

PRELIMINARY OFFICIAL STATEMENT DATED MAY 13, 2026

NEW ISSUE – Book-Entry-Only  
BANK QUALIFIED

RATINGS<sup>(1)</sup> Moody's Investors Service: Aa1/A2  
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.



**\$5,360,000\***  
**PINCONNING AREA SCHOOLS**  
**COUNTIES OF BAY AND GLADWIN, STATE OF MICHIGAN**  
**2026 REFUNDING BONDS**  
**(General Obligation – Unlimited Tax)**

Dated: Date of Delivery

Due: May 1, as shown below

The 2026 Refunding Bonds (General Obligation – Unlimited Tax) (the "Bonds") were authorized by the Board of Education of Pinconning Area Schools, Counties of Bay and Gladwin, State of Michigan (the "School District") by resolutions adopted on January 12, 2026 and expected to be adopted on June \_\_, 2026 (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)(B) 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 Argent Institutional Trust Company, 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 each November 1 and May 1, commencing November 1, 2026, to the Bondholders of record as of the applicable record dates as stated in the Bonds.

(Base CUSIP\$: 722273)

Maturity	Interest			
May 1*	Amount*	Rate	Yield	CUSIP\$
2027	\$950,000			
2028	565,000			
2029	630,000			
2030	705,000			
2031	770,000			
2032	835,000			
2033	905,000			

THE BONDS ARE NOT SUBJECT TO OPTIONAL REDEMPTION PRIOR TO MATURITY. See "THE BONDS – No 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 June \_\_, 2026.

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 May \_\_, 2026.

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

[1] As of the date of delivery.

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\* 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)(4).

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 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.

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Christopher Rabish, Vice President  
Paul Grzegorzcyk, Secretary  
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Katie Grzegorzcyk, Trustee  
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**OFFICIAL STATEMENT**  
**relating to**  
**\$5,360,000\***  
**PINCONNING AREA SCHOOLS**  
**COUNTIES OF BAY AND GLADWIN, STATE OF MICHIGAN**  
**2026 REFUNDING BONDS**  
**(General Obligation – Unlimited Tax)**

**INTRODUCTION**

The purpose of this Official Statement, which includes the cover page and Appendices, is to furnish information in connection with the issuance and sale by Pinconning Area Schools, Counties of Bay and Gladwin, State of Michigan (the “School District”) of its 2026 Refunding Bonds (General Obligation – Unlimited Tax) (the “Bonds”) in the principal amount of \$5,360,000\*.

**PURPOSE AND SECURITY**

The Bonds are being issued for the purpose of currently refunding all or a portion of the School District’s outstanding 2016 Refunding Bonds, dated November 2, 2016, which are due and payable May 1, 2027 through May 1, 2033, inclusive (the “Prior Bonds”) and 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 January 12, 2026, and expected to be adopted on June \_\_\_, 2026 (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)(B) OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED.

**PLAN OF REFUNDING**

A portion of the proceeds of the Bonds will be used to pay certain costs of issuance relating to the refunding of the Prior Bonds and, along with other available funds, will be used to establish an escrow fund (the “Escrow Fund”) composed of cash and non-callable direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America or other obligations the principal of and interest on which are fully secured by the foregoing. The Escrow Fund will be held by the corporate trust office of Argent Institutional Trust Company, Grand Rapids, Michigan, as escrow agent (the “Escrow Agent”) and will be used to pay the principal of and interest on the Prior Bonds at call for redemption.

The Escrow Fund will be held by the Escrow Agent pursuant to an escrow agreement (the “Escrow Agreement”) which irrevocably directs the Escrow Agent to make the payment of principal of and interest on the Prior Bonds at call for redemption. The Escrow Fund will be such that the cash and the principal of and interest payments received on investments will be sufficient, without reinvestment except as provided in the Escrow Agreement, to pay the principal of and interest on the Prior Bonds as they are called for early redemption, as set forth in the following table.

\*Preliminary, subject to change.

**Principal of and Interest on the  
Prior Bonds to be Paid from the Escrow Fund**

<u>Date*</u>	<u>Principal*</u>	<u>Interest*</u>	<u>Total*</u>
9/1/2026	\$6,010,000.00	\$80,133.33	\$6,090,133.33

The accuracy of the mathematical computations of (i) the adequacy of the cash and certain obligations to be held in the Escrow Fund and used, together with earnings thereon, to pay the principal of and interest on the Prior Bonds at call for redemption and (ii) demonstrating that the yield on the Prior Bonds as originally issued is not less than the yield on the obligations held in the Escrow Fund that were purchased with the contribution from the Prior Bonds debt retirement fund, supporting the conclusion of Bond Counsel that the interest on the Bonds is excluded from gross income for federal tax purposes as indicated under the caption "TAX MATTERS" herein, will be verified by Robert Thomas CPA, LLC, Overland Park, Kansas. Such verification of accuracy of the computations shall be based upon information supplied by Raymond James & Associates, Inc. (the "Underwriter") and the interpretations of Section 148 of the Internal Revenue Code of 1986, as amended, as provided by Bond Counsel.

**ESTIMATED SOURCES AND USES OF FUNDS**

**SOURCES**

Par Amount of the Bonds .....	
Contribution from Prior Bonds' Debt Retirement Fund.....	
Original Issue Premium.....	
Total Sources.....	

**USES**

Deposit to Escrow Account.....	
Underwriter's Discount.....	
Estimated Costs of Issuance .....	
Total Uses.....	

**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](http://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.

\*Preliminary, subject to change.

## 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, commencing November 1, 2026. 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 Argent Institutional Trust Company, 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 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](http://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; 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.

### **No Optional Redemption**

The Bonds are not subject to optional redemption prior to maturity.

## **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.

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 for the excerpt from the State Constitution and for the statute creating the School Loan Revolving Fund and the related opinions of the Attorney General of the State of Michigan.

## **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 15 of 2025 ("PA 15"), the Legislature established a 2025/26 target foundation allowance of \$10,050 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<sup>[1]</sup>, 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<sup>[2]</sup> 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 2025/26 calculates to an amount in excess of \$10,050 are authorized to levy additional millage to obtain the foundation allowance, first by levying such amount of the 18 mills against homestead property<sup>[3]</sup> 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 2025/26 per pupil foundation allowance does not exceed \$10,050, 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.

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<sup>[1]</sup>"Taxable property" in this context does not include industrial personal property.

<sup>[2]</sup>"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.

<sup>[3]</sup>"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 120 of 2024 amended the State School Aid Act for the 2024/25 fiscal year, maintaining the School District's foundation allowance at \$9,608 per pupil.

PA 15 amended the State School Aid Act for the 2025/26 fiscal year, increasing the School District's foundation allowance to \$10,050 per pupil.

Pursuant to PA 15, 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 2024/25 fiscal year, see the School District's audited financial statements in APPENDIX D.

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.<sup>[1]</sup> While the legislation provides reimbursement for prospective

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<sup>[1]</sup>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.

school operating losses, pursuant to legislative changes made in 2020, the School District will be reimbursed for debt millage calculated pursuant to a statutory formula.

## **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.

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.

### **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.

\*Preliminary, subject to change.

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. The School District may therefore issue the Bonds without further approval from the Department of Treasury of the State of Michigan.

### **RATINGS**

Moody's Investors Service ("Moody's") will assign, as of the date of delivery of the Bonds, its municipal bond rating of "Aa1" 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.

Moody's will also assign, as of the date of delivery of the Bonds, its underlying municipal bond rating of "A2" 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 Moody's 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 Moody's 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 represent only the view of Moody's. Further information is available upon request from Moody's.

### **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 an electronic copy 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.

### **CONTINUING DISCLOSURE**

Prior to delivery of the Bonds, the School District will execute a Continuing Disclosure Agreement (the “Agreement”) for the benefit of the holders of the Bonds and the Beneficial Owners (as hereinafter defined under this caption only) to send certain information annually and to provide notice of certain events to certain information repositories pursuant to the requirements of Rule 15c2-12(b)(5) (the “Rule”) adopted by the Commission under the Exchange Act. “Beneficial Owner” means, under this caption only, any person who has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including any person holding Bonds through nominees, depositories or any other intermediaries). The information to be provided on an annual basis, the events which will be noticed on an occurrence basis and the other terms of the Agreement, are set forth in APPENDIX F: “Form of Continuing Disclosure Agreement.” Additionally, the School District shall provide certain annual financial information and operating data generally consistent with the information contained within the tables under the headings “ENROLLMENT – Historical Enrollment,” “STATE AID PAYMENTS,” “PROPERTY VALUATIONS – History of Valuations,” “MAJOR TAXPAYERS,” “SCHOOL DISTRICT TAX RATES - (Per \$1,000 of Valuation),” “TAX LEVIES AND COLLECTIONS,” “RETIREMENT PLAN – Contribution to MPSERS,” “LABOR RELATIONS,” “DEBT STATEMENT – Direct Debt” and “SCHOOL LOAN REVOLVING FUND (SLRF) PROGRAM,” if any loan balance, in APPENDIX B and “General Fund Budget Summary” in APPENDIX C.

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

The School District has not, in the previous five years, failed to comply in any material respect with any previous continuing disclosure agreements or undertakings executed by the School District pursuant to the Rule.

**OTHER MATTERS**

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

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

PINCONNING AREA SCHOOLS  
Counties of Bay and Gladwin  
State of Michigan

By: \_\_\_\_\_  
Its: Superintendent of Schools

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**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.<sup>1</sup>

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.<sup>2</sup>

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<sup>1</sup>In 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.

<sup>2</sup>Act 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 instruction<sup>3</sup> 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.<sup>4</sup> 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.<sup>5</sup> 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.

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<sup>3</sup>Article 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.

<sup>4</sup>Other details set forth in amended Section 6 have been omitted.

<sup>5</sup>Other 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

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# APPENDIX B<sup>1</sup>

## PINCONNING AREA SCHOOLS

### GENERAL FINANCIAL, ECONOMIC AND SCHOOL INFORMATION

#### LOCATION AND AREA

Pinconning Area Schools (the "School District") has an area of approximately 198.8 square miles located in the central eastern portion of Michigan's lower peninsula. The School District includes all of the City of Pinconning and all or part of seven townships in Bay County and two townships in Gladwin County.

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

25 miles northwest of Bay City  
90 miles northeast of Lansing  
120 miles north of Ann Arbor  
133 miles northwest of Detroit

#### POPULATION

The U.S. Census reported and 2024 estimated populations for the School District and the City of Pinconning are as follows:

	<u>School District</u>	<u>City of Pinconning</u>
2024 Estimate	11,364	1,448
2020 U.S. Census	11,384	1,204
2010 U.S. Census	11,988	1,307

Source: U.S. Census Bureau via [data.census.gov](https://data.census.gov) website

#### BOARD OF EDUCATION

The Board of Education (the "Board") consists of seven members who are elected at large for six-year 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.

#### ENROLLMENT

##### Historical Enrollment

Historical fall enrollment for the School District is as follows:

<u>School Year End 30-Jun</u>	<u>Full-time Equivalent</u>	<u>Change</u>	<u>School Year End 30-Jun</u>	<u>Full-time Equivalent</u>	<u>Change</u>
2026	1,049	-3.14%	2021	1,185	-4.51%
2025	1,083	-5.58	2020	1,241	-1.97
2024	1,147	-0.69	2019	1,266	-3.58
2023	1,155	-0.60	2018	1,313	-0.61
2022	1,162	-1.94	2017	1,321	--

<sup>1</sup>Information included in APPENDIX B of this Official Statement was obtained from the School District unless otherwise noted.

2025/2026 Fall Count

Kindergarten	84	7 <sup>th</sup>	75
1 <sup>st</sup>	72	8 <sup>th</sup>	74
2 <sup>nd</sup>	72	9 <sup>th</sup>	105
3 <sup>rd</sup>	84	10 <sup>th</sup>	89
4 <sup>th</sup>	88	11 <sup>th</sup>	70
5 <sup>th</sup>	93	12 <sup>th</sup>	69
6 <sup>th</sup>	74	Total	<u>1,049</u>

Source: School District and Michigan Department of Education via website [www.michigan.gov](http://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 Schools:</i>				
Central	K-5	1958	2025	Masonry
Linwood	K-5	1952	1965	Masonry
<i>Middle/High School:</i>				
Pinconning Area	6-12	1953	2025	Masonry
<i>Additional Facilities:</i>				
Advancement Academy/Adult/Community Ed.	PK-K	1985	2025	Masonry
Bus Garage	--	1958	--	Masonry

**OTHER SCHOOLS**

The following parochial school is located within the School District’s boundaries:

Name of School	Grades Served	Approximate Enrollment
St. Michael Catholic School	Y5-8	98

Source: 2026 Michigan Education Directory

**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 15 of 2025 set the target foundation allowance at \$10,050 for fiscal year 2025/2026.

