

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).

THIS PRELIMINARY OFFICIAL STATEMENT IS DATED FEBRUARY 23, 2026

NEW ISSUE - BOOK-ENTRY-ONLY

RATINGS[†]: S&P Global Ratings: AA
Michigan School Bond Qualification and Loan Program

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.



\$28,180,000*
SOUTHGATE COMMUNITY SCHOOL DISTRICT
COUNTY OF WAYNE, STATE OF MICHIGAN
2026 SCHOOL BUILDING AND SITE (SERIES II) AND REFUNDING BONDS
(GENERAL OBLIGATION - UNLIMITED TAX)

DATE OF SALE: March 3, 2026

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

DATE AND TIME OF AWARD: March 3, 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 (Series II) and Refunding Bonds (the "Bonds") were authorized by the electors of Southgate Community School District, County of Wayne, State of Michigan (the "School District") at an election duly called and held on May 6, 2025 and by the Board of Education of the School District by resolutions adopted on January 13, 2026 and expected to be adopted on March 10, 2026 (collectively, the "Resolution"). The Bonds will be issued for school building and site purposes, and to refund a portion of the School District's outstanding 2016 School Building and Site Bonds, dated February 9, 2016, (the "Prior Bonds"), and to pay costs of issuance for the Bonds. 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, and Article IX, Section 16, of the Michigan Constitution of 1963.

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

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: November 1, as shown below

Maturity Date	Amount*	Interest Rate	Yield	Maturity Date	Amount*	Interest Rate	Yield
11/01/26	\$505,000	%	%	11/01/38	\$1,280,000	%	%
11/01/27	875,000			11/01/39	1,270,000		
11/01/28	830,000			11/01/40	1,000,000		
11/01/29	955,000			11/01/41	1,000,000		
11/01/30	1,050,000			11/01/42	1,000,000		
11/01/31	1,160,000			11/01/43	1,000,000		
11/01/32	1,215,000			11/01/44	1,000,000		
11/01/33	1,250,000			11/01/45	1,000,000		
11/01/34	1,300,000			11/01/46	2,000,000		
11/01/35	1,300,000			11/01/47	2,000,000		
11/01/36	1,300,000			11/01/48	1,600,000		
11/01/37	1,290,000			11/01/49	1,000,000		

OPTIONAL REDEMPTION: The Bonds or portions of the Bonds in multiples of \$5,000 maturing on or after November 1, 2036 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 March 30, 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

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.

* As of the date of delivery.

* Preliminary, subject to change.

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No dealer, broker, salesperson or other person has been authorized by the Southgate Community School District, County of Wayne, 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.

SOUTHGATE COMMUNITY SCHOOL DISTRICT

13940 Leroy
Southgate, Michigan 48195
Phone: (734) 246-4600

BOARD OF EDUCATION

Jason Craig, President
Andrew A. Green, Vice President
Dr. Darlene L. Pomponio, Secretary
Jason Kupser, Treasurer
Angela Angel, Trustee
Neil J. Freitas, Trustee
Shawn Sage, Trustee

ADMINISTRATION

Sharon Irvine, Superintendent
Maria Gistingner, Interim Director of Business and Finance

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

**SOUTHGATE COMMUNITY SCHOOL DISTRICT
COUNTY OF WAYNE, STATE OF MICHIGAN
\$28,180,000***

**2026 SCHOOL BUILDING AND SITE (SERIES II) AND REFUNDING BONDS
(General Obligation – Unlimited Tax)**

SALE INFORMATION

DATE OF SALE: Tuesday, March 3, 2026
TIME OF SALE: 10:00 A.M., E.T.
DATE AND TIME OF AWARD: Tuesday, March 3, 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 F – DRAFT OFFICIAL NOTICE OF SALE” for further information regarding this issue.*
PRINCIPAL DUE: November 1st 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 H concerning the Certification Regarding Issue Price and the Draft Official Notice of Sale in Appendix F attached hereto, and shall deliver to the School District at closing an “Issue Price Certificate” prepared by Bond Counsel setting forth the reasonably expected issue price to the public and/or the sales prices of the Bonds. See Appendices F and H 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 Southgate Community School District, County of Wayne, State of Michigan (the "School District"), and its 2026 School Building and Site (Series II) and Refunding 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 the second series of bonds issued from a total authorized amount of \$28,000,000 approved by the School District's electors on May 6, 2025. The Bonds are authorized by the Board of Education of the School District by resolutions adopted on January 13, 2026 and expected to be adopted on March 10, 2026 (collectively, the "Resolution"). The Bonds will be issued for school building and site purposes, to refund a portion of the School District's outstanding 2016 School Building and Site Bonds, dated February 9, 2016, (the "Prior Bonds"), and to pay costs of issuance for the Bonds.

The principal of and interest on the Bonds are payable from the proceeds of ad valorem taxes levied on all taxable property in the School District which may be levied without limitation as to rate or amount. As of the date of delivery, the Bonds are expected to be fully qualified for participation in the State of Michigan School Bond Qualification and Loan Program. See "QUALIFICATION BY THE STATE OF MICHIGAN" and APPENDIX A, "State Qualification," in this Official Statement.

PLAN OF REFUNDING

A portion of the proceeds of the Bonds will be used to pay certain costs of issuance relating to the refunding of the Prior Bonds and to establish an escrow fund (the "Escrow Fund") composed of cash and/or noncallable direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America or other obligations the principal of and interest on which are fully secured by the foregoing. The Escrow Fund will be held by the corporate trust office of Argent Institutional Trust Company, Grand Rapids, Michigan as escrow agent (the "Escrow Agent") and will be used to pay the principal of and interest on the Prior Bonds at call for redemption. The Escrow Fund will be held by the Escrow Agent pursuant to an escrow agreement (the "Escrow Agreement") which irrevocably directs the Escrow Agent to make the payment of principal of and interest on the Prior Bonds at call for redemption. The Escrow Fund will be such that the cash and/or the principal of and interest payments received on investments will be sufficient, without reinvestment except as provided in the Escrow Agreement, to pay the principal of and interest on the Prior Bonds as they are called for early redemption, as set forth in the following table.

Principal of and Interest on the Prior Bonds to be paid from the Escrow Fund¹

<u>Date</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
05/01/26	\$14,000,000	\$350,000	\$14,350,000

The accuracy of the mathematical computations of the adequacy of cash and/or certain obligations to be held in the Escrow Fund and used, together with the earnings thereon, if any, to pay the principal of and interest on the Prior Bonds at call for redemption, and the yield on the Prior Bonds as originally issued and the yield of such obligations in the Escrow Fund purchased with the contribution from the Prior Bonds debt retirement fund will be verified by Robert Thomas, CPA LLC, Overland Park, Kansas (the "Verification Agent").

¹ Preliminary, subject to change

ESTIMATED SOURCES AND USES OF FUNDS

SOURCES¹:

Par Amount of Bonds
Reoffering Premium/Discount
Funds on Hand Contribution
Total Sources

USES¹:

Deposit to Capital Projects Fund
Deposit to Escrow 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 from the time bids are submitted.

Optional Redemption

The Bonds or portions of the Bonds in multiples of \$5,000 maturing on or after November 1, 2036 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 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 and notice of redemption on the Bonds, see "Book-Entry-Only System," "Transfer Outside the Book-Entry-Only System," and "Notice of Redemption and Manner of Selection" below.

¹ Preliminary, subject to change

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 of such Bond.

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 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.

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.

QUALIFICATION BY THE STATE OF MICHIGAN

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

Complete financial statements of all of the State's funds as included in the State's Annual Comprehensive Financial Report ("ACFR") prepared by the State's Office of the State Budget are available

upon request from the Budget website, www.michigan.gov/budget. The State has agreed to file its ACFR with the Nationally Recognized Municipal Securities Information Repositories and the State Information Depository (as described in Rule 15c2-12(b)(5) of the Securities and Exchange Commission) annually, so long as any bonds qualified for participation in the School Loan Revolving Fund remain outstanding.

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

¹ Preliminary, subject to change.

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.

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, together with amounts, if any, to be borrowed from the School Loan Revolving Fund for the Bonds, will be sufficient to pay promptly when due the principal of and interest on the Bonds becoming due prior to the time of the next tax levy. The tax levy shall not be subject to limitation as to rate or amount. Taxes for the payment of the principal of or interest on the Bonds are certified for collection each year with the school tax levies. In the event of the failure of the proper officials to certify taxes for the payment of the principal and interest requirements, a timely action in the nature of mandamus could compel certification and collection of

adequate taxes or could compel the School District to make application to borrow the necessary funds from the School Loan Revolving Fund and thus prevent default. However, if a paying agent for any bonds of the School District qualified for State loans as provided in Article IX, Section 16, of the State Constitution notifies the State Treasurer that the School District has failed to deposit sufficient funds to pay principal and interest on the qualified bonds when due or if a bond holder notifies the State Treasurer that the School District has failed to pay principal or interest on such qualified bonds when due, whether or not the School District has filed a draw request with the State Treasurer, the State Treasurer shall promptly pay the principal or interest on the qualified bonds when due.

