

THIS PRELIMINARY OFFICIAL STATEMENT IS DATED MARCH 30, 2026

NEW ISSUE - BOOK-ENTRY-ONLY

RATING[†]: S&P Global Ratings: "A+"

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.



\$20,540,000*
SAULT STE. MARIE AREA PUBLIC SCHOOLS
COUNTY OF CHIPPEWA, STATE OF MICHIGAN
2026 SCHOOL BUILDING AND SITE BONDS
(GENERAL OBLIGATION - UNLIMITED TAX)

DATE OF SALE: April 9, 2026

TIME: 10:00 A.M., E.T.

DATE AND TIME OF AWARD: April 9, 2026, 5:00 P.M., E.T.

BIDS WILL BE RECEIVED AT:

Municipal Advisory Council, Email: munibids@macmi.com

PURPOSE AND SECURITY: The 2026 School Building and Site Bonds (the "Bonds") were authorized by the electors of the Sault Ste. Marie Area Public Schools, County of Chippewa, State of Michigan (the "School District") at an election duly called and held on August 5, 2025 and by the Board of Education of the School District by resolutions adopted on February 9, 2026 and expected to be adopted on April 13, 2026 (collectively, the "Resolution"). The Bonds will be issued for school building and site purposes. The Bonds will pledge the full faith, credit and resources of the School District for the payment of principal and interest on the Bonds, and will be payable from ad valorem taxes, which may be levied without limitation as to rate or amount as provided by Article IX, Section 6 of the Michigan Constitution of 1963.

BOOK-ENTRY-ONLY: The Bonds are issued 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, New York, New York ("DTC"). DTC will act as a securities depository for the Bonds. Purchasers 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.

PAYMENT OF BONDS: Interest on the Bonds will be payable semiannually on May 1 and November 1 each year, commencing on November 1, 2026, to the Bondholders of record as of the applicable record dates as stated in the Bonds. The principal and interest shall be payable at 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 the Beneficial Owners is the responsibility of the DTC Participants and Indirect Participants, as more fully described herein. Interest shall be paid by check or draft mailed to the registered owner as shown on the registration books as of the fifteenth day of the month preceding the payment date for each interest payment.

MATURITY SCHEDULE

(Base CUSIP\$: _____)

Dated: Date of Delivery

Principal Due: May 1, as shown below

Maturity			Interest			Maturity			Interest		
Date	Amount*	Rate	Date	Amount*	Rate	Date	Amount*	Rate	Date	Amount*	Rate
2027	\$245,000	%	2037	\$550,000	%	2047	\$810,000	%			
2028	280,000		2038	570,000		2048	845,000				
2029	330,000		2039	590,000		2049	880,000				
2030	380,000		2040	615,000		2050	915,000				
2031	435,000		2041	640,000		2051	955,000				
2032	485,000		2042	665,000		2052	995,000				
2033	470,000		2043	690,000		2053	1,035,000				
2034	490,000		2044	720,000		2054	1,080,000				
2035	510,000		2045	750,000		2055	1,125,000				
2036	530,000		2046	780,000		2056	1,175,000				

OPTIONAL REDEMPTION: The Bonds or portions of the Bonds in multiples of \$5,000 maturing on or after May 1, 2037 are subject to redemption at the option of the School District by lot on any date occurring on or after May 1, 2036 at par plus accrued interest to the date fixed for redemption. See "THE BONDS - Optional Redemption" herein.

TERM BONDS: Term Bonds are permitted. See "THE BONDS - Term Bonds" herein.

ANTICIPATED DELIVERY DATE: The anticipated delivery date is May 5, 2026.

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

Additional information relative to this Bond Issue may be obtained from
Baker Tilly Municipal Advisors, LLC
1000 Town Center, 27th Floor
Southfield, Michigan 48075
517-321-0110

The date of this Preliminary Official Statement is March 30, 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 and notice of sale to obtain information essential to the making of an informed investment decision.

[†] For an explanation of the rating, see "RATINGS" herein.

¹ As of the date of delivery.

* Preliminary, subject to change.

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This Preliminary Official Statement and the information contained herein are subject to completion and amendment. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction. As of this date, this Preliminary Official Statement has been deemed "final" by the School District for purposes of SEC Rule 15c2-12(b)(1) except for the omission of certain information permitted by SEC Rule 15c2-12(b)(1).

No dealer, broker, salesperson or other person has been authorized by the Sault Ste. Marie Area Public Schools, County of Chippewa, State of Michigan, to give any information or to make any representation other than as contained in this Official Statement, and, if given or made, such other information or representation must not be relied upon as having been authorized by the School District. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the securities described herein by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

The information set forth herein has been obtained from the School District and other sources which are believed to be reliable, but is not guaranteed as to accuracy or completeness. The information and expressions of opinion herein are subject to change without notice and neither the delivery of the Official Statement nor any sale of the securities described herein shall, under any circumstances, create any implication that there has been no change in the affairs of the School District since the date of the Official Statement. However, upon delivery of the securities, the School District will provide a certificate stating the information in the Final Official Statement, and any supplement to the Final Official Statement, relating to the Issuer and the Bonds is true and correct in all material respects, and the Final Official Statement does not contain any untrue statement of a material fact or omit to state a material fact which would make the statements therein misleading.

SAULT STE. MARIE AREA PUBLIC SCHOOLS

876 Marquette Avenue
Sault Ste. Marie, Michigan 49783
Phone: (906) 259-8000

BOARD OF EDUCATION

Christine M. Curtis, President
Michelle Ribant, Vice President
Kenneth D. Dunton, Treasurer
Melissa S. Pingatore, Secretary
Isis Morgan, Trustee
Caitlin Galer, Trustee
Amy Goetz, Trustee

ADMINISTRATION

Amy Scott-Kronemeyer, Superintendent
Michelle Bennin, Chief Financial Officer

BOND COUNSEL

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

PAYING AGENT

Argent Institutional Trust Company
Grand Rapids, Michigan

MUNICIPAL ADVISOR

Baker Tilly Municipal Advisors, LLC
Southfield, Michigan

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OFFICIAL STATEMENT

**SAULT STE. MARIE AREA PUBLIC SCHOOLS
COUNTY OF CHIPPEWA, STATE OF MICHIGAN
\$20,540,000*
2026 SCHOOL BUILDING AND SITE BONDS
(General Obligation – Unlimited Tax)**

SALE INFORMATION

DATE OF SALE: Thursday, April 9, 2026
TIME OF SALE: 10:00 A.M., E.T.
DATE AND TIME OF AWARD: Thursday, April 9, 2026, 5:00 P.M., E.T.
LOCATION OF SALE: Municipal Advisory Council
26211 Central Park Blvd
Suite 508
Southfield, MI 48076
Phone: (313) 963-0420
Email: munibids@macmi.com

BIDS MAY BE SUBMITTED ELECTRONICALLY VIA BID COMP/PARITY OR EMAILED TO MAC

DATED: Date of delivery **MAXIMUM INTEREST RATE:** 6.00%
FIRST INTEREST: November 1, 2026 **MINIMUM INTEREST RATE:** 1.00%
MULTIPLES: 1/8th or 1/100th of 1%, or both.
DENOMINATIONS: \$5,000 or any integral multiple thereof not exceeding for each maturity the principal amount of such maturity.
PURCHASE PRICE: Not less than 99% nor greater than 118% of par.
PAYING AGENT: Argent Institutional Trust Company, Grand Rapids, Michigan
GOOD FAITH DEPOSIT: No Good Faith Deposit Required. *See “Appendix E – DRAFT OFFICIAL NOTICE OF SALE” for further information regarding this issue.*
PRINCIPAL DUE: May 1 as shown on the inside cover.
MATURITY ADJUSTMENT: The Issuer reserves the right to decrease the aggregate principal amount of the Bonds after receipt of bids and before final award. Such adjustment, if necessary, will be made in increments of \$5,000.
ISSUE PRICE: The winning bidder shall assist the School District in establishing the issue price of the Bonds, in accordance with the requirements set forth in Appendix G concerning the Certification Regarding Issue Price and the Draft Official Notice of Sale in Appendix E attached hereto, and shall deliver to the School District at closing an “Issue Price Certificate” prepared by Bond Counsel setting forth the reasonably expected issue price to the public and/or the sales prices of the Bonds. See Appendices E and G herein for additional information.

* Preliminary, subject to change.

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INTRODUCTION

The purpose of this Official Statement, which includes the cover page and Appendices, is to set forth information concerning the Sault Ste. Marie Area Public Schools, County of Chippewa, State of Michigan (the “School District”), and its 2026 School Building and Site Bonds (General Obligation - Unlimited Tax) (the “Bonds”), in connection with the sale of the Bonds and for the information of those who may become holders of the Bonds.

PURPOSE AND SECURITY

The Bonds are issued from a total authorized amount of \$20,540,000 approved by the School District's electors on August 5, 2025. The Bonds are authorized by the Board of Education of the School District by resolutions adopted on February 9, 2026 and expected to be adopted on April 13, 2026 (collectively, the “Resolution”). The Bonds will be issued for school building and site purposes, and to pay the costs of issuance for the Bonds.

ESTIMATED SOURCES AND USES OF FUNDS

SOURCES¹:

- Par amount of Bonds
- Reoffering Premium/Discount
- Total Sources

USES¹:

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

THE BONDS

Term Bonds

The Bonds are eligible for designation by the original purchaser as serial bonds or term bonds, or both. However, principal maturities designated as term bonds shall be subject to mandatory redemption, in part, by lot, at par and accrued interest on the date on which the Bonds are presently scheduled to mature. Each maturity of term bonds and serial bonds must carry the same interest rate. Any such designation must be made within one (1) hour after the time bids are submitted.

Optional Redemption

The Bonds or portions of the Bonds in multiples of \$5,000 maturing on or after May 1, 2037 are subject to redemption at the option of the School District by lot on any date occurring on or after May 1, 2036 at par plus accrued interest to the date fixed for redemption.

Description 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 of this Official Statement and may be purchased in denominations of \$5,000 or any integral multiple thereof. The Bonds will be dated as of date of delivery and bear interest from their dated date. Interest on the Bonds shall be payable on November 1, 2026 and semiannually each May 1 and November 1 thereafter prior to

¹ Preliminary, subject to change

maturity or prior redemption. 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.

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 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 registered owner's registered address. For a description of payment of principal and interest, transfers and exchanges 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 or the Paying Agent as to the completeness or accuracy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof. No attempt has been made by the School District, 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. 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 rating from S&P Global Ratings of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records.

Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in 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 nominee do not affect 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 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 maturity 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 Paying Agent, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, Paying Agent, or 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.

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.

Transfer Outside the Book-Entry-Only System

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

Notice of Redemption and Manner of Selection

Notice of redemption of any Bond shall be given not less than 30 days and not more than 60 days prior to the date fixed for redemption by mail to the registered owner at the registered address shown on the registration books kept by the Paying Agent. The Bonds shall be called for redemption in multiples of \$5,000 and Bonds of denominations of more than \$5,000 shall be treated as representing the number of Bonds obtained by dividing the face amount of the Bond by \$5,000 and such Bonds may be redeemed in part. The notice of redemption for Bonds redeemed in part shall state that upon surrender of the Bond to be redeemed a new Bond or Bonds in an aggregate face amount equal to the unredeemed portion of the Bond surrendered shall be issued to the registered owner thereof.

If less than all of the Bonds of any maturity shall be called for redemption prior to maturity, unless otherwise provided, the particular Bonds or portions of Bonds to be redeemed shall be selected by lot by the Paying Agent, in the principal amounts designated by the School District. Any Bonds selected for redemption will cease to bear interest on the date fixed for redemption, whether presented for redemption, provided funds are on hand with the Paying Agent to redeem said Bonds. Upon presentation and surrender of such Bonds at the corporate trust office of the Paying Agent, such Bonds shall be paid and redeemed.

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

QUALIFIED BY THE MICHIGAN DEPARTMENT OF TREASURY

The School District has received a letter from the Michigan Department of Treasury stating that the School District is in material compliance with the criteria of the Revised Municipal Finance Act No. 34, Public Acts of Michigan, 2001 ("Act 34") for a municipality to be granted "qualified status" to issue municipal securities without further approval by the Michigan Department of Treasury.

TAX MATTERS

State of Michigan

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 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 arising with respect to the Bonds.

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

Original Issue Premium¹

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.

Original Issue Discount¹

The initial public offering prices of certain Bonds, as set forth on the cover page of this Official Statement, may be less than the stated redemption prices at maturity (the "OID Bonds"), and, to the extent properly allocable to each owner of such OID Bond, such 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.

Future Developments

No assurance can be given that any current or future legislation, if enacted into law, clarifications or amendments to the Code or Michigan statutes, or 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. The School District cannot predict the outcome of any such federal or state proposals as to passage, ultimate content or impact if passed, or timing of consideration or passage. Purchasers of the Bonds should reach their own conclusions regarding the impact of any such federal or state proposals and regulations.

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.

¹ 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 DISCOUNT AND ORIGINAL ISSUE PREMIUM, IF ANY.

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, to the Michigan Tax Tribunal and, ultimately, to the Michigan appellate courts.

The Michigan Constitution also mandates a system of equalization of 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 this Official Statement. Property granted tax abatements under Act 198, Public Acts of Michigan, 1974, amended, is recorded on separate tax rolls 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 Resolution authorizing the issuance of the Bonds and State law obligate the School District to levy a tax annually in an amount sufficient so that the estimated collections therefrom, will be sufficient to pay promptly when due the principal of and interest on the Bonds becoming due prior to the time of the next tax levy. The tax levy shall not be subject to limitation as to rate or amount. Taxes for the payment

of the principal of or interest on the Bonds are certified for collection each year with the school tax levies. In the event of the failure of the proper officials to certify taxes for the payment of the principal and interest requirements, a timely action in the nature of mandamus could compel certification and collection of adequate taxes.

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

SOURCES OF SCHOOL OPERATING REVENUE

On March 15, 1994, the electors of the State of Michigan approved a ballot proposition to amend the State Constitution of 1963, in part, to increase the State sales tax from 4% to 6% as part of a complex plan to restructure the source of funding of public education (K-12) in order to reduce reliance on local property taxes for school operating purposes and to reduce the per pupil finance resource disparities among school districts. The State school aid package passed by the Legislature as part of the school finance reform legislation instituted a per pupil foundation allowance beginning in fiscal year 1994/95. With the passage of Public Act 48 of 2021, the Legislature eliminated the foundation allowance range in 2021/22 that had been in place since the passage of the school finance reform legislation in 1994. In Public Act 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 property¹, a State sales and use tax, a real estate transfer tax and a cigarette tax.

Generally, school districts are required to levy a local property tax of not more than 18 mills or the number of mills levied in 1993 for school operating purposes, whichever is less, on non-homestead properties² in order for the school district to receive its per pupil foundation allowance. An intermediate school district may seek voter approval for up to three enhancement mills for distribution to local constituent school districts on a per pupil basis. Proceeds of the enhancement millage 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 property³ as is necessary to hold themselves harmless and, if the 18 mills is insufficient, to then levy such additional mills against all property uniformly as is necessary to obtain the foundation allowance. The School District's 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

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

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

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

available for expenditure for a fiscal year, in the absence of overriding legislative action by the Legislature, the School Aid Act subjects most state aid payable to school districts for that fiscal year to an automatic proration on a per pupil basis in an amount necessary to eliminate the portion of the overage attributable to the appropriation to all school districts. See “STATE AID PAYMENTS” in APPENDIX A.

Public Act 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 C.

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, April 1, 2014 and June 27, 2018, a package of bills amended and replaced legislation enacted in 2012 to phase-out most personal property taxes in Michigan. The bills were contingent on Michigan voters approving a ballot question authorizing a new municipal entity, the Local Community Stabilization Authority (“LCSA”) to levy a local component of the statewide use tax and distribute that revenue to local units of government to offset their revenue losses resulting from the personal property tax reform. On August 5, 2014, voters approved that ballot question.

The bill package, together with the original 2012 legislation, created two new exemptions from the personal property tax. Under the “small taxpayer exemption”, the commercial and industrial personal property of each owner with a combined true cash value in a local tax collecting unit of less than \$80,000 is exempt from ad valorem taxes in that collecting unit beginning in 2014 with such threshold being increased by the legislature to a combined true cash value in a local tax collecting unit of less than \$180,000 beginning in 2023. For businesses that do not qualify for the “small taxpayer exemption”, all “eligible manufacturing personal property” (personal property used more than 50% of the time in industrial processing or direct integrated support) purchased and placed into service before 2006 or during or after 2013 becomes 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 school state aid fund¹. While the legislation provides reimbursement for prospective school operating losses, pursuant to legislative changes made in 2020, the School District will only be reimbursed for debt millage calculated pursuant to a statutory formula.

LITIGATION

To the knowledge of the appropriate officials of the School District, after due inquiry, no litigation, administrative action or proceeding is pending or 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 original purchaser of the Bonds (the "Purchaser") at the time of the original delivery of the Bonds.

APPROVAL OF LEGAL PROCEEDINGS

Legal matters incident to the authorization, issuance and sale by the School District of the Bonds and with regard to the tax-exempt status of the Bonds are subject to the approving opinion of Thrun Law Firm, P.C., East Lansing, Michigan, Bond Counsel, and will be furnished without expense to the Purchaser, a copy of such opinion, the form of which is set forth in Appendix D, will be available at the time of the delivery of the Bonds.

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.

RATING

The School District has applied for ratings of the Bonds from S&P Global Ratings ("S&P"). No application was made to any other agency.

S&P will assign, as of the date of delivery of the Bonds, its municipal bond rating of "___" to the Bonds.

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

UNDERWRITING

The Bonds are being purchased by _____ (the "Underwriter") at a purchase price of \$ _____, which is the par amount of the Bonds of \$ _____ less the underwriter's discount of \$ _____, plus the net original issue premium of \$ _____, less the original discount of \$ _____. The Official Notice of Sale (see Appendix E) for the Bonds provides that all of the Bonds will be purchased by the Underwriter if any of such Bonds are purchased.

¹ Because 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.

The Underwriter intends to offer the Bonds to the public at the offering prices set forth on the inside cover page of this Official Statement. The Underwriter may allow concessions to certain dealers (including dealers in a selling group of the Underwriter and other dealers depositing the Bonds into investment trusts), who may reallow concessions to other dealers. After the initial public offering, the public offering price may be varied from time to time by the Underwriter.

MUNICIPAL ADVISOR'S OBLIGATION

The School District has retained Baker Tilly Municipal Advisors, LLC (the “Municipal Advisor” or “BTMA”) as municipal advisor in connection with certain aspects of the issuance of the Bonds. BTMA is a municipal advisor registered with the Securities and Exchange Commission and the Municipal Securities Rulemaking Board. BTMA is a subsidiary of Baker Tilly Advisory Group, LP (“BTAG”) which is indirectly owned by (a) H&F Waterloo Holdings, L.P., an affiliate of Hellman & Friedman LLC (“H&F”), an investment adviser registered with the Securities and Exchange Commission (the “SEC”), (b) Valeas Capital Partners Fund I Waterloo Aggregator LP, an affiliate of Valeas Capital Partners Management LP (“Valeas”), an investment adviser registered with the SEC, and (c) individuals who are principals of BTAG. None of these parties own a majority interest in BTAG, or indirectly, BTMA. Baker Tilly Advisory Group, LP and Baker Tilly US, LLP, trading as Baker Tilly, operate under an alternative practice structure and are members of the global network of Baker Tilly International, Ltd. Baker Tilly US, LLP (“BTUS”) is a licensed CPA firm providing assurance services to its clients. BTAG and its subsidiary entities provide tax and consulting services to their clients and are not licensed CPA firms.

BTMA has been retained by the School District to provide certain municipal advisory services to the School District and, in that capacity, has assisted the School District in preparing this Official Statement. The information contained in the Official Statement has been compiled from the sources stated or, if not otherwise sourced, from records and other materials provided by the School District. The Municipal Advisor makes no representation, warranty or guarantee regarding the accuracy or completeness of the information in this Official Statement, and its assistance in preparing this Official Statement should not be construed as a representation that it has independently verified such information. The Municipal Advisor will receive compensation contingent upon the sale and delivery of the Bonds.

The Municipal Advisor’s duties, responsibilities and fees arise solely as Municipal Advisor to the School District, and it has no secondary obligations or other responsibility.

Other Financial Industry Activities and Affiliations:

Baker Tilly Wealth Management, LLC (“BTWM”), an SEC registered investment adviser, and Baker Tilly Capital, LLC (“BTC”), a broker/dealer registered with the SEC and member of the Financial Industry Regulatory Authority (“FINRA”), are controlled subsidiaries of BTAG. Both H&F and Valeas, are registered with the SEC as investment advisers and serve as managers of, or advisers to, certain private investment funds, some of which indirectly own BTAG.

BTWM and other subsidiaries of BTAG may provide advisory services to the clients of BTMA. BTMA has no other activities or arrangements that are material to its municipal advisory business or its clients with a related person who is a broker-dealer, investment company, other investment adviser or financial planner, bank, law firm or other financial entity.

CONTINUING DISCLOSURE

Prior to delivery of the Bonds, the School District will execute a Continuing Disclosure Agreement (the “Agreement”) for the benefit of the holders of the Bonds and the Beneficial Owners (as hereinafter defined under this caption only) to send certain information annually and to provide notice of certain events to certain information repositories pursuant to the requirements of Rule 15c2-12(b)(5) (the “Rule”) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended.

“Beneficial Owner” means, under this caption only, any person, 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 - Enrollment History,” “Labor Relations,” “Retirement Plan - Contributions to MPERS,” “History of Valuations – State Equalized Valuation and Taxable Value,” “Tax Levies and Collections,” “State Aid Payments”, “School District Tax Rates (Per \$1,000 of Valuation),” “Largest Taxpayers,” “School Bond Qualification and Loan Program” if any balance, and “Direct Debt” in Appendix A, and the General Fund Budget Summary in Appendix B.

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

The School District did not have any obligations outstanding in the previous five years that were subject to a continuing disclosure agreement or undertaking pursuant to the Rule.

FURTHER INFORMATION

Further information concerning the Bonds may be secured from Baker Tilly Municipal Advisors, LLC, 1000 Town Center, 27th Floor, Southfield, MI 48075, phone: (517) 321-0110, Municipal Advisor to the School District, or from the School District's administration offices, 876 Marquette Avenue, Sault Ste. Marie, Michigan 49783, phone: (906) 259-8000.

OTHER MATTERS

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

The School District certifies to the best of its knowledge and belief that this Official Statement, as of its date and as it relates to the School District and its economic and financial condition, (i) is complete and accurate; (ii) does not contain any untrue statement of a material fact; and (iii) does not omit any material facts or information which would make the statements contained herein misleading.

This Official Statement has been duly approved, executed and delivered by the School District.

SAULT STE. MARIE AREA PUBLIC SCHOOLS
COUNTY OF CHIPPEWA
STATE OF MICHIGAN

By: _____
Its: Superintendent

APPENDIX A¹
SCHOOL DISTRICT DATA

Location and Area

Sault Ste. Marie Area Public Schools encompasses an area of 213.9 square miles and includes the City of Sault Ste. Marie, two large islands in the St. Mary’s River (Sugar Island and Neebish Island), all of Soo Township, the majority of Bruce Township, a portion of Dafter Township and all of the Village of Dafter in Chippewa County. The City of Sault Ste. Marie is the county seat and is located in the extreme northeastern portion of Michigan’s upper peninsula, across the St. Mary’s River from Sault Ste. Marie, Canada.

Population²

The School District’s historical estimated populations within its boundaries are as follows:

2000	22,403
2010	20,637
2020	19,616

The following is a record of the 2010 and 2020 populations for the municipal units that comprise the School District, without regard to the School District boundaries.

	<u>2010</u>	<u>2020</u>	<u>% Change</u>
Chippewa County	38,520	36,785	(4.50)
Bruce Township	2,128	2,000	(6.02)
Dafter Township	1,263	1,327	5.07
Soo Township	3,141	2,966	(5.57)
Sugar Island Township	652	653	0.15
City of Sault Ste. Marie	14,144	13,337	(5.71)

Board of Education

The School District is governed by seven elected Board of Education members who serve overlapping six-year terms. Board officers are elected by the Board annually.

Enrollment

The following tables show total full-time equivalent enrollments as of the Fall pupil count day at the School District for the current year and the past nine years and 2025/2026 enrollment by grade.

Enrollment History

2025/26	1,728*	2020/21	1,962
2024/25	1,814	2019/20	1,998
2023/24	1,909	2018/19	2,161
2022/23	1,965	2017/18	2,232
2021/22	1,939	2016/17	2,269

*Unaudited

Projected enrollment for 2026/2027 is 1,651 as estimated by the School District.

¹ Unless otherwise noted, the information contained in Appendix A was provided by the School District.

² Source: 2000, 2010, and 2020 – U.S. Census of Population.

2025/26 Enrollment by Grade

Kindergarten	74	7 th	117
1 st	90	8 th	126
2 nd	90	9 th	157
3 rd	94	10 th	155
4 th	103	11 th	189
5 th	100	12 th	142
6 th	107	Special Ed.	95
		Alternative Ed.	89
		Total	<u>1,728*</u>

*Unaudited

School District Facilities

	<u>Grades Served</u>	<u>Year Constructed</u>	<u>Additions/ Remodeling</u>
Lincoln Elementary School (closed/vacant)	K-5	1950	
Soo Elementary School (closed)	K-5	1955	1962
Washington Elementary School (closed/vacant)	3-5	1953	
Sault Area Elementary School	K-5	1964	2000
Sault Area Secondary School	6-12	1970	2000, 2023
Malcolm Jr./Sr. (Alternative Ed.)	7-12	1941	2003

Other Schools

St. Mary’s School, JKL Bahweting Anishnabe School, and Lake Superior Academy are located within the School District’s boundaries.

Labor Relations

<u>Class</u>	<u>Number</u>	<u>Affiliation</u>	<u>Contract Expires</u>
Administrators	7	N/A	6/30/2026
Teachers	120	Sault Education Assoc MEA	6/30/2026
School Building Secretaries	10	Educational Support Professionals MEA	6/30/2026
Maintenance	6	Educational Support Professionals MEA	6/30/2026
Food Service Employees	4	Educational Support Professionals MEA	6/30/2026
Paraprofessionals	33	Educational Support Professionals MEA	6/30/2026
Bus Transportation	9	Sault Transportation ESP-MEA	6/30/2026
Non-Union	<u>51</u>	N/A	N/A
Total	<u>240</u>		

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

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.

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 benefit 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.

Contributions to MPSERS

The School District’s estimated contributions to MPSERS for 2025/2026 and the contributions for the previous four years are shown below.

<u>Fiscal Year Ending June 30,</u>	<u>Contribution to MPSERS¹</u>
2026	\$5,401,516 (est.)
2025	4,704,654
2024	4,393,963
2023	4,504,106
2022	3,528,490

Note: 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 their year ended June 30, 2018 audited financials. Please refer to the audit for the pension liability.

Other Post-Employment Benefits¹

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 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 above. Further information regarding MPSERS, including retiree health benefits, can be found at www.michigan.gov/orsschools.

GENERAL FINANCIAL INFORMATION

Assessed Valuations²

Taxable property in the School District is assessed by the respective municipal assessors and is subject to review by the County Equalization Department. Tax levies on property in Michigan are applied against the taxable value of all property on the ad valorem tax roll as finally equalized by the State of Michigan.

In accordance with Act 539, Public Acts of Michigan, 1982, as amended, and Article IX, Section 3, of the 1963 Michigan Constitution, the ad valorem state equalized valuation ("SEV") represents 50 percent of true cash value. SEV does not include any value of tax exempt property (e.g. churches, governmental property and public schools) or property granted tax abatements under Act 198, Public Acts of Michigan, 1974, as amended. The assessed values of Industrial Facilities Tax (IFT) properties are maintained on a separate tax roll. Beginning in 1994, ad valorem property taxes are levied on the basis of taxable value, which is subject, in the case of some property, to assessment caps.

The following tables show a history of assessed valuations for the School District and an analysis of the 2025 taxable value by class and by municipal unit.

¹ Sources: Audited Financial Statements.

² See “MICHIGAN PROPERTY TAX REFORM” herein for information regarding changes to certain tax classifications effective in the 2014 and 2016 tax years.

History of Valuations – State Equalized Valuation and Taxable Value^{1,2}

	<u>State Equalized Valuation</u>	<u>Taxable Value</u>
2025	\$989,797,058	\$695,156,466
2024	808,188,250	652,442,405
2023	772,923,650	616,048,647
2022	721,977,700	588,368,079
2021	682,836,800	566,797,682

2025 Taxable Value by Class^{2,3}

	<u>Taxable Value</u>	<u>% of Total Taxable Value</u>
Agricultural	\$17,248,949	2.48%
Commercial	120,726,855	17.37
Industrial	19,140,955	2.76
Residential	498,725,566	71.74
Commercial Personal	14,830,900	2.13
Industrial Personal	639,800	0.09
Utility Personal	<u>23,843,441</u>	<u>3.43</u>
Total	<u>\$695,156,466</u>	<u>100.00%</u>

2025 Taxable Valuation by Municipal Unit^{2,3}

<u>Name of Unit</u>	<u>Homestead</u>	<u>Non-Homestead</u>	<u>Total Taxable Valuation</u>	<u>% of Total Valuation</u>
Chippewa County				
Bruce Township	\$77,275,481	\$24,346,145	\$101,621,626	14.62%
Dafter Township	22,012,482	10,915,675	32,928,157	4.74
Soo Township	103,145,711	49,743,792	152,889,503	21.99
Sugar Island Township	26,210,604	31,819,020	58,029,624	8.35
City of Sault Ste. Marie	<u>185,602,636</u>	<u>164,084,920</u>	<u>349,687,556</u>	<u>50.30</u>
Total	<u>\$414,246,914</u>	<u>\$280,909,552</u>	<u>\$695,156,466</u>	<u>100.00%</u>

Tax Levies and Collections

The School District's fiscal year begins July 1. School District property taxes are due July 1 and December 1 of each year and are payable without interest on or before the following September 14 and February 14, respectively, and without penalty on or before the following February 14. On March 1, unpaid real property taxes are returned delinquent to the County Treasurer for collection with penalties and interest. On the first Tuesday in May in each year, a tax sale is held by the Counties as which lands delinquent for taxes assessed in the third year preceding the sale, or in a prior year, are sold for the total of the unpaid taxes of those years.

¹ The School District's debt millage is levied on the taxable valuation plus the IFT equivalent taxable valuation.

² Source: Chippewa County Equalization Department.

³ Until 2008 all personal property was included in non-homestead valuations. Beginning in 2008, all industrial personal property is included in the homestead tax base to the extent not otherwise exempt. While commercial personal property continues to be included in the non-homestead tax base, it is exempt from the first 12 mills levied on non-homestead property only to the extent not otherwise exempt.

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

School Year	Operating Tax Levy	Current collections to March 1, Each Year (Collections in Process)		Collections Plus Funding to June 30, Each Year (Collections in Process)	
2025/26	\$5,230,600				
2024/25	4,930,668	\$4,351,971	88.26%	\$4,831,837	98.00%
2023/24	4,635,718	4,117,615	88.82%	4,519,883	97.50%
2022/23	4,442,432	3,886,397	87.48%	4,343,650	97.78%
2021/22	4,304,002	3,782,004	87.87%	4,117,410	95.66%

State Aid Payments

The School District’s primary source of funding for operating costs is the State aid foundation allowance per pupil. The target foundation allowance for all school districts in the State of Michigan is \$10,050 per pupil for fiscal year 2025/26. 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. See “SOURCES OF SCHOOL OPERATING REVENUE” herein for additional information.

The following table shows a history and current year estimate of the School District’s Blended Pupil Count, Foundation Allowance Per Pupil and Total State Aid Payments including categoricals.

Year	Blended Pupil Count	Foundation Allowance Per Pupil	Total State Aid Payments
2025/26	1,732	\$10,050	\$19,696,837 (est.)
2024/25	1,817	9,608	19,445,320
2023/24	1,909	9,608	21,975,283
2022/23	1,952	9,150	19,187,716
2021/22 ¹	1,963	8,700	17,132,682

School District Tax Rates (Per \$1,000 of Valuation)

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Operating Non-Principal Residence ²	18.0000	18.0000	18.0000	18.0000	18.0000
Debt	<u>1.6500</u>	<u>1.6500</u>	<u>2.3200</u>	<u>2.3200</u>	<u>2.4000</u>
Total Principal Residence	1.6500	1.6500	2.3200	2.3200	2.4000
Total Non-Principal Residence	<u>19.6500</u>	<u>19.6500</u>	<u>20.3200</u>	<u>20.3200</u>	<u>20.4000</u>

¹ Public Act 48 of 2021 increased the foundation allowance to \$8,700 per pupil in 2021/22 and eliminated the foundation allowance range that has been in place since the passage of the school finance reform legislation in 1994. See “SOURCES OF SCHOOL OPERATING REVENUE” herein.

² The School District levies voted operating millage on non-homestead property (all taxable property other than principal residences, qualified agricultural property, qualified forestry property, supportive housing property, property occupied by a public school academy and industrial personal property), provided that the levy on the portion of non-homestead property constituting commercial personal property will be exempt from the first 12 mills of the millage rate to the extent not otherwise exempt. See “MICHIGAN PROPERTY TAX REFORM” herein.

Other Tax Rates (Per \$1,000 of Valuation)¹

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
State Education Tax	6.0000	6.0000	6.0000	6.0000	6.0000
Chippewa County	8.8925	8.8903	8.9046	8.8689	8.9154
Bruce Township	5.5169	5.5829	5.6071	4.0816	4.1338
Dafter Township	3.6405	3.6500	3.6500	3.6500	3.6500
Soo Township	1.6476	1.6500	1.6500	1.6500	1.6083
Sugar Island Township	10.4331	10.5135	10.5521	10.4924	10.5964
City of Sault Ste. Marie	23.4359	23.6131	23.6336	23.6003	23.6844

Largest Taxpayers¹

Shown below are the ten largest taxpayers in the School District based on their 2025 taxable valuations. The taxpayers listed below represent 8.91% of the School District's 2025 Taxable Valuation of \$695,156,466.

<u>Taxpayer</u>	<u>Product or Service</u>	<u>Taxable Value</u>
Cloverland Electric Co-Operative	Utility	\$21,163,517
Cascade Crossing LLC	Retail	6,534,750
American Transmission Company	Utility	6,403,240
DTE Gas Company	Utility	6,336,704
Wal-Mart Real Estate Business Trust	Retail	5,103,409
Pointe West I LP	Apartments	4,532,396
Good Will Company Inc	Thrift Store	4,226,722
Harwood Properties Inc	Apartments	3,228,559
Meijer Stores	Retail	2,322,900
Ashmun Creek Apartments	Apartments	2,057,819
TOTAL		<u>\$61,910,016</u>

Debt History

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

Future Financing

The School District does not anticipate issuing additional capital financing bonds in the next twelve months.

School Bond Qualification and Loan Program²

As of March 30, 2026, the School District did not have a balance in the School Bond Qualification and Loan Program.

Direct Debt (as of March 30, 2026)³

06/19/14	2014 School Building and Site Bonds (UTQ)	<u>\$1,150,000</u>
Direct Debt		
Plus:	2026 School Building and Site Bonds (UTNQ)	<u>20,540,000*</u>
NET DIRECT DEBT (as of date of delivery)		<u>\$21,690,000</u>

*Preliminary, subject to change

¹ Source: Chippewa County Equalization Department.

² Source: Michigan Department of Treasury.

³ Source: Municipal Advisory Council of Michigan.

Overlapping Debt (as of March 30, 2025)¹

<u>% Applicable</u>	<u>Municipality</u>	<u>Amount Outstanding</u>	<u>School District Share</u>
100.00	Sault Ste. Marie	\$25,627,500	\$25,627,500
22.58	Eastern Upper Peninsula	2,415,000	<u>545,307</u>
Net Overlapping Debt in the School District			<u>\$26,172,807</u>
NET DIRECT AND OVERLAPPING DEBT			<u>\$47,862,807*</u>

*Preliminary, subject to change

Debt Ratios*

2025 State Equalized Valuation (SEV)	\$989,797,058
2025 Taxable Valuation	\$695,156,466
2020 Population	19,616
Direct Debt (Including New Issue)	\$21,690,000
Direct/Overlapping Debt	\$47,862,807
Direct Debt Per Capita	\$1,106
Direct/Overlapping Debt Per Capita	\$2,440
Per Capita 2025 SEV	\$50,459
Ratio of Direct Debt to 2025 SEV	2.19%
Ratio of Direct/Overlapping Debt to 2025 SEV	4.84%
Per Capita 2025 Taxable Valuation	\$35,438
Ratio of Direct Debt to 2025 Taxable Valuation	3.12%
Ratio of Direct/Overlapping Debt to 2025 Taxable Valuation	6.89%

*Preliminary, subject to change

Legal Debt Margin*

2025 State Equalized Valuation	\$989,797,058
Debt Limit (15% of 2025 State Equalized Valuation)	148,469,558
Debt Outstanding	\$21,690,000*
Less bonds not subject to Debt Limit ²	<u>(1,150,000)</u>
Total Subject to Debt Limit	<u>20,540,000</u>
Additional Debt Which Could Be Legally Incurred	<u>\$127,929,558</u>

*Preliminary, subject to change

¹ Source: Municipal Advisory Council of Michigan.

² Section 1351(3) of Act 451, Public Acts of Michigan, 1976, as amended, provides that 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 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.

ECONOMIC PROFILE

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

	Adjacent by Bridge to Sault Ste. Marie, Canada
52	miles northeast of St. Ignace
80	miles northeast of Newberry
160	miles east of Marquette

Major Employers¹

<u>Company</u>	<u>Product or service</u>	<u>Approximate # of employees</u>
<i>Within the area of the School District</i>		
Sault Ste. Marie Tribe of Chippewa Indians	Various tribal enterprises/ casino	700
TN Georgia, Inc.	Metals and minerals wholesale	604
MyMichigan Medical Center Sault	Hospitals	491
Lake Superior State University	Education	340
U.S. Bureau of Customs and Border Protection	Executive and legislature	300
Sault Ste. Marie Public Schools	Education	240
Meijer, Inc.	Grocery store	178
Michigan Department of Military and Veterans Affairs	National security and international affairs	155
Wal-Mart Inc	Retail	144
County of Chippewa	Executive and legislature	100
Precision Edge Surgical Products Company LLC	Medical equipment and supplies	95

Unemployment²

The following table shows the historical annual average unemployment rates (not seasonally adjusted) for Chippewa County and the State of Michigan.

	<u>Chippewa County</u>	<u>State of Michigan</u>
2025, December	6.9%	4.8%
2024	6.4%	4.7%
2023	5.6%	3.9%
2022	5.9%	4.2%
2021 ³	6.1%	5.7%
2020 ³	8.9%	10.0%

¹ Source: D&B Hoovers and the School District.

² Source: State of Michigan Office of Labor Market Information.

³ Unemployment rates are reflective of changes caused by COVID-19.

APPENDIX B

Sault Ste. Marie Area Public Schools
General Fund Budget Summary
Fiscal Year Ending June 30, 2026

	Amended <u>2025/26</u>
<u>REVENUES</u>	
Local Sources	\$5,696,042
Political Sources	245,316
State Sources	17,553,572
Federal Sources	1,893,857
Incoming Transfers and Other Transactions	<u>2,127,853</u>
TOTAL REVENUES	<u>\$27,516,640</u>
<u>EXPENDITURES</u>	
Instruction	\$14,590,717
Supporting Services	11,429,189
Community Services	189,006
Transfers Out & Other Financing	<u>2,683,203</u>
TOTAL EXPENDITURES	<u>28,892,115</u>
Excess of Revenues Over (Under) Expenditures	(1,375,475)
Fund Balance - July 1	<u>10,424,078</u>
Estimated Fund Balance - June 30	<u>\$9,048,603</u>

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The School District has not obtained the written consent of its auditor for the inclusion of the portions of the annual financial report contained in this Official Statement. Therefore, the auditor has not conducted a post-audit review of such information.

Rehmann

RECEIVED
By Gloria Suggitt at 7:04 am, Nov 03, 2025

Sault Ste. Marie Area Public Schools	
Year Ended June 30, 2025	Financial Statements

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Rehmann



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SAULT STE. MARIE AREA PUBLIC SCHOOLS

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INDEPENDENT AUDITORS' REPORT

October 31, 2025

Board of Education
Sault Ste. Marie Area Public Schools
Sault Ste. Marie, Michigan

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of *Sault Ste. Marie Area Public Schools* (the "District"), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2025, and the respective changes in financial position thereof, and the budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (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 Independent Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with 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 the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Independent Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.



- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the schedules for the pension and other postemployment benefit plans, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining and individual fund financial statements 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 were derived from and relate 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 combining and individual fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued, under separate cover, our report dated October 31, 2025, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



SAULT STE. MARIE AREA PUBLIC SCHOOLS

Management's Discussion and Analysis

As management of Sault Ste. Marie Area Public Schools ("the District"), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2025. We encourage readers to consider the information presented here in conjunction with additional information that is furnished in the District's financial statements and notes to the financial statements.

Financial Highlights

- The assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal period by \$9,923,869 (net position).
- The District's total net position increased by \$7,452,378.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$16,988,831, an increase of \$1,341,485 in comparison with the prior year. 47.8% of this total amount, or \$8,127,037 is unassigned fund balance, which is available for use at the District's discretion.
- At the end of the current fiscal year, the unassigned fund balance for the general fund was \$8,127,037 or 28.4% of total general fund expenditures.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements, which comprise three components: 1) District-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other required supplementary information in addition to the basic financial statements.

District-wide Financial Statements. The *District-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private sector business.

The *statement of net position* presents information on all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of activities* presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., compensated absences).

Both of the District-wide financial statements display functions of the District that are principally supported by taxes and state aid (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the District include instruction, supporting services, community services, and food services. The District has no business-type activities as of and for the year ended June 30, 2025.

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

MANAGEMENT'S DISCUSSION AND ANALYSIS

SAULT STE. MARIE AREA PUBLIC SCHOOLS

Management's Discussion and Analysis

Governmental Funds. *Governmental funds* are used to account for essentially the same functions reported as governmental activities in the District-wide financial statements. However, unlike the District-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a District's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the District-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the District-wide financial statements. By doing so, readers may better understand the long term impact of the District's near term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and change in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and change in fund balance for the general fund and non bonded capital projects fund, which are considered to be the District's major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements are presented immediately following the required supplementary information.

The District adopts an annual appropriated budget for its general fund and special revenue funds. Budgetary comparison statements have been provided for the general fund and special revenue funds to demonstrate compliance with this budget.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the District-wide and fund financial statements.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. Required supplementary information includes this management's discussion and analysis and the schedules of the District's pension and other postemployment benefits plans. The combining and individual fund financial statements referred to previously in connection with nonmajor governmental funds are presented immediately following the required supplementary information.

SAULT STE. MARIE AREA PUBLIC SCHOOLS

Management's Discussion and Analysis

District-wide Financial Analysis

As previously stated, net position may serve over time as a useful indicator of the District's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$9,923,869 at the close of the most recent fiscal period.

	Net Position		
	2025	2024	Percent Change
Assets			
Current and other assets	\$ 25,687,721	\$ 21,187,711	21.2%
Capital assets, net	20,676,192	20,570,805	0.5%
Total assets	46,363,913	41,758,516	11.0%
Deferred outflows of resources	9,635,420	11,902,171	-19.0%
Liabilities			
Other liabilities	4,108,139	4,971,379	-17.4%
Long-term liabilities	27,502,805	35,840,382	-23.3%
Total liabilities	31,610,944	40,811,761	-22.5%
Deferred inflows of resources	14,464,520	10,377,435	39.4%
Net position			
Net investment in capital assets	19,466,785	18,059,091	7.8%
Restricted	5,252,888	1,349,367	289.3%
Unrestricted (deficit)	(14,795,804)	(16,936,967)	12.6%
Total net position	\$ 9,923,869	\$ 2,471,491	-301.5%

The largest component of the District's net position reflects its investment in capital assets (e.g. land, construction-in-progress, land improvements, buildings and additions, furniture and equipment, vehicles and software), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to the students it serves; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. Restricted net position of approximately \$5.3 million is shown separately to represent resources that are subject to external restrictions on how they may be used. These constraints limit the District's ability to use the restricted net position for day-to-day operations.

The remaining amount of net position, of approximately \$(14.8) million represents the accumulated results of the current and all past years' operations. This deficit includes the impact of the Governmental Accounting Standards Board requirement to report the District's portion of the net pension liability on its statement of net position.

SAULT STE. MARIE AREA PUBLIC SCHOOLS

Management's Discussion and Analysis

The following condensed financial information was derived from the District-wide statement of activities and reflects how the District's net position changed during the fiscal year ended June 30:

	Change in Net Position		
	2025	2024	Percent Change
Revenues:			
Program revenues:			
Charges for services	\$ 1,025,332	\$ 800,832	28.0%
Operating grants and contributions	12,158,334	13,611,151	-10.7%
General revenues:			
Property taxes - operations	4,859,949	4,640,565	4.7%
Property taxes - debt service	1,080,482	1,426,208	-24.2%
Unrestricted state aid	13,215,950	14,084,373	-6.2%
Unrestricted impact aid	390,754	426,344	-8.3%
Unrestricted investment earnings	382,263	245,146	55.9%
Other	163,576	144,748	13.0%
Total revenues	33,276,640	35,379,367	-5.9%
Expenses			
Instruction	13,285,277	13,725,178	-3.2%
Supporting services	9,732,490	9,919,393	-1.9%
Community services	109,592	179,695	-39.0%
Food services	1,194,008	1,169,801	2.1%
Interest on long-term debt	34,573	87,619	-60.5%
Unallocated depreciation	1,468,322	1,283,432	14.4%
Total expenses	25,824,262	26,365,118	-2.1%
Change in net position	7,452,378	9,014,249	-17.3%
Net position:			
Beginning of year (deficit)	2,471,491	(6,542,758)	-137.8%
Net position, end of year	\$ 9,923,869	\$ 2,471,491	-301.5%

Financial Analysis of the District as a whole

The total cost of all programs was approximately \$26.0 million. The District's expenses are predominantly related to instruction (51%) and providing supporting services for pupils (38%). Instructional costs relate specifically to providing education to students. Supporting services include such items as transportation, maintenance, security, supervision, counseling and similar services that supports the District's mission of educating children.

Governmental Activities. Net position increased by approximately \$7.5 million compared to an increase of \$9.0 million in the prior year. Expenses decreased primarily due to changes in the net pension liability and related deferred amounts. Operating grants and contributions decreased \$1.5 million which is largely attributable to the phaseout of COVID-19 funding. Further, unrestricted state aid also decreased \$0.9 million from prior year as a result of decreased enrollment.

SAULT STE. MARIE AREA PUBLIC SCHOOLS

Management's Discussion and Analysis

Financial Analysis of the District's Funds

General Fund

The general fund is the District's primary operating fund. The general fund ended the fiscal year with a fund balance of approximately \$10.5 million, up approximately \$0.8 million from June 30, 2024. This change in fund balance is primarily due to lower operating expenditures largely in instructional expenditures.

Other Major Funds

Non Bonded Capital Projects Fund. This fund received a transfer in from the general fund during the current year of \$1,000,000 for future capital improvements. Fund balance at year-end totaled \$5,484,153.

Nonmajor Funds

The nonmajor governmental funds are comprised of a food service special revenue fund, student activities special revenue fund, three debt service funds (which finance the repayment of outstanding general obligation bonds). Total fund balance for all of the nonmajor funds as of fiscal year 2025 and 2024, was \$1,020,089 and \$1,144,963, respectively.

General Fund Budgetary Highlights

The Uniform Budget Act of the State of Michigan requires that the local Board of Education approve the original budget for the upcoming fiscal year prior to July 1, the start of the fiscal year. As a matter of practice, the District amends its budget periodically during the school year. These revisions are made in order to address unexpected changes in revenues and expenditures. The following analysis describes the reasons for changes in the budget during the year.

Revenues. Final budgeted revenues for the general fund were more than the original budget by \$756,454. The primary reasons for this increase was due to an increase in state sources for foundation allowance per pupil allocation. Budgeted state sources were increased to account for the district accounting for special education transportation with receipts shifting to state sources of revenue and adjusting millage funds to actual amounts. Actual revenues were more than final budgeted revenues by \$745,368, mainly due to local sources and interdistrict sources being over budget by \$384,283 and \$331,459, respectively. This was a result of insurance claims received and payments from the EUPISD including special education millage, medicare and ECF reimbursements.

Expenditures and transfers out. Final budgeted expenditures for the general fund were less than the original budget by \$1,118,300. The budget for facility improvements was decreased by \$1,274,088 due to the completion of the High School renovation projects utilizing the remaining ESSER funding. Further, the budget for transfers out was increased by \$1,000,000 to account for future infrastructure needs. Actual expenditures were less than final budgeted expenditures by \$624,955 mainly due to basic programs being under budget by \$429,187. This was due to a reduction in actual employee salary and benefits. Further, facility improvements expenditures were over budget by \$364,024 which was the result of improvements resulting from insurance claims.

SAULT STE. MARIE AREA PUBLIC SCHOOLS

Management's Discussion and Analysis

Capital Asset and Debt Administration

Capital Assets. The District's investment in capital assets for its governmental activities as of June 30, 2025 amounted to \$20,676,192 (net of accumulated depreciation). Significant additions included various improvements to the high school, and several busses. Capital assets at year-end included the following:

	Capital Assets (Net of Depreciation)	
	2025	2024
Land	\$ 80,710	\$ 80,710
Construction in progress	325,204	10,526
Land improvements	614,167	663,210
Buildings and additions	17,840,088	18,211,145
Furniture and equipment	851,943	806,801
Vehicles	964,080	795,632
Software	-	2,781
Total capital assets, net	\$ 20,676,192	\$ 20,570,805

Additional information regarding the District's capital assets is available in the notes to the financial statements.

Debt Administration. At June 30, 2025, the District had approximately \$1.8 million in long-term debt versus approximately \$2.7 million at June 30, 2024, a decrease of approximately \$893 thousand or 32.8%. The net decrease is mainly due to scheduled annual principal payments made throughout the year offset by the increase in compensated absences.

	Long-Term Debt	
	2025	2024
General obligation bonds and installment purchase agreement	\$ 1,150,000	\$ 2,392,907
Unamortized premium on bonds	59,407	118,807
Compensated absences	616,025	206,411
Total long-term debt	\$ 1,825,432	\$ 2,718,125

Additional information on the District's long-term debt can be found in the notes to the financial statements.

The District's bond rating for general obligation debt was reported by Standard and Poor's as AA. The State limits the amount of general obligation debt that schools can issue to 15% of the assessed value of all taxable property within a District's boundaries.

SAULT STE. MARIE AREA PUBLIC SCHOOLS

Management's Discussion and Analysis

Factors Bearing on the District's Future

At the time these financial statements were prepared and audited, the District was aware of the following circumstances that could significantly affect its financial health in the future:

The District continues to focus on positioning itself for the continuation of decreasing enrollment and the upkeep of aging infrastructure. This entails right sizing the district according to staff to student ratios. We have consolidated our school buildings from five to three for this school year, closing Lincoln and Washington Elementary buildings. We now have one K-5 elementary building, a 6-12 high school and career center and an 7-12 alternative high school building. This will result in not only operational savings but also cost avoidance as the buildings are 70 years old.

During fiscal 2026, the District has completed the elementary gym floor upgrade for a total project cost of \$212,943. Significant upcoming projects for 2026 include the elementary roof project with a total outstanding balance at year end of \$3,023,100.

A new teacher contract has been negotiated with a total estimated three-year cost increase of \$2,145,715 with an expiration date of June 30, 2026. All other support staff letter of agreements have been negotiated for a three-year term with a total estimated price increase of \$788,226 and expiring June 30, 2026.

As the District continues to face the budget challenges of the current and upcoming school years, operating efficiencies and balanced budgets will be necessary. The ability to continue to operate an adequate educational system with having to offer competitive wages as well as updating aging facilities and increasing purchasing expenditures is the challenge for the future.

Requests for Information

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Office, Sault Ste. Marie Area Public Schools, 876 Marquette Ave., Sault Ste Marie, MI 49783.

BASIC FINANCIAL STATEMENTS

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DISTRICT-WIDE FINANCIAL STATEMENTS

SAULT STE. MARIE AREA PUBLIC SCHOOLS

Statement of Net Position

June 30, 2025

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 7,793,497
Investments	8,085,532
Receivables	5,177,802
Other assets	24,839
Net other postemployment benefit asset	4,606,051
Capital assets not being depreciated	405,914
Capital assets being depreciated, net	<u>20,270,278</u>
Total assets	<u>46,363,913</u>
Deferred outflows of resources	
Deferred pension amounts	8,312,589
Deferred other postemployment benefit amounts	<u>1,322,831</u>
Total deferred outflows of resources	<u>9,635,420</u>
Liabilities	
Accounts payable and accrued liabilities	2,534,825
Unearned revenue	1,573,314
Bonds, notes and other long-term liabilities:	
Due within one year	1,319,230
Due in more than one year	506,202
Net pension liability (due in more than one year)	<u>25,677,373</u>
Total liabilities	<u>31,610,944</u>
Deferred inflows of resources	
Deferred pension amounts	8,277,819
Deferred other postemployment benefit amounts	<u>6,186,701</u>
Total deferred inflows of resources	<u>14,464,520</u>
Net position	
Net investment in capital assets	19,466,785
Restricted for:	
Food service	356,058
Debt service	290,779
Other postemployment benefits	4,606,051
Unrestricted (deficit)	<u>(14,795,804)</u>
Total net position	<u>\$ 9,923,869</u>

The accompanying notes are an integral part of these basic financial statements.

SAULT STE. MARIE AREA PUBLIC SCHOOLS

Statement of Activities
For the Year Ended June 30, 2025

Functions / Programs	Expenses	Program Revenues		Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	
Governmental activities				
Instruction	\$ 13,285,277	\$ -	\$ 7,033,085	\$ (6,252,192)
Supporting services	9,732,490	886,531	3,944,460	(4,901,499)
Community services	109,592	-	-	(109,592)
Food services	1,194,008	138,801	1,180,789	125,582
Interest on long-term debt	34,573	-	-	(34,573)
Unallocated depreciation	1,468,322	-	-	(1,468,322)
Principal payments	-	-	-	-
Indirect costs	-	-	-	-
Total governmental activities	<u>\$ 25,824,262</u>	<u>\$ 1,025,332</u>	<u>\$ 12,158,334</u>	<u>(12,640,596)</u>
General revenues				
Property taxes - operations				4,859,949
Property taxes - debt service				1,080,482
State of Michigan aid - unrestricted				13,215,950
Impact aid - unrestricted				390,754
Unrestricted investment earnings				382,263
Other				163,576
Total general revenues				<u>20,092,974</u>
Change in net position				7,452,378
Net position, beginning of year				<u>2,471,491</u>
Net position, end of year				<u>\$ 9,923,869</u>

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The accompanying notes are an integral part of these basic financial statements.

SAULT STE. MARIE AREA PUBLIC SCHOOLS

Balance Sheet

Governmental Funds
June 30, 2025

	General	Non Bonded Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 5,891,838	\$ 817,776	\$ 1,083,883	\$ 7,793,497
Investments	3,904,755	4,180,777	-	8,085,532
Accounts receivable	142,593	-	3	142,596
Due from other governmental units	5,025,429	-	9,777	5,035,206
Due from other funds	83,448	500,000	10,269	593,717
Other assets	10,040	-	14,799	24,839
Total assets	\$ 15,058,103	\$ 5,498,553	\$ 1,118,731	\$ 21,675,387
Liabilities				
Accounts payable	\$ 153,130	\$ 14,400	\$ 5,651	\$ 173,181
Salaries payable	1,226,138	-	-	1,226,138
Accrued liabilities	308,821	-	-	308,821
Due to other funds	510,269	-	83,448	593,717
Due to other governmental units	811,385	-	-	811,385
Unearned revenue	1,563,771	-	9,543	1,573,314
Total liabilities	4,573,514	14,400	98,642	4,686,556
Fund balances				
Nonspendable	10,040	-	14,799	24,839
Restricted	-	-	647,338	647,338
Committed	-	-	357,952	357,952
Assigned	2,347,512	5,484,153	-	7,831,665
Unassigned	8,127,037	-	-	8,127,037
Total fund balances	10,484,589	5,484,153	1,020,089	16,988,831
Total liabilities and fund balances	\$ 15,058,103	\$ 5,498,553	\$ 1,118,731	\$ 21,675,387

FUND FINANCIAL STATEMENTS

The accompanying notes are an integral part of these basic financial statements.

SAULT STE. MARIE AREA PUBLIC SCHOOLS

Reconciliation
Fund Balances of Governmental Funds
to Net Position of Governmental Activities
June 30, 2025

Fund balances - total governmental funds \$ 16,988,831

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 therefore are not reported in the funds.
Capital assets not being depreciated 405,914
Capital assets being depreciated, net 20,270,278

Certain liabilities, such as bonds payable, are not due and payable in the current period and therefore are not reported in the funds.
Bonds, notes and other long-term liabilities (1,150,000)
Accrued interest on bonds and installment purchase agreement (15,300)
Compensated absences (616,025)
Unamortized bond premiums (59,407)

Certain pension and other postemployment benefit-related amounts, such as the net pension liability and other postemployment benefit asset and deferred amounts are not due and payable in the current period or do not represent current financial resources and therefore are not reported in the funds.
Net pension liability (25,677,373)
Deferred outflows of resources related to the net pension liability 8,312,589
Deferred inflows of resources related to the net pension liability (8,277,819)
Net other postemployment benefits asset 4,606,051
Deferred outflows of resources related to the net other postemployment benefit asset 1,322,831
Deferred inflows of resources related to the net other postemployment benefit asset (6,186,701)

Net position of governmental activities \$ 9,923,869

The accompanying notes are an integral part of these basic financial statements.

SAULT STE. MARIE AREA PUBLIC SCHOOLS

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2025

	General	Non Bonded Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
Revenues				
Local sources	\$ 5,690,426	\$ 189,980	\$ 1,624,676	\$ 7,505,082
Interdistrict sources	2,290,767	-	-	2,290,767
Non-educational entity sources	247,001	-	-	247,001
State sources	19,953,002	-	279,932	20,232,934
Federal sources	2,099,999	-	900,857	3,000,856
Total revenues	30,281,195	189,980	2,805,465	33,276,640
Expenditures				
Current:				
Instruction	15,170,794	-	-	15,170,794
Supporting services	11,766,084	-	393,016	12,159,100
Community services	156,815	-	-	156,815
Food services	-	-	1,238,343	1,238,343
Capital outlay:				
Facility improvements	1,374,982	497,602	-	1,872,584
Debt service:				
Principal	102,907	-	1,140,000	1,242,907
Interest	2,697	-	91,915	94,612
Total expenditures	28,574,279	497,602	2,863,274	31,935,155
Revenues over (under) expenditures	1,706,916	(307,622)	(57,809)	1,341,485
Other financing sources (uses)				
Transfers in	76,895	1,000,000	9,830	1,086,725
Transfers out	(1,009,830)	-	(76,895)	(1,086,725)
Total other financing sources (uses)	(932,935)	1,000,000	(67,065)	-
Net change in fund balances	773,981	692,378	(124,874)	1,341,485
Fund balances, beginning of year	9,710,608	4,791,775	1,144,963	15,647,346
Fund balances, end of year	\$ 10,484,589	\$ 5,484,153	\$ 1,020,089	\$ 16,988,831

The accompanying notes are an integral part of these basic financial statements.

SAULT STE. MARIE AREA PUBLIC SCHOOLS

Reconciliation	
Net Changes in Fund Balances of Governmental Funds to Change in Net Position of Governmental Activities For the Year Ended June 30, 2025	
Net change in fund balances - total governmental funds	\$ 1,341,485
Amounts reported for <i>governmental activities</i> in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives, and reported as depreciation expense. In addition, donated capital assets and gains (loss) on disposal of capital assets are not reported in the governmental funds.	
Capital assets purchased/constructed	1,584,235
Depreciation expense	(1,468,322)
Loss on disposal of capital assets	(10,526)
Debt proceeds provide current financial resources to governmental funds in the period issued, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but a reduction in long-term liabilities in the statement of net position.	
Principal payments on bonds, notes and other long-term liabilities	1,242,907
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.	
Amortization of bond premiums	59,400
Change in accrued interest payable on bonds and installment purchase agreement	639
Change in the accrual for compensated absences	(409,614)
Change in net pension liability and related deferred amounts	3,084,789
Change in net other postemployment benefits asset and related deferred amounts	2,027,385
Change in net position of governmental activities	\$ 7,452,378

The accompanying notes are an integral part of these basic financial statements.

SAULT STE. MARIE AREA PUBLIC SCHOOLS

Statement of Revenues, Expenditures and Change in Fund Balance				
Budget and Actual - General Fund For the Year Ended June 30, 2025				
	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Local sources	\$ 4,995,667	\$ 5,306,143	\$ 5,690,426	\$ 384,283
Interdistrict sources	2,574,832	1,959,308	2,290,767	331,459
Non-educational entity sources	303,441	245,316	247,001	1,685
State sources	19,082,587	20,033,525	19,953,002	(80,523)
Federal sources	1,822,846	1,991,535	2,099,999	108,464
Total revenues	28,779,373	29,535,827	30,281,195	745,368
Expenditures				
Current:				
Instruction:				
Basic programs	10,908,554	10,426,665	9,997,478	(429,187)
Added needs	4,619,219	5,259,600	5,173,316	(86,284)
Supporting services:				
Pupil services	1,675,470	2,050,152	1,915,283	(134,869)
Instructional staff services	1,774,993	1,344,258	1,242,474	(101,784)
General administration	574,247	546,930	480,198	(66,732)
School administration	1,729,493	1,762,178	1,728,072	(34,106)
Business services	384,889	387,747	364,161	(23,586)
Operations and maintenance	2,891,760	2,911,268	2,894,559	(16,709)
Pupil transportation services	1,682,560	1,732,906	1,736,527	3,621
Central services	1,061,449	1,051,884	1,040,858	(11,026)
Other supporting services	390,291	377,830	363,952	(13,878)
Community services	233,965	231,254	156,815	(74,439)
Capital outlay:				
Facility improvements	2,285,046	1,010,958	1,374,982	364,024
Debt service:				
Principal	100,264	102,858	102,907	49
Interest	5,334	2,746	2,697	(49)
Total expenditures	30,317,534	29,199,234	28,574,279	(624,955)
Revenues over (under) expenditures	(1,538,161)	336,593	1,706,916	1,370,323
Other financing sources (uses)				
Transfers in	-	-	76,895	76,895
Transfers out	(10,300)	(1,010,300)	(1,009,830)	(470)
Total other financing sources (uses)	(10,300)	(1,010,300)	(932,935)	77,365
Net change in fund balance	(1,548,461)	(673,707)	773,981	1,447,688
Fund balance, beginning of year	9,710,608	9,710,608	9,710,608	-
Fund balance, end of year	\$ 8,162,147	\$ 9,036,901	\$ 10,484,589	\$ 1,447,688

The accompanying notes are an integral part of these basic financial statements.

NOTES TO FINANCIAL STATEMENTS

SAULT STE. MARIE AREA PUBLIC SCHOOLS

Notes to Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Sault Ste. Marie Area Public Schools was organized under the School Code of the State of Michigan, and services a population of approximately 2,000 students. The District is governed by an elected Board of Education consisting of seven members and administered by a Superintendent who is appointed by the aforementioned Board. The District provides a comprehensive range of educational services as specified by state statute and Board of Education policy. These services include elementary education, secondary education, special education, community services and general administrative services. The Board of Education also has broad financial responsibilities, including the approval and amendment of the annual budget and the establishment of a system of accounting and budgetary controls.

Reporting Entity

The District has followed the guidelines of the Governmental Accounting Standards Board's Statement No. 61 and has determined that no entities should be consolidated into its basic financial statements as component units. Therefore, the reporting entity consists of the primary government financial statements only. The criteria for including a component unit includes significant operational or financial relationships with the District.

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 non-fiduciary activities of the District. *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. The District had no *business-type activities* during the year ended June 30, 2025.

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 identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

SAULT STE. MARIE AREA PUBLIC SCHOOLS

Notes to Financial Statements

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period, or within one year for expenditure-driven grants. 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, are recorded only when payment is due.

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

The District reports the following major governmental funds:

The *general fund* is the District's primary operating fund. It accounts for all financial resources of the District, except those accounted for and reported in another fund.

The *non bonded capital projects fund* is used to account for and report financial resources and investment earnings that are assigned for capital projects and the disbursement of the monies specifically designated for acquiring new school sites, buildings, equipment and for major remodeling and repairs. The funds are retained until the purpose for which the funds were created has been accomplished.

Additionally, the District reports the following fund types:

The *special revenue funds* are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

The *debt service fund* is used to account for and report financial resources restricted, committed or assigned to expenditure for principal and interest.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and constitutions, and 3) capital grants and constitutions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes, unrestricted grants and interest income.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted as they are needed.

The effect of interfund activity has been eliminated from the District-wide financial statements.

SAULT STE. MARIE AREA PUBLIC SCHOOLS

Notes to Financial Statements

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Equity

Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. Investments consist of participation in an external investment pool (Michigan Liquid Asset Fund). The District's shares are recorded at amortized cost, which approximates fair value.

Receivables and Payables

The District follows the practice of recording revenues that have been earned but not yet received as receivables at year end. Receivables consist primarily of state school aid payments from the State of Michigan and Federal grant funds earned but not yet collected. No amounts have been identified as potentially uncollectible by management, and therefore, no amount has been recorded as a provision for bad debts.

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). There were no interfund advances outstanding at June 30, 2025.

Other Assets

Inventory is valued using the first-in, first-out method. Inventory consists of expendable supplies held for sale or consumption. The cost is recorded as an expenditure when consumed or sold rather than when purchased. Reported inventories are equally offset by nonspendable fund balance, which indicates that they do not constitute "available spendable resources" even though they are a component of current assets.

Payments made to vendors for services that will benefit future periods are reported as prepaid items. Prepaid items are equally offset by nonspendable fund balance which indicates that they do not constitute "available spendable resources" even though they are a component of current assets.

Capital Assets

Capital assets, which include land improvements, buildings and improvements, furniture and equipment, vehicles and software are reported in the District-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost where actual cost information is not available. Donated capital assets are recorded at estimated acquisition cost at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

SAULT STE. MARIE AREA PUBLIC SCHOOLS

Notes to Financial Statements

Major outlays for capital assets and improvements are capitalized as projects are constructed. Capital assets of the District are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Land improvements	10-20
Buildings and improvements	5-50
Furniture and equipment	5-20
Vehicles	3-10
Software	5

Deferred Outflows 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 represents a consumption of net assets that applies to one or more future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District reports deferred outflows of resources related to its pension and other postemployment benefit plans. A portion of these costs represents contributions to the plans subsequent to the plan measurement date.

Salaries Payable and Accrued Liabilities

A liability is recorded at June 30, 2025 for those amounts owed to teachers and other employees of the District who do not work during the summer when school is not in session but have elected to have their salaries paid over an entire year. This has the effect of properly charging their salaries to expenditures in the fiscal year in which their services are received, even though they are not paid until July and August of the following fiscal year.

The liability for employee health insurances for the months of July and August has been recorded. The District pays these amounts for this period as a part of the compensation for services rendered in the preceding school year.

Due to Other Governmental Units

The liability for accrued retirement and the employer share of FICA related to the salaries payable has been recorded as due to other governmental units. The District pays these amounts for this period as a part of the compensation for services rendered in the preceding school year. The District also reports amounts due to the ISD and the City.

Unearned Revenues

Unearned revenues consist of amounts received prior to the delivery of goods/services or expenditures on allowable costs.

SAULT STE. MARIE AREA PUBLIC SCHOOLS

Notes to Financial Statements

Compensated Absences

The District recognizes a liability for compensated absences for leave time that (1) has been earned for services previously rendered by employees, (2) accumulates and is allowed to be carried over to subsequent years, and (3) is more likely than not to be used as time off or settled during or upon retirement from employment. Based on the criteria listed, three types of leave qualify for liability recognition for compensated absences - Sick leave, vacation, and PTO leave. The liability for compensated absences is reported as incurred in the government wide financial statements. A liability for compensated absences is recorded in the governmental funds only if the liability has matured due to employee retirements. The liability for compensated absences includes salary-related benefits, where applicable. Below are the various types of compensated absences offered by the District.

Sick leave. The District's policy permits employees to accumulate earned but unused sick leave. A liability for estimated value that will be used by employees as time off is included in the liability for compensated absences. The remaining earned leave is eligible for payment if the accumulation is in excess of 100 or 140 days, paid out based on employee group daily rates for the unused days their last 6 or 11 years into a 403(b) plan.

Vacation and PTO. The District's policy permits accumulation of earned but unused vacation and PTO benefits. A liability for the estimated value that will be used as time off is included in the liability for compensated absences. The remaining earned leave is eligible for payment at the employee's current pay rate upon separation from employment.

Long-term Obligations

In the District-wide financial statements, long-term obligations are reported as liabilities in the governmental activities statement of net position. Where applicable, bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

Deferred Inflows of Resources

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to one or more future periods and so will not be recognized as an inflow of resources (revenue) until that time. The District reports deferred inflows of resources related to its pension and other postemployment plans.

SAULT STE. MARIE AREA PUBLIC SCHOOLS

Notes to Financial Statements

Fund Equity

Governmental funds report *nonspendable fund balance* for amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. *Restricted fund balance* is reported when externally imposed constraints are placed on the use of resources by grantors, contributors, or laws or regulations of other governments. *Committed fund balance* is reported for amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the District's highest level of decision-making authority, the Board of Education. A formal resolution of the Board is required to establish, modify, or rescind a fund balance commitment. The District reports *assigned fund balance* for amounts that are constrained by the government's *intent* to be used for specific purposes, but are neither restricted nor committed. The Board, pursuant to policy, has delegated the authority to assign fund balance to the District's Chief Financial Officer or their designee. Unassigned fund balance is the residual classification for the general fund.

When the District incurs an expenditure for purposes for which various fund balance classifications can be used, it is the District's policy to use restricted fund balance first, then committed fund balance, assigned fund balance, and finally unassigned fund balance.

Interfund Transactions

During the course of normal operations, the District has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as transfers. Operating subsidies are also recorded as transfers. The amounts recorded as subsidies or advances are determined by the District. Balances outstanding at year-end are reported as due to/from other funds.

Pensions and Other Postemployment Benefits

For purposes of measuring the net pension liability, the net other postemployment benefit (asset) liability, deferred outflows of resources and deferred inflows of resources related to pensions and other postemployment benefits, pension and other postemployment benefit expense, information about the fiduciary net position of the plan and additions to/deductions from the plan fiduciary net position have been determined on the same basis as they are reported by the plan. 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.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

SAULT STE. MARIE AREA PUBLIC SCHOOLS

Notes to Financial Statements

2. BUDGETARY INFORMATION

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general and special revenue funds. All annual appropriations lapse at fiscal year-end.

The general fund and special revenue funds are under formal budgetary control. Budgets shown in the financial statements are adopted on a basis consistent with generally accepted accounting principles ("GAAP"), and are not significantly different from the modified accrual basis used to reflect actual results, and consist only of those amounts contained in the formal budget as originally adopted or as amended by the Board of Education. The budget for the general fund and special revenue funds are adopted on a functional basis.

P.A. 621 of 1978, as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. During the year ended June 30, 2025, the District incurred expenditures in excess of the amounts appropriated, as follows:

	Total Appropriations	Amount of Expenditures	Budget Variance
General fund			
Supporting services:			
Pupil transportation services	\$ 1,732,906	\$ 1,736,527	\$ 3,621
Capital outlay:			
Facility improvements	1,010,958	1,374,982	364,024
Debt service:			
Principal	102,858	102,907	49
Food service fund			
Food service	1,155,716	1,238,343	82,627
Transfers out	56,260	76,895	20,635

3. STATE OF MICHIGAN SCHOOL AID

The District reports State of Michigan school aid in the fiscal year in which the District is entitled to the revenue as provided by State of Michigan school aid appropriation acts. State funding represented 65.9% of the District's general fund revenue during the 2025 fiscal year.

SAULT STE. MARIE AREA PUBLIC SCHOOLS

Notes to Financial Statements

4. DEPOSITS AND INVESTMENTS

The following is a reconciliation of deposit and investment balances as of June 30, 2025:

Statement of Net Position	
Cash and cash equivalents	\$ 7,793,497
Investments	<u>8,085,532</u>
Total	<u><u>\$ 15,879,029</u></u>
Deposits	
Bank deposits:	
Checking / savings accounts	\$ 7,777,698
Certificates of deposit	15,149
Investments	8,085,532
Cash on hand	<u>650</u>
Total	<u><u>\$ 15,879,029</u></u>

Michigan law authorizes the District to deposit and invest in:

Bonds, bills, or notes of the United States; obligations, the principal and interest of which are fully guaranteed by the United States; or obligations of the State. In a primary or fourth class school district, the bonds, bills, or notes shall be payable at the option of the holder upon not more than 90 days notice or, if not so payable, shall have maturity dates not more than five years after the purchase dates.

Certificates of deposit insured by a State or national bank, savings accounts of a state or federal savings and loan association, or certificates of deposit or share certificates of a state or federal credit union organized and authorized to operate in this State.

Commercial paper rated prime at the time of purchase and maturing not more than 270 days after the date of purchase.

Securities issued or guaranteed by agencies or instrumentalities of the United States government or federal agency obligation repurchase agreements, and bankers' acceptance issued by a bank that is a member of the federal deposit insurance corporation.

Mutual funds composed entirely of investment vehicles that are legal for direct investment by a school district.

Investment pools, as authorized by the surplus funds investment pool act, composed entirely of instruments that are legal for direct investment by a school district.

The District's investment policy allows for all of these types of investments.

SAULT STE. MARIE AREA PUBLIC SCHOOLS

Notes to Financial Statements

Interest Rate Risk

Interest Rate Risk. State law limits the allowable investments and the maturities of some of the allowable investments as identified in the list of authorized investments included on the previous page. The District's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District's investments held at year-end do not have maturity dates.

The District chooses to disclose its investments by specifically identifying each. As of year end, the District had the following investments:

Investment	Maturity	Amortized Cost	Rating
Michigan Liquid Asset Fund	n/a	<u>\$ 8,085,532</u>	S & P AAAM

Credit Risk. State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified in the list of authorized investments included on the previous page. The District's investment policy does not have specific limits in excess of state law on investment credit risk. The ratings for each investment are identified above for investments held at year-end.

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned. State law does not require and the District does not have a policy for deposit custodial credit risk. As of year end, \$7,587,642 of the District's bank balance of \$7,868,638 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial Credit Risk - Investments. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require and the District does not have a policy for investment custodial credit risk. The investments listed above do not have any custodial credit risk, as these investments are uncategorized as to credit risk.

Concentration of Credit Risk. State law limits allowable investments but does not limit concentration of credit risk as identified in the list of authorized investments above. The District's investment policy does not have specific limits in excess of state law on concentration of credit risk.

SAULT STE. MARIE AREA PUBLIC SCHOOLS

Notes to Financial Statements

5. RECEIVABLES

Receivables in the District-wide financial statements at June 30, 2025, are as follows:

	Governmental Activities
Accounts receivable	\$ 142,596
Due from other governmental units	5,035,206
Total	\$ 5,177,802

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities in the District-wide financial statements at June 30, 2025, are as follows:

	Governmental Activities
Accounts payable	\$ 173,181
Salaries payable	1,226,138
Accrued liabilities	308,821
Due to other governmental units	811,385
Accrued interest payable	15,300
Total	\$ 2,534,825

7. INTERFUND RECEIVABLES AND PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2025, was as follows:

	Due from Other Funds	Due to Other Funds
General fund	\$ 83,448	\$ 510,269
Non bonded capital projects fund	500,000	-
Nonmajor governmental funds	10,269	83,448
Total	\$ 593,717	\$ 593,717

The District reports interfund balances between certain funds. These interfund balances resulted 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.

SAULT STE. MARIE AREA PUBLIC SCHOOLS

Notes to Financial Statements

For the year ended June 30, 2025, interfund transfers consisted of the following:

	Transfers in	Transfers out
General fund	\$ 76,895	\$ 1,009,830
Non bonded capital projects fund	1,000,000	-
Nonmajor governmental funds	9,830	76,895
Total	\$ 1,086,725	\$ 1,086,725

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. The transfer out of the general fund to the non bonded capital projects fund was for the future capital needs of the District. The transfer out of the food service nonmajor governmental fund to the general fund was for allowable indirect costs.

SAULT STE. MARIE AREA PUBLIC SCHOOLS

Notes to Financial Statements

8. CAPITAL ASSETS AND COMMITMENTS

Capital assets activity was as follows for the year ended June 30, 2025:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Governmental Activities					
Capital assets, not being depreciated:					
Land	\$ 80,710	\$ -	\$ -	\$ -	\$ 80,710
Construction-in-progress	10,526	325,204	(10,526)	-	325,204
	<u>91,236</u>	<u>325,204</u>	<u>(10,526)</u>	<u>-</u>	<u>405,914</u>
Capital assets, being depreciated:					
Land improvements	3,289,591	19,100	-	-	3,308,691
Buildings and additions	33,868,028	708,386	-	-	34,576,414
Furniture and equipment	2,272,366	186,702	(26,070)	-	2,432,998
Vehicles	1,283,814	344,843	-	-	1,628,657
Software	101,774	-	(85,097)	-	16,677
	<u>40,815,573</u>	<u>1,259,031</u>	<u>(111,167)</u>	<u>-</u>	<u>41,963,437</u>
Less accumulated depreciation for:					
Land improvements	(2,626,381)	(68,143)	-	-	(2,694,524)
Buildings and additions	(15,656,883)	(1,079,443)	-	-	(16,736,326)
Furniture and equipment	(1,465,565)	(141,560)	26,070	-	(1,581,055)
Vehicles	(488,182)	(176,395)	-	-	(664,577)
Software	(98,993)	(2,781)	85,097	-	(16,677)
	<u>(20,336,004)</u>	<u>(1,468,322)</u>	<u>111,167</u>	<u>-</u>	<u>(21,693,159)</u>
Total capital assets being depreciated, net	<u>20,479,569</u>	<u>(209,291)</u>	<u>-</u>	<u>-</u>	<u>20,270,278</u>
Governmental activities capital assets, net	<u>\$ 20,570,805</u>	<u>\$ 115,913</u>	<u>\$ (10,526)</u>	<u>\$ -</u>	<u>\$ 20,676,192</u>

Depreciation expense of \$1,468,322 is reported as unallocated in the statement of activities.

SAULT STE. MARIE AREA PUBLIC SCHOOLS

Notes to Financial Statements

Construction Commitments

As of year-end, the District had outstanding construction commitments in the amount of approximately \$3 million.

9. BONDS, NOTES AND OTHER LONG-TERM LIABILITIES

The following is a summary of bonds, notes and other long-term liabilities transactions of the District for the year ended June 30, 2025:

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Governmental activities					
General obligation bonds	\$ 2,290,000	\$ -	\$ (1,140,000)	\$ 1,150,000	\$ 1,150,000
Notes from direct borrowings and direct placements:					
Installment purchase agreement	102,907	-	(102,907)	-	-
Total installment debt	<u>2,392,907</u>	<u>-</u>	<u>(1,242,907)</u>	<u>1,150,000</u>	<u>1,150,000</u>
Unamortized premium on bonds	118,807	-	(59,400)	59,407	59,407
Compensated absences	<u>206,411</u>	<u>409,614</u>	<u>-</u>	<u>616,025</u>	<u>109,823</u>
Total bonds, notes and other long-term liabilities	<u>\$ 2,718,125</u>	<u>\$ 409,614</u>	<u>\$ (1,302,307)</u>	<u>\$ 1,825,432</u>	<u>\$ 1,319,230</u>

The change in compensated absences above is a net change for the year.

Installment debt outstanding at June 30, 2025 is comprised of the following:

General obligation bonds

\$8,335,000 2014 school building and site general obligation bonds with final principal payment of \$1,150,000; plus interest of 4.0%; due May 1, 2026.

\$ 1,150,000

SAULT STE. MARIE AREA PUBLIC SCHOOLS

Notes to Financial Statements

Debt service requirements on installment debt

The annual requirements to service the bonds and installment purchase agreement outstanding to maturity, including principal and interest, are as follows:

Year Ended June 30,	Bonds		Totals
	Principal	Interest	
2026	\$ 1,150,000	\$ 46,000	\$ 1,196,000

10. PROPERTY TAXES

Property taxes are levied July 1 and December 1, under a split-levy system by the City of Sault Ste. Marie, and the Townships of Bruce, Dafter, Soo, and Sugar Island, and are due 75 days after the levy dates. Delinquent real taxes are advanced to the District by the Revolving Tax Fund of the applicable County. Taxes are recognized as current property tax revenue to the extent that they are collected during the year or within 60 days after year end.

11. PENSION AND POSTEMPLOYMENT BENEFIT PLANS

Plan Description

The Michigan Public School Employees' Retirement System (the "System" or MPERS) is a cost-sharing, multiple employer, state-wide, defined benefit public employee retirement plan governed by the State of Michigan (the "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 at the ORS website at www.michigan.gov/orsschools.

SAULT STE. MARIE AREA PUBLIC SCHOOLS

Notes to Financial Statements

Pension 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% to 1.50%. 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 member plan member who leaves Michigan public school employment may request a refund of his or her member contributions to the retirement system account if applicable. A refund cancels a former member's rights to future benefits. However, returning members who previously received a refund of their contributions may reinstate their service through repayment of the refund upon satisfaction of certain requirements.

Participants in the defined contribution plan consist of one of the following: (1) members who worked for a Michigan public school on or after September 4, 2012 and elected to be enrolled in the defined contribution plan; (2) members who elected to transfer from the defined benefit plan to the defined contribution plan under the reform (P.A. 300) of 2012; or (3) members who worked for a Michigan public school on or after February 1, 2018 and did not elect participation in the Pension Plus 2 plan. Members who worked for a Michigan public school on or after September 4, 2012 and elected to be enrolled in the defined contribution plan receive a 100% match of the member contribution rate up to a maximum of 3% based on the member's gross earnings. Additionally, there is a mandatory employer contribution of 4% of the member's gross earnings for MPERS members who elected to convert from a Basic or MIP benefit plan to the defined contribution benefit plan. Members electing the Pension Plus or Pension Plus 2 benefit plan receive a 50% match of the member's contribution percent up to a maximum of 1% based on the member's gross earnings. Effective October 1, 2017, there is a mandatory employer contribution of 4% of the member's gross earnings for members who elect the Defined Contribution benefit plan. The employer must match 100% of the employee contribution for any member who elected the Personal Healthcare Fund up to a maximum of 2% of the member's gross earnings. For all members with a Personal Health Care Fund (PHF), the first 2% of DC contributions must go into the PHF and must be matched 100% by the employer.

SAULT STE. MARIE AREA PUBLIC SCHOOLS

Notes to Financial Statements

Other Postemployment Benefits Provided

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

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

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

Contributions

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

SAULT STE. MARIE AREA PUBLIC SCHOOLS

Notes to Financial Statements

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 table below summarizes pension contribution rates in effect for fiscal year 2025:

Benefit Structure	Member Rates	Employer Rates
Basic	0.00% - 4.00%	23.03% - 30.11%
Member Investment Plan (MIP)	3.00% - 7.00%	23.03% - 30.11%
Pension Plus	3.00% - 6.40%	19.17% - 26.27%
Pension Plus 2	6.20%	20.10% - 27.16%
Defined Contribution	0.00%	13.90% - 20.96%

For the year ended June 30, 2025, required and actual contributions from the District to the pension plan were \$4,300,481, which included \$1,177,458, the amount received from the State and remitted to the System to fund the MPSERS unfunded actuarial accrued liability ("UAAL") stabilization rate. In addition, the District had additional contributions of \$267,641, which was a one-time, state payment toward the MPSERS unfunded liability.

The table below summarizes OPEB contribution rates in effect for fiscal year 2025:

Benefit Structure	Member Rates	Employer Rates
Premium Subsidy	3.00%	1.25% - 8.31%
Personal Healthcare Fund (PHF)	0.00%	0.00% - 7.06%

For the year ended June 30, 2025, required and actual contributions from the District to the OPEB plan were \$299,017.

The table below summarizes defined contribution rates in effect for fiscal year 2025:

Benefit Structure	Member Rates	Employer Rates
Defined Contribution	0.00% - 3.00%	0.00% - 7.00%
Personal Healthcare Fund (PHF)	0.00% - 2.00%	0.00% - 2.00%

For the year ended June 30, 2025, required and actual contributions from the District for those members with a defined contribution benefit were \$193,824.

SAULT STE. MARIE AREA PUBLIC SCHOOLS

Notes to Financial Statements

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 \$25,677,373 for its proportionate share of the MPSERS 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. The 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, the District's proportion was 0.10488%, which was an increase of 0.00254% from its proportion measured as of September 30, 2023.

For the year ended June 30, 2025, the District recognized pension expense of \$1,447,654. 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	Net Deferred Outflows (Inflows) of Resources
Differences between expected and actual experience	\$ 696,645	\$ 278,988	\$ 417,657
Changes in assumptions	2,677,018	1,881,339	795,679
Net difference between projected and actual earnings on pension plan investments	-	4,900,331	(4,900,331)
Changes in proportion and differences between employer contributions and proportionate share of contributions	596,578	1,217,161	(620,583)
	<u>3,970,241</u>	<u>8,277,819</u>	<u>(4,307,578)</u>
District contributions subsequent to the measurement date	4,342,348	-	4,342,348
Total	<u>\$ 8,312,589</u>	<u>\$ 8,277,819</u>	<u>\$ 34,770</u>

SAULT STE. MARIE AREA PUBLIC SCHOOLS

Notes to Financial Statements

The amount reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Amount
2026	\$ (1,266,960)
2027	(66,033)
2028	(1,777,818)
2029	<u>(1,196,767)</u>
Total	<u>\$ (4,307,578)</u>

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

At June 30, 2025, the District reported an asset of \$4,606,051 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 liability used to calculate the net OPEB asset was determined by an actuarial valuation rolled forward from September 2023. The District'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, the District's proportion was 0.10701% which was an increase of 0.00361% from its proportion measured as of September 30, 2023.

SAULT STE. MARIE AREA PUBLIC SCHOOLS

Notes to Financial Statements

For the year ended June 30, 2025, the District recognized OPEB benefit of \$1,779,066. At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Differences between expected and actual experience	\$ -	\$ 4,881,008	\$ (4,881,008)
Changes in assumptions	1,006,028	115,635	890,393
Net difference between projected and actual earnings on OPEB plan investments	-	871,978	(871,978)
Changes in proportion and differences between employer contributions and proportionate share of contributions	107,083	318,080	(210,997)
	<u>1,113,111</u>	<u>6,186,701</u>	<u>(5,073,590)</u>
District contributions subsequent to the measurement date	209,720	-	209,720
Total	<u>\$ 1,322,831</u>	<u>\$ 6,186,701</u>	<u>\$ (4,863,870)</u>

The amount reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as an adjustment to the net OPEB asset in the year ended June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30,	Amount
2026	\$ (1,710,069)
2027	(1,019,421)
2028	(978,983)
2029	(840,633)
2030	(442,522)
Thereafter	<u>(81,962)</u>
Total	<u>\$ (5,073,590)</u>

SAULT STE. MARIE AREA PUBLIC SCHOOLS

Notes to Financial Statements

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. The total pension and OPEB liabilities in the September 30, 2023 actuarial valuation were determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial cost method	Entry age, normal
Wage inflation rate	2.75%
Investment rate of return:	
MIP and Basic plans (non-hybrid)	6.00%
Pension Plus plan (hybrid)	6.00%
Pension Plus 2 plan (hybrid)	6.00%
OPEB plans	6.00%
Projected salary increases	2.75% - 11.55%, including wage inflation at 2.75%
Cost of living adjustments	3% annual non-compounded for MIP members
Healthcare cost trend rate	Pre-65: 7.25% Year 1 graded to 3.5% Year 15 Post-65: 6.50% 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: PubT-2010 Male and Female Employee Mortality Tables scaled 100% and adjusted for mortality improvements using projection scale MP-2021 from 2010.
Other OPEB assumptions:	
Opt-out assumptions	21% of eligible participants hired before July 1, 2008 and 30% of those hired after June 30, 2008 are assumed to opt-out of the retiree health plan.
Survivor coverage	80% of male retirees and 67% of female retirees are assumed to have coverages continuing after the retiree's death.
Coverage election at retirement	75% of male and 60% of female future retirees are assumed to elect coverage for 1 or more dependents.

Assumption changes as a result of an experience study for the period 2017 through 2022 have been adopted by the System for use in the annual pension and OPEB valuations beginning with the September 30, 2023 valuation. The total pension and OPEB liabilities as of September 30, 2024, are 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. The recognition period for pension liabilities is 4.4612 years which is the average of the expected remaining service lives of all employees. The recognition period for OPEB liabilities is 6.2834 years which is the average of the expected remaining service lives of all employees. The recognition period for assets is 5 years.

SAULT STE. MARIE AREA PUBLIC SCHOOLS

Notes to Financial Statements

Changes in assumptions. The method for amortizing UAAL transitioned from the level percent of payroll to the level dollar method. In addition, healthcare cost trend rates for pre-65 decreased from 7.50% to 7.25% and post-65 increased from 6.25% to 6.50%.

Long-term Expected Return on Pension and OPEB Plan Assets

The long-term expected rate of return on pension and 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 pension/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 pension and OPEB plans' target asset allocation as of September 30, 2024, are summarized in the following table:

Pension

Asset Class	Target Allocation	Long-term Expected Real Rate of Return	Expected Money-Weighted Rate of Return
Domestic equity pools	25.00%	5.02%	1.26%
Private equity pools	16.00%	8.53%	1.36%
International equity pools	15.00%	6.16%	0.92%
Fixed income pools	13.00%	2.08%	0.27%
Real estate and infrastructure pools	10.00%	6.73%	0.67%
Absolute return pools	9.00%	4.93%	0.44%
Real return/opportunistic pools	10.00%	6.54%	0.65%
Short-term investment pools	2.00%	1.33%	0.03%
	<u>100.00%</u>		5.60%
Inflation			2.30%
Risk adjustment			<u>-1.90%</u>
Investment rate of return			<u><u>6.00%</u></u>

SAULT STE. MARIE AREA PUBLIC SCHOOLS

Notes to Financial Statements

OPEB

Asset Class	Target Allocation	Long-term Expected Real Rate of Return	Expected Money-Weighted Rate of Return
Domestic equity pools	25.00%	5.02%	1.26%
Private equity pools	16.00%	8.53%	1.36%
International equity pools	15.00%	6.16%	0.92%
Fixed income pools	13.00%	1.88%	0.24%
Real estate and infrastructure pools	10.00%	6.73%	0.67%
Absolute return pools	9.00%	4.93%	0.44%
Real return/opportunistic pools	10.00%	6.54%	0.65%
Short-term investment pools	2.00%	1.33%	0.03%
	<u>100.00%</u>		5.57%
Inflation			2.30%
Risk adjustment			<u>-1.87%</u>
Investment rate of return			<u><u>6.00%</u></u>

Rate of Return

For the fiscal year ended September 30, 2024, the annual money-weighted rate of return on pension and OPEB plan investments, net of pension and OPEB plan investment expense, was 15.47% and 15.45%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate

A discount rate of 6.00% was used to measure the total pension and OPEB liabilities. This discount rate was based on the long-term expected rate of return on pension and OPEB plan investments of 6.00%. The projection of cash flows used to determine these discount rates 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 and 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 pension and OPEB plan investments was applied to all periods of projected benefit payments to determine the total pension and OPEB liabilities.

SAULT STE. MARIE AREA PUBLIC SCHOOLS

Notes to Financial Statements

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

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

	1% Decrease (5.00%)	Current Discount Rate (6.00%)	1% Increase (7.00%)
District's proportionate share of the net pension liability	\$ 37,643,305	\$ 25,677,373	\$ 15,713,433

Sensitivity of the District's Proportionate Share of the Net OPEB Asset to Changes in the Discount Rate

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

	1% Decrease (5.00%)	Current Discount Rate (6.00%)	1% Increase (7.00%)
District's proportionate share of the net OPEB asset	\$ (3,559,594)	\$ (4,606,051)	\$ (5,510,824)

Sensitivity of the District's Proportionate Share of the Net OPEB Asset to Healthcare Cost Trend Rate

The following presents the District's proportionate share of the net OPEB asset calculated using the assumed trend rates, as well as what the District's proportionate share of the net OPEB asset 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
District's proportionate share of the net OPEB asset	\$ (5,510,834)	\$ (4,606,051)	\$ (3,635,677)

Pension and OPEB Plans Fiduciary Net Position

Detailed information about the pension and OPEB plan's fiduciary net position is available in the separately issued MPERS financial statements available on the State of Michigan Office of Retirement Services website at www.michigan.gov/orsschools.

SAULT STE. MARIE AREA PUBLIC SCHOOLS

Notes to Financial Statements

Payable to the Pension Plan

At June 30, 2025, the District reported a payable of \$580,470 for the outstanding amount of pension contributions to the Plan required for the year ended June 30, 2025.

Payable to the OPEB Plan

At June 30, 2025, the District reported a payable of \$22,990 for the outstanding amount of OPEB contributions to the Plan required for the year ended June 30, 2025.

12. FUND BALANCES - GOVERNMENTAL FUNDS

In accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the District classifies fund balances based primarily on the extent to which it is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Detailed information on fund balances of governmental funds is as follows:

	General Fund	Non Bonded Capital Projects	Nonmajor Governmental Funds	Total
Nonspendable for:				
Inventory	\$ 10,040	\$ -	\$ 14,799	\$ 24,839
Restricted for:				
Food service	-	-	341,259	341,259
Debt service	-	-	306,079	306,079
Total restricted	-	-	647,338	647,338
Committed for:				
Student activities	-	-	357,952	357,952
Assigned for:				
Subsequent years' expenditures	2,347,512	-	-	2,347,512
Capital projects	-	5,484,153	-	5,484,153
Total assigned	2,347,512	5,484,153	-	7,831,665
Unassigned	8,127,037	-	-	8,127,037
Total fund balances governmental funds	\$ 10,484,589	\$ 5,484,153	\$ 1,020,089	\$ 16,988,831

SAULT STE. MARIE AREA PUBLIC SCHOOLS

Notes to Financial Statements

13. NET INVESTMENT IN CAPITAL ASSETS

The composition of net investment in capital assets as of June 30, 2025, was as follows:

	Governmental Activities
Capital assets:	
Capital assets not being depreciated	\$ 405,914
Capital assets being depreciated, net	<u>20,270,278</u>
	<u>20,676,192</u>
Related debt:	
Bonds and installment purchase agreement	1,150,000
Unamortized premium on bonds payable	<u>59,407</u>
	<u>1,209,407</u>
 Net investment in capital assets	 <u>\$ 19,466,785</u>

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14. CONTINGENT LIABILITIES

Federal Grant Programs. Under the terms of various Federal and State grants and regulatory requirements, periodic audits are required and certain costs may be questioned as not being appropriate expenditures under the terms of the grants and contracts. Such audits could lead to reimbursement of the grantor or regulatory agencies. However, management does not believe such disallowances, if any, would be material to the financial position of the District.

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

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

As is the case with other entities, the District faces exposure from potential claims and legal proceedings involving environmental matters. No such claims or proceedings have been asserted as of June 30, 2025.



REQUIRED SUPPLEMENTARY INFORMATION

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SAULT STE. MARIE AREA PUBLIC SCHOOLS

Required Supplementary Information
 MPERS Cost-Sharing Multiple-Employer Plan
 Schedule of the District's Proportionate Share of the Net Pension Liability

	Year Ended June 30,			
	2025	2024	2023	2022
District's proportionate share of the net pension liability	\$ 25,677,373	\$ 33,122,257	\$ 40,114,889	\$ 26,073,097
District's proportion of the net pension liability	0.10488%	0.10234%	0.10666%	0.11013%
District's covered payroll	\$ 11,318,375	\$ 10,332,559	\$ 10,033,068	\$ 9,887,904
District's proportionate share of the net pension liability as a percentage of its covered payroll	226.86%	320.56%	399.83%	263.69%
Plan fiduciary net position as a percentage of the total pension liability	74.44%	65.91%	60.77%	72.60%

	Year Ended June 30,					
	2021	2020	2019	2018	2017	2016
	\$ 38,956,507	\$ 38,161,325	\$ 35,009,723	\$ 31,272,023	\$ 31,886,349	\$ 31,681,399
	0.11341%	0.11523%	0.11646%	0.12068%	0.12781%	0.12971%
	\$ 9,894,053	\$ 10,140,080	\$ 9,735,676	\$ 9,829,652	\$ 10,678,770	\$ 10,840,233
	393.74%	376.34%	359.60%	318.14%	298.60%	292.26%
	59.72%	60.31%	62.36%	64.21%	63.01%	62.92%

See notes to required supplementary information.

SAULT STE. MARIE AREA PUBLIC SCHOOLS

Required Supplementary Information
 MPSERS Cost-Sharing Multiple-Employer Plan
 Schedule of the District's Pension Contributions

	Year Ended June 30,			
	2025	2024	2023	2022
Statutorily required contribution	\$ 4,300,481	\$ 4,393,963	\$ 3,488,454	\$ 3,528,490
Contributions in relation to the statutorily required contribution	<u>(4,300,481)</u>	<u>(4,393,963)</u>	<u>(3,488,454)</u>	<u>(3,528,490)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 11,814,726	\$ 11,552,070	\$ 10,496,174	\$ 10,330,277
Contributions as a percentage of covered payroll	36.40%	38.04%	33.24%	34.16%

	Year Ended June 30,					
	2021	2020	2019	2018	2017	2016
	\$ 3,280,684	\$ 3,158,409	\$ 3,072,687	\$ 3,135,352	\$ 2,791,067	\$ 3,410,873
	<u>(3,280,684)</u>	<u>(3,158,409)</u>	<u>(3,072,687)</u>	<u>(3,135,352)</u>	<u>(2,791,067)</u>	<u>(3,410,873)</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
	\$ 9,698,773	\$ 9,951,004	\$ 10,262,565	\$ 9,909,627	\$ 9,819,206	\$ 10,530,861
	33.83%	31.74%	29.94%	31.64%	28.42%	32.39%

See notes to required supplementary information.

SAULT STE. MARIE AREA PUBLIC SCHOOLS

Required Supplementary Information
 MPERS Cost-Sharing Multiple-Employer Plan
 Schedule of the District's Proportionate Share of the Net Other Postemployment Benefit (Asset) Liability

	Year Ended June 30,			
	2025	2024	2023	2022
District's proportion of the net OPEB (asset) liability	\$ (4,606,051)	\$ (584,925)	\$ 2,189,148	\$ 1,670,974
District's proportionate share of the net OPEB (asset) liability	0.10701%	0.10340%	0.10336%	0.10947%
District's covered payroll	\$ 11,318,375	\$ 10,332,559	\$ 10,033,068	\$ 9,887,904
District's proportionate share of the net OPEB (asset) liability as a percentage of its covered payroll	-40.70%	-5.66%	21.82%	16.90%
Plan fiduciary net position as a percentage of the total OPEB liability	143.08%	105.04%	83.09%	87.33%

	Year Ended June 30,			
	2021	2020	2019	2018
	\$ 5,985,531	\$ 8,324,214	\$ 9,093,909	\$ 10,701,081
	0.11173%	0.11597%	0.11440%	0.12084%
	\$ 9,894,053	\$ 10,140,080	\$ 9,735,676	\$ 9,829,652
	60.50%	82.09%	93.41%	108.87%
	59.44%	48.46%	42.95%	36.39%

See notes to required supplementary information.

SAULT STE. MARIE AREA PUBLIC SCHOOLS

Required Supplementary Information
 MPSERS Cost-Sharing Multiple-Employer Plan
 Schedule of the District's Other Postemployment Benefit Contributions

	Year Ended June 30,			
	2025	2024	2023	2022
Statutorily required contribution	\$ 299,017	\$ 934,893	\$ 776,629	\$ 737,393
Contributions in relation to the statutorily required contribution	<u>(299,017)</u>	<u>(934,893)</u>	<u>(776,629)</u>	<u>(737,393)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 11,814,726	\$ 11,552,070	\$ 10,496,174	\$ 10,330,277
Contributions as a percentage of covered payroll	2.53%	8.09%	7.40%	7.14%

	Year Ended June 30,			
	2021	2020	2019	2018
	\$ 778,113	\$ 787,154	\$ 785,081	\$ 706,628
	<u>(778,113)</u>	<u>(787,154)</u>	<u>(785,081)</u>	<u>(706,628)</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
	\$ 9,698,773	\$ 9,951,004	\$ 10,262,565	\$ 9,909,627
	8.02%	7.91%	7.65%	7.13%

See notes to required supplementary information.

SAULT STE. MARIE AREA PUBLIC SCHOOLS

Notes to Required Supplementary Information

Pension Information

The amounts presented in the schedule of the District's Proportionate Share of the Net Pension Liability were determined as of September 30 of the preceding year (the plan year).

The significant changes in assumptions for each of the fiscal years ended June 30 were as follows:

- 2025 - The method for amortizing UAAL transitioned from the level percent of payroll to the level dollar method.
- 2024 - The payroll growth assumption for amortization purposes used in determining the fiscal year 2025 and 2026 employer contributions decreased from 2.00% to 1.50% and 1.50% to 0.75%, respectively. In addition, the PubT-2010 mortality tables were used in the September 2022 valuation compared to the RP-2014 mortality tables used in the September 2021 valuation.
- 2023 - The payroll growth assumption for amortization purposes used in determining the fiscal year 2024 employer contributions decreased from 2.5% to 2.0%. Additionally, the discount rate used in the September 30, 2021 actuarial valuation decreased to 6.00% for the MIP and Basic plans, and 6.00% for the Pension Plus Plan.
- 2022 - The payroll growth assumption for amortization purposes used in determining the fiscal year 2023 employer contributions decreased from 3.0% to 2.5%.
- 2021 - The payroll growth assumption for amortization purposes used in determining the fiscal year 2022 employer contributions decreased from 3.5% to 3.0%.
- 2020 - The discount rate used in the September 30, 2018 actuarial valuation decreased to 6.80% for the MIP and Basic plans, 6.80% for the Pension Plus Plan, and 6.00% for the Pension Plus 2 Plan.
- 2019 - The discount rate used in the September 30, 2017 actuarial valuation decreased to 7.05% for the MIP and Basic plans, 7.00% for the Pension Plus plan, and 6.00% for the Pension Plus 2 plan.
- 2018 - The discount rate used in the September 30, 2016 actuarial valuation decreased to 7.50% for the MIP and Basic plans and 7.00% for the Pension Plus plan.

OPEB Information

GASB 75 was implemented in fiscal year 2018. The OPEB plan schedules are being built prospectively. Ultimately, 10 years of data will be presented.

The amounts presented in the schedule of the District's Proportionate Share of the Net OPEB (Asset) Liability were determined as of September 30 of the preceding year (the plan year).

The significant changes in assumptions for each of the fiscal years ended June 30 were as follows:

- 2025 - The method for amortizing UAAL transitioned from the level percent of payroll to the level dollar method. In addition, healthcare cost trend rates for pre-65 decreased from 7.50% to 7.25% and post-65 increased from 6.25% to 6.50%.

SAULT STE. MARIE AREA PUBLIC SCHOOLS

Notes to Required Supplementary Information

OPEB Information (Concluded)

- 2024 - The payroll growth assumption for amortization purposes used in determining the fiscal year 2025 and 2026 employer contributions decreased from 2.00% to 1.50% and 1.50% to 0.75%, respectively. In addition, the PubT-2010 mortality tables were used in the September 2022 valuation compared to the RP-2014 mortality tables used in the September 2021 valuation. Finally, healthcare cost trend rates for pre-65 decreased from 7.75% to 7.50% and post-65 increased from 5.25% to 6.25%.
- 2023 - The payroll growth assumption for amortization purposes used in determining the fiscal year 2024 employer contributions decreased from 2.5% to 2.0%. Additionally, the discount rate used in the September 30, 2021 actuarial valuation decreased to 6.00%.
- 2022 - The payroll growth assumption for amortization purposes used in determining the fiscal year 2023 employer contributions decreased from 3.0% to 2.5%. The healthcare cost trend rate used in the September 30, 2020 actuarial valuation increased to 7.75%.
- 2021 - The payroll growth assumption for amortization purposes used in determining the fiscal year 2022 employer contributions decreased from 3.5% to 3.0%. The healthcare cost trend rate used in the September 30, 2019 actuarial valuation decreased to 7.0%.
- 2020 - The discount rate used in the September 30, 2018 actuarial valuation decreased to 6.95%.
- 2019 - The discount rate used in the September 30, 2017 actuarial valuation decreased to 7.15%.

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**COMBINING AND INDIVIDUAL FUND
FINANCIAL STATEMENTS**

SAULT STE. MARIE AREA PUBLIC SCHOOLS

Combining Balance Sheet

Nonmajor Governmental Funds
June 30, 2025

	Special Revenue Funds		2014 Debt Service Fund	Total
	Food Service	Student Activities		
Assets				
Cash and cash equivalents	\$ 419,852	\$ 357,952	\$ 306,079	\$ 1,083,883
Accounts receivable	3	-	-	3
Due from other governments	9,777	-	-	9,777
Due from other funds	10,269	-	-	10,269
Other assets	14,799	-	-	14,799
Total assets	\$ 454,700	\$ 357,952	\$ 306,079	\$ 1,118,731
Liabilities				
Accounts payable	\$ 5,651	\$ -	\$ -	\$ 5,651
Due to other funds	83,448	-	-	83,448
Unearned revenue	9,543	-	-	9,543
Total liabilities	98,642	-	-	98,642
Fund balances				
Nonspendable	14,799	-	-	14,799
Restricted:				
Food service	341,259	-	-	341,259
Debt service	-	-	306,079	306,079
Committed	-	357,952	-	357,952
Total fund balances	356,058	357,952	306,079	1,020,089
Total liabilities and fund balances	\$ 454,700	\$ 357,952	\$ 306,079	\$ 1,118,731

SAULT STE. MARIE AREA PUBLIC SCHOOLS

Combining Statement of Revenues, Expenditures and Change in Fund Balances

Nonmajor Governmental Funds
For the Year Ended June 30, 2025

	Special Revenue Funds		2014 Debt Service Fund	Total
	Food Service	Student Activities		
Revenues				
Local sources	\$ 144,999	\$ 386,386	\$ 1,093,291	\$ 1,624,676
State sources	279,932	-	-	279,932
Federal sources	900,857	-	-	900,857
Total revenues	1,325,788	386,386	1,093,291	2,805,465
Expenditures				
Current expenditures:				
Supporting services	-	393,016	-	393,016
Food service	1,238,343	-	-	1,238,343
Debt service:				
Principal	-	-	1,140,000	1,140,000
Interest	-	-	91,915	91,915
Total expenditures	1,238,343	393,016	1,231,915	2,863,274
Revenues over (under) expenditures	87,445	(6,630)	(138,624)	(57,809)
Other financing sources (uses)				
Transfers in	9,830	-	-	9,830
Transfers out	(76,895)	-	-	(76,895)
Total other financing sources (uses)	(67,065)	-	-	(67,065)
Net change in fund balances	20,380	(6,630)	(138,624)	(124,874)
Fund balances, beginning of year	335,678	364,582	444,703	1,144,963
Fund balances, end of year	\$ 356,058	\$ 357,952	\$ 306,079	\$ 1,020,089

SAULT STE. MARIE AREA PUBLIC SCHOOLS

Statement of Revenues, Expenditures and Change in Fund Balance
 Budget and Actual - Food Service
 For the Year Ended June 30, 2025

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Local sources	\$ 77,741	\$ 127,147	\$ 144,999	\$ 17,852
State sources	291,545	197,278	279,932	82,654
Federal sources	737,372	877,251	900,857	23,606
Total revenues	<u>1,106,658</u>	<u>1,201,676</u>	<u>1,325,788</u>	<u>124,112</u>
Expenditures				
Current:				
Food service	<u>1,115,458</u>	<u>1,155,716</u>	<u>1,238,343</u>	<u>82,627</u>
Revenues over (under) expenditures	<u>(8,800)</u>	<u>45,960</u>	<u>87,445</u>	<u>41,485</u>
Other financing sources (uses)				
Transfers in	8,800	10,300	9,830	(470)
Transfers out	-	(56,260)	(76,895)	20,635
Total other financing sources (uses)	<u>8,800</u>	<u>(45,960)</u>	<u>(67,065)</u>	<u>(21,105)</u>
Net change in fund balance	<u>-</u>	<u>-</u>	<u>20,380</u>	<u>20,380</u>
Fund balance, beginning of year	<u>335,678</u>	<u>335,678</u>	<u>335,678</u>	<u>-</u>
Fund balance, end of year	<u>\$ 335,678</u>	<u>\$ 335,678</u>	<u>\$ 356,058</u>	<u>\$ 20,380</u>

SAULT STE. MARIE AREA PUBLIC SCHOOLS

Statement of Revenues, Expenditures and Change in Fund Balance
 Budget and Actual - Student Activities
 For the Year Ended June 30, 2025

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Local sources	\$ 410,000	\$ 411,000	\$ 386,386	\$ (24,614)
Expenditures				
Current:				
Supporting services	<u>400,000</u>	<u>470,000</u>	<u>393,016</u>	<u>(76,984)</u>
Net change in fund balance	<u>10,000</u>	<u>(59,000)</u>	<u>(6,630)</u>	<u>52,370</u>
Fund balance, beginning of year	<u>364,582</u>	<u>364,582</u>	<u>364,582</u>	<u>-</u>
Fund balance, end of year	<u>\$ 374,582</u>	<u>\$ 305,582</u>	<u>\$ 357,952</u>	<u>\$ 52,370</u>



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

October 31, 2025

Board of Education
Sault Ste. Marie Area Public Schools
Sault Ste. Marie, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of **Sault Ste. Marie Area Public Schools** (the "District"), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 31, 2025.

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Report on Internal Control Over Financial Reporting

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

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



5800 Gratiot, Suite 201, Saginaw, MI 48638 989.799.9580

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

Report on Compliance and Other Matters

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

Purpose of this Report

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



SAULT STE. MARIE AREA PUBLIC SCHOOLS

Schedule of Findings and Responses

For the Year Ended June 30, 2025

None noted.



SAULT STE. MARIE AREA PUBLIC SCHOOLS

Summary Schedule of Prior Audit Findings

For the Year Ended June 30, 2025

2024-001 Significant Audit Adjustments

The audit identified the need for substantial adjustment to the District's accounting records, which was needed to reconcile the retirement liability for an over accrual. This matter is considered resolved at June 30, 2025.



INDEPENDENT AUDITORS' COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

October 31, 2025

Board of Education
Sault Ste. Marie Area Public Schools
Sault Ste. Marie, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the **Sault Ste. Marie Area Public Schools** (the "District"), as of and for the year ended June 30, 2025, and have issued our report thereon dated October 31, 2025. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated July 30, 2025, our responsibility, as described by professional standards, is to form and express opinions about whether the financial statements that have been prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of the District solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

We have provided our findings regarding internal control over financial reporting and compliance noted during our audit in a separate letter to you dated October 31, 2025.



5800 Gratiot, Suite 201, Saginaw, MI 48638 989.799.9580

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our engagement letter.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, and our firm has complied with all relevant ethical requirements regarding independence.

Qualitative Aspects of the District's Significant Accounting Practices*Significant Accounting Policies*

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the District is included in Note 1 to the financial statements.

The District changed accounting policies related to accounting for the liability for compensated absences by adopting Statement of Governmental Accounting Standards (GASB Statement) No. 101, *Compensated Absences*.

No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments. The financial statements include a net pension liability and a net other postemployment benefit asset and other related amounts, which are dependent on estimates made by the plan. These estimates are based on historical trends and industry standards but are not within the control of management.

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

Significant Difficulties Encountered During the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole and each applicable opinion unit. In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. None of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

The schedule of adjustments passed is included with management's written representations in Attachment B to this letter, and summarizes uncorrected financial statement misstatements whose effects in the current and prior periods, as determined by management, are immaterial, both individually and in the aggregate, to the financial statements taken as a whole and each applicable opinion unit.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the District's financial statements or the auditors' report. No such disagreements arose during the course of the audit.

Representations Requested from Management

We have requested certain written representations from management, which are included in Attachment B to this letter.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings, or Issues

In the normal course of our professional association with the District, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the District’s auditors.

Upcoming Changes in Accounting Standards

Generally accepted accounting principles (GAAP) are continually changing in order to promote the usability and enhance the applicability of information included in external financial reporting. While it would not be practical to include an in-depth discussion of every upcoming change in professional standards, Attachment A to this letter contains a brief overview of recent pronouncements of the Governmental Accounting Standards Board (GASB) and their related effective dates. Management is responsible for reviewing these standards, determining their applicability, and implementing them in future accounting periods.

This information is intended solely for the use of the governing body and management of **Sault Ste. Marie Area Public Schools** and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



SAULT STE. MARIE AREA PUBLIC SCHOOLS

Attachment A - Upcoming Changes in Accounting Standards / Regulations
For the June 30, 2025 Audit

The following pronouncements of the Governmental Accounting Standards Board (GASB) have been released recently and may be applicable to the District in the near future. We encourage management to review the following information and determine which standard(s) may be applicable to the District. For the complete text of these and other GASB standards, visit www.gasb.org and click on the “Standards & Guidance” tab. If you have questions regarding the applicability, timing, or implementation approach for any of these standards, please contact your audit team.

GASB 103 ■ Financial Reporting Model Improvements
Effective 06/15/2026 (your FY 2026)

This standard establishes new accounting and financial reporting requirements—or modifies existing requirements—related to the following: a. management’s discussion and analysis (MD&A), b. unusual or infrequent items, c. presentation of the proprietary fund statement of revenues, expenses, and changes in fund net position, d. information about major component units in basic financial statements, e. budgetary comparison information, and f. financial trends information in the statistical section.

GASB 104 ■ Disclosure of Certain Capital Assets
Effective 06/15/2026 (your FY 2026)

This standard requires certain types of capital assets to be disclosed separately in the capital assets note disclosures, requires certain intangible assets to be disclosed separately by major class, and requires additional disclosures for capital assets held for sale.

■ ■ ■ ■ ■

SAULT STE. MARIE AREA PUBLIC SCHOOLS

Attachment B - Management Representations

For the June 30, 2025 Audit

The following pages contain the written representations that we requested from management.



SAULT STE. MARIE
AREA PUBLIC SCHOOLS

876 MARQUETTE AVENUE / SAULT STE MARIE, MI 49783
PHONE (906) 635-6609 - FAX (906) 635-6642

October 31, 2025

Rehmann Robson
218 N Main St., Suite 102
Cheboygan, MI 49721

This representation letter is provided in connection with your audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of *Sault Ste. Marie Area Schools* (the "District"), as of and for the year ended June 30, 2025, and the related notes to the financial statements, for the purpose of expressing opinions on whether the basic financial statements present fairly, in all material respects, the financial position, results of operations, and the respective budgetary comparison for the General Fund of the District in conformity with accounting principles generally accepted for governments in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm that, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves as of October 31, 2025:

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated July 30, 2025, for the preparation and fair presentation of the financial statements of the various opinion units referred to above in accordance with U.S. GAAP.
2. The financial statements referred to above have been fairly presented in accordance with U.S. GAAP, and include all properly classified funds, required supplementary information, and notes to the basic financial statements.
3. We have reviewed and approved the various adjusting journal entries that were proposed by you for recording in our books and records and reflected in the financial statements.
4. With respect to the nonattest services provided, which include any assistance you provided in drafting the financial statements and related notes, proposing standard, adjusting or conversion journal entries, assistance with maintaining/updating a GASB 68 template for pension, assistance with maintaining/updating a GASB 75 template for OPEB, assistance in completing portions of the Data Collection form, we have performed the following:
 - a. Made all management decisions and performed all management functions;

- b. Assigned a competent individual to oversee the services;
 - c. Evaluated the adequacy of the services performed;
 - d. Evaluated and accepted responsibility for the result of the service performed; and
 - e. Established and maintained internal controls, including monitoring ongoing activities.
5. We acknowledge our responsibility 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.
 6. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
 7. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
 8. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP. For the purposes of this letter, related parties mean members of the governing body; board members; administrative officials; immediate families of administrative officials, board members, and members of the governing body; and any companies affiliated with or owned by such individuals.
 9. All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.
 10. The effects of uncorrected misstatements summarized in the attached schedule and aggregated by you during the current engagement are immaterial, both individually and in the aggregate, to the applicable opinion units and to the financial statements as a whole.
 11. The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP.
 12. With regard to items reported at fair value:
 - a. The underlying assumptions are reasonable, and they appropriately reflect management's intent and ability to carry out its stated courses of action.
 - b. The measurement methods and related assumptions used in determining fair value are appropriate in the circumstances and have been consistently applied.
 - c. The disclosures related to fair values are complete, adequate, and in conformity with U.S. GAAP.
 - d. There are no subsequent events that require adjustments to the fair value measurements and disclosures included in the financial statements.
 13. All component units, as well as joint ventures with an equity interest, are included and other joint ventures and related organizations are properly disclosed.
 14. All funds and activities are properly classified.
 15. All funds that meet the quantitative GASB criteria for presentation as major are identified and presented as such and all other funds that are presented as major are considered important to financial statement users.
 16. All components of net position and fund balance classifications have been properly reported.
 17. All revenues within the statement of activities have been properly classified as program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.

18. All expenses have been properly classified in or allocated to functions and programs in the statement of activities, and allocations, if any, have been made on a reasonable basis.
19. All interfund and intra-entity transactions and balances have been properly classified and reported.
20. Special items and extraordinary items have been properly classified and reported.
21. Deposit and investment risks have been properly and fully disclosed.
22. Capital assets, including infrastructure assets, are properly capitalized, reported, and if applicable, depreciated.
23. All required supplementary information is measured and presented within the prescribed guidelines.
24. We believe that the actuarial assumptions and methods used to measure pension and other postemployment benefit liabilities and costs for financial accounting purposes are appropriate in the circumstances.
25. We are responsible for the fair presentation of the District's proportionate share of the net pension liability and net other postemployment benefit asset of the Michigan Public School Employees Retirement System (MPERS) and related amounts. We provided MPERS with complete and accurate information regarding the District's participation in the plan, and have reviewed the information provided by MPERS for inclusion in the District's financial statements.

Information Provided

26. We have provided you with:
 - a. Access to all information, of which we are aware that is relevant to the preparation and fair presentation of the financial statements of the various opinion units referred to above, such as records, documentation, meeting minutes, and other matters;
 - b. Additional information that you have requested from us for the purpose of the audit; and
 - c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
27. All transactions have been recorded in the accounting records and are reflected in the financial statements.
28. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
29. We have no knowledge of any fraud or suspected fraud that affects the entity and involves:
 - a. Management;
 - b. Employees who have significant roles in internal control; or
 - c. Others where the fraud could have a material effect on the financial statements.
30. We have no knowledge of any instances, that have occurred or are likely to have occurred, of fraud and noncompliance with provisions of laws and regulations that have a material effect on the financial statements or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance, whether communicated by employees, former employees, vendors (contractors), regulators, or others.
31. We have no knowledge of any instances that have occurred or are likely to have occurred, of noncompliance with provisions of contracts and grant agreements that has a material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.

32. We have no knowledge of any instances that have occurred or are likely to have occurred of abuse that could be quantitatively or qualitatively material to the financial statements or other financial data significant to the audit objectives.
33. We have a process to track the status of audit findings and recommendations.
34. We have identified for you all previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
35. We have provided views on your reported audit findings, conclusions, and recommendations, as well as our planned corrective actions, for the report.
36. We are not aware of any pending or threatened litigation and claims whose effects should be considered when preparing the financial statements and we have not consulted legal counsel concerning litigation or claims.
37. We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.
38. There have been no communications from regulatory agencies concerning noncompliance with or deficiencies in accounting, internal control, or financial reporting practices.
39. The government has no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.
40. We have disclosed to you all guarantees, whether written or oral, under which the government is contingently liable.
41. We have identified and disclosed to you the laws, regulations, and provisions of contracts and grant agreements that could have a direct and material effect on financial statement amounts, including legal and contractual provisions for reporting specific activities in separate funds.
42. There are no:
 - a. Violations or possible violations of laws or regulations, or provisions of contracts or grant agreements whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency, including applicable budget laws and regulations.
 - b. Unasserted claims or assessments that our lawyer has advised are probable of assertion and must be disclosed in accordance with GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*.
 - c. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by GASB Statement No. 62.
43. The government has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset or future revenue been pledged as collateral, except as disclosed to you.
44. We have complied with all aspects of grant agreements and other contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
45. We have disclosed to you all significant estimates and material concentrations known to management that are required to be disclosed in accordance with GASB Statement No. 62. Significant estimates are estimates at the balance sheet date that could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets or geographic areas for which events could occur that would significantly disrupt normal finances within the next year.
46. We have conducted a comprehensive risk assessment and determined that no material concentrations or constraints are required to be disclosed in accordance with GASB Statement No. 102, *Certain Risk Disclosures*. These disclosures provide sufficient detail to enable users of financial

statements to understand the nature of the circumstances disclosed and the government's vulnerability to the risk of a substantial impact associated with the concentration or constraint, if applicable.

47. We have evaluated the concentrations and constraints, including those that occur subsequent to the statement of net position date but before the financial statements are issued and have been properly disclosed in the financial statements as subsequent events, if any.

Supplementary Information in Relation to the Financial Statements as a Whole

48. With respect to the supplementary information accompanying the financial statements:
 - a. We acknowledge our responsibility for the presentation of the supplementary information in accordance with accounting principles generally accepted in the United States of America.
 - b. We believe the supplementary information, including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United States of America.
 - c. The methods of measurement or presentation have not changed from those used in the prior period.
 - d. We believe the significant assumptions or interpretations underlying the measurement or presentation of the supplementary information, and the basis for our assumptions and interpretations, are reasonable and appropriate in the circumstances.

Required Supplementary Information

49. With respect to the required supplementary information accompanying the financial statements:
 - a. We acknowledge our responsibility for the presentation of the required supplementary information in accordance with accounting principles generally accepted in the United States of America.
 - b. We believe the required supplementary information, including its form and content, is measured and fairly presented in accordance with accounting principles generally accepted in the United States of America.
 - c. The methods of measurement or presentation have not changed from those used in the prior period.
 - d. We believe the significant assumptions or interpretations underlying the measurement or presentation of the required supplementary information, and the basis for our assumptions and interpretations, are reasonable and appropriate in the circumstances.


Amy Scott-Kronmeyer, Superintendent


Michelle Bennis, Chief Financial Officer

SAULT STE. MARIE AREA PUBLIC SCHOOLS

Schedule of Adjustments Passed (SOAP)

For the June 30, 2025 Audit

In accordance with generally accepted auditing standards, we have prepared the following schedule of proposed audit adjustments, which we believe are immaterial both individually and in the aggregate. We are providing this schedule to both management and those charged with governance to receive their assurance that they agree that the amounts listed below are not material to the financial statements, either individually or in the aggregate, and do not need to be recorded.

Effect of Passed Adjustment - Over(Under)Statement				
Assets	Liabilities	Beginning Equity	Revenues	Expenses/ Expenditures

Governmental Activities

Beginning of year impact for the implementation of GASB 101,

<i>Compensated Absences</i>	\$ -	\$ -	\$ 372,496	\$ -	\$ 372,496
-----------------------------	------	------	------------	------	------------

Misstatement as a percentage of total assets & deferred outflows - governmental activities

	0.0%	0.0%	0.7%	0.0%	0.7%
--	------	------	------	------	------

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APPENDIX D

U.S. MAIL ADDRESS
P.O. Box 2575, EAST LANSING, MI 48826-2575
PHONE: (517) 484-8000 FAX: (517) 484.0041

ALL OTHER SHIPPING
2900 WEST ROAD, SUITE 400
EAST LANSING, MI 48823-6366

MICHAEL D. GRESENS
CHRISTOPHER J. IAMARINO
RAYMOND M. DAVIS
MICHELE R. EADDY
KIRK C. HERALD
ROBERT A. DIETZEL
KATHERINE WOLF BROADDUS

DANIEL R. MARTIN
JENNIFER K. STARLIN
TIMOTHY T. GARDNER, JR.
IAN F. KOFFLER
FREDRIC G. HEIDEMANN
RYAN J. NICHOLSON
CRISTINA T. PATZELT

PHILIP G. CLARK
PIOTR M. MATUSIAK
JESSICA E. MCNAMARA
ERIN H. WALZ
RYAN J. MURRAY
MACKENZIE D. FLYNN
KATHRYN R. CHURCH

MARYJO D. BANASIK
CATHLEEN M. DOOLEY
KELLY S. BOWMAN
AUSTIN W. MUNROE

GORDON W. VANWIENEN, JR. (OF COUNSEL)
ROY H. HENLEY (OF COUNSEL)
BRADFORD W. SPRINGER (OF COUNSEL)

DRAFT LEGAL OPINION

Sault Ste. Marie Area Public Schools
County of Chippewa
State of Michigan

We have acted as bond counsel in connection with the issuance by Sault Ste. Marie Area Public Schools, County of Chippewa, State of Michigan (the "Issuer"), of its bonds in the aggregate principal amount of \$_____ designated 2026 School Building and Site 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 subject to redemption prior to maturity at the option of the Issuer in the manner and at the times as set forth in the Bonds, mature on May 1 of each year, and bear interest payable on 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 electors and board of education of the Issuer, a copy of the approval of the Department of Treasury of the State of Michigan to issue the Bonds, and a specimen of the Bond certificate of said issue.

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

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



Sault Ste. Marie Area Public Schools
County of Chippewa
State of Michigan

_____, 2026
Page 2

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

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

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

THRUN LAW FIRM, P.C.

TLF/MDG

OPTIONAL DTC BOOK-ENTRY-ONLY

**FORM OF
OFFICIAL NOTICE OF SALE
\$20,540,000
SAULT STE. MARIE AREA PUBLIC SCHOOLS
COUNTY OF CHIPPEWA
STATE OF MICHIGAN
2026 SCHOOL BUILDING AND SITE BONDS
(GENERAL OBLIGATION - UNLIMITED TAX)**

BIDS for the purchase of the above 2026 School Building and Site Bonds (the “Bond” or “Bonds”) will be received electronically on behalf of Sault Ste. Marie Area Public Schools, Chippewa County, Michigan (the “Issuer”), on Thursday, the 9th day of April, 2026, until 10:00 a.m., prevailing Eastern Time, by the Municipal Advisory Council of Michigan (the “MAC”) via email at munibids@macmi.com. The bids will be opened and read at the MAC at that time. Award of the bid will be made on behalf of the Issuer by an authorized officer of the Issuer by 5:00 p.m., prevailing Eastern Time, on that date.

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

PARITY: Bids may be presented via *PARITY* on the date and at the time shown above. To the extent any instructions or directions set forth in *PARITY* conflict with this Notice, the terms of this Notice shall control. For further information about *PARITY*, potential bidders may contact Baker Tilly Municipal Advisors, LLC, at (517) 321-0110 or *PARITY* at (212) 849-5021.

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

BOND DETAILS: Said Bonds will be fully registered Bonds, of the denomination of \$5,000 each or multiples thereof up to the amount of a single maturity, shall be dated the date of delivery, numbered in order of issue from 1 upwards and will bear interest from their dated date payable on November 1, 2026, and semiannually thereafter.

The Bonds will mature on May 1 as follows:

<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
2027	\$245,000	2042	\$ 665,000
2028	280,000	2043	690,000
2029	330,000	2044	720,000
2030	380,000	2045	750,000
2031	435,000	2046	780,000
2032	485,000	2047	810,000
2033	470,000	2048	845,000
2034	490,000	2049	880,000
2035	510,000	2050	915,000
2036	530,000	2051	955,000
2037	550,000	2052	995,000
2038	570,000	2053	1,035,000
2039	590,000	2054	1,080,000
2040	615,000	2055	1,125,000
2041	640,000	2056	1,175,000

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

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

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

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

PRIOR REDEMPTION:

A. Mandatory Redemption - Term Bonds.

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

B. Optional Redemption.

The Bonds or portions of Bonds maturing on or after May 1, 2037, are subject to redemption prior to maturity at the option of the Issuer in multiples of \$5,000 in such order as the Issuer may determine, by lot within any maturity, on any date occurring on or after May 1, 2036, at par and accrued interest to the date fixed for redemption.

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

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

INTEREST RATE AND BIDDING DETAILS: The Bonds shall bear interest at a rate or rates not exceeding six percent (6%) per annum, to be fixed by the bids therefor, expressed in multiples of 1/8 or 1/100 of 1%, or both. The interest on any one Bond shall be at one rate only. All Bonds maturing in any one year must carry the same interest rate. No proposal for the purchase of less than all of the Bonds or at a price less than 99% or greater than 118% of the par value, or at a price which will cause the true interest cost on the Bonds to be less than one percent (1%) per annum or to exceed six percent (6%) per annum, will be considered.

PURPOSE AND SECURITY: The Bonds were authorized at an election on August 5, 2025, for the purpose of remodeling, furnishing and refurbishing, and equipping and re-equipping existing school facilities; acquiring, installing, equipping and re-equipping existing school facilities for instructional technology; and preparing, developing, equipping, and improving playgrounds and sites. The Bonds will pledge the full faith, credit and resources of the Issuer for

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

AWARD OF BONDS: The Bonds will be awarded to the bidder whose bid produces the lowest true interest cost which is the rate that will discount all future cash payments so that the sum of the present value of all cash flows will equal the Bond proceeds computed from May 5, 2026 (the anticipated date of delivery).

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

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

OFFICIAL STATEMENT: Upon the sale of the Bonds, the Issuer will publish an Official Statement in substantially the same form as the Preliminary Official Statement, subject to minor additions, deletions and revisions as required to complete the Preliminary Official Statement. Promptly after the sales date, but in no event later than seven (7) business days after such date, the Issuer will provide the Purchaser with either a reasonable number of final Official Statements or a reasonably available electronic version of the same. The Issuer will determine which format will be provided. The Purchaser agrees to supply to the Issuer all necessary pricing information and any underwriter identification necessary to complete the Official Statement within twenty-four (24) hours after the award of Bonds. Additional copies of the final Official Statement may be obtained up to three months following the sale of the Bonds by a request and payment of costs to the financial consultant. The Issuer agrees to provide to the Purchaser at closing a certificate executed by appropriate officers of the Issuer acting in their official capacities, to the effect that as of the date of delivery the information contained in the Official Statement, and any supplement to the Official Statement, relating to the Issuer and the Bonds are true and correct in all material respects, and that the Official Statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

CONTINUING DISCLOSURE: As more particularly described in the Official Statement, the Issuer will agree in the bond resolution or sales resolution to provide or cause to be provided, in accordance with the requirements of Rule 15c2-12 (the “Rule”) promulgated by the Securities and Exchange Commission, (i) on or prior to the end of the sixth month after the end of the fiscal year of the Issuer, commencing with the fiscal year ended June 30, 2026, certain annual financial information and operating data, including audited financial statements for the preceding fiscal year, generally consistent with the information contained or cross-referenced in the Official Statement relating to the Bonds, (ii) timely notice of the occurrence of certain significant events with respect to the Bonds and (iii) timely notice of a failure by the Issuer to provide the required annual financial information on or before the date specified in (i) above.

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

CERTIFICATION REGARDING “ISSUE PRICE”: Please see Appendix G to the Preliminary Official Statement for the Bonds, dated March 30, 2026, for information and requirements concerning establishing the issue price for the Bonds.

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

DELIVERY OF BONDS: The Issuer will furnish Bonds ready for execution at its expense. Bonds will be delivered without expense to the Purchaser at a place to be mutually agreed upon with the Purchaser. The usual closing documents, including a certificate that no litigation is pending affecting the issuance of the Bonds, will be delivered at the time of the delivery of the Bonds. If the Bonds are not tendered for delivery by twelve o’clock, noon, prevailing Eastern Time, on the 45th day following the date of sale, or the first business day thereafter if the 45th day is not a business day, the Purchaser may on that day, or any time thereafter until delivery of the Bonds, withdraw the proposal by serving notice of cancellation in writing, on the undersigned. Accrued interest to the date of delivery of the Bonds shall be paid by the Purchaser at the time of delivery. Payment for the Bonds shall be made in federal reserve funds. Unless the Purchaser furnishes the Paying Agent with a list giving the denominations and names in which it wishes to have the certificates issued at least five (5) business days prior to delivery of the Bonds, the Bonds will be delivered in the form of a single certificate for each maturity registered in the name of the Purchaser, subject to the election under the “Optional DTC Book-Entry-Only” provisions herein.

CUSIP NUMBERS: CUSIP numbers will be printed on the Bonds at the option of the Purchaser; however, neither the failure to print CUSIP numbers nor any improperly printed CUSIP numbers shall be cause for the Purchaser to refuse to take delivery of and pay the purchase price for the Bonds. Application for CUSIP numbers will be made by Baker Tilly Municipal Advisors,

LLC, municipal advisor to the Issuer. The CUSIP Service Bureau's charge for the assignment of CUSIP identification numbers shall be paid by the Purchaser.

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

FURTHER INFORMATION may be obtained from Baker Tilly Municipal Advisors, LLC, 1000 Town Center, 27th Floor, Southfield, Michigan 48075, telephone: (517) 321-0110.

THE RIGHT IS RESERVED TO REJECT ANY OR ALL BIDS.

Melissa S. Pingatore
Secretary, Board of Education



**FORM OF
CONTINUING DISCLOSURE AGREEMENT**

§ _____

**SAULT STE. MARIE AREA PUBLIC SCHOOLS
COUNTY OF CHIPPEWA
STATE OF MICHIGAN
2026 SCHOOL BUILDING AND SITE BONDS
(GENERAL OBLIGATION - UNLIMITED TAX)**

This Continuing Disclosure Agreement (the “Agreement”) is executed and delivered by Sault Ste. Marie Area Public Schools, County of Chippewa, State of Michigan (the “Issuer”), in connection with the issuance of its \$ _____ 2026 School Building and Site Bonds (General Obligation - Unlimited Tax) (the “Bonds”). The Bonds are being issued pursuant to resolutions adopted by the Board of Education of the Issuer on February 9, 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.

(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.

SAULT STE. MARIE AREA PUBLIC SCHOOLS
COUNTY OF CHIPPEWA
STATE OF MICHIGAN

By: _____
Its: Superintendent

Dated: _____, 2026

APPENDIX A

NOTICE TO THE MSRB OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Sault Ste. Marie Area Public Schools, Chippewa County, Michigan
Name of Bond Issue: 2026 School Building and Site 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 _____.

SAULT STE. MARIE AREA PUBLIC SCHOOLS
COUNTY OF CHIPPEWA
STATE OF MICHIGAN

By: _____
Its: Superintendent

Dated: _____



APPENDIX B

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

Name of Issuer: Sault Ste. Marie Area Public Schools, Chippewa County, Michigan
Name of Bond Issue: 2026 School Building and Site 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 _____.

SAULT STE. MARIE AREA PUBLIC SCHOOLS
COUNTY OF CHIPPEWA
STATE OF MICHIGAN

By: _____
Its: Superintendent

Dated: _____



APPENDIX C

SIGNIFICANT EVENT NOTICE COVER SHEET

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

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

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

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

Number of pages of attached significant event notice: _____

Description of Significant Events Notice (Check One):

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

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

Signature: _____

Name: _____ Title: _____

Employer: _____

Address: _____

City, State, Zip Code: _____

Voice Telephone Number: (_____) _____

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



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

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

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

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

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

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

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

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

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

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

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

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

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

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**SAULT STE. MARIE AREA PUBLIC SCHOOLS
 COUNTY OF CHIPPEWA, STATE OF MICHIGAN
 2026 SCHOOL BUILDING AND SITE BONDS
 (GENERAL OBLIGATION - UNLIMITED TAX)**

OPTIONAL BID FORM

Date: April 9, 2026

Time: 10:00 A.M. E.T.

Municipal Advisory Council
 26211 Central Park Blvd
 Suite 508
 Southfield, MI 48076
 Phone: (313) 963-0420
 Email: munibids@macmi.com

Reference is made to your "Official Notice of Sale" for the above stated bonds as printed in the Bond Buyer. For your legally issued bonds, as described in said notice, we will pay you par plus a premium of \$ _____ or less a discount of \$ _____ for bonds maturing and bearing interest rates as follows:

<u>Maturity</u>		<u>Interest</u>	<u>Maturity</u>		<u>Interest</u>	<u>Maturity</u>		<u>Interest</u>
<u>Date</u>	<u>Amount*</u>	<u>Rate</u>	<u>Date</u>	<u>Amount*</u>	<u>Rate</u>	<u>Date</u>	<u>Amount*</u>	<u>Rate</u>
2027	\$245,000	%	2037	\$550,000	%	2047	\$810,000	%
2028	280,000		2038	570,000		2048	845,000	
2029	330,000		2039	590,000		2049	880,000	
2030	380,000		2040	615,000		2050	915,000	
2031	435,000		2041	640,000		2051	955,000	
2032	485,000		2042	665,000		2052	995,000	
2033	470,000		2043	690,000		2053	1,035,000	
2034	490,000		2044	720,000		2054	1,080,000	
2035	510,000		2045	750,000		2055	1,125,000	
2036	530,000		2046	780,000		2056	1,175,000	

*Preliminary, subject to change.

The following maturities have been designated as term bonds:

Mandatory Redemptions

From _____ To _____

From _____ To _____

THIS BID IS FOR ALL OR NONE OF THE BONDS.

Respectfully Submitted,

Please attach list of account members

By: _____
Authorized Representative

The following is a computation of the interest cost on the above bid.
This computation is not to be considered as a part of the bid and is subject to verification.

Gross Interest Cost	\$ _____	Premium / Discount	\$ _____
Net Interest Cost	\$ _____	Average Interest Rate	_____ %
True Interest Cost	_____ %	Net Interest Rate	_____ %

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

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