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 year estimate of the School District’s total state aid revenues, including categoricals and other amounts, and the per pupil state aid foundation allowance, which reflects the changes in sources of school operating revenue described herein:

Fiscal Year End	Foundation Allowance per Pupil	Total State Aid Payments <sup>1</sup>	Blended Pupil Count	Amount Received per Pupil <sup>2</sup>
30-Jun 2026	\$10,050	\$12,371,289 <sup>3</sup>	1,058.33 <sup>3</sup>	\$11,689 <sup>3</sup>
2025	9,608	12,561,599	1,093.04	11,492
2024	9,608	12,986,416	1,154.64	11,247
2023	9,150	12,410,587	1,155.76	10,738
2022	8,700	10,775,749	1,166.16	9,240
2021	8,111	10,717,277 <sup>4</sup>	1,232.76	8,694 <sup>4</sup>

<sup>1</sup>Includes payments received for MPSERS UAAL rate stabilization. See “RETIREMENT PLAN - Contribution to MPSERS” herein.

<sup>2</sup>Represents the “Total State Aid Payments” divided by the “Blended Pupil Count”.

<sup>3</sup>Preliminary estimate, subject to change.

<sup>4</sup>Public 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.

Source: Michigan Department of Education via website [www.michigan.gov](http://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

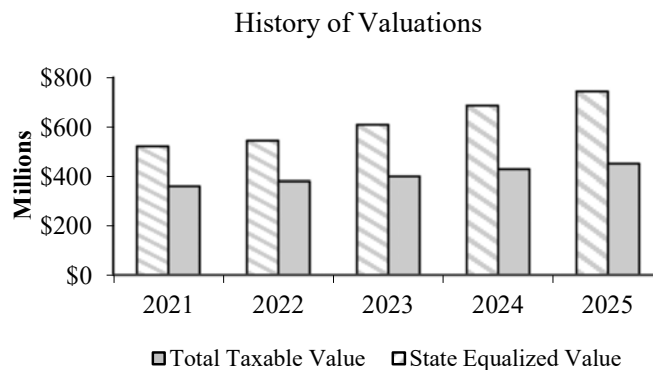
A history of the property valuations in the School District is shown below:

Year	Principal Residence <sup>1</sup>	Non- Principal Residence <sup>1</sup>	Total Taxable Value <sup>2</sup>	Percent Change	State Equalized Value	Percent Change
2025	\$342,782,021	\$107,046,624	\$449,828,645	5.29%	\$743,676,248	8.41%
2024	325,484,968	101,759,916	427,244,884	7.29	685,997,915	12.84
2023	302,148,173	96,055,769	398,203,942	4.88	607,927,427	11.84
2022	289,531,316	90,127,061	379,658,377	5.34	543,585,428	4.53
2021	273,605,893	86,817,572	360,423,465	----	520,035,431	----

<sup>1</sup>All 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 2025, industrial personal property had a taxable value of \$549,400 and commercial personal property had a taxable value of \$7,512,265 in the School District.

<sup>2</sup>The 2026 Total Taxable Value for the School District is \$467,513,006. The 2026 State Equalized Value is not yet available.

Source: Bay and Gladwin Counties Equalization Departments



### Annual Equivalent Valuation

A summary of the 2025 valuation is as follows:

2025 Taxable Value	\$449,828,645
Less: 2025 Disabled Veterans Exemption Taxable Value <sup>1</sup>	<u>(1,953,422)</u>
Net 2025 Annual Equivalent Valuation	<u><u>\$447,875,223</u></u>

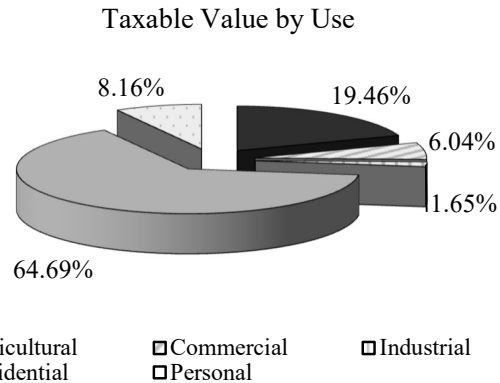
<sup>1</sup>Represents value which is exempt from taxes pursuant to Michigan’s General Property Tax Act Section 7b, MCL 211.7b, which states real property used and owned as a homestead by either (1) a disabled veteran who was discharged from the United States armed forces under honorable conditions or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

Source: Bay and Gladwin Counties Equalization Departments

## Tax Base Composition

A breakdown of the School District's 2025 Taxable Value by class and use is as follows:

By Class:	2025 Taxable Value	Percent of Total
Real Property	\$413,107,811	91.84%
Personal Property	36,720,834	8.16
<b>TOTAL</b>	<b>\$449,828,645</b>	<b>100.00%</b>
By Use:		
Agricultural	\$87,536,107	19.46%
Commercial	27,182,980	6.04
Industrial	7,385,527	1.65
Residential	291,003,197	64.69
Personal	36,720,834	8.16
<b>TOTAL</b>	<b>\$449,828,645</b>	<b>100.00%</b>



A breakdown of the School District's 2025 Taxable Value by municipality is as follows:

Municipality	2025 Taxable Value	Percent of Total
<i>County of Bay</i>		
Township of Beaver	\$2,982,977	0.66%
Township of Fraser	128,726,094	28.62
Township of Garfield	62,791,467	13.96
Township of Gibson	11,442,752	2.54
Township of Kawkawlin	31,794,674	7.07
Township of Mount Forest	54,005,140	12.01
Township of Pinconning	97,781,081	21.74
City of Pinconning	28,881,762	6.42
<i>County of Gladwin</i>		
Township of Bentley	30,610,401	6.80
Township of Grim	812,297	0.18
<b>TOTAL</b>	<b>\$449,828,645</b>	<b>100.00%</b>

Source: Bay and Gladwin Counties Equalization Departments

## MAJOR TAXPAYERS

Shown below are the ten largest taxpayers in the School District based on their 2025 total valuation subject to taxation.

Taxpayer	Product/Service	2025 Taxable Value
Consumers Energy	Utility	\$20,833,649
Michigan Electric Transmission	Utility	4,893,321
Enbridge Energy, LTD Partnership	Utility	3,008,098
Pincanna-Real Estate Grow LLC*	Cannabis	2,676,886
Pinconning Partners LLC	Commercial Warehouse	2,275,519
Republic Services of Michigan	Waste Disposal	2,216,241
Jay, Ann F. Trust	Residential	1,778,290
Pinconning Holdings RE 6 LLC	Commercial Warehouse	1,514,857
Bay Side Investment Inc.	Vacation Rentals	1,491,890
Hribek, Dean & Terri	Residential	1,466,737
<b>TOTALS</b>		<b>\$42,155,488</b>
Total 2025 Taxable Value		\$449,828,645
Top 10 Taxpayers as a % of 2025 Total Taxable Value		9.37%

\*Pincanna shuttered its 135,000-square-foot grow facility and associated dispensary in January, 2026.

Source: Bay and Gladwin Counties Equalization Departments

## CONSTITUTIONAL MILLAGE ROLLBACK

Article IX, Section 31 of the Michigan Constitution (also referred to as the “Headlee Amendment”) requires that if the total value of existing taxable property (Taxable Valuation) in a local taxing unit, exclusive of new construction and improvements, increases faster than the U.S. Consumer Price Index from one year to the next, the maximum authorized tax rate for that local taxing unit must be reduced through a Millage Reduction Fraction unless new millage is authorized by a vote of the electorate of the local taxing unit.

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

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

	2025	2024	2023	2022	2021
Operating – Voted	17.7138	18.0000	18.0000	18.0000	18.0000
Debt	2.5000	2.5000	2.6000	2.6000	2.7500
Total Non-Principal Residence	20.2138	20.5000	20.6000	20.6000	20.7500
Total Principal Residence	2.5000	2.5000	2.6000	2.6000	2.7500

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 2034 levy.

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

The following table provides the 2025 and 2024 tax rates for select units of government that overlap with the School District’s boundaries.

	2025	2024
State Education Tax	6.0000	6.0000
County of Bay	12.9563	12.0908
City of Pinconning	16.9093	17.1200
County of Gladwin	11.6033	12.4565
Bay-Arenac ISD	4.8935	4.9065

Source: Bay and Gladwin Counties Equalization Departments

## TAX LEVIES AND COLLECTIONS

The School District’s fiscal year begins July 1 and ends June 30. School District property taxes are December 1 of each fiscal year and are payable without interest or penalty on or before the following February 14. All real property taxes remaining unpaid on March 1 of the fiscal year following the levy are turned over to the County Treasurers for collection. Bay and Gladwin Counties (the “Counties”) annually pay from their Delinquent Tax Revolving 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	
2025	\$1,877,842*	In Process of Collections		N/A	
2024	1,803,864	\$1,653,994	91.69%	\$1,803,864	100.00%
2023	1,722,497	1,422,608	82.59	1,722,497	100.00
2022	1,632,622	1,476,098	90.41	1,628,377	99.74
2021	1,540,377	1,413,297	91.75	1,540,377	100.00
2020	1,429,555	1,321,144	92.42	1,429,555	100.00

\*Estimated.

## RETIREMENT PLAN

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

MPSERS 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 MPSERS, including retiree health benefits, can be found at [www.michigan.gov/orsschools](http://www.michigan.gov/orsschools).

Public Act 75 of 2010 (“Act 75”) significantly modified MPSERS 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 MPSERS 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 MPSERS

The School District’s estimated annual contribution to MPSERS for the 2025-26 fiscal year and the previous four fiscal years are shown below:

Fiscal Year Ended 30-Jun	Pension Amount	Health Care Amount	Total Amount	State Aid MPSERS Direct Offset Payments <sup>2</sup>
2026 <sup>1</sup>	\$2,901,069	\$61,339	\$2,962,408	\$1,127,921
2025	2,781,467	557,768	3,339,235	903,991
2024	2,355,176	509,514	2,864,690	1,287,005
2023	2,251,750	494,403	2,746,153	1,752,976
2022	2,050,277	497,074	2,547,351	1,049,838

<sup>1</sup>Estimated.

<sup>2</sup>Represents the amount the School District received in state aid categorical revenue (Section 147c MPSERS UAAL Rate Stabilization and One-Time Deposits) to directly pay for a portion of the School District’s MPSERS unfunded liability. This amount is included in the Total Amount 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, 2025 financial statements, the School District reported a proportionate share of the net pension liability of \$16,287,565 as of September 30, 2024.

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, 2025 financial statements, the School District reported a proportionate share of the net OPEB asset of \$2,888,399 as of September 30, 2024.

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	5	Local Bargaining Unit	06/30/27
Teachers	63	MEA	06/30/26*
Teachers	5	Non-Affiliated	N/A
Secretaries	9	Steel Workers	06/30/27
Maintenance	15	Steel Workers	06/30/27
Transportation	11	Steel Workers	06/30/27
Aides	29	Steel Workers	06/30/27
Food Service	11	Steel Workers	06/30/27
Other	13	Non-Affiliated	N/A
<b>TOTAL</b>	<b>161</b>		

\*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 5/13/26 – 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 before Refunding</u>	<u>Refunding (Refunded) Bonds</u>	<u>Principal Outstanding after Refunding</u>
11/02/16	Refunding	UTQ	05/01/33	\$6,010,000	(\$6,010,000)	\$0*
<u>    /    /26</u>	Refunding	UTQ	05/01/33	<u>0</u>	<u>5,360,000</u>	<u>5,360,000*</u>
NET DIRECT DEBT				<u>\$6,010,000</u>	<u>(\$650,000)</u>	<u>\$5,360,000*</u>

#### OVERLAPPING DEBT:

<u>Percent Share</u>	<u>Municipality</u>	<u>Net Debt</u>	<u>District's Share</u>
100.00%	Pinconning City	\$0	\$0
2.54	Beaver Township	0	0
100.00	Bentley Township	0	0
100.00	Fraser Township	0	0
100.00	Garfield Township	0	0
27.00	Gibson Township	0	0
7.96	Grim Township	0	0
16.54	Kawkawlin Township	0	0
100.00	Mount Forest Township	0	0
96.34	Pinconning Township	2,023,312	1,949,259
11.01	Bay County	16,924,181	1,863,352
2.25	Gladwin County	1,772,843	39,889
9.93	Bay-Arenac ISD	240,000	23,832
2.84	Delta Community College	0	0
2.25	Gladwin County District Library	1,025,000	23,063

TOTAL OVERLAPPING DEBT

NET DIRECT AND OVERLAPPING DEBT

3,899,395  
\$9,259,395\*

\*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 May 13, 2026.

### 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 is considering a bond proposal for the November 3, 2026 ballot. The bond amount for the proposal has not been determined yet. If the election is successful, the bonds would be issued in early 2027.

### DEBT RATIOS\*

Estimated School District Population	11,364
2025 Taxable Value	\$449,828,645
2025 State Equalized Value (SEV)	\$743,676,248
2025 True Cash Value (TCV)	\$1,487,352,496
Per Capita 2025 Taxable Value	\$39,583.65
Per Capita 2025 State Equalized Value	\$65,441.42
Per Capita 2025 True Cash Value	\$130,882.83
Per Capita Net Direct Debt	\$471.66
Per Capita Net Direct and Overlapping Debt	\$814.80
Percent of Net Direct Debt of 2025 Taxable Value	1.19%
Percent of Net Direct and Overlapping Debt of 2025 Taxable Value	2.06%
Percent of Net Direct Debt of 2025 SEV	0.72%
Percent of Net Direct and Overlapping Debt of 2025 SEV	1.25%
Percent of Net Direct Debt of 2025 TCV	0.36%
Percent of Net Direct and Overlapping Debt of 2025 TCV	0.62%

\*Preliminary, subject to change.

### LEGAL DEBT MARGIN\* - (As of 5/13/26 – including the Bonds described herein)

2025 State Equalized Value	\$743,676,248
Legal Debt Limit - 15% of SEV	\$111,551,437
Total Bonded Debt Outstanding	\$5,360,000
Less: SLRF Qualified Bonds <sup>1</sup>	<u>(5,360,000)</u>
Net Amount Subject to Legal Debt Limit	<u>0</u>
LEGAL DEBT MARGIN AVAILABLE	<u><u>\$111,551,437</u></u>

\*Preliminary, subject to change.

<sup>1</sup>Section 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 the County of Bay:

Employer	Product or Service	Approx. No. of Employees
<i>Within the School District</i>		
Bay-Arenac ISD	Education	370
Pinconning Area Schools	Education	161
Saginaw Bay Plastics, Inc.	Plastic Injection Molding	90
Conair	Plastic Extruding Machinery	50
Town & Country	Grocery Store	25
Bay View Food Products Co.	Pickles	20
Lloyds Cabinet Shop, Inc.	Wooden Cabinets	15
<i>Within the County of Bay</i>		
Dow Corning Corp., HQ	Silicone Products & Research	6,281
McLaren - Bay Region Hospital	Health Care Services	1,834
Schmidt Industries, Inc.	Wind Turbines Machine Shop	1,350
Michigan Sugar Company	Sugar Beet Processing	1,000
Delta College	Higher Education	745
School District of the City of Bay City	Education	647
Bay County	Government	617
General Motors	Automotive Manufacturer	445
S.C. Johnson & Son, Inc.	Household Products	400
Meijer, Inc.	Retail	400
Bay-Arenac ISD	Education	370
Walmart Supercenter	Retail	350
Fabiano Brothers	Beverage Distributor	340
City of Bay City	Government	318
Kroger	Retail	300
Bay County Medical Care Facility	Skilled Nursing Care	280

Source: 2025 Michigan Manufacturers Directory, MEDC website via [www.michiganbusiness.org](http://www.michiganbusiness.org), and individual employers.

## EMPLOYMENT BREAKDOWN

The U.S. Census Bureau, 2020-2024 American Community Survey reports the occupational breakdown of persons 16 years and over for the City of Pinconning and the County of Bay as follows:

PERSONS BY OCCUPATION	City of Pinconning		County of Bay	
	Number	Percent	Number	Percent
Management, Business, Science & Arts	460	100.00%	48,460	100.00%
Service	117	25.43	16,304	33.64
Sales & Office	73	15.87	8,871	18.31
Natural Resources, Construction & Maintenance	102	22.17	10,726	22.13
Production, Transportation & Material Moving	61	13.27	4,423	9.13
	107	23.26	8,136	16.79

The U.S. Census Bureau, 2020-2024 American Community Survey reports the breakdown by industry for persons 16 years and over for the City of Pinconning and the County of Bay as follows:

	City of Pinconning		County of Bay	
	Number	Percent	Number	Percent
<b>PERSONS BY INDUSTRY</b>	460	100.00%	48,460	100.00%
Agriculture, Forestry, Fishing, Hunting & Mining	9	1.96	513	1.06
Construction	32	6.96	2,698	5.57
Manufacturing	127	27.61	8,110	16.74
Wholesale Trade	0	0.00	939	1.94
Retail Trade	49	10.65	6,655	13.73
Transportation, Warehousing & Utilities	18	3.91	2,175	4.49
Information	0	0.00	574	1.18
Finance, Insurance & Real Estate	29	6.30	2,167	4.47
Professional, Scientific & Management Services	35	7.61	3,511	7.25
Educational, Health & Social Services	90	19.57	13,142	27.11
Arts, Entertainment, Recreation & Food Services	37	8.04	4,238	8.75
Other Services except Public Administration	20	4.35	2,433	5.02
Public Administration	14	3.04	1,305	2.69

## UNEMPLOYMENT

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

Annual Average	County of Bay	State of Michigan
February, 2026	6.3%	5.3%
2025*	5.8	5.2
2024	5.6	4.7
2023	5.0	3.9
2022	5.1	4.2

\*The rate shown for the County of Bay is for December, 2025. The annual rate is not yet available.

## POPULATION BY AGE

The U.S. Census Bureau, 2020-2024 American Community Survey reports the breakdown of population by age for the City of Pinconning and the County of Bay as follows:

	City of Pinconning		County of Bay	
	Number	Percent	Number	Percent
Total Population	1,448	100.00%	102,998	100.00%
0 through 19 years	331	22.86	22,217	21.57
20 through 64 years	814	56.21	58,213	56.52
65 years and over	303	20.93	22,568	21.91
Median Age	47.8 years		43.9 years	

## INCOME

The U.S. Census Bureau, 2020-2024 American Community Survey reports the breakdown of household income for the City of Pinconning and the County of Bay as follows:

HOUSEHOLDS BY INCOME	City of Pinconning		County of Bay	
	Number	Percent	Number	Percent
	640	100.00%	45,103	100.00%
Less than \$ 10,000	21	3.28	2,544	5.64
\$ 10,000 to \$ 14,999	73	11.41	2,128	4.72
\$ 15,000 to \$ 24,999	52	8.13	3,493	7.74
\$ 25,000 to \$ 34,999	34	5.31	4,062	9.01
\$ 35,000 to \$ 49,999	77	12.03	6,067	13.45
\$ 50,000 to \$ 74,999	95	14.84	8,180	18.14
\$ 75,000 to \$ 99,999	193	30.16	6,222	13.80
\$100,000 to \$149,999	53	8.28	7,308	16.20
\$150,000 to \$199,999	26	4.06	2,762	6.12
\$200,000 or MORE	16	2.50	2,337	5.18
Median Income	\$64,565		\$61,763	

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**APPENDIX C**  
**GENERAL FUND BUDGET SUMMARY AND**  
**COMPARATIVE FINANCIAL STATEMENTS**

**Pinconning Area Schools**  
**General Fund Budget Summary**

	As Amended 2025/26
<b>Revenue:</b>	
Local Sources	\$2,338,690
State Sources	12,327,026
Federal Sources	446,006
Interdistrict & Other	1,006,157
<b>Total Revenue</b>	<b>\$16,117,879</b>
 <b>Expenditures:</b>	
Instructional Services:	
Basic Program	\$7,387,447
Added Needs	1,998,342
Support:	
Student Services	730,092
Instruction	311,263
General Administration	437,198
School Administration	1,146,261
Business Services	207,005
Operations and Maintenance	1,745,000
Transportation	1,042,001
Other Support Services	469,496
Athletics	310,511
Community	154,282
Capital Outlay	356,073
<b>Total Expenditures</b>	<b>\$16,294,971</b>
<b>Excess of Expenditures (over) under Revenues</b>	<b>(\$177,092)</b>
<b>Beginning Fund Balance - July 1</b>	<b>\$5,243,260</b>
<b>Projected Fund Balance - June 30</b>	<b>\$5,066,168</b>

*Source: School District*

**Pinconning Area Schools  
General Fund  
Comparative Balance Sheet**

	For Fiscal Years Ended June 30th		
	2023	2024	2025
<b>Assets:</b>			
Cash and Cash Equivalents	\$2,394,282	\$5,138,558	\$5,181,809
Receivables:			
Intergovernmental	2,253,148	2,457,823	2,247,426
Grants	866,459	372,616	311,970
Taxes	10,278	14,722	--
Prepays	23,000	28,000	28,000
<b>Total Assets</b>	<u>\$5,547,167</u>	<u>\$8,011,719</u>	<u>\$7,769,205</u>
<b>Liabilities:</b>			
Accounts Payable	\$119,028	--	\$332,986
Accrued Salaries and Related Items	696,172	\$595,118	632,881
Accrued Retirement	319,709	418,779	588,347
Payroll Taxes	--	44,476	48,415
Employee Benefits	271,144	259,494	279,247
Due to Other Funds	84,840	107,890	193,476
Unearned Revenue	306,647	514,221	450,593
<b>Total Liabilities</b>	<u>\$1,797,540</u>	<u>\$1,939,978</u>	<u>\$2,525,945</u>
<b>Fund Balance:</b>			
Nonspendable	\$23,000	\$28,000	\$28,000
Assigned	1,248,162	1,248,162	1,621,248
Unassigned	2,478,465	4,795,579	3,594,012
<b>Total Fund Balance</b>	<u>\$3,749,627</u>	<u>\$6,071,741</u>	<u>\$5,243,260</u>
<b>Total Liabilities and Fund Balance</b>	<u><u>\$5,547,167</u></u>	<u><u>\$8,011,719</u></u>	<u><u>\$7,769,205</u></u>

Source: Audited Financial Statements

**Pinconning Area Schools  
General Fund**

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

	For Fiscal Years Ended June 30th		
	2023	2024	2025
<b>Revenue:</b>			
Local Sources	\$1,977,469	\$2,108,271	\$2,306,054
State Sources	12,089,487	12,593,818	12,700,413
Federal Sources	1,199,320	2,909,975	275,485
Incoming Transfers and Other	649,374	580,984	633,871
<b>Total Revenue</b>	<b>\$15,915,650</b>	<b>\$18,193,048</b>	<b>\$15,915,823</b>
<b>Expenditures:</b>			
Current:			
Instruction	\$8,764,926	\$8,734,879	\$9,559,718
Supporting Services	5,397,951	5,570,500	6,193,388
Community Services	124,766	123,545	137,262
Capital Outlay	712,802	442,010	910,658
<b>Total Expenditures</b>	<b>\$15,000,445</b>	<b>\$14,870,934</b>	<b>\$16,801,026</b>
<b>Excess of Revenue Over (Under) Expenditures</b>	<b>\$915,205</b>	<b>\$3,322,114</b>	<b>(\$885,203)</b>
<b>Other Financing Sources (Uses):</b>			
Lease Proceeds	--	--	\$71,492
Principal - Lease	--	--	(13,408)
Interest - Lease	--	--	(1,362)
Transfers Out	(\$500,000)	(\$1,000,000)	--
<b>Total Other Financing Sources (Uses):</b>	<b>(\$500,000)</b>	<b>(\$1,000,000)</b>	<b>\$56,722</b>
<b>Excess of Revenue &amp; Other Sources Over (Under) Expenditures &amp; Other Uses</b>	<b>\$415,205</b>	<b>\$2,322,114</b>	<b>(\$828,481)</b>
<b>Fund Balance - Beginning</b>	<b>\$3,334,422</b>	<b>\$3,749,627</b>	<b>\$6,071,741</b>
<b>Fund Balance - Ending</b>	<b>\$3,749,627</b>	<b>\$6,071,741</b>	<b>\$5,243,260</b>

Source: Audited Financial Statements

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**APPENDIX D**  
**AUDITED FINANCIAL STATEMENTS**

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Members: American Institute of C.P.A.'s, Michigan Association of C.P.A.'s

INDEPENDENT AUDITORS' REPORT

Board of Education
Pinconning Area Schools

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Pinconning Area Schools as of and for the year ended June 30, 2025, and the related notes to the financial statements which collectively comprise the Pinconning Area Schools' basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective of the governmental activities, each major fund, and the aggregate remaining fund information of Pinconning Area Schools, as of June 30, 2025 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 audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Pinconning Area Schools and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Pinconning Area Schools' ability to continue as a going concern for one year after the date the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Pinconning Area Schools'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 Pinconning Area Schools'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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison information, the pension and other post-employment benefit schedules of proportional share and contributions schedules on pages 4-11 and 46-52 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**PINCONNING AREA SCHOOLS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2025**

**Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Pinconning Area Schools' basic financial statements. The accompanying schedules of revenues, expenditures and changes in fund balances, and indebtedness schedule, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules of revenues, expenditures and changes in fund balances and indebtedness schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Prior Year Information**

The financial statements contain summarized total information as of and for the year ended June 30, 2024. The prior year information was obtained from the audited financial statements of the prior year and is consistent, in all material respects, with the audited financial statements from which it was derived.

**Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated October 27, 2025 on our consideration of Pinconning Area Schools's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Pinconning Area Schools's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Pinconning Area Schools's internal control over financial reporting and compliance.

Quast, Janke and Company



Bay City, Michigan  
October 27, 2025

This section of Pinconning Area Schools' annual financial report presents our discussion and analysis of the School District's financial performance during the year ended June 30, 2025. Please read it in conjunction with the School District's financial statements, which immediately follows this section.

**Using this Annual Report**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Pinconning Area Schools financially as a whole. The district-wide financial statements provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements look at the School District's operations in more detail than the district-wide financial statements by providing information about the School District's most significant funds – the General Fund, the Food Service Fund, the 2016 Debt Retirement Fund, and the Capital Project Fund with all other funds presented in one column as nonmajor funds.

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

Basic Financial Statements

District-wide Financial Statements    Fund Financial Statements

Notes to the Basic Financial Statements

Required Supplemental Information

Budgetary Information for the Major Funds

Schedule of Reporting Units Contributions

Notes to the Required Supplementary Information

Other Supplemental Information

**Reporting the School District as a Whole**

*District-wide Financial Statements*

One of the most important questions asked about the School District is, "As a whole, what is the School District's financial condition as a result of the year's activities?" The statement of net position and the statement of activities, which appear first in the School District's financial statements, report information on the School District as a whole and its activities in a way that helps you answer this question. We prepare these statements to 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 revenue and expenses are taken into account regardless of when cash is received or paid.

**PINCONNING AREA SCHOOLS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2025**

These two statements report the School District's net position – the difference between assets and liabilities, as reported in the statement of net position – as one way to measure the School District's financial health or financial position. Over time, increases or decreases in the School District's net position – as reported in the statement of activities – are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the School District's operating results. However, the School District's goal is to provide services to their students, not to generate profits as commercial entities strive to do. One must consider many other nonfinancial factors, such as the quality of the education provided to students and the safety of the schools, to assess the overall health of the School District.

The statements of net position and statement of activities report the governmental activities for the School District, which encompass all of the School District's services, including instruction, supporting services, community services, athletics, and food services. 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**

*Fund Financial Statements*

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

*Governmental funds*

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

**PINCONNING AREA SCHOOLS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2025**

**District-wide Financial Analysis**

The statement of net position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position as of June 30, 2025 and 2024:

Table 1	Governmental Activities	
	2025	2024
<b>Assets:</b>		
Current and other assets	\$ 10,275,959	\$ 10,629,212
Capital assets - net of accumulated depreciation	19,127,151	16,473,047
<b>Total Assets</b>	<b>29,403,110</b>	<b>27,102,259</b>
Deferred outflows of resources	6,089,537	7,716,279
<b>Liabilities:</b>		
Current liabilities	3,256,208	2,705,484
Long-term liabilities	23,171,251	28,830,903
<b>Total liabilities</b>	<b>26,427,459</b>	<b>31,536,387</b>
Deferred inflows of resources	9,734,218	7,531,781
<b>Net Position:</b>		
Net investment in capital assets	8,890,904	8,044,558
Restricted - Debt service	453,135	379,091
Restricted - Food service	355,360	404,431
Restricted - Capital Projects	1,597,522	1,613,421
Unrestricted	(11,965,951)	(14,691,131)
<b>Net Position</b>	<b>\$ (669,030)</b>	<b>\$ (4,249,630)</b>

The above analysis focuses on the net position (see Table 1). The School District's net position was \$(669,030) at June 30, 2025. Net investment in capital assets totaling \$8,890,904 compares original cost less depreciation of the School District's capital assets to long-term debt used to finance the acquisition of those assets. Most of the debt will be repaid from voter-approved property taxes collected as the debt service comes due. Restricted net position is reported separately to show legal constraint from debt requirements and legislation that limit the School District's ability to use those net position for day-to-day operations.

**PINCONNING AREA SCHOOLS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2025**

The results of this year's operations for the School District as a whole are reported in the statement of activities (see Table 2), which shows the changes in net position for fiscal years 2025 and 2024.

Table 2

	Governmental Activities	
	Year Ended June 30,	
	2025	2024
<b>Revenue:</b>		
Program revenue:		
Charges for services	\$ 129,231	\$ 156,265
Grants and categorical	6,300,304	8,223,101
General revenue:		
Property taxes	2,906,093	2,736,497
State unrestricted	8,708,151	9,350,302
Other	286,757	222,046
<b>Total Revenue</b>	<b>18,330,536</b>	<b>20,688,211</b>
<b>Function/Program Expenses:</b>		
Instruction	7,257,356	7,154,500
Support services	5,369,195	5,075,781
Community services	137,262	123,545
Food services	950,950	976,322
Interest on long-term debt	248,224	264,695
Depreciation (unallocated)	786,949	803,223
<b>Total Expenses</b>	<b>14,749,936</b>	<b>14,398,066</b>
<b>Increase (Decrease) in Net Position</b>	<b>\$ 3,580,600</b>	<b>\$ 6,290,145</b>

As reported in the statement of activities, the cost of all of our governmental activities this year was \$14,810,441. Certain activities were partially funded from those who benefited from the program or by other governments and organizations that subsidized certain programs with grants and categoricals of \$6,360,809. We paid for the remaining "public benefit" portion of our governmental activities with \$2,906,0093 in taxes, \$8,708,151 in state foundation allowance, and with our other revenues, such as interest and rentals.

The School District experienced an increase in net position of \$3,580,600. A key reason for this change in net position was a positive net change in the pension and OPEB balances and related deferred inflows and outflows. The increase in net position differs from the change in fund balance and the reconciliation appears on page 17.

**PINCONNING AREA SCHOOLS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2025**

**The School District's Funds**

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

As the School District completed this year, the governmental funds reported a combined fund balance of \$7,943,490, which is a decrease of \$847,610 from last year. The primary reason for this decrease was the decrease in federal funding, primarily related to the ESSER federal grants being spent up as of the end of the fiscal year last year. Additionally there was a significant increase in capital projects that occurred during the year. For example roof replacements at multiple buildings, a bus purchase to improve our fleet, etc.

In the General Fund, our principal operating fund, the fund balance decreased by \$828,481, a smaller decrease than originally projected in the final budget. There were less capital outlay expenditures during the year than anticipated. Additionally the yearend transfer of funds in the amount of \$100,000 did not occur before yearend.

The Food Service Fund reported a net decrease in fund balance of \$49,071. This is due to additional purchases being made to improve our equipment within our kitchens. The District has been working on spending down our fund balance to be compliant with MDE.

The Debt Service Fund showed an increase in fund balance of \$74,044. This was due to greater collection of tax revenues related to the bond which is based on property tax values.

**PINCONNING AREA SCHOOLS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2025**

**General Fund Budgetary Highlights**

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

Budgeted revenues decreased from the original budget by \$25,500. This was mainly due to slightly less Title funding than had originally been planned for.

Budgeted expenditures increased from the original budget by \$645,811. This changed was mainly due to the additional capital outlay expenditures that were required for the District as well as an increase in both operation and transportation costs.

Actual revenues were \$70,677 less than the final budget. This difference is mainly due to the District receiving less local and interdistrict revenues than originally expected.

Actual expenditures were \$215,785 less than the final budget. This was mainly due to slightly less capital outlay expenditures occurring than was originally anticipated as well as a concerted effort to stay under budget.

**PINCONNING AREA SCHOOLS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2025**

**Capital Assets**

At June 30, 2025, the School District had \$40,263,513 invested in a broad range of capital assets, including land, buildings, vehicles, and equipment. This amount represents a net increase (including additions and disposals) of \$898,568.

	2025	2024
Land and improvements	\$ 3,104,106	\$ 2,935,385
Buildings and improvements	34,027,714	33,717,963
Buses and other vehicles	1,245,731	1,147,458
Equipment	1,383,130	1,373,806
Lease	71,492	-
Construction in progress	<u>431,340</u>	<u>190,333</u>
<b>Total Capital Assets</b>	<b>40,263,513</b>	<b>39,364,945</b>
<b>Less Accumulated Depreciation</b>	<b><u>24,024,761</u></b>	<b><u>23,261,902</u></b>
<b>Net Capital Assets</b>	<b><u>\$ 16,238,752</u></b>	<b><u>\$ 16,103,043</u></b>

This year's additions of \$950,122 consisted of the following:

Buses and other vehicles	\$ 122,363
Building improvements	578,222
Land improvements	168,721
Other equipment	9,324
Lease copiers	<u>71,492</u>
	<b><u>\$ 950,122</u></b>

**Debt**

At the end of this year, the School District had \$6,740,000 in long-term outstanding debt versus \$7,440,000 in the previous year. The debt was made up of only the 2016 refunding bonds.

The School District's General Obligation Bond rating continues to be equivalent to the State's credit rating. The State limits the amount of general obligation debt that schools can issue to 15 percent of the assessed value of all taxable property within the School District's boundaries. If the School District issues "qualified debt," i.e., debt backed by the State of Michigan, such obligations are not subject to this limit. The School District's outstanding unqualified general obligation debt of \$6,740,000 is below the statutorily imposed limit.

**PINCONNING AREA SCHOOLS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2025**

**Economic Factors and Next Year's Budgets and Rates**

Our elected officials and administration consider many factors when setting the School District's 2026 fiscal year budget. One of the most important factors affecting the budget is our student count. The State foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The blended count for the 2026 fiscal year is 90 percent and 10 percent of the October 2025 and February 2025 student counts, respectively. The 2026 fiscal year budget was adopted in June 2025, based on an estimate of students that will be enrolled in October of 2025. Approximately 57 percent of total General Fund revenues are from the unrestricted state aid. Under State law, the School District cannot access additional property tax revenue for general operations. As a result, School District funding is heavily dependent on the State's ability to fund local school operations. Based on early enrollment data at the start of the 2025-2026 school year, we anticipate that the fall student count will be comparable or favorable to the estimates used in creating the 2025 fiscal year budget. Once the final student count and related per pupil funding is validated, State law requires the School District to amend the budget if actual School District resources are not sufficient to fund original appropriations.

Since the School District's revenue is heavily dependent on State funding and the health of the State's School Aid Fund, the actual revenue received depends on the State's ability to collect revenues to fund its appropriation to school districts. The State periodically holds a revenue-estimating conference to estimate revenues. Based on the results of the most recent conference, as well as a signed State Budget, the per pupil foundation allowance will increase for the 2025-2026 school year.

**Contacting the School District's Financial Management**

This financial report is designed to provide the School District's citizens, taxpayers, customers, and 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 financial information, contact the Business Department, 605 W. Fifth St., Pinconning, MI 48650.

**PINCONNING AREA SCHOOLS  
STATEMENTS OF NET POSITION  
June 30, 2025 and 2024**

	June 30,	
	2025	2024
<b>ASSETS:</b>		
Cash & equivalents	\$ 7,606,661	\$ 7,681,832
Property taxes receivable	3,698	20,275
Due from State of Michigan	2,252,035	2,462,241
Grants receivable	323,479	384,054
Prepays	78,000	68,000
Inventories	12,086	12,810
Capital assets not being depreciated	628,340	387,333
Capital assets being depreciated, net	15,610,412	15,715,710
Net OPEB asset	2,888,399	370,004
<b>Total Assets</b>	<b>29,403,110</b>	<b>27,102,259</b>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>		
Related to refunding bonds	143,859	161,842
Related to pensions	5,142,813	6,189,369
Related to OPEB	802,865	1,365,068
<b>Total Deferred Outflows of Resources</b>	<b>6,089,537</b>	<b>7,716,279</b>
<b>LIABILITIES:</b>		
Accounts payable	332,986	6,024
Accrued payroll and other related liabilities	1,548,890	1,317,867
Accrued interest long term debt	44,933	44,933
Unearned revenue	450,593	514,221
Net pension liability	16,287,565	21,150,227
Current portion of long term liabilities	878,806	822,439
Non current portion of long term liabilities	6,883,686	7,680,676
<b>Total Liabilities</b>	<b>26,427,459</b>	<b>31,536,387</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Related to pensions	5,863,291	4,327,162
Related to OPEB	3,870,927	3,204,619
<b>Total Deferred Inflows of Resources</b>	<b>9,734,218</b>	<b>7,531,781</b>
<b>NET POSITION:</b>		
Investment in capital assets - net of related debt	8,890,904	8,044,558
Restricted - Debt Service	453,135	379,091
Restricted - Food Service	355,360	404,431
Restricted - Capital Projects	1,597,522	1,613,421
Unrestricted	(11,965,951)	(14,691,131)
<b>Total Net Position</b>	<b>\$ (669,030)</b>	<b>\$ (4,249,630)</b>

The accompanying notes are an integral part of the financial statements.

**PINCONNING AREA SCHOOLS**  
**STATEMENT OF ACTIVITIES**  
**Year Ended June 30, 2025 With Comparative Totals for 2024**

	Program Revenues				Governmental Activities	
	Expenses	Charges for Services	Operating Grants/ Contributions	Capital Grants/ Contributions	Net (Expense) Revenue and Changes in Net Position	
					2025	2024
<b>GOVERNMENTAL ACTIVITIES:</b>						
Instruction	\$ 7,257,356	\$ -	\$ 2,452,734	\$ -	\$ (4,804,622)	\$ (2,035,880)
Supporting Services	5,369,195	99,499	2,761,030	117,325	(2,391,341)	(2,916,439)
Community Services	137,262	-	9,410	-	(127,852)	(107,808)
Food Services	950,950	29,732	959,805	-	38,587	109,345
Interest on long-term debt	248,224	-	-	-	(248,224)	(264,695)
Depreciation (Unallocated)	786,949	-	-	-	(786,949)	(803,223)
Total Governmental Activities	<u>\$ 14,749,936</u>	<u>\$ 129,231</u>	<u>\$ 6,182,979</u>	<u>\$ 117,325</u>	(8,320,401)	(6,018,700)
<b>GENERAL PURPOSE REVENUES:</b>						
Property taxes - Operating					1,838,147	1,706,792
Property taxes - Debt Retirement					1,067,946	1,029,705
State school aid - unrestricted					8,708,151	9,350,302
State PILT					-	15,309
Investment earnings					155,633	96,491
Rental					51,625	61,100
Other					<u>79,499</u>	<u>49,146</u>
Total General Purpose Revenues					<u>11,901,001</u>	<u>12,308,845</u>
Change in Net Position					3,580,600	6,290,145
Net Position - Beginning of Year, restated					<u>(4,249,630)</u>	<u>(10,539,775)</u>
Net Position - End of Year					<u>\$ (669,030)</u>	<u>\$ (4,249,630)</u>

The accompanying notes are an integral part of the financial statements.

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**PINCONNING AREA SCHOOLS  
GOVERNMENTAL FUNDS BALANCE SHEET  
June 30, 2025**

ASSETS	GENERAL	FOOD SERVICE	2016 REFUNDING BOND	CAPITAL PROJECTS FUND	NONMAJOR GOVERNMENTAL STUDENT ACTIVITY FUND	TOTAL GOVERNMENTAL FUNDS
Cash	\$ 5,181,809	\$ 161,849	\$ 375,554	\$ 1,594,322	\$ 293,127	\$ 7,606,661
Taxes receivable	-	-	3,698	-	-	3,698
Due from State of Michigan	2,247,426	4,609	-	-	-	2,252,035
Due from other funds	-	115,307	73,883	3,200	1,086	193,479
Grants receivable fed	311,970	11,509	-	-	-	323,479
Prepays	28,000	50,000	-	-	-	78,000
Inventory	-	12,086	-	-	-	12,086
<b>Total Assets</b>	<b>\$ 7,769,205</b>	<b>\$ 355,360</b>	<b>\$ 453,135</b>	<b>\$ 1,597,522</b>	<b>\$ 294,213</b>	<b>\$ 10,469,435</b>
<b>LIABILITIES AND FUND BALANCE</b>						
<b>LIABILITIES:</b>						
Accounts payable	\$ 332,986	\$ -	\$ -	\$ -	\$ -	\$ 332,986
Salaries payable	632,881	-	-	-	-	632,881
Retirement	588,347	-	-	-	-	588,347
Payroll taxes	48,415	-	-	-	-	48,415
Employee benefits	279,247	-	-	-	-	279,247
Due to other funds	193,476	-	-	-	-	193,476
Unearned revenue	450,593	-	-	-	-	450,593
<b>Total Liabilities</b>	<b>2,525,945</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,525,945</b>
<b>FUND BALANCES:</b>						
Nonspendable	28,000	62,086	-	-	-	90,086
Restricted	-	293,274	453,135	1,597,522	-	2,343,931
Committed	1,621,248	-	-	-	294,213	1,915,461
Unassigned	3,594,012	-	-	-	-	3,594,012
<b>Total Fund Balance</b>	<b>5,243,260</b>	<b>355,360</b>	<b>453,135</b>	<b>1,597,522</b>	<b>294,213</b>	<b>7,943,490</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 7,769,205</b>	<b>\$ 355,360</b>	<b>\$ 453,135</b>	<b>\$ 1,597,522</b>	<b>\$ 294,213</b>	<b>\$ 10,469,435</b>

The accompanying notes are an integral part of the financial statements.

**PINCONNING AREA SCHOOLS  
GOVERNMENTAL FUNDS  
RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS TO  
THE STATEMENT OF NET POSITION  
June 30, 2025**

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS	\$ 7,943,490
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:	
Capital assets at cost, net	16,238,752
OPEB liability	2,888,399
Deferred outflows of resources for pension are not reported in the governmental funds-	
Related to refunding bonds	143,859
Related to pensions	5,142,813
Related to OPEB	802,865
Long-term liabilities not due and payable in the current period and therefore not reported in the funds -	
Bonds payable	(6,740,000)
Bond premium	(549,764)
Lease liability	(58,084)
Compensated balances	(414,644)
Pension liability	(16,287,565)
Accrued interest payable not included as a liability in governmental activities	(44,933)
Deferred inflows of resources for pension are not reported in the governmental funds	
Related to pensions	(5,863,291)
Related to OPEB	(3,870,927)
<b>TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES</b>	<b>\$ (669,030)</b>

The accompanying notes are an integral part of the financial statements.

**PINCONNING AREA SCHOOLS  
GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE  
Year Ended June 30, 2025**

	GENERAL	FOOD SERVICE	2016 REFUNDING BOND	CAPITAL PROJECTS FUND	NONMAJOR GOVERNMENTAL STUDENT ACTIVITY FUND	TOTAL GOVERNMENTAL FUNDS
<b>REVENUES:</b>						
Local Sources	\$ 2,306,054	\$ 29,732	\$ 1,071,644	\$ 36,301	\$ 317,231	\$ 3,760,962
State Sources	12,700,413	202,752	-	-	-	12,903,165
Federal Sources	275,485	757,053	-	-	-	1,032,538
Interdistrict and other sources	633,871	-	-	-	-	633,871
<b>Total Revenues</b>	<b>15,915,823</b>	<b>989,537</b>	<b>1,071,644</b>	<b>36,301</b>	<b>317,231</b>	<b>18,330,536</b>
<b>EXPENDITURES:</b>						
Instruction	9,559,718	-	-	-	-	9,559,718
Supporting Services	6,193,388	-	-	-	345,434	6,538,822
Community Service	137,262	-	-	-	-	137,262
Food Service	-	1,022,348	-	-	-	1,022,348
Debt Service -						
Principal repayment	-	-	700,000	-	-	700,000
Interest and fiscal charges	-	-	297,600	-	-	297,600
Capital Outlay	910,658	16,260	-	52,200	-	979,118
<b>Total Expenditures</b>	<b>16,801,026</b>	<b>1,038,608</b>	<b>997,600</b>	<b>52,200</b>	<b>345,434</b>	<b>19,234,868</b>
<b>OTHER FINANCING SOURCES (USES):</b>						
Lease proceeds	71,492	-	-	-	-	71,492
Principal - lease	(13,408)	-	-	-	-	(13,408)
Interest - lease	(1,362)	-	-	-	-	(1,362)
Operating transfers out	-	-	-	-	-	-
<b>Net Other Financing Sources (Uses)</b>	<b>56,722</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>56,722</b>
<b>Net Change in Fund Balances</b>	<b>(828,481)</b>	<b>(49,071)</b>	<b>74,044</b>	<b>(15,899)</b>	<b>(28,203)</b>	<b>(847,610)</b>
Fund Balance - Beginning of Year	6,071,741	404,431	379,091	1,613,421	322,416	8,791,100
Fund Balance - End of Year	\$ 5,243,260	\$ 355,360	\$ 453,135	\$ 1,597,522	\$ 294,213	\$ 7,943,490

The accompanying notes are an integral part of the financial statements.

**PINCONNING AREA SCHOOLS  
GOVERNMENTAL FUNDS  
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES  
IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
Year Ended June 30, 2025**

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ (847,610)

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:

Depreciation expense	\$ (786,949)
Capital outlay	922,658
Loss on asset disposal	-

Net 135,709

Change in accrued interest recorded in the statement of activities when incurred and reported in governmental funds when paid -

The effect of the differences in treatment of long-term debt and related items are as follows:

Proceeds from lease agreement	(71,492)
Principal payments on lease	13,408
Payments on bonded debt	700,000
Amortization of bond premium	68,721
Amortization of deferred outflows on refunding	(17,983)

Change in net pension liability and related deferred amounts	2,279,977
Change in net OPEB liability and related deferred amounts	1,289,884

Change in compensated absences are reported as expenditures when financial resources are used in the governmental funds in accordance with GASB 101	29,986
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Rounding -

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 3,580,600

The accompanying notes are an integral part of the financial statements.

**PINCONNING AREA SCHOOLS**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2025**

**Note 1. Summary of Significant Accounting Policies**

The accounting policies of Pinconning Area Schools conform to United States generally accepted accounting principles (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the School District:

**Reporting Entity**

The School District is governed by an elected seven-member Board of Education. The accompanying financial statements have been prepared in accordance with criteria established by the Government Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the School District's reporting entity, and which organizations are legally separate component units of the School District. The School District has no component units.

**District-wide and Fund Financial Statements**

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

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

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

**PINCONNING AREA SCHOOLS**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2025**

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

*District-wide Statements*

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

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

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

*Fund-based Statements*

Governmental funds financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within approximately 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

The School District reports the following major governmental funds:

*General Fund*

The General Fund is used to record the general operations of the School District pertaining to education and those operations not provided for in other funds. Included are all transactions related to the approved current operating budget.

**PINCONNING AREA SCHOOLS**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2025**

*Special Revenue Fund*

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes. The Food Service and Student Activity funds are special revenue funds used by the School District. The Food Service Fund is used to account for the revenues and expenditures of furnishing breakfast and lunch to the pupils in the School District. The Student Activity Fund is used to account for the revenues and expenditures of student activities for the pupils in the School District. Any operating deficits generated by these activities are the responsibility of the General Fund.

*Debt Service Fund*

The 2016 Refunding Bond Fund is a debt service fund used to account for the accumulation of financial resources for the payment of principal, interest and related costs of the bonds paid primarily by taxes levied on taxpayers residing within the School District. The fund balance of the 2016 Debt Retirement Fund is reserved to signify the amounts restricted exclusively for debt service requirements.

*Capital Projects Fund*

The Capital Projects Funds is used to account for the receipt and disbursement of proceeds from bond issues or other revenue specifically designated for certain capital expenditures of the School District.

**Assets, Liabilities, and Net Position or Equity -**

*Cash and Investments*

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

*Receivables and Payables*

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

*Inventories and Prepaid Items*

Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both district-wide and fund financial statements.

**PINCONNING AREA SCHOOLS**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2025**

*Capital Assets*

Capital assets, which include land, buildings, equipment, and vehicles, are reported in the applicable governmental activities column in the district-wide financial statements. Capital assets are defined by the School District as assets with an individual cost of more than \$5,000 and any assets susceptible to theft. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. The School District does not have any infrastructure-type assets.

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

Buildings and additions	20-50 years
Buses and other vehicles	5-10 years
Furniture and other equipment	3-10 years

*Compensated Absences*

The liability for compensated absences reported in the district-wide financial statements consists of unpaid, accumulated annual and sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees, who are currently eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

*Long-Term Obligations*

In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position.

*Pension*

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

**PINCONNING AREA SCHOOLS  
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*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 (MPERS) and additions to/deductions from MPERS fiduciary net position have been determined on the same basis as they are reported by MPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

*Deferred Outflows and Inflows of Resources*

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The School District has three items that qualify for reporting in this category. Two relate to the School District's net pension plan and net OPEB liabilities and are composed of the changes in assumptions, changes in proportion and differences between the School District's contributions and proportionate share of contributions, and the School District's contributions subsequent to the measurement date. The third relates to the 2016 Refunding Bonds and is composed of the difference between the reacquisition price and the net carrying amount of the old debt, which will be amortized over the life of the new debt.

In addition to liabilities, the statement of financial position will sometimes report a separate section for *deferred inflows of resources* which represents an acquisition of net position that applies to a future period and so will *not* be recognized as an inflow of resources (revenue) until that time. The School District has two of these types of items, they arise from the School District's net pension plan and net OPEB liabilities. They are composed of the School District's share of the net difference between projected and actual earnings on plan investments and the restricted section 147c state aid deferred to offset deferred outflows related to section 147c pension contributions subsequent to the measurement period.

*Property Taxes*

Property taxes are assessed as of December 31 each year and attach as an enforceable lien on property as of the following July 1. School property taxes are levied on July 1 each year, based on the previous year's assessment, by Township governments whose boundaries include property within the District, and are due by September 15. Delinquent real taxes are advanced to the District by the Counties involved. Taxes are recorded as revenue in the year levied. Taxes receivable are recorded for property taxes collected within 60 days of year-end, if any.

**PINCONNING AREA SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
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*Net Position/Fund Balance*

In the government-wide funds, the funds report the following components of net position:

Unrestricted – Net position that is not subject to externally imposed restrictions.

Net investment in capital assets – Capital assets, accumulated depreciation, and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets.

Restricted – Nonexpendable - Net position subject to externally imposed constraints that it be maintained permanently by the School District.

Restricted – Expendable – Net position whose use by the School District is subject to externally imposed constraints that can be fulfilled by actions of the School District pursuant to those constraints or that expire by the passage of time.

Fund balance classifications comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed on the use of the resources in governmental funds. Under this standard, the fund balance classifications are comprised of the following:

Non-spendable – amounts that are not in a spendable form such as inventory.

Restricted – amounts constrained to specific purposes by their providers, through constitutional provisions, or by enabling legislation.

Committed – amounts constrained to specific purposes by a government itself.

Assigned – amounts a government intends to use for a specific purpose.

Unassigned – amounts that are available for any purpose, positive amounts are only reported in general fund.

*Net Position Flow Assumption*

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the School District's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

**PINCONNING AREA SCHOOLS**  
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*Fund Balance Flow Assumption*

Sometimes a government will fund outlays for a particular purpose from both restricted and unrestricted resources (including committed and assigned). In order to calculate the amounts to report as restricted, committed, assigned and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which resources are considered to be applied. It is the School District's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last. In the General Fund, the goal of the District is to maintain a minimum unassigned fund balance no less than 5% of prior year revenues.

*Use of Estimates*

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

*Change in Accounting Principle*

For 2025, the School District implemented GASB Statement No. 101, Compensated Absences, which became effective for fiscal years beginning after December 15, 2023. It 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. Liabilities for certain types of compensated absences - including parental leave, military leave, and jury duty leave will not be recognized until the leave commences. Generally, the liability will be measured using an employee's pay rate as of the date of the financial statements.

**PINCONNING AREA SCHOOLS**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2025**

**Note 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

*Budgetary Information*

Annual budgets are adopted on a basis consistent with generally accepted accounting principles and state law for the General, Debt Service, and Special Revenue Funds. The presentation of the budget information and the basic financial statements is consistent except that capital outlay is presented within the functional categories in the budget and the General Fund budget is presented with the original and amended budget adopted. All annual appropriations lapse at fiscal year-end. The District does not utilize encumbrance accounting.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the School District to have its budget in place by July 1. Expenditures in excess of amounts budgeted are a violation of Michigan law. State law permits school districts to amend their budgets during the year. The budget was amended during the year in a legally permissible manner.

*Excess of Expenditures over Appropriations in Budgeted Funds*

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

	Budget	Actual	Excess
General Fund			
Instruction-			
Added Needs	\$ 1,837,000	\$ 1,866,330	\$ 29,330
Supporting Services-			
Pupil	531,000	628,284	97,284
Business Services	250,000	298,505	48,505
Other Support Services	384,000	397,641	13,641
Athletics	294,385	321,992	27,607
Food Service			
Operation of Plant	14,000	18,356	4,356
Capital Outlay	10,000	16,260	6,260

Fund Deficits - The School District had no accumulated fund balance deficits.

**PINCONNING AREA SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2025**

**Note 3. CASH AND DEPOSITS WITH FINANCIAL INSTITUTIONS**

Deposits of the School District are carried at cost and maintained at Independent Bank, a federally insured financial institution.

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

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

	<u>Governmental Activities</u>	<u>Total Primary Government</u>
Cash and cash equivalents	\$ 7,606,661	\$ 7,606,661

The School District's cash and investments are subject to several types of risk, which are examined in more detail below:

**Custodial Credit Risk of Bank Deposits**

As of June 30, 2025, the book value of the District's demand deposits, consisting of deposits and their cash equivalents, was \$7,606,661 with a corresponding bank balance of \$7,897,576. As of June 30, 2025, \$7,647,576 of the District's \$7,897,576 bank balance was exposed to custodial credit risk. Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District's investment policy requires that financial institutions be evaluated and only those with an acceptable risk level be used for the School District's deposits for custodial credit risk.

**Custodial Credit Risk of Investments**

Custodial risk 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 possession of an outside party. The School District's policy for custodial risk states that custodial credit will be minimized by limiting investments to the types of securities allowed by state law and by prequalifying the financial institutions, broker/dealers, intermediaries, and advisors with which the School District will do business using the criteria established in the investment policy. The School District does not have investments with custodial risk.

**PINCONNING AREA SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
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**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's investment policy does not restrict investment maturities, other than commercial paper, which can only be purchased with a 270-day maturity. The School District's policy minimizes interest rate risk by requiring the structuring of 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; 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.

**Foreign Currency Risk**

The District is not allowed by State statute to invest in foreign investments and accordingly has no foreign investments.

**Credit Risk**

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The School District's policy does not further limit its investment choices.

**Concentration of Credit Risk**

The School District places no limit on the amount the School District may invest in any one issuer. The School District's policy minimizes concentration of credit risk by requiring diversification of the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

**PINCONNING AREA SCHOOLS**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2025**

**Note 4. Lease Liability**

Lease agreements are summarized as follows:

Description	Date	Payment Terms	Annual Payment Amount	Interest Rate	Total Lease Liability	Current Year Additional Outflows	Balance June 30, 2025
Copiers	12/13/2024	3 years	\$ 25,320	4.21%	\$ 71,492	\$ -	\$ 58,084

The equipment lease is for a term of three years with no stated interest rate. The District used the risk free interest rate on a three year term at the time of the leases. The lease has an option to renew or purchase the equipment at fair market value at the end of the term but, the District does not anticipate renewing or purchasing.

Annual requirements to amortize long-term obligations and related interest are as follows:

Year ending June 30,	Principal	Interest
2026	\$ 23,321	\$ 1,999
2027	24,323	998
2028	10,440	110
	<u>\$ 58,084</u>	<u>\$ 3,107</u>

**PINCONNING AREA SCHOOLS**  
**NOTES TO FINANCIAL STATEMENTS**  
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**Note 5. Capital Assets**

Capital asset activity of the School District's governmental activities was as follows:

	Balance July 1, 2024	Additions	Disposals	Balance June 30, 2025
Capital assets not being depreciated				
Construction in Progress	\$ 190,333	\$ 268,471	\$ (27,464)	\$ 431,340
Land	197,000	-	-	197,000
Total capital assets not being depreciated	<u>387,333</u>	<u>268,471</u>	<u>(27,464)</u>	<u>628,340</u>
Capital assets being depreciated				
Land improvements	2,738,385	168,721	-	2,907,106
Buildings and improvements	33,717,963	309,751	-	34,027,714
Buses and other vehicles	1,147,458	122,363	(24,090)	1,245,731
Furniture and equipment	1,373,806	9,324	-	1,383,130
Intangible Right-to-Use equipment leases	-	71,492	-	71,492
Total capital assets being depreciated	38,977,612	681,651	(24,090)	39,635,173
Accumulated depreciation:				
Land improvements	1,619,523	118,910	-	1,738,433
Buildings and improvements	19,869,558	480,904	-	20,350,462
Buses and other vehicles	795,933	114,539	(24,090)	886,382
Furniture and equipment	976,888	58,695	-	1,035,583
Intangible Right-to-Use equipment leases	-	13,901	-	13,901
Total accumulated depreciation	<u>23,261,902</u>	<u>786,949</u>	<u>(24,090)</u>	<u>24,024,761</u>
Net capital assets being depreciated	<u>15,715,710</u>	<u>(105,298)</u>	<u>-</u>	<u>15,610,412</u>
Total net capital assets	<u>\$ 16,103,043</u>	<u>\$ 163,173</u>	<u>\$ (27,464)</u>	<u>\$ 16,238,752</u>

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

Government Activities:	
Unallocated	<u>\$ 786,949</u>

**PINCONNING AREA SCHOOLS**  
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**Note 6. Interfund Receivables, Payables and Transfers**

The interfund balances between funds result primarily 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.

Individual interfund receivable and payable balances at year end were as follows:

Receivable Fund	Payable Fund	Amount
Food Service Fund	General Fund	\$ 115,307
Debt Service Fund	General Fund	\$ 73,883
Capital Projects Fund	General Fund	\$ 3,200
Student Activity Fund	General Fund	\$ 1,086

Transfers are used to: (1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; (2) move receipts restricted to or allowed for 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.

There were no interfund transfers during the year ended June 30, 2025.

**Note 7. Long-Term Debt**

The School District issues bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General Obligation Bonds are direct obligations and pledge the full faith and credit of the School District. Other long-term obligations include compensated absences, claims and judgments, termination benefits, and certain risk liabilities.

On November 2, 2016, the District issued general obligation refunding bonds of \$11,660,000 with interest of 3.00% to 4.00% to advance refund the District's outstanding 2007 bonds with interest of 4.00% to 5.00%. The bonds mature at various times through May 1, 2033. The general obligation bonds were issued at a premium after paying issuance costs of \$88,360 and the net proceeds were \$12,791,914. The net proceeds from the issuance of the general obligation bonds were used to purchase U.S. government securities and those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the bonds are paid in full. The advance refunding met the requirements of an in substance debt defeasance and the term bonds were removed from the District's government-wide financial statements. As a result of the advance refunding, the District reduced its total debt service requirements by \$3,793,862, which resulted in an economic gain (difference between the present value of the debt service payment on the old debt) of \$2,237,742.

**PINCONNING AREA SCHOOLS**  
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The Bonds are fully qualified for 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 these constitutional and statutory provisions, if for any reason, the District is unable to pay principal of and interest on the Bonds when due, then the District shall borrow, and the State of Michigan shall lend to it, an amount sufficient to enable the District to make payment.

The following is a summary of the long-term debt transactions of the School District for the year ended June 30, 2025:

	Beginning Balance	Change	Ending Balance	Current Portion
<b>Bonds Payable:</b>				
2016 Refunding bonds	\$ 7,440,000	\$ (700,000)	\$ 6,740,000	\$ 730,000
2016 Bond premium	<u>618,485</u>	<u>(68,721)</u>	<u>549,764</u>	<u>-</u>
Total bonds payable	8,058,485	(768,721)	7,289,764	730,000
<b>Other Obligations:</b>				
Compensated absences	<u>444,630</u>	<u>(29,986)</u>	<u>414,644</u>	<u>125,485</u>
Total long-term obligations excluding lease liability	<u>\$ 8,503,115</u>	<u>\$ (798,707)</u>	<u>\$ 7,704,408</u>	<u>855,485</u>
Lease liability			<u>58,084</u>	<u>23,321</u>
Total long-term obligations as reported in the statement of activities			<u>\$ 7,762,492</u>	<u>\$ 878,806</u>

Fiscal year annual debt service requirements for June 30 to maturity for the above governmental fund obligations are as follows:

	Principal	Interest	Total
2026	\$ 730,000	\$ 269,600	\$ 999,600
2027	760,000	240,400	1,000,400
2028	790,000	210,000	1,000,000
2029	825,000	178,400	1,003,400
2030	855,000	145,400	1,000,400
2031-2033	<u>2,780,000</u>	<u>225,400</u>	<u>3,005,400</u>
	<u>\$ 6,740,000</u>	<u>1,269,200</u>	<u>8,009,200</u>

**Note 8. Risk Management**

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

**PINCONNING AREA SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
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**Note 9. Economic Dependency**

Approximately 85% of the School District’s General Fund revenues are received from the State of Michigan through the Michigan Department of Education. This School District is considered to be economically dependent on this revenue source.

**Note 10. Tax Abatements**

Local governments can grant reduced property tax revenue, that would be due to the District, to local businesses who construct new industrial facilities or rehabilitate historical facilities under the Industrial Facilities Tax exemption (PA 198 of 1974). Under the program, the Township grants reductions of 50 percent of the property tax bill for the property (or it can freeze taxable values for rehabilitation properties) for up to 12 years. For the fiscal year ended June 30, 2025, there were no significant tax abatements.

**Note 11. Retirement Plan**

**Plan Description**

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

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

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

The System’s financial statements are available on the ORS website at [Michigan.gov/ORSSchools](http://Michigan.gov/ORSSchools).

**PINCONNING AREA SCHOOLS  
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**Benefits Provided**

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

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

**Contributions**

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

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2023 valuation will be amortized over a 15-year period beginning October 1, 2023 and ending September 30, 2038.

The schedule below summarizes pension contribution rates in effect for fiscal year ended September 30, 2024.

Benefit Structure	Pension Contribution Rates	
	Member	Employer
		Universities      Non-Universities
Basic	0.0 - 4.0%	10.94%      23.03%
Member Investment Plan	3.0 - 7.0%	10.94%      23.03%
Pension Plus	3.0 - 6.4%	N/A      19.17%
Pension Plus 2	6.2%	N/A      20.10%
Defined Contribution	0.0%	2.27%      13.90%

Required contributions to the pension plan from Pinconning Area Schools were \$2,355,1760 for the year ended September 30, 2024.

**PINCONNING AREA SCHOOLS**  
**NOTES TO FINANCIAL STATEMENTS**  
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**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At June 30, 2025, the District reported a liability of \$16,287,565 for its proportionate share of the MPERS net pension liability. The net pension liability was measured as of September 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2023. 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, 2024, District's proportion was 0.066652869 percent, which was an increase of .00118177 percent from its proportion measured as of September 30, 2023.

For the year ended June 30, 2025, the District recognized pension expense of \$2,781,467. At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience	\$ 441,893	\$ 176,967
Changes of Assumptions	1,698,075	1,193,363
Net difference between projected and actual earnings on pension plan investments	-	3,108,358
Changes in proportion and differences between Employer contributions and proportionate share of contributions	278,161	480,612
Employer contributions subsequent to the measurement date	2,724,684	903,991
Total	<u>\$ 5,142,813</u>	<u>\$ 5,863,291</u>

Contributions subsequent to the measurement date reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2025. Other amounts as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expenses as follows:

<b>Deferred (Inflow) and Deferred Outflow of Resources by Year (To Be Recognized in Future Pension Expenses)</b>	
2025	(719,138)
2026	54,325
2027	(1,103,588)
2028	(772,770)

**PINCONNING AREA SCHOOLS**  
**NOTES TO FINANCIAL STATEMENTS**  
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**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, 2023
Actuarial Cost Method:	Entry Age, Normal
Wage Inflation Rate:	2.75%
Investment Rate of Return:	
- MIP and Basic Plans:	6.00% net of investment expenses
- Pension Plus Plan:	6.00% net of investment expenses
- Pension Plus 2 Plan:	6.00% net of investment expenses
Projected Salary Increases:	2.75 - 11.55%, including wage inflation at 2.75%
Cost-of-Living Pension Adjustments:	3% Annual Non-Compounded for MIP Members
Mortality: Retirees:	PubT-2010 Male and Female Mortality Tables, scaled by 116% for males and 116% for females and adjusted for mortality improvements using projection scale MP-2021 from 2010.
Active Members:	PubT-2010 Male and Female Employee Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2021 from 2010.

*Notes: Assumption changes as a result of an experience study for the period 2017 through 2022 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2023 valuation. The total pension liability as of September 30, 2024, is based on the results of an actuarial valuation date of September 30, 2023, 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: [4.4612 for non-university employers 1.0000 for university employers]*

*Recognition period for assets in years is 5.0000*

*Full actuarial assumptions are available in the 2024 MPERS Comprehensive Annual Financial Report found on the ORS website at michigan.gov/ORSSchools.*

**PINCONNING AREA SCHOOLS  
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**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, 2024, are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return*
Domestic Equity Pools	25.0%	5.3%
Private Equity Pools	16.0	9.0
International Equity	15.0	6.5
Fixed Income Pools	13.0	2.2
Real Estate and Infrastructure Pools	10.0	7.1
Absolute Return Pools	9.0	5.2
Real Return/Oppportunistic Pools	10.0	6.9
Short-Term Investment Pools	2.0	1.4
TOTAL	100.0%	

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

**Rate of Return**

For the fiscal year ended September 30, 2024, the annual money-weighted rate of return on pension plan investment, net of pension plan investment expense, was 15.47%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**PINCONNING AREA SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2025**

**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 though non-university employees 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, 6.0% for the Pension Plus 2 plan). The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate**

The following presents Pinconning Areas School's proportionate share of the net pension liability calculated using the discount rate of 6.00% (6.00% for the Pension Plus, 6.0% for the Pension Plus 2plan), as well as what Pinconning Area School's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage higher:

1% Decrease	Current Single Discount Rate Assumption	1% Increase
5.00%	6.00%	7.00%
\$ 23,877,745	\$ 16,287,565	\$ 9,967,280

**Michigan Public School Employees' Retirement System (MPERS) Fiduciary Net Position**

Detailed information about the pension plan's fiduciary net position is available in the separately issued MPERS CAFR, available on the ORS website at [Michigan.gov/ORSchools](http://Michigan.gov/ORSchools).

**Payables to the Michigan Public School Employees' Retirement System (MPERS)**

The District accrued liabilities to the System in the amount of \$341,475 associated with salary and wages recorded as liabilities at year end.

**PINCONNING AREA SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2025**

**Note 12. Postemployment Benefits Other Than Pensions (OPEB)**

**Plan Description**

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

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

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

The System's financial statements are available on the ORS website at [Michigan.gov/ORSSchools](http://Michigan.gov/ORSSchools).

**Benefits Provided**

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

**PINCONNING AREA SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2025**

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

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

**Contributions**

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

Employer OPEB contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2023 valuation will be amortized over a 15-year period beginning October 1, 2023 and ending September 30, 2038.

The schedule below summarizes OPEB contribution rates in effect for fiscal year ended September 30, 2024.

Benefit Structure	OPEB Contribution Rates		
	Member	Employer	
		Universities	Non-Universities
Premium Subsidy	3.00%	1.53%	8.31%
Personal Healthcare Fund (PHF)	0.00%	0.00%	7.06%

**PINCONNING AREA SCHOOLS**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2025**

Required contributions to the OPEB plan from the District were \$557,768 for the year ended September 30, 2024.

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

At June 30, 2025, District reported an asset of \$2,888,399 for its proportionate share of the MPSERS net OPEB asset. The net OPEB asset was measured as of September 30, 2024, and the total OPEB asset used to calculate the net OPEB asset was determined by an actuarial valuation rolled forward from September 2023. Pinconning Area School's proportion of the net OPEB asset was determined by dividing each employer's statutorily required OPEB contributions to the system during the measurement period by the percent of OPEB contributions required from all applicable employers during the measurement period. At September 30, 2024, District's proportion was 0.06710344 percent, which was an increase of .001697 percent from its proportion measured as of September 30, 2023.

For the year ending June 30, 2025, Pinconning Area School recognized OPEB expense of (\$1,147,540). At June 30, 2025, Pinconning Area Schools reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Differences between actual and expected experience	\$ -	\$ 3,060,821
Changes of Assumptions	630,868	72,513
Net difference between projected and actual earnings on OPEB plan investments	-	546,807
Changes in proportion and differences between employer contributions and proportionate share of contributions	71,517	190,786
Employer contributions subsequent to the measurement date	<u>100,480</u>	<u>-</u>
Total	<u>\$ 802,865</u>	<u>\$ 3,870,927</u>

**PINCONNING AREA SCHOOLS**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2025**

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, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<b>Deferred (Inflow) and Deferred Outflow of Resources by Year (To Be Recognized in Future OPEB Expenses)</b>	
2025	(1,068,269)
2026	(642,538)
2027	(600,328)
2028	(525,391)
2029	(279,926)
Thereafter	(52,090)

**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, 2023
Actuarial Cost Method:	Entry Age, Normal
Wage Inflation Rate:	2.75%
Investment Rate of Return:	6.00% net of investment expenses
Projected Salary Increases:	2.75 - 11.55%, including wage inflation at 2.75%
Healthcare Cost Trend Rate:	Pre-65: 7.50% Year 1 graded to 3.5% Year 15 Post-65: 6.25% Year 1 graded to 3.5% Year 15
Mortality: Retirees:	PubT-2010 Male and Female Retiree Mortality Tables, scaled by 116% for males and 116% for females and adjusted for mortality improvements using projection scale MP-2021 from 2010.
Active Members:	PubT-2010 Male and Female Employee Annuitant Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2021 from 2010.

**PINCONNING AREA SCHOOLS**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2025**

Other Assumptions:

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

*Notes: Assumption changes as a result of an experience study for the period 2017 through 2022 have been adopted by the System for use in the annual OPEB valuations beginning with the September 30, 2023 valuation. The total OPEB liability as of September 30, 2024, is based on the results of an actuarial valuation date of September 30, 2023, 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: [6.2834 for non-university employers or 1.000 for university employers]*

*Recognition period for assets in years is 5.0000*

*Full actuarial assumptions are available in the 2024 MPERS Comprehensive Annual Financial Report found on the ORS website at Michigan.gov/ORSSchools.*

**PINCONNING AREA SCHOOLS**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2025**

**Long-Term Expected Return on Plan Assets**

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan's target asset allocation as of September 30, 2024, are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return*
Domestic Equity Pools	25.0%	5.3%
Private Equity Pools	16.0	9.0
International Equity	15.0	6.5
Fixed Income Pools	13.0	2.0
Real Estate and Infrastructure Pools	10.0	7.1
Absolute Return Pools	9.0	5.2
Real Return/Oppportunistic Pools	10.0	6.9
Short Term Investment Pools	2.0	1.4
TOTAL	100.0%	

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

**Rate of Return**

For the fiscal year ended September 30, 2024, the annual money-weighted rate of return on OPEB plan investment, net of OPEB plan investment expense, was 15.45%. 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 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.

**PINCONNING AREA SCHOOLS**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2025**

**Sensitivity of Pinconning Area School's proportionate share of the net OPEB liability to changes in the discount rate**

The following presents Pinconning Area School's proportionate share of the net OPEB liability calculated using the discount rate of 6.00%, as well as what Pinconning Area School'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%
\$ (2,232,178)	\$ (2,888,399)	\$ (3,445,771)

**Sensitivity of Pinconning Area School's proportionate share of the net OPEB liability to Healthcare Cost Trend Rate**

The following presents Pinconning Area School's proportionate share of the net OPEB liability calculated using assumed trend rates, as well as what Pinconning Area School'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
\$ (3,455,777)	\$ (2,888,399)	\$ (2,279,889)

**OPEB Plan Fiduciary Net Position**

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued 2024 MPERS CAFR, available on the ORS website at [Michigan.gov/ORSSchools](http://Michigan.gov/ORSSchools).

**Payables to the OPEB Plan**

The District accrued liabilities to the System in the amount of \$100,480 associated with salary and wages recorded as liabilities at year end.

**PINCONNING AREA SCHOOLS**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2025**

**Note 13. Restatement of Beginning Balances**

*Change in Accounting Principle*

The beginning net position of the Governmental Activities in the government-wide Statement of Net Position has also been restated to record a prior period adjustment to correct the prior period interest income and to record a change in accounting principle GASB 101 Compensated Absences. A reconciliation of the prior period ending net position to the current year beginning net position for the Governmental Activities is as follows:

	Governmental Activities
July 1, 2024 as previously reported	\$ (4,143,229)
Change in accounting principle	(106,401)
July 1, 2024 restated	\$ (4,249,630)

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REQUIRED SUPPLEMENTAL INFORMATION

**PINCONNING AREA SCHOOLS  
BUDGET COMPARISON SCHEDULE - GENERAL FUND  
June 30, 2025**

	Original Budget	Final Amended Budget	Actual
<b>REVENUES:</b>			
Local Sources	\$ 1,980,000	\$ 2,200,000	\$ 2,306,054
State Sources	13,050,000	12,445,000	12,700,413
Federal Sources	410,000	387,000	275,485
Interdistrict and Other Sources	<u>572,000</u>	<u>954,500</u>	<u>633,871</u>
Total Revenues	<u>16,012,000</u>	<u>15,986,500</u>	<u>15,915,823</u>
<b>EXPENDITURES:</b>			
Instruction-			
Basic Programs	7,550,000	7,766,000	7,693,388
Added Needs	1,950,000	1,837,000	1,866,330
Supporting Services -			
Pupil	510,000	531,000	628,284
Instructional Staff	490,000	325,745	312,668
General Administration	410,000	420,048	387,032
School Administration	1,090,000	1,092,874	1,022,210
Business Services	250,000	250,000	298,505
Operation & Maintenance	1,650,000	1,786,000	1,758,382
Transportation	1,050,000	1,185,125	1,066,674
Other Support Services	430,000	384,000	397,641
Athletics	260,000	294,385	321,992
Community Services	131,000	144,634	137,262
Capital Outlay	<u>600,000</u>	<u>1,000,000</u>	<u>910,658</u>
Total Expenditures	<u>16,371,000</u>	<u>17,016,811</u>	<u>16,801,026</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Lease Proceeds	-	-	71,492
Principal - Lease	-	-	(13,408)
Interest - Lease	-	-	(1,362)
Operating Transfers Out	<u>(100,000)</u>	<u>(100,000)</u>	<u>-</u>
Net Other Financing Sources (Uses)	<u>(100,000)</u>	<u>(100,000)</u>	<u>56,722</u>
Net Change in Fund Balance	(459,000)	(1,130,311)	(828,481)
Fund Balance - Beginning of Year	<u>3,749,627</u>	<u>6,071,741</u>	<u>6,071,741</u>
Fund Balance - End of Year	<u>\$ 3,290,627</u>	<u>\$ 4,941,430</u>	<u>\$ 5,243,260</u>

**PINCONNING AREA SCHOOLS  
BUDGET COMPARISON SCHEDULE - FOOD SERVICE FUND  
June 30, 2025**

	Original Budget	Final Amended Budget	Actual
<b>REVENUES:</b>			
Local Sources	\$ 40,000	\$ 40,000	\$ 29,732
State Sources	200,000	200,000	202,752
Federal Sources	<u>800,000</u>	<u>800,000</u>	<u>757,053</u>
Total Revenues	<u>1,040,000</u>	<u>1,040,000</u>	<u>989,537</u>
<b>EXPENDITURES:</b>			
Supporting Services -			
Operation of Plant	<u>14,000</u>	<u>14,000</u>	<u>18,356</u>
Food Service	1,050,000	1,050,000	1,003,992
Capital Outlay	<u>10,000</u>	<u>10,000</u>	<u>16,260</u>
	<u>1,060,000</u>	<u>1,060,000</u>	<u>1,020,252</u>
Total Expenditures	<u>1,074,000</u>	<u>1,074,000</u>	<u>1,038,608</u>
Net Change in Fund Balance	(34,000)	(34,000)	(49,071)
Fund Balance - Beginning of Year	<u>342,933</u>	<u>404,431</u>	<u>404,431</u>
Fund Balance - End of Year	<u>\$ 308,933</u>	<u>\$ 370,431</u>	<u>\$ 355,360</u>

**PINCONNING AREA SCHOOLS  
REQUIRED SUPPLEMENTAL INFORMATION  
June 30, 2025**

**Schedule of Pinconning Area School's Proportionate Share of the Net Pension Liability  
Michigan Public School Employees Retirement Plan  
Last 10 Fiscal Years (Amounts were determined as of 9/30 of each fiscal year)**

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
A. Employer's proportion of net pension liability (%)	0.06653%	0.06535%	0.06616%	0.06828%	0.07097%	0.07317%	0.07336%	0.07197%	0.07147%	0.07042%
B. Employer's proportionate share of net pension liability	16,287,565	21,150,227	24,881,237	16,166,253	24,379,025	24,230,007	22,053,428	18,649,631	17,831,979	17,200,092
C. Employer's covered-employee payroll	7,071,706	6,505,182	6,320,683	6,008,039	6,177,249	6,295,435	6,338,300	6,045,030	6,076,123	5,900,833
D. Employer's proportionate share of net pension liability as a percentage of its covered-employee payroll (%)	230.32%	325.13%	393.65%	269.08%	394.66%	384.88%	347.94%	308.51%	293.48%	291.49%
E. Plan fiduciary net position as a percentage of total pension liability	74.44%	65.91%	60.77%	72.60%	59.72%	60.31%	62.36%	64.74%	63.27%	63.17%

\*The employer's covered payroll is defined by GASB 82, Pension Issues—an amendment to GASB Statements No. 67, No. 68, and No. 73, as payroll on which contributions to a pension plan are based; and by GASB 85, Omnibus 2017, as payroll on which contributions to the OPEB plan are based. For university employers, covered payroll for both pension and OPEB is the greater of 1) university payroll on which contributions to the plan are based or 2) the required minimum payroll amount required by PA 136 of 2016. For non-university employers, covered payroll for both pension and OPEB represents payroll on which contributions to both plans are based.

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**PINCONNING AREA SCHOOLS  
REQUIRED SUPPLEMENTAL INFORMATION  
June 30, 2025**

**Schedule of the Pinconning Area School's Contributions  
Michigan Public School Employees Retirement Plan  
Last 10 Reporting Unit Fiscal Years (Amounts were determined as of 6/30 of each fiscal year)**

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
A. Statutorily required contributions	\$ 2,781,467	\$ 2,355,176	\$ 2,251,750	\$ 2,050,277	\$ 1,950,353	\$ 1,942,178	\$ 1,997,778	\$ 1,843,595	\$ 1,632,512	\$ 1,572,415
B. Contributions in relation to statutorily required contributions*	<u>2,781,467</u>	<u>2,355,176</u>	<u>2,251,750</u>	<u>2,050,277</u>	<u>1,950,353</u>	<u>1,942,178</u>	<u>1,997,778</u>	<u>1,843,595</u>	<u>1,632,512</u>	<u>1,572,415</u>
C. Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
D. Employer's covered-employee payroll**	\$ 7,592,165	\$ 6,866,694	\$ 6,547,400	\$ 6,223,267	\$ 5,987,407	\$ 6,238,548	\$ 6,306,632	\$ 6,257,979	\$ 5,998,286	\$ 5,830,579
E. Contributions as a percentage of covered-employee payroll	36.64%	34.30%	34.39%	32.95%	32.57%	31.13%	31.68%	29.46%	27.22%	26.97%

\*Contributions in relation to statutorily required pension contributions are the contributions an employer actually made to the System, as distinct from the statutorily required contributions.

\*\*The employer's covered payroll is defined by GASB 82, Pension Issues—an amendment to GASB Statements No. 67, No. 68, and No. 73, as payroll on which contributions to a pension plan are based; and by GASB 85, Omnibus 2017, as payroll on which contributions to the OPEB plan are based. For university employers, covered payroll for both pension and OPEB is the greater of 1) university payroll on which contributions to the plan are based or 2) the required minimum payroll amount required by PA 136 of 2016. For non-university employers, covered payroll for both pension and OPEB represents payroll on which contributions to both plans are based.

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**PINCONNING AREA SCHOOLS  
REQUIRED SUPPLEMENTAL INFORMATION  
June 30, 2025**

**Schedule of Pinconning Area School's Proportionate Share of the Net OPEB Liability  
Michigan Public School Employees Retirement Plan  
Last 10 Fiscal Years (Amounts were determined as of 9/30 of each fiscal year)**

	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
A. Employer's proportion of net OPEB liability (%)			0.000671034	0.06541%	0.06490%	0.06696%	0.06995%	0.72270%	0.07456%	0.07220%
B. Employer's proportionate share of net OPEB liability			\$ (2,888,399)	\$ (370,004)	\$ 1,374,728	\$ 1,022,063	\$ 3,747,605	\$ 5,187,335	\$ 5,927,095	\$ 6,394,077
C. Employer's covered payroll (OPEB)*			\$ 7,071,706	\$ 6,505,182	\$ 6,320,683	\$ 6,320,683	\$ 6,008,039	\$ 6,177,249	\$ 6,338,300	\$ 6,045,030
D. Employer's proportionate share of net OPEB liability as a percentage of its covered payroll (%)			-40.84%	-5.69%	21.75%	16.17%	62.38%	83.97%	93.51%	105.77%
E. Plan fiduciary net position as a percentage of total OPEB liability			143.08%	105.04%	83.09%	87.33%	59.44%	48.46%	42.95%	36.39%

\*The employer's covered payroll is defined by GASB 82, Pension Issues—an amendment to GASB Statements No. 67, No. 68, and No. 73, as payroll on which contributions to a pension plan are based; and by GASB 85, Omnibus 2017, as payroll on which contributions to the OPEB plan are based. For university employers, covered payroll for both pension and OPEB is the greater of 1) university payroll on which contributions to the plan are based or 2) the required minimum payroll amount required by PA 136 of 2016. For non-university employers, covered payroll for both pension and OPEB represents payroll on which contributions to both plans are based.

This schedule is to be built prospectively. Until a full 10-year trend is compiled, the schedule will show information for those years for which data is available.

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**PINCONNING AREA SCHOOLS  
REQUIRED SUPPLEMENTAL INFORMATION  
June 30, 2025**

**Schedule of the Pinconning Area School's Contributions  
Michigan Public School Employees Retirement Plan  
Last 10 Reporting Unit Fiscal Years (Amounts were determined as of 6/30 of each fiscal year)**

	2027	2026	2025	2024	2023	2022	2021	2020	2019	2018
A. Statutorily required OPEB contributions			\$ 557,768	\$ 509,514	\$ 494,403	\$ 497,074	\$ 494,240	\$ 501,413	\$ 535,462	\$ 477,225
B. OPEB contributions in relation to statutorily required contributions*			557,768	509,514	494,403	497,074	494,240	501,413	535,462	477,225
C. Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
D. Employer's covered payroll (OPEB)**			\$ 7,592,165	\$ 6,866,694	\$ 6,547,400	\$ 6,547,400	\$ 6,223,267	\$ 5,987,407	\$ 6,306,632	\$ 6,257,979
E. OPEB contributions as a percentage of covered payroll			7.35%	7.42%	7.55%	7.59%	7.94%	8.37%	8.49%	7.63%

\*Contributions in relation to statutorily required OPEB contributions are the contributions an employer actually made to the OPEB Plan, as distinct from the statutorily required contributions.

\*\*The employer's covered payroll is defined by GASB 82, Pension Issues—an amendment to GASB Statements No. 67, No. 68, and No. 73, as payroll on which contributions to a pension plan are based; and by GASB 85, Omnibus 2017, as payroll on which contributions to the OPEB plan are based. For university employers, covered payroll for both pension and OPEB is the greater of 1) university payroll on which contributions to the plan are based or 2) the required minimum payroll amount required by PA 136 of 2016. For non-university employers, covered payroll for both pension and OPEB represents payroll on which contributions to both plans are based.

This schedule is to be built prospectively. Until a full 10-year trend is compiled, the schedule will show information for those years for which data is available.

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**PINCONNING AREA SCHOOLS**  
**NOTES TO REQUIRED SUPPLEMENTAL INFORMATION**  
**June 30, 2025**

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**Changes of Benefit Terms**

There were no changes of benefit terms in fiscal year 2024.

**Changes of Assumptions**

There were no changes of benefit assumptions in fiscal year 2024.

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**APPENDIX E**  
**FORM OF LEGAL OPINION**

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# THRUN LAW FIRM, P.C.

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ROY H. HENLEY (OF COUNSEL)  
BRADFORD W. SPRINGER (OF COUNSEL)

## DRAFT LEGAL OPINION

Pinconning Area Schools  
Counties of Bay and Gladwin  
State of Michigan

We have acted as bond counsel in connection with the issuance by Pinconning Area Schools, Counties of Bay and Gladwin, State of Michigan (the "Issuer"), of its bonds in the aggregate principal amount of \$\_\_\_\_\_ designated 2026 Refunding Bonds (General Obligation - Unlimited Tax) (the "Bonds"). The Bonds are in fully registered form and issued without coupons, are dated \_\_\_\_\_, 2026, are of \$5,000 denomination or any integral multiple thereof, are not subject to redemption prior to maturity at the option of the Issuer, mature on May 1 of each year, and bear interest payable on November 1, 2026, and semiannually thereafter on May 1 and November 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 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;



Pinconning Area Schools  
Counties of Bay and Gladwin  
State of Michigan

\_\_\_\_\_, 2026

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 Issuer has designated the Bonds as “qualified tax-exempt obligations” within the meaning of the Internal Revenue Code of 1986, as amended (the “Code”);

(6) 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

(7) 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 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/RJN

**APPENDIX F**  
**FORM OF CONTINUING DISCLOSURE AGREEMENT**

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**FORM OF  
CONTINUING DISCLOSURE AGREEMENT**

§ \_\_\_\_\_  
**PINCONNING AREA SCHOOLS  
COUNTIES OF BAY AND GLADWIN  
STATE OF MICHIGAN  
2026 REFUNDING BONDS  
(GENERAL OBLIGATION - UNLIMITED TAX)**

This Continuing Disclosure Agreement (the “Agreement”) is executed and delivered by Pinconning Area Schools, Counties of Bay and Gladwin, State of Michigan (the “Issuer”), in connection with the issuance of its \$ \_\_\_\_\_ 2026 Refunding Bonds (General Obligation - Unlimited Tax) (the “Bonds”). The Bonds are being issued pursuant to resolutions adopted by the Board of Education of the Issuer on January 12, 2026 and \_\_\_\_\_, 2026 (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 \_\_\_\_\_, 2026.

“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, 2026, 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.

PINCONNING AREA SCHOOLS  
COUNTIES OF BAY AND GLADWIN  
STATE OF MICHIGAN

By: \_\_\_\_\_  
Its: Superintendent

Dated: \_\_\_\_\_, 2026

**APPENDIX A**

NOTICE TO THE MSRB OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Pinconning Area Schools, Bay and Gladwin Counties, Michigan

Name of Bond Issue: 2026 Refunding Bonds (General Obligation - Unlimited Tax)

Date of Bonds: \_\_\_\_\_, 2026

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 \_\_\_\_\_.

PINCONNING AREA SCHOOLS  
COUNTIES OF BAY AND GLADWIN  
STATE OF MICHIGAN

By: \_\_\_\_\_  
Its: Superintendent

Dated: \_\_\_\_\_



**APPENDIX B**

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

Name of Issuer: Pinconning Area Schools, Bay and Gladwin Counties, Michigan

Name of Bond Issue: 2026 Refunding Bonds (General Obligation - Unlimited Tax)

Date of Bonds: \_\_\_\_\_, 2026

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

PINCONNING AREA SCHOOLS  
COUNTIES OF BAY AND GLADWIN  
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](http://www.msrb.org) or through the EMMA portal at [emma.msrb.org/submission/Submission\\_Portal.aspx](http://emma.msrb.org/submission/Submission_Portal.aspx). Contact the MSRB at (703) 797-6600 with questions regarding this form or the dissemination of this notice. The cover sheet and notice may also be faxed to the MAC at (313) 963-0943.**



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