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

Any amount paid by the State Treasurer as described in the preceding paragraphs shall be deemed a loan made to the School District pursuant to the requirements of said Article IX, Section 16, of the State Constitution. Registered owners of the Bonds may attempt to obtain a money judgment against the School District for the principal amount of the Bonds or interest not paid when due and may periodically attempt to enforce the collection of the money judgment by requiring the tax assessing officers for the School District to place the amount of such judgment on the next tax rolls of the School District. The rights of the holders of the Bonds and the enforceability thereof are subject to bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and their enforcement may be subject to the exercise of judicial discretion in appropriate cases. See APPENDIX A, "State Qualification", in this Official Statement.

SOURCES OF SCHOOL OPERATING REVENUE

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

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.

school districts on a per pupil basis. Proceeds of the enhancement mills are not counted toward the foundation allowance. The Wayne Regional Education Service Agency, the intermediate school district, levies a 1.98122 mill regional enhancement millage (rolled back from the initial authorization of 2.00 mills), which is distributed to all school districts within its boundaries, including the School District, on a per pupil basis. The School District expects to receive \$390.76 per pupil of enhancement millage revenue in 2025/2026. 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 property¹ as is necessary to hold themselves harmless and, if the 18 mills is insufficient, to then levy such additional mills against all property uniformly as is necessary to obtain the foundation allowance. The School District's 2025/26 per pupil foundation allowance does not exceed \$10,050, and the School District does not levy such additional millage.

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

Public Act 120 of 2024 amended the State School Aid Act for the 2024/25 fiscal year, maintaining the School District's foundation allowance at \$9,608 per pupil.

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

Pursuant to PA 15, the School District may be eligible to receive various categorical grants for specific purposes, such as special education, "at-risk" students, meal programs, early education, career and technical education programs, and other instructional and non-instructional programs. The annual amendments to the State School Aid Act determine the type and amount of those categorical funds. For further information regarding the School District's receipt of categorical funds for the 2024/25 fiscal year, see the School District's audited financial statements in APPENDIX D.

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

MICHIGAN PROPERTY TAX REFORM

On November 5, 2013, March 28, 2014, 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

¹ "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.

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 2013. 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 LCSEA 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 E, 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.

RATINGS

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 "AA" to the Bonds based upon the fact that each Bond will be fully qualified for participation in the Michigan School

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.

Bond Qualification and Loan Program as of its date of delivery. See "QUALIFICATION BY THE STATE OF MICHIGAN," "LEVY AND COLLECTION OF TAXES FOR PAYMENT OF THE BONDS AND BONDHOLDERS' REMEDIES" and APPENDIX A, "State Qualification," herein.

S&P will also assign, as of the date of delivery of the Bonds, its underlying municipal bond rating of "A" to the Bonds without regard to qualification of the Bonds for participation in the Michigan School Bond Qualification and Loan Program.

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 issue discount of \$_____. The Official Notice of Sale for the Bonds provides that all of the Bonds will be purchased by the Underwriter if any of such Bonds are purchased.

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 realow 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 G - 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 MPSERS," "History of Valuations - State Equalized Valuation and Taxable Valuation," "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 B and General Fund Budget Summary in Appendix C.

A failure by the School District to comply with the Agreement will not constitute an event of default under the 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 incurred certain financial obligations on March 1, 2022 and December 9, 2024 without a notice filing. Though notice of the incurrences have since been filed, they were not timely. Except for the foregoing, the School District has not, in the previous five years, failed to comply in any material respect with any previous continuing disclosure agreements or undertakings executed by the School District pursuant to the Rule.

FURTHER INFORMATION

Further information concerning the Bonds may be secured from Baker Tilly Municipal Advisors, LLC, 1000 Town Center, Southfield, Michigan 48075, Phone: (248) 372-7300, Municipal Advisor to the School District, or from the School District's administration offices, 13940 Leroy, Southgate, Michigan 48195, Phone: (734) 246-4600.

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.

SOUTHGATE COMMUNITY SCHOOL DISTRICT
COUNTY OF WAYNE
STATE OF MICHIGAN

By: _____
Its: Superintendent

**APPENDIX A
STATE QUALIFICATION**

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

State loans to school districts.

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

Amount of loans.

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

Qualified bonds.

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

Repayment of loans, tax levy by school district.

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

Bonds, state loans, repayment.

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

Power to tax unlimited.

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

Rights and obligations to remain unimpaired.

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

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

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

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

The People of the State of Michigan enact:

388.1921 Short title.

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

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

388.1922 Purpose of act.

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

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

388.1923 Definitions.

Sec. 3. As used in this act:

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

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

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

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

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

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

Reorganization Order No. 2010-2, MCL 12.194.

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

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

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

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

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

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

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

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

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

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

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

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

388.1925 Preliminary qualification; application.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

388.1926 Prequalification of bonds; determination by state treasurer.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

388.1928 Submission of ballot to electors; ballot.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

388.1930 Certificates of qualification or approval; file; delivery.

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

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

388.1931 Rules; bulletins.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

388.1935 Default; repayment.

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

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

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

388.1936 Charging and disposition of fees.

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

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

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

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

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

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

388.1938 Use of remaining proceeds.

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

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

(b) To repay this state.

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

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

388.1939 Actions by designee.

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

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

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

CONSTITUTIONAL LAW:
SCHOOL BONDS:
MUNICIPAL FINANCE COMMISSION:

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

No. 4422

March 12, 1965.

Hon. Sanford A. Brown
State Treasurer
Lansing, Michigan

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

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

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

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

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

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

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

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

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

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

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

FRANK J. KELLEY,
Attorney General

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

BONDS: Qualified bonds of school districts.

CONSTITUTION OF 1963: School Bond Loan Fund.

SCHOOLS: Bond Loans.

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

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

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

August 29, 1966.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

FRANK J. KELLEY,
Attorney General

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APPENDIX B¹
SCHOOL DISTRICT DATA

Location and Area

Southgate Community School District, County of Wayne, State of Michigan, (the “School District”) is a K-12 school district located in the southeastern portion of Michigan’s Lower Peninsula. The School District covers an area of approximately 7.6 square miles. The School District is comprised of the City of Southgate and a portion of the City of Allen Park in Wayne County (the “County”).

Population²

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

2020	31,523
2010	31,538

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

	<u>2010</u>	<u>2020</u>	<u>% Change</u>
Wayne County	1,820,584	1,793,561	-1.48%
City of Southgate	30,047	30,014	-0.11%

Board of Education

The School District is governed by seven elected Board of Education members who serve staggered six-year terms.

Enrollments

The following tables show total full time equivalent enrollments as of the Fall pupil count day, including regular education, special education, and alternative education in the School District for the past nine years as well as the 2025/2026 enrollment by grade.

Enrollment History

2025/26	4,024	2020/21	3,179
2024/25	3,876	2019/20	3,442
2023/24	3,565	2018/19	3,676
2022/23	3,343	2017/18	4,021
2021/22	3,242	2016/17	4,266

Projected K-12 enrollment for 2026/2027 is 4,075 as estimated by the School District.

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

² Sources: School District figures: U.S. Census Bureau.

2025/26 Enrollment by Grade

Kindergarten	370	7 th	237
1 st	299	8 th	234
2 nd	260	9 th	275
3 rd	259	10 th	412
4 th	265	11 th	356
5 th	254	12 th	397
6 th	282	Special Ed.	<u>124</u>
		Total	<u>4,024</u>

School District Facilities

<u>Facility</u>	<u>Grades Served</u>	<u>Year Constructed</u>	<u>Additions/ Remodeling</u>
<i>Elementary Schools:</i>			
Allen Elementary	K-5	1967	2024
Fordline Elementary	K-5	1956	2023
Grogran Elementary	K-5	1956	2024
Shelters Elementary	K-5	1953	2024
North Pointe Elementary	K-5	1970	2024
<i>Middle Schools:</i>			
Davidson Middle School	6-8	1953	2025
<i>High School:</i>			
Southgate Anderson	9-12	1960	2025
<i>Additional Facilities:</i>			
Davidson Middle Academy	6-7	1957	2025
Asher at Gerisch (Alt. Ed.)	9-12	1956	2004

Other Schools

Other schools located within the School District’s boundaries include: Christ the King Lutheran School, serving grades P-8, Creative Montessori Academy serving grades PK-8, Montessori Center of Downriver, serving grades PK-K and St. Pius X Catholic School serving grades K-8.

Labor Relations

<u>Class</u>	<u>Number</u>	<u>Affiliation</u>	<u>Contract Expires</u>
Teachers	244	MEA/NEA	1/31/2028
Alternative Education Teachers	8	MEA/NEA	8/31/2026
Administrators	15	Local Association (SPSA)	6/30/2026
Sp. Ed. Paraprofessionals	42	MEA/NEA	6/30/2026
Media Paraprofessionals	5	Teamsters Local 214	6/30/2026
Labor Support Staff – Food Serv.	27	Teamsters Local 214	6/30/2026
Administrative Assistance	21	Teamsters Local 214	6/30/2026
Third Party Contracted & Central Office Staff	<u>109</u>	Non-Affiliated	N/A
Total	<u>471</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 MPERS and among other provisions required all employees hired after July 1, 2010, to participate in a new Pension Plus Plan which provides a combined defined benefit and defined contribution benefit structure. Public Act 92 of 2017 ("Act 92") further modified MPERS for all employees hired on or after February 1, 2018. Act 92 requires all employees hired on or after February 1, 2018, to elect to participate in a new 401(k) style defined contribution plan or a new hybrid plan with different assumptions and cost sharing.

Contributions to MPERS

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

<u>Fiscal Year</u> <u>Ending June 30</u>	<u>Pension</u> <u>Amount</u>	<u>Health Care</u> <u>Amount</u>	<u>Total</u> <u>Amount</u>	<u>State Aid</u> <u>MPERS Direct</u> <u>Offset Payment²</u>
2026 ¹	\$14,739,346	\$3,805,759	\$18,545,105	\$6,610,976
2025	13,653,447	3,868,884	17,522,331	7,200,220
2024	11,062,422	2,061,364	13,123,786	6,890,939
2023	10,098,476	2,188,591	12,287,067	6,087,032
2022	8,991,601	1,995,599	10,987,200	5,332,087

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. Please refer to the audit for the pension liability.

Other Post-Employment Benefits

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

¹ Estimated.

² Represents the amount the School District received in state aid categorical revenue (Section 147c MPERS UAAL Rate Stabilization and One-Time Deposits) to directly pay for a portion of the School District's MPERS unfunded liability. This amount is included in the Total Amount shown in the table above.

GENERAL FINANCIAL INFORMATION

Assessed Valuations¹

Taxable property in the School District is assessed by the municipal assessor and is subject to review by the Wayne 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.

History of Valuations – State Equalized Valuation and Taxable Valuation^{1,2,3}

<u>Year</u>	<u>Principal Residence</u>	<u>Non-Principal Residence</u>	<u>Total Taxable Value</u>	<u>Percent Change</u>	<u>State Equalized Value</u>	<u>Percent Change</u>
2025	\$651,497,307	\$339,254,655	\$990,751,962	4.19%	\$1,406,890,178	6.41%
2024	625,422,402	325,483,382	950,905,784	7.23%	1,322,146,956	9.51%
2023	575,480,050	311,272,943	886,752,993	6.67%	1,207,365,965	9.24%
2022	540,048,249	291,234,849	831,283,098	5.10%	1,105,208,393	8.38%
2021	509,369,724	281,598,453	790,968,177	3.60%	1,019,777,351	6.11%

2025 Taxable Value by Class^{1,3}

	<u>Taxable Value</u>	<u>% of Total Taxable Value</u>
Commercial	\$245,937,209	24.82%
Industrial	12,934,736	1.31
Residential	687,177,785	69.36
Commercial Personal	24,879,200	2.51
Utility Personal	<u>19,823,032</u>	<u>2.00</u>
Total	<u>\$990,751,962</u>	<u>100.00%</u>

¹See "MICHIGAN PROPERTY TAX REFORM" herein for information regarding changes to certain tax classifications effective in the 2014 and 2016 tax years.

² The School Districts debt millage is levied on the taxable valuation plus the IFT equivalent taxable valuation.

³ Source: Wayne County Equalization Department.

2025 Taxable Valuation by Municipal Unit^{1,2,3}

<u>Name of Unit</u>	<u>Homestead</u> ²	<u>Non-Homestead</u> ²	<u>Total Taxable Valuation</u>	<u>% of Total Valuation</u>
<i>Wayne County</i>				
City of Allen Park	\$45,636,663	\$9,912,164	\$55,548,827	5.61%
City of Southgate	<u>604,970,198</u>	<u>330,232,937</u>	<u>935,203,135</u>	<u>94.39%</u>
Total	<u>\$650,606,861</u>	<u>\$340,145,101</u>	<u>\$990,751,962</u>	<u>100.00%</u>

Industrial Facilities Tax (IFT) Valuation³

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

After expiration of the abatement certificate, the then-current SEV of the facility is returned to the ad valorem tax roll. The owner of such facility may obtain a new certificate, provided it has complied with the provisions of Act 198. Properties which are granted IFT abatements within the School District’s boundaries are taxed at one-half rate of the total IFT valuations. There are no properties which have been granted IFT abatements within the School District’s boundaries for the year 2025.

As part of the phase-out of Michigan’s property tax on personal property, if a facility and personal property within that facility is subject to an industrial facilities tax, that tax applies until the expiration of said tax at which time the property tax exemption would remain intact until the “eligible personal property” is exempt under the new law. See “MICHIGAN PROPERTY TAX REFORM” herein.

Tax Increment Authorities³

The Recodified Tax Increment Financing Act, Act 57 of the Public Acts of Michigan, 2018 (the “RTIFA Act”) authorizes the designation of specific districts known as Tax Increment Finance Authority (“TIFA”) Districts, Downtown Development Authority (“DDA”) Districts, Local Development Finance Authority (“LDFA”) Districts and Act 381 of the Public Act of Michigan, 1996, as amended (the “Brownfield Act”) authorizes the designation of specific districts known as Brownfield Redevelopment Authority (“BRDA”) Districts (each a “TIF District”). These two acts authorize the formulation of tax increment financing plans for public improvements, economic development, neighborhood revitalization, historic preservation, and environmental cleanup within the TIF Districts.

Tax increment financing permits the TIFA, DDA, LDFA, and BRDA to capture tax revenues attributable to increases in value of real and personal property located within an approved development area while any tax increment financing plans by an established TIF District are in place. These captured revenues are used by the TIF District and are not passed on to the local taxing jurisdictions. DDAs within the School District have a 2025 Taxable Value of \$65,116,427 and a Final Captured Value of \$14,605,380.

A TIFA was established within the City of Southgate in 1985. The tax increment district does not capture the School District’s operating or debt millage.

¹ See “MICHIGAN PROPERTY TAX REFORM” herein for information regarding changes to certain tax classifications effective in the 2014 and 2016 tax years.

² 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. 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.

³ Source: Wayne County Equalization Department

Tax Levies and Collections

The School District’s fiscal year begins July 1 and ends June 30. School District property taxes are due July 1 of each fiscal year and are payable without interest on or before the following August 15 and without penalty on or before the following February 14. All real property taxes remaining unpaid on March 1st of the year following the levy are turned over to the County Treasurer for collection. Wayne County annually pays from its Delinquent Tax Revolving Fund delinquent taxes on real property to all taxing units in the County, including the School District, shortly after the date delinquent taxes are returned to the County Treasurer for collection.

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 st , Each Year		Collections Plus Funding to June 30 th , Each Year	
2025/26	\$6,121,472 (est.)		In process of collection		In process of collection	
2024/25	5,861,621		\$5,754,612	98.17%	\$5,806,364	99.06%
2023/24	5,754,067		5,279,597	91.75%	5,601,047	97.34%
2022/23	5,401,824		5,043,560	93.37%	5,401,824	100.00%
2021/22	5,183,299		4,895,823	94.45%	5,183,299	100.00%

State Aid Payments

The School District’s primary source of funding for operating costs is the State aid foundation allowance per pupil. The base 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 of the School District’s Blended Pupil Count, Foundation Allowance Per Pupil, Foundation Received Per Pupil, and Total State Aid Payments including categoricals.

Fiscal Year Ended 6/30	Blended Pupil Count	Foundation Allowance Per Pupil	Foundation Received Per Pupil	Total State Aid Payments
2026 ¹	4,145.84	\$10,050	\$11,518	\$47,750,278 (estimated)
2025	4,094.63	9,608	11,401	46,059,840
2024	3,637.40	9,608	12,833	46,679,067
2023	3,444.45	9,150	12,037	41,460,718
2022 ²	3,285.13	8,700	9,961	32,723,518

¹ Preliminary estimate, subject to change.

² 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.

Constitutional Millage Rollback

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

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

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Operating – Voted ¹	18.0000	18.0000	18.0000	18.0000	18.0000
Debt	5.8500	5.8500	5.8500	5.8500	5.8500
Sinking Fund ²	<u>1.8721</u>	<u>1.8859</u>	<u>1.9000</u>	<u>0.0000</u>	<u>0.0000</u>
Total Non-Principal Residence	25.7221	25.7359	25.7500	23.8500	23.8500
Total Principal Residence	7.7221	7.7359	7.7500	5.8500	5.8500

Other Tax Rates (Per \$1,000 of Valuation)³

	<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
Wayne County	7.7063	7.7468	7.7728	7.7728	7.8031
City of Allen Park	24.1151	23.5405	23.6627	22.3777	22.4080
City of Southgate	26.9476	26.5476	26.6676	26.5459	26.7308
Wayne RESA ³	5.3800	5.4092	5.4275	5.4275	5.4520
Wayne Community College	3.1876	3.2043	3.2202	3.2202	3.2378
Huron Clinton Metro Authority	0.2050	0.2062	0.2070	0.2070	0.2089
Wayne County Transit Authority	0.9831	0.1979	0.1986	0.9949	0.9949
Wayne County Art Institute Authority	0.1968	0.0988	0.0992	0.1986	0.1995

Largest Taxpayers⁴

Shown below are the ten largest identifiable taxpayers in the School District based on their 2025 taxable valuations. The taxpayers listed below represent 8.68% of the School District’s 2025 Taxable Valuation of \$990,751,962.

<u>Taxpayer</u>	<u>Product or Service</u>	<u>Taxable Value</u>
Detroit Edison	Utility	\$19,278,444
CRE Southgate Member, LLC	Apartments	10,180,722
Southgate Green Owner, LLC	Apartments	9,655,738
Walmart, Inc.*	Retail	9,259,029
Redwood Southgate Allen Rd. MI, LLC	Apartments	8,007,333
VGSG 358 LLC	Apartments	7,336,343
Maple Village of Southgate	Apartments	6,538,396
Meijer, Inc.	Retail	5,461,621
MJR Group, LLC	Movie Theater	5,375,509
Fountain Park Apts. North LLC	Apartments	<u>4,902,935</u>
TOTAL		<u>\$85,996,070</u>

*Note: Walmart Inc. is appealing its valuation. The Company is requesting a \$126,209 reduction from its 2025 Taxable Value.

¹ The School District levies 18 mills of voted operating millage on non-homestead property (all taxable property other than principal residences and industrial personal property), provided that the levy on the portion of non-homestead property constituting commercial personal property is exempt from up to 12 mills of the 18 mills. The Voted Operating millage expires with the 2035 levy.

² The Sinking fund millage expires with the 2032 levy.

³ On November 3, 2020, the electors of Wayne RESA approved a regional enhancement millage of 2 mills for a period of 6 years, 2022-2027, inclusive. The School District expects to receive \$390.76 per pupil in fiscal year 2025/2026 from the regional enhancement millage based on its pupil membership count.

⁴ Source: Wayne County Equalization Department.

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 Program¹

As of February 23, 2026, the School District does not have a SLRF balance.

Direct Debt (as of February 23, 2026)²

3/30/12	2012 Energy Conservation Improvement and Refunding Bonds (LTNQ)	\$460,000
2/09/16	2016 Building and Site Bonds (UTQ)	15,000,000
6/16/20	2020 Building and Site Bonds (UTQ)	27,605,000
6/21/23	2023 Building and Site Bonds, Series II (UTQ)	25,460,000
6/26/25	2025 Building and Site Bonds, Series I (UTQ)	<u>7,875,000</u>
Direct Debt (as of the date of sale)		<u>76,400,000</u>
Plus:	2026 School Building and Site (Series II) and Refunding Bonds (UTQ)	28,180,000*
Less:	2016 Building and Site Bonds (UTQ)	<u>(14,000,000)</u>
NET DIRECT DEBT (As of the date of delivery)		<u>\$90,580,000*</u>

Overlapping Debt (as of February 23, 2026)¹

<u>% Applicable</u>	<u>Municipality</u>	<u>Amount Outstanding</u>	<u>School District Share</u>
5.25	Allen Park City	\$49,342,448	\$2,590,479
100.00	Southgate City	806,932	806,932
1.64	Wayne County	254,205,020	<u>4,168,962</u>
Net overlapping debt in the School District			<u>\$7,566,373</u>
NET DIRECT AND OVERLAPPING DEBT ¹			<u>\$98,146,373*</u>

*Preliminary, subject to change.

¹ Source: Michigan Department of Treasury.

² Source: Municipal Advisory Council of Michigan.

Debt Ratios*

2025 State Equalized Valuation (SEV)	\$1,406,890,178
2025 Taxable Valuation	\$990,751,962
2020 Population	30,968
Direct Debt (Including New Issue)	\$90,580,000
Direct/Overlapping Debt	\$98,146,373
Direct Debt Per Capita	\$2,925
Direct/Overlapping Debt Per Capita	\$3,169
Per Capita 2025 SEV	\$45,430
Ratio of Direct Debt to 2025 SEV	6.44%
Ratio of Direct/Overlapping Debt to 2025 SEV	6.98%
Per Capita 2025 Taxable Valuation	\$31,993
Ratio of Direct Debt to 2025 Taxable Valuation	9.14%
Ratio of Direct/Overlapping Debt to 2025 Taxable Valuation	9.91%

Legal Debt Margin (as of February 23, 2026)*

2025 State Equalized Valuation	\$1,406,890,178
Debt Limit (15% of 2025 State Equalized Valuation)	\$211,033,527
Debt Outstanding (as of date of delivery)	\$90,580,000
Less bonds not subject to Debt Limit ² (as of date of delivery)	<u>(90,125,000)</u>
Total Subject to Debt Limit	<u>455,000</u>
Additional Debt Which Could Be Legally Incurred	<u>\$210,578,527</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 in the southeastern portion of Michigan’s Lower Peninsula, in Wayne County. The School District is primarily residential and commercial in nature. The School District is in close proximity to the commercial and industrial areas of the greater Detroit area that offers a variety of employment opportunities and cultural and recreational activities.

The School District is directly accessible to these cities with the following distances:

14	miles southwest of Detroit
40	miles east of Ann Arbor
96	miles southeast of Lansing
133	miles east of Kalamazoo
162	miles southeast of Grand Rapids

Unemployment¹

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

	<u>Wayne County</u>	<u>State of Michigan</u>
2025, Nov.	6.2%	4.9%
2024	5.5	4.7
2023	4.3	3.9
2022	4.7	4.2
2021	7.7	5.7
2020	13.6	10.0

¹ Source: State of Michigan Office of Labor Market Information.

Major Employers¹

<u>Company</u>	<u>Product or service</u>	<u>Approximate # of employees</u>
<i>Within the Area of the School District</i>		
Centria Healthcare LLC	Ambulatory services	1,554
Southgate Community School District	Public education	471
Detroit Quality Staffing L.l.c.	Employment services	431
Artek Industries Inc.	Administrative services	179
Renkim Corporation	Data processing	170
Meijer, Inc.	Retail	165
Southgate Automotive, Inc.	Car dealership	150
Sam's Club West	Warehouse club	149
Oakwood Healthcare, Inc.	Healthcare	137
Computer Confidence, Inc.	Computer system design services	125
The City of Southgate	City government	120
The Guidance Center	Social & rehabilitation services	120
Stu Evans Lincoln-Mercury, Southgate	Car dealership	113
<i>Within Wayne County (2,300 and over)</i>		
City of Detroit	City government	17,416
Ford Motor Company	Automotive manufacturer	17,005
Rocket Companies, Inc.	Banking	14,700
General Motors LLC	Motor vehicle & parts dealers	4,890
ZF North American, Inc.	Automotive supplier	4,731
Percepta, LLC	Customer contact services	4,450
Horizon Global Corporation	Mfg. motor vehicle parts	3,600
Detroit Diesel Corporation	Mfg. machinery & equipment	3,500
Oakwood Healthcare, Inc.	Health care	3,500
Grace Sinai Hospital	Health care	2,300

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

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APPENDIX C

SOUTHGATE COMMUNITY SCHOOL DISTRICT

General Fund Budget Summary
Fiscal Year Ended June 30, 2026

	2025/2026 Amended Budget
<u>REVENUES</u>	
Local Sources	\$7,368,241
State Sources	53,217,196
Federal Sources	3,937,795
Other Financing Sources	<u>4,449,672</u>
TOTAL REVENUES	<u>68,972,904</u>
<u>EXPENDITURES</u>	
Instructional Services:	
Basic Program	\$27,304,964
Added Needs	10,662,216
Support:	
Pupil	7,101,412
Instructional Staff	4,473,976
General Administration	850,674
School Administration	3,030,455
Business Services	1,080,963
Operations and Maintenance	5,673,135
Transportation	2,679,963
Central Services	1,860,423
Athletics	1,245,409
Community Services	1,551,180
Debt Service	<u>336,795</u>
TOTAL EXPENDITURES	<u>67,851,565</u>
Transfers:	
Outgoing Transfers & Other Transactions	<u>(131,233)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(131,233)</u>
Net Change in Fund Balance	990,106
Beginning Fund Balance - July 1	<u>19,191,592</u>
Estimated Fund Balance - June 30	<u>\$20,181,698</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.



Year Ended June 30, 2025	Financial Statements
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SOUTHGATE COMMUNITY SCHOOL DISTRICT

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INDEPENDENT AUDITORS' REPORT

October 24, 2025

Board of Education
Southgate Community School District
Southgate, 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 **Southgate Community School District** (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 of the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Implementation of GASB Statement No. 101

As described in Note 15, the District implemented the provisions of GASB Statement No. 101, *Compensated Absences*, in the current year. Accordingly, beginning net position of the governmental activities was restated. Our opinion is not modified with respect to this matter.

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 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 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 our report, under separate cover, our report dated October 24, 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.



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SOUTHGATE COMMUNITY SCHOOL DISTRICT

Management's Discussion and Analysis

As management of Southgate Community School District (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.

Financial Highlights

· Total net position	\$ (41,485,722)
· Change in total net position	12,957,371
· Fund balances, governmental funds	40,342,816
· Change in fund balances, governmental funds	(6,548,388)
· Unassigned fund balance, general fund	19,107,502
· Change in fund balance, general fund	1,851,625
· General obligation bonds outstanding	76,400,000
· Change in general obligation bonds	4,595,000

Overview of the Financial Statements

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

Government-wide Financial Statements. The *government-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 between them 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 government'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., earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (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, food service, and athletics. The District has no business-type activities as of and for the year ending June 30, 2025.

MANAGEMENT'S DISCUSSION AND ANALYSIS

SOUTHGATE COMMUNITY SCHOOL DISTRICT

Management's Discussion and Analysis

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. All of the funds of the District are considered to be governmental funds.

Governmental Funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-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 government's near-term financing requirements.

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

The District maintains numerous individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the general fund, 2023 capital projects fund, and the 2025 capital projects fund, which are 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* elsewhere in this report.

The District adopts an annual appropriated budget for its general and special revenue funds. A budgetary comparison statement has been provided for the general fund herein to demonstrate compliance with that budget.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-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. This is limited to this management's discussion and analysis and the schedules for the Michigan Public School Employees Retirement System (MPERS) pension and other postemployment benefit plans immediately following the notes to the financial statements. The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$41,485,722 at the close of the most recent fiscal year.

SOUTHGATE COMMUNITY SCHOOL DISTRICT

Management's Discussion and Analysis

A portion of the District's net position reflects its investments in capital assets net of related debt (e.g., construction in progress, buildings and improvements, site improvements, furniture and equipment, and buses and other vehicles, less any related debt used to acquire those assets that is still outstanding). Net position invested in capital assets, net of related debt used to acquire those assets that are still outstanding, resulted in a net position of \$6,138,390 at June 30, 2025. 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.

Net Position		
Governmental Activities		
	2025	2024
Current and other assets	\$ 64,232,092	\$ 62,467,699
Capital assets, net	74,537,842	61,614,356
Total assets	<u>138,769,934</u>	<u>124,082,055</u>
Deferred outflows of resources	<u>26,544,002</u>	<u>35,776,727</u>
Long-term liabilities	157,765,932	172,956,564
Other liabilities	13,297,917	13,278,859
Total liabilities	<u>171,063,849</u>	<u>186,235,423</u>
Deferred inflows of resources	<u>35,735,809</u>	<u>23,600,793</u>
Net position:		
Net investment in capital assets	6,138,390	7,249,051
Restricted	15,401,576	4,581,085
Unrestricted (deficit)	(63,025,688)	(61,807,570)
Total net position	<u>\$ (41,485,722)</u>	<u>\$ (49,977,434)</u>

Restricted net position represents amounts subject to external restrictions such as amounts restricted for food service, community service, capital projects, debt service, and other postemployment benefits. The remaining balance is unrestricted net position, which has a negative balance due to the recording of the District's portion of the Michigan Public School Employees Retirement System (MPERS) pension plan in accordance with GASB 68. Additional information regarding the District's long-term debt, net pension liability, and net other postemployment benefit asset can be found in the notes to the financial statements.

The District's net position increased by \$12,957,371 during the current fiscal year. The District's increase in net position was primarily driven by increases in per pupil foundation allowance and one time state aid support related to the state aid increases. The operating grants decrease is due to the remaining COVID funding grants being exhausted in 2024.

SOUTHGATE COMMUNITY SCHOOL DISTRICT

Management's Discussion and Analysis

	Changes in Net Position	
	Governmental Activities	
	2025	2024
Program revenues:		
Charges for services	\$ 2,753,543	\$ 2,326,888
Operating grants	27,152,682	31,283,796
General revenues:		
Property taxes	13,516,437	12,538,062
Unrestricted state aid	32,820,696	29,031,042
Unrestricted investment earnings	1,802,763	2,215,786
Other	74,172	155,482
Total revenues	<u>78,120,293</u>	<u>77,551,056</u>
Expenses:		
Instruction	28,973,854	30,966,107
Supporting services	24,403,127	22,634,535
Community services	1,562,727	1,513,720
Food service	2,225,740	2,162,632
Athletics	1,147,773	1,103,981
Interest on long-term liabilities	2,976,066	3,017,915
Unallocated depreciation/amortization	3,873,635	3,042,784
Total expenses	<u>65,162,922</u>	<u>64,441,674</u>
Change in net position	12,957,371	13,109,382
Net position:		
Beginning of year	(49,977,434)	(63,086,816)
Restatement for implementation of GASB 101	(4,465,659)	-
Net position, end of year	<u>\$ (41,485,722)</u>	<u>\$ (49,977,434)</u>

Financial Analysis of the Government's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

Governmental Funds. The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

SOUTHGATE COMMUNITY SCHOOL DISTRICT

Management's Discussion and Analysis

As of the end of the current fiscal year, the District's governmental funds reported a combined ending fund balance of \$40,342,816, a decrease of \$6,548,388 in comparison with the prior year. The District had unassigned fund balance of \$19,107,502. A portion of the fund balance is nonspendable, restricted, or committed to indicate that it is not available for new spending because the underlying assets are included in inventory and prepaid items, are restricted for externally imposed constraints, or committed by Board action, and are not available for current expenditure.

Fund balance of the general fund increased by \$1,851,625 resulting in a fund balance of \$19,191,592. This increase is primarily due to revenues exceeding expenditures.

The 2023 capital projects fund tracks revenue and expenditures for the 2023 Building and Site bond (Series II). Ending fund balance was \$9,282,386 and decreased \$15,271,302 due to 2023 Series II Bond work occurring throughout the 2024-2025 fiscal year.

The 2025 capital projects fund tracks revenue and expenditures for the 2025 Building and Site bond (Series I). Ending fund balance increased \$7,887,314 due to bond proceeds and premiums of \$8,026,055 issued during the year.

General Fund Budgetary Highlights

The change from the original budget to the final for revenues was an increase of approximately \$4.3 million. This was primarily due to unanticipated increases in local, state, federal and interdistrict sources of revenues.

The change from the original budget to the final for expenditures was an increase of approximately \$5.3 million. This was primarily due to unanticipated increases in instructional and supporting services costs.

The comparison of final budget to actual showed overall revenues and expenditures coming in under budgeted amounts, due primarily to unexpended federal grant funds on late awards that will carryover to 2025-2026.

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 \$74,537,842 (net of accumulated depreciation/amortization). This investment in capital assets includes construction in progress, buildings and additions, site improvement, equipment and furniture, buses and other vehicles, and lease equipment.

Depreciation/amortization expense was \$3,873,635 for the year ended June 30, 2025.

SOUTHGATE COMMUNITY SCHOOL DISTRICT

Management's Discussion and Analysis

Major capital improvement purchases during the current fiscal year included improvements to the athletic field at the high school, site improvements at a variety of locations and upgrades to instructional technology.

A summary of the District's capital assets (net of accumulated depreciation/amortization) as of year end is as follows:

	2025	2024
Capital assets not being depreciated -		
Construction in progress	\$ 3,188,258	\$ 7,500,748
Capital assets being depreciated/amortized, net:		
Buildings and additions	53,873,452	42,598,274
Site improvements	10,694,670	8,737,849
Equipment and furniture	6,100,494	2,334,479
Buses and other vehicles	466,194	410,557
Lease equipment	214,774	32,449
Total capital assets, net	<u>\$ 74,537,842</u>	<u>\$ 61,614,356</u>

Additional information on the District's capital assets can be found in the notes to the financial statements section of this report.

Long-term Debt. At the end of the current fiscal year, the District had total bonds, notes, and other long-term liabilities outstanding of \$91,073,980.

The District's total principal payments on general obligation bonds payable were \$3,280,000 during the current fiscal year. The District issued its 2025 building and site bonds in the amount of \$7,875,000 and a premium of \$151,000 in the current year.

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

SOUTHGATE COMMUNITY SCHOOL DISTRICT

Management's Discussion and Analysis

Factors Bearing on the District's Future

The following factors were also considered in preparing the District's budget for the 2025-2026 fiscal year:

- Staffing shortages continue to affect not only the District, but also all Michigan school districts. There will also be a foundation grant allowance increase from 2024-2025 to 2025-2026. Additionally since the "Schools of Choice" legislation was enacted, the District's enrollment has grown to about 4,040.
- The budget for the year ended June 30, 2026 was adopted in June 2025. At the time of adoption, the State's budget was unresolved. The District budgeted the foundation allowance to be \$10,000. Once the State's budget was finalized, that amount was determined to be \$10,050. This increase will be adjusted in the first budget amendment.

Requests for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of Business and Finance, 13940 Leroy, Southgate, Michigan 48195.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

SOUTHGATE COMMUNITY SCHOOL DISTRICT

Statement of Net Position

June 30, 2025

	Governmental Activities
Assets	
Cash and investments	\$ 42,074,372
Receivables	10,882,151
Inventory and prepaids	106,334
Net other postemployment benefit asset	11,169,235
Capital assets not being depreciated	3,188,258
Capital assets being depreciated/amortized, net	<u>71,349,584</u>
Total assets	<u>138,769,934</u>
Deferred outflows of resources	
Deferred pension amounts	23,085,997
Deferred other postemployment benefit amounts	<u>3,458,005</u>
Total deferred outflows of resources	<u>26,544,002</u>
Liabilities	
Accounts payable and accrued liabilities	12,564,888
Unearned revenue	733,029
Bonds, notes and other long-term liabilities:	
Due within one year	4,104,228
Due in more than one year	86,969,752
Net pension liability (due in more than one year)	<u>66,691,952</u>
Total liabilities	<u>171,063,849</u>
Deferred inflows of resources	
Deferred pension amounts	20,891,179
Deferred other postemployment benefit amounts	<u>14,844,630</u>
Total deferred inflows of resources	<u>35,735,809</u>
Net position	
Net investment in capital assets	6,138,390
Restricted for food service	1,126,010
Restricted for community service	405,031
Restricted for capital projects	2,382,717
Restricted for debt service	318,583
Restricted for other postemployment benefits	11,169,235
Unrestricted (deficit)	<u>(63,025,688)</u>
Total net position	<u>\$ (41,485,722)</u>

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

SOUTHGATE COMMUNITY SCHOOL DISTRICT

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	\$ 28,973,854	\$ -	\$ 23,286,052	\$ (5,687,802)
Supporting services	24,403,127	2,068,702	1,078,702	(21,255,723)
Community services	1,562,727	590,917	233,763	(738,047)
Food service	2,225,740	42,822	2,554,165	371,247
Athletics	1,147,773	51,102	-	(1,096,671)
Interest on long-term liabilities	2,976,066	-	-	(2,976,066)
Unallocated depreciation/amortization	3,873,635	-	-	(3,873,635)
Total governmental activities	<u>\$ 65,162,922</u>	<u>\$ 2,753,543</u>	<u>\$ 27,152,682</u>	<u>(35,256,697)</u>
General revenues				
Property taxes				13,516,437
Unrestricted state aid				32,820,696
Unrestricted investment earnings				1,802,763
Other				<u>74,172</u>
Total general revenues				<u>48,214,068</u>
Change in net position				
				<u>12,957,371</u>
Net position, beginning of year, as previously reported				
				(49,977,434)
Restatement - GASB 101 implementation				
				<u>(4,465,659)</u>
Net position, beginning of year, as restated				
				<u>(54,443,093)</u>
Net position, end of year				
				<u>\$ (41,485,722)</u>

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

FUND FINANCIAL STATEMENTS

SOUTHGATE COMMUNITY SCHOOL DISTRICT

Balance Sheet

Governmental Funds
June 30, 2025

	General	2023 Capital Projects	2025 Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Cash and investments	\$ 18,586,357	\$ 12,482,382	\$ 7,977,581	\$ 3,028,052	\$ 42,074,372
Accounts receivable	-	-	-	7,265	7,265
Due from other governments	10,837,883	-	-	37,003	10,874,886
Due from other funds	-	-	-	2,424,044	2,424,044
Inventory	42,044	-	-	16,250	58,294
Prepaid items	42,046	-	-	5,994	48,040
Total assets	\$ 29,508,330	\$ 12,482,382	\$ 7,977,581	\$ 5,518,608	\$ 55,486,901
Liabilities					
Accounts payable	\$ 822,943	\$ 1,206,014	\$ 90,267	\$ 1,356,497	\$ 3,475,721
Accrued salaries and related liabilities	8,485,612	-	-	25,679	8,511,291
Due to other funds	298,956	1,993,982	-	131,106	2,424,044
Unearned revenue	709,227	-	-	23,802	733,029
Total liabilities	10,316,738	3,199,996	90,267	1,537,084	15,144,085
Fund balances					
Nonspendable - inventory and prepaid items	84,090	-	-	22,244	106,334
Restricted:					
Food service	-	-	-	1,103,766	1,103,766
Community services	-	-	-	405,031	405,031
Debt service	-	-	-	896,459	896,459
Capital projects	-	9,282,386	7,887,314	1,191,465	18,361,165
Committed - student/school activities	-	-	-	362,535	362,535
Committed - capital projects	-	-	-	24	24
Unassigned	19,107,502	-	-	-	19,107,502
Total fund balances	19,191,592	9,282,386	7,887,314	3,981,524	40,342,816
Total liabilities and fund balances	\$ 29,508,330	\$ 12,482,382	\$ 7,977,581	\$ 5,518,608	\$ 55,486,901

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

SOUTHGATE COMMUNITY SCHOOL DISTRICT

Reconciliation

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

Fund balances - total governmental funds	\$ 40,342,816
Amounts reported for <i>governmental activities</i> 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	3,188,258
Capital assets being depreciated/amortized, net	71,349,584
Certain liabilities, such as bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	
General obligation bonds and lease liability	(76,619,504)
Compensated absences	(6,696,080)
Accrued interest payable	(577,876)
Unamortized bond premium	(7,758,396)
Certain pension and other postemployment benefit-related amounts, such as the net pension liability, net 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	(66,691,952)
Deferred outflows of resources related to the net pension liability	23,085,997
Deferred inflows of resources related to the net pension liability	(20,891,179)
Net other postemployment benefit asset	11,169,235
Deferred outflows of resources related to the net other postemployment benefit asset	3,458,005
Deferred inflows of resources related to the net other postemployment benefit asset	<u>(14,844,630)</u>
Net position of governmental activities	<u>\$ (41,485,722)</u>

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

SOUTHGATE COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds
For the Year Ended June 30, 2025

	General	2023 Capital Projects	2025 Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
Revenues					
Local sources	\$ 8,897,423	\$ 876,732	\$ 1,479	\$ 8,781,834	\$ 18,557,468
State sources	48,486,787	-	-	494,152	48,980,939
Federal sources	3,455,158	213,351	-	2,286,856	5,955,365
Interdistrict sources	4,626,521	-	-	-	4,626,521
Total revenues	<u>65,465,889</u>	<u>1,090,083</u>	<u>1,479</u>	<u>11,562,842</u>	<u>78,120,293</u>
Expenditures					
Current:					
Instruction	35,635,543	-	-	-	35,635,543
Supporting services	25,493,410	-	-	903,060	26,396,470
Community services	1,283,053	-	-	-	1,283,053
Food service	-	-	-	2,384,896	2,384,896
Athletics	1,273,171	-	-	-	1,273,171
Debt service:					
Principal	32,544	-	-	3,280,000	3,312,544
Interest and fiscal charges	8,397	-	-	3,349,590	3,357,987
Bond issuance costs	-	-	110,220	-	110,220
Capital outlay	210,595	16,361,385	30,000	2,549,467	19,151,447
Total expenditures	<u>63,936,713</u>	<u>16,361,385</u>	<u>140,220</u>	<u>12,467,013</u>	<u>92,905,331</u>
Revenues over (under) expenditures	<u>1,529,176</u>	<u>(15,271,302)</u>	<u>(138,741)</u>	<u>(904,171)</u>	<u>(14,785,038)</u>
Other financing sources (uses)					
Proceeds from bonds and other long-term liabilities	210,595	-	7,875,000	-	8,085,595
Premium on issuance of long-term debt	-	-	151,055	-	151,055
Transfers in	111,854	-	-	-	111,854
Transfers out	-	-	-	(111,854)	(111,854)
Total other financing sources (uses)	<u>322,449</u>	<u>-</u>	<u>8,026,055</u>	<u>(111,854)</u>	<u>8,236,650</u>
Net change in fund balances	<u>1,851,625</u>	<u>(15,271,302)</u>	<u>7,887,314</u>	<u>(1,016,025)</u>	<u>(6,548,388)</u>
Fund balances, beginning of year	<u>17,339,967</u>	<u>24,553,688</u>	<u>-</u>	<u>4,997,549</u>	<u>46,891,204</u>
Fund balances, end of year	<u>\$ 19,191,592</u>	<u>\$ 9,282,386</u>	<u>\$ 7,887,314</u>	<u>\$ 3,981,524</u>	<u>\$ 40,342,816</u>

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

SOUTHGATE COMMUNITY SCHOOL DISTRICT

Reconciliation

Net Change 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	\$ (6,548,388)
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/amortization expense.	
Capital assets purchased/constructed	17,123,952
Depreciation/amortization expense	(3,873,635)
Loss on disposal of capital assets	(326,831)
Bond proceeds provide current financial resources to governmental funds in the period issued, but issuing bonds increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	
Proceeds from issuance of bonds and other long-term liabilities	(8,085,595)
Premium on issuance of bonds	(151,055)
Principal payments on general obligation bonds and lease liability	3,312,544
Amortization of bond premiums	540,937
Amortization of deferred charge on refunding	(28,730)
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 funds.	
Change in accrued interest payable on bonds	(20,066)
Change in the accrual for compensated absences	(428,692)
Change in the net pension liability and related deferred amounts	6,743,408
Change in net other postemployment benefit asset/liability and related deferred amounts	4,699,522
Change in net position of governmental activities	<u>\$ 12,957,371</u>

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

SOUTHGATE COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures, and Changes 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	\$ 7,581,112	\$ 8,592,539	\$ 8,897,423	\$ 304,884
State sources	48,109,461	49,272,273	48,486,787	(785,486)
Federal sources	3,219,719	4,162,322	3,455,158	(707,164)
Interdistrict sources	2,739,069	3,912,039	4,626,521	714,482
Total revenues	<u>61,649,361</u>	<u>65,939,173</u>	<u>65,465,889</u>	<u>(473,284)</u>
Expenditures				
Current:				
Instruction:				
Basic programs	24,511,727	26,251,188	25,946,411	(304,777)
Added needs	8,305,849	8,617,960	8,289,810	(328,150)
Adult and continuing education	1,249,569	1,499,078	1,399,322	(99,756)
Total instruction	<u>34,067,145</u>	<u>36,368,226</u>	<u>35,635,543</u>	<u>(732,683)</u>
Supporting services:				
Pupil	6,835,687	6,556,963	6,656,559	99,596
Instructional services	3,619,207	4,431,952	4,117,131	(314,821)
General administration	685,551	794,376	802,280	7,904
School administration	2,585,411	3,155,224	3,197,950	42,726
Business	1,291,159	1,215,705	1,168,524	(47,181)
Maintenance	5,229,260	5,804,081	5,454,128	(349,953)
Transportation	2,111,968	2,526,520	2,426,917	(99,603)
Central services	1,392,294	1,814,637	1,669,921	(144,716)
Total supporting services	<u>23,750,537</u>	<u>26,299,458</u>	<u>25,493,410</u>	<u>(806,048)</u>
Community services	<u>1,177,330</u>	<u>1,420,456</u>	<u>1,283,053</u>	<u>(137,403)</u>
Athletics	<u>1,238,346</u>	<u>1,393,501</u>	<u>1,273,171</u>	<u>(120,330)</u>
Debt service:				
Principal	50,000	64,958	32,544	(32,414)
Interest and fiscal charges	-	7,786	8,397	611
Total debt service	<u>50,000</u>	<u>72,744</u>	<u>40,941</u>	<u>(31,803)</u>
Capital outlay	<u>-</u>	<u>-</u>	<u>210,595</u>	<u>210,595</u>
Total expenditures	<u>60,283,358</u>	<u>65,554,385</u>	<u>63,936,713</u>	<u>(1,617,672)</u>
Revenues over expenditures	<u>1,366,003</u>	<u>384,788</u>	<u>1,529,176</u>	<u>1,144,388</u>

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SOUTHGATE COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures, and Changes 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
Other financing sources (uses)				
Proceeds from leases	\$ -	\$ -	\$ 210,595	\$ 210,595
Transfers in	103,658	63,707	111,854	48,147
Transfers out	(283,131)	(79,960)	-	(79,960)
Total other financing sources (uses)	<u>(179,473)</u>	<u>(16,253)</u>	<u>322,449</u>	<u>338,702</u>
Net change in fund balance	1,186,530	368,535	1,851,625	1,483,090
Fund balance, beginning of year	<u>17,339,967</u>	<u>17,339,967</u>	<u>17,339,967</u>	-
Fund balance, end of year	<u>\$ 18,526,497</u>	<u>\$ 17,708,502</u>	<u>\$ 19,191,592</u>	<u>\$ 1,483,090</u>

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

NOTES TO THE FINANCIAL STATEMENTS

SOUTHGATE COMMUNITY SCHOOL DISTRICT

Notes to the Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Southgate Community School District (the "District") has followed the guidelines of the Governmental Accounting Standards Board 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 include significant operational or financial relationships with the District.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. The District had no *business-type activities* during the year.

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 government-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.

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 government 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 and claims and judgments, are recorded only when payment is due.

SOUTHGATE COMMUNITY SCHOOL DISTRICT

Notes to the Financial Statements

Property taxes, expenditure-driven grant revenue, 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 government.

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 *2023 capital projects fund* is used to account for financial resources from bond activity restricted to expenditure for the acquisition or construction of capital assets.

The *2025 capital projects fund* is used to account for financial resources from bond activity restricted to expenditure for the acquisition or construction of capital assets.

Additionally, the District reports the following fund types:

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

The *capital project funds* are used to account for financial resources from bond activity restricted to expenditure for the acquisition or construction of capital assets.

The *debt service fund* accounts for financial resources restricted, committed, or assigned to expenditure for principal and interest.

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

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

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.

The District’s investments in the Michigan Liquid Assets Fund (MILAF) are recorded at amortized cost, and its investments in common stock are stated at fair value.

Receivables and payables

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).

SOUTHGATE COMMUNITY SCHOOL DISTRICT

Notes to the Financial Statements

Receivables generally consist of amounts due from the State of Michigan for July and August State aid payments and amounts due from grantors for expenditures incurred under reimbursement-based grants (for which allowable expenditures were incurred as of year-end, but the funds had either not yet been requested or not yet been received). Management has estimated that any uncollectible receivables will be immaterial and, as such, no allowance for doubtful accounts has been recorded.

Accounts payable and other payables reflected in the financial statements are based on when the liability is incurred.

Inventory and prepaids

Inventory is valued at the lower of cost (first in, first out) or market. Inventory in the special revenue fund consists of expendable supplies held for consumption. USDA donated commodities in the food service fund are recorded at fair value. The cost is recorded as an expenditure when consumed 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.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. Reported prepaids 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 property and equipment, are reported in the government-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 if purchased or constructed. 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.

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

Assets	Years
Buildings and additions	20-50
Site improvements	15-20
Furniture and equipment	5-20
Buses and other vehicles	5-15

SOUTHGATE COMMUNITY SCHOOL DISTRICT

Notes to the Financial Statements

Leases

Lessee. The District is a lessee for two noncancellable leases of equipment. The District recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements. The District recognizes lease liabilities with an initial, individual value of \$5,000 or more.

At the commencement of a lease, the District initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the District determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments. The District uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the District generally uses its estimated incremental borrowing rate as the discount rate for leases. The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price (if applicable) that the District is reasonably certain to exercise.

The District monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

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, deferred outflows of resources, represents a consumption of net assets that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. The District reports deferred outflows for the charge on refunding. This amount represents the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The District also reports deferred outflows of resources related to the net pension liability and the net other postemployment benefit asset. A portion of these costs represent contributions to the plan subsequent to the plan measurement date.

Unearned revenues

Unearned revenue is comprised of amounts received prior to the delivery of goods/service or expenditure on allowable costs.

SOUTHGATE COMMUNITY SCHOOL DISTRICT

Notes to the 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 separation from employment. Based on the criteria listed, two types of leave qualify for liability recognition for compensated absences - vacation and sick. The liability for compensated absences is reported as incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. The liability for compensated absences includes salary-related benefits, where applicable.

Long-term obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the 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.

In the fund financial statements, governmental fund types generally 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. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

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 the net pension liability and net other postemployment benefit asset.

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 the resources by grantors, contributors, or laws or regulations of other governments. As applicable, *committed fund balance* is reported for amounts that can be used for specific purposes pursuant to constraints imposed by formal action if the government's highest level of decision making authority, the Board of Education. A formal resolution of the Board of Education is required to establish, modify or rescind a fund balance commitment. As applicable, the District reports *assigned fund balance* for amounts that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed. The Board of Education has delegated the authority to assign fund balance to the Superintendent or his designee. *Unassigned fund balance* is the residual classification for the general fund.

SOUTHGATE COMMUNITY SCHOOL DISTRICT

Notes to the Financial Statements

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.

Pensions and other postemployment benefits

For purposes of measuring the net pension liability and net other postemployment benefits asset, deferred outflows of resources and deferred inflows of resources related to pensions and other postemployment benefits, and 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 generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

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 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 budgets for the general and special revenue funds are adopted on a functional basis.

Excess of expenditures over appropriations in budgetary funds

Budget to actual comparisons for the general fund are presented in the fund financial statements at the legal level of budgetary control. During the year ended June 30, 2025, the District incurred expenditures in excess of appropriated amounts as follows:

	Final Budget	Actual	Variance
General fund			
Supporting services:			
Pupil	\$ 6,556,963	\$ 6,656,559	\$ 99,596
General administration	794,376	802,280	7,904
School administration	3,155,224	3,197,950	42,726
Debt service -			
Interest and fiscal charges	7,786	8,397	611
Capital outlay	-	210,595	210,595

SOUTHGATE COMMUNITY SCHOOL DISTRICT

Notes to the Financial Statements

3. COMPLIANCE AND ACCOUNTABILITY

Bonded construction costs

The 2025 capital projects funds include capital project activities funded with bonds. For this capital project, the District has complied with the applicable provisions of §1351(a) of the Michigan Revised School Code. The project is not yet considered substantially complete and a subsequent year audit is expected.

The 2023 capital projects funds include capital project activities funded with bonds. For this capital project, the District has complied with the applicable provisions of §1351(a) of the Michigan Revised School Code. The project is not yet considered substantially complete and a subsequent year audit is expected.

Sinking fund

The capital projects sinking fund records capital project activities funded with a sinking fund millage. For this fund, the District has complied with the applicable provisions of Section §1212 of the Michigan Revised School Code.

4. DEPOSITS AND INVESTMENTS

A reconciliation of cash and cash equivalents as shown on the Statement of Net Position is as follows:

Statement of Net Position	
Cash and investments	<u>\$ 42,074,372</u>
Deposits and investments	
Bank deposits (checking/savings accounts)	\$ 14,174,324
Investments	<u>27,900,048</u>
Total	<u>\$ 42,074,372</u>

Statutory Authority

State statutes authorize the District to invest in:

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

SOUTHGATE COMMUNITY SCHOOL DISTRICT

Notes to the Financial Statements

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

Deposit and investment risk

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, \$15,667,427 of the District's bank balance of \$15,917,427 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Investments

The District chooses to disclose its investments by specific identification. As of year end, the District had the following investments:

Investment	Maturity	Amortized Cost/Fair Value	Rating
Michigan Liquid Asset Fund (MILAF) Portfolio	n/a	\$ 27,890,799	S&P AAAm
Common stock	n/a	9,249	n/a
		<u>\$ 27,900,048</u>	

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 above. 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.

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

SOUTHGATE COMMUNITY SCHOOL DISTRICT

Notes to the Financial Statements

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 are not subject to custodial 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. All investments held at year end are reported above.

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

The District's only recurring fair value measurements as of June 30, 2025 were related to its investments in common stock. These investments are valued using quoted market pricing of the underlying securities (Level 1 inputs).

5. RECEIVABLES

Receivables as of year end for the District's individual major funds and nonmajor funds in the aggregate, are as follows:

	General	Nonmajor Governmental Funds	Total
Accounts receivable	\$ -	\$ 7,265	\$ 7,265
Due from other governments	10,837,883	37,003	10,874,886
	<u>\$ 10,837,883</u>	<u>\$ 44,268</u>	<u>\$ 10,882,151</u>

SOUTHGATE COMMUNITY SCHOOL DISTRICT

Notes to the Financial Statements

6. CAPITAL ASSETS

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

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Governmental activities					
Capital assets not being depreciated -					
Construction in progress	\$ 7,500,748	\$ 2,919,568	\$ (190,136)	\$ (7,041,922)	\$ 3,188,258
Capital assets being depreciated/amortized:					
Buildings and additions	88,067,219	7,803,680	(13,364)	6,161,641	102,019,176
Site improvements	14,519,493	2,179,544	(270,324)	368,358	16,797,071
Furniture and equipment	4,603,711	3,905,946	(363,786)	511,923	8,657,794
Buses and other vehicles	806,565	104,619	-	-	911,184
Lease equipment (Note 10)	72,109	210,595	-	-	282,704
	<u>108,069,097</u>	<u>14,204,384</u>	<u>(647,474)</u>	<u>7,041,922</u>	<u>128,667,929</u>
Less accumulated depreciation/amortization for:					
Buildings and additions	(45,468,945)	(2,686,350)	9,571	-	(48,145,724)
Site improvements	(5,781,644)	(509,369)	188,612	-	(6,102,401)
Furniture and equipment	(2,269,232)	(600,664)	312,596	-	(2,557,300)
Buses and other vehicles	(396,008)	(48,982)	-	-	(444,990)
Lease equipment (Note 10)	(39,660)	(28,270)	-	-	(67,930)
	<u>(53,955,489)</u>	<u>(3,873,635)</u>	<u>510,779</u>	<u>-</u>	<u>(57,318,345)</u>
Total capital assets being depreciated/amortized, net	<u>54,113,608</u>	<u>10,330,749</u>	<u>(136,695)</u>	<u>7,041,922</u>	<u>71,349,584</u>
Governmental activities capital assets, net	<u>\$ 61,614,356</u>	<u>\$ 13,250,317</u>	<u>\$ (326,831)</u>	<u>\$ -</u>	<u>\$ 74,537,842</u>

Depreciation/amortization expense of \$3,873,635 was reported as unallocated depreciation/amortization, and was not allocated to specific functions.

At June 30, 2025, the District had outstanding construction commitments through construction contracts for the 2023 and 2025 Building and Site Bonds of \$2.4 million and for the sinking fund of \$42,900.

SOUTHGATE COMMUNITY SCHOOL DISTRICT

Notes to the Financial Statements

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities as of year end for the District's individual major funds and nonmajor funds in the aggregate, are as follows:

	General	2023 Capital Projects	2025 Capital Projects	Nonmajor Governmental Funds	Total
Fund Financial Statements					
Accounts payable	\$ 822,943	\$ 1,206,014	\$ 90,267	\$ 1,356,497	\$ 3,475,721
Accrued salaries and related liabilities	8,485,612	-	-	25,679	8,511,291
	<u>\$ 9,308,555</u>	<u>\$ 1,206,014</u>	<u>\$ 90,267</u>	<u>\$ 1,382,176</u>	<u>11,987,012</u>
Government-wide Financial Statements					
Accrued interest on long-term debt					577,876
					<u>\$ 12,564,888</u>

8. INTERFUND RECEIVABLES AND PAYABLES AND TRANSFERS

At June 30, 2025, interfund receivables and payables consisted of the following:

	Due From	Due To
General	\$ -	\$ 298,956
2023 capital projects	-	1,993,982
Nonmajor governmental funds	2,424,044	131,106
	<u>\$ 2,424,044</u>	<u>\$ 2,424,044</u>

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

SOUTHGATE COMMUNITY SCHOOL DISTRICT

Notes to the Financial Statements

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

	Transfers in	Transfers out
General	\$ 111,854	\$ -
Nonmajor governmental funds	-	111,854
	<u>\$ 111,854</u>	<u>\$ 111,854</u>

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; and (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

For the year ended June 30, 2025, interfund transfers to the general fund were made to cover overhead and indirect costs for the cafeteria fund.

9. BONDS, NOTES, AND OTHER LONG-TERM LIABILITIES

Bonds, notes, and other long-term liabilities of the District at June 30, 2025, are summarized as follows:

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
General obligation bonds payable	\$ 71,805,000	\$ 7,875,000	\$ (3,280,000)	\$ 76,400,000	\$ 2,485,000
Lease liability (Note 10)	41,453	210,595	(32,544)	219,504	53,023
Bond premium	8,148,278	151,055	(540,937)	7,758,396	386,597
Compensated absences*	6,267,388	428,692	-	6,696,080	1,179,608
Total bonds, notes, and other long-term liabilities	<u>\$ 86,262,119</u>	<u>\$ 8,665,342</u>	<u>\$ (3,853,481)</u>	<u>\$ 91,073,980</u>	<u>\$ 4,104,228</u>

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

SOUTHGATE COMMUNITY SCHOOL DISTRICT

Notes to the Financial Statements

General obligation bonds

\$2,755,000 2012 Energy Bonds, due in annual installments of \$140,000 to \$235,000 through the year 2027; interest at 2.50% to 3.95%	\$ 460,000
\$17,300,000 2016 Building and Site Bonds, due in annual installments of \$275,000 to \$1,000,000 through the year 2040; interest at 4.00% to 5.00%	15,000,000
\$27,775,000 2020 Building & Site Bonds, due in annual installments of \$170,000 to \$1,755,000 through the year 2046; interest at 3.00% to 5.00%	27,605,000
\$25,685,000 2023 Building & Site Bonds, due in annual installments of \$225,000 to \$2,020,000 through the year 2049; interest at 4.00% to 5.25%	25,460,000
\$7,875,000 2025 Building & Site Bonds, due in annual installments of \$205,000 to \$740,000 through the year 2050; interest at 5.00%	<u>7,875,000</u>
	<u>\$ 76,400,000</u>

Future principal and interest payment requirements on general obligation bonds payable are as follows:

Year Ended June 30,	Principal	Interest	Total
2026	\$ 2,485,000	\$ 3,527,414	\$ 6,012,414
2027	2,695,000	3,483,533	6,178,533
2028	2,450,000	3,372,250	5,822,250
2029	2,435,000	3,269,350	5,704,350
2030	2,640,000	3,169,800	5,809,800
2031-2035	15,235,000	14,591,150	29,826,150
2036-2040	19,130,000	10,910,350	30,040,350
2041-2045	17,095,000	6,603,150	23,698,150
2046-2050	12,235,000	2,377,450	14,612,450
Totals	<u>\$ 76,400,000</u>	<u>\$ 51,304,447</u>	<u>\$ 127,704,447</u>

SOUTHGATE COMMUNITY SCHOOL DISTRICT

Notes to the Financial Statements

10. LEASES

Lessee - The District is involved in two agreements as a lessee that qualifies as a long-term lease agreement. Below is a summary of the nature of this agreement. This agreement qualifies as an intangible, right-to-use asset and not a financed purchase, as the District will not own the asset at the end of the contract term and the noncancelable term of the agreement surpasses one year.

The right-to-use-assets and the related activity are included in Note 6, Capital Assets. The lease liability and related activity are presented in Note 9, Bonds, Notes, and Other Long-term Liabilities.

Asset Type	Remaining Term of Agreements
Equipment	2 & 5 years

The net present value of future minimum payments as of June 30, 2025, were as follows:

Year Ended June 30,	Principal	Interest
2026	\$ 53,023	\$ 12,713
2027	52,297	9,452
2028	43,369	6,415
2029	46,410	3,379
2030	24,405	485
	<u>\$ 219,504</u>	<u>\$ 32,444</u>

11. 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.

SOUTHGATE COMMUNITY SCHOOL DISTRICT

Notes to the Financial Statements

12. PENSION AND OTHER POSTEMPLOYMENT BENEFITS 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.

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.

SOUTHGATE COMMUNITY SCHOOL DISTRICT

Notes to the Financial Statements

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.

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.

SOUTHGATE COMMUNITY SCHOOL DISTRICT

Notes to the Financial Statements

Contributions

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

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

The 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 \$12,211,571, which included \$2,809,999, the amount received from the State and remitted to the System to fund the MPERS unfunded actuarial accrued liability ("UAAL") stabilization rate. In addition, the District had additional contributions of \$638,724, which was a one-time, state payment toward the MPERS unfunded liability.

SOUTHGATE COMMUNITY SCHOOL DISTRICT

Notes to the Financial Statements

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 \$656,343.

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 \$443,262.

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 \$66,691,952 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 0.27241%, which was a decrease of 0.00924% from its proportion measured as of September 30, 2023.

SOUTHGATE COMMUNITY SCHOOL DISTRICT

Notes to the Financial Statements

For the year ended June 30, 2025, the District recognized pension expense of \$5,827,433. 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	\$ 1,809,400	\$ 724,617	\$ 1,084,783
Changes in assumptions	6,953,031	4,886,411	2,066,620
Net difference between projected and actual earnings on pension plan investments	-	12,727,651	(12,727,651)
Changes in proportion and differences between employer contributions and proportionate share of contributions	<u>2,508,233</u>	<u>2,552,500</u>	<u>(44,267)</u>
	11,270,664	20,891,179	(9,620,515)
District contributions subsequent to the measurement date	<u>11,815,333</u>	-	<u>11,815,333</u>
Total	<u>\$ 23,085,997</u>	<u>\$ 20,891,179</u>	<u>\$ 2,194,818</u>

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	\$ (1,461,234)
2027	607,721
2028	(5,135,751)
2029	<u>(3,631,251)</u>
Total	<u>\$ (9,620,515)</u>

SOUTHGATE COMMUNITY SCHOