELANO
KELLY S. BOWMAN

GORDON W. VANWIEREN, JR. (OF COUNSEL)
LISA L. SWEM (OF COUNSEL)

DRAFT LEGAL OPINION

Clinton Community Schools
Counties of Lenawee and Washtenaw
State of Michigan

We have acted as bond counsel in connection with the issuance by Clinton Community Schools, Counties of Lenawee and Washtenaw, State of Michigan (the "Issuer"), of its bonds in the aggregate principal amount of \$_____ designated 2024 School Building and Site Bonds, Series II (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, a signed copy of the certificate of the Treasurer of the State of Michigan qualifying the Bonds for purposes of Article IX, Section 16, of the Michigan Constitution, and a specimen of the Bond certificates.

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;



Clinton Community Schools
Counties of Lenawee and Washtenaw
State of Michigan

_____, 2024

Page 2

(4) the Bonds have been fully qualified pursuant to Act 92, Public Acts of Michigan, 2005, as amended, enacted pursuant to Article IX, Section 16, of the Michigan Constitution of 1963. Under the terms of said constitutional and statutory provisions, if for any reason the Issuer will be or is unable to pay the principal and interest on the Bonds when due, then the Issuer shall borrow, and the State of Michigan shall lend to it, an amount sufficient to enable the Issuer to make the payment;

(5) 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

(6) 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/JJS

APPENDIX F
FORM OF CONTINUING DISCLOSURE AGREEMENT

[THIS PAGE INTENTIONALLY LEFT BLANK]

**FORM OF
CONTINUING DISCLOSURE AGREEMENT**

§ _____
**CLINTON COMMUNITY SCHOOLS
COUNTIES OF LENAWEE AND WASHTENAW
STATE OF MICHIGAN
2024 SCHOOL BUILDING AND SITE BONDS, SERIES II
(GENERAL OBLIGATION - UNLIMITED TAX)**

This Continuing Disclosure Agreement (the “Agreement”) is executed and delivered by Clinton Community Schools, Counties of Lenawee and Washtenaw, State of Michigan (the “Issuer”), in connection with the issuance of its \$ _____ 2024 School Building and Site Bonds, Series II (General Obligation - Unlimited Tax) (the “Bonds”). The Bonds are being issued pursuant to resolutions adopted by the Board of Education of the Issuer on April 15, 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, or on any indebtedness for which the State 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.

CLINTON COMMUNITY SCHOOLS
COUNTIES OF LENAWEE AND WASHTENAW
STATE OF MICHIGAN

By: _____
Its: Superintendent

Dated: _____, 2024

APPENDIX A

NOTICE TO THE MSRB OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Clinton Community Schools, Lenawee and Washtenaw Counties,
Michigan

Name of Bond Issue: 2024 School Building and Site Bonds, Series II (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 _____.

CLINTON COMMUNITY SCHOOLS
COUNTIES OF LENAWEЕ AND WASHTENAW
STATE OF MICHIGAN

By: _____
Its: Superintendent

Dated: _____



APPENDIX B

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

Name of Issuer: Clinton Community Schools, Lenawee and Washtenaw Counties,
Michigan

Name of Bond Issue: 2024 School Building and Site Bonds, Series II (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 _____.

CLINTON COMMUNITY SCHOOLS
COUNTIES OF LENA WEE AND WASHTENAW
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.



[THIS PAGE INTENTIONALLY LEFT BLANK]

[THIS PAGE INTENTIONALLY LEFT BLANK]

[THIS PAGE INTENTIONALLY LEFT BLANK]



Printed by: ImageMaster, LLC
www.imagemaster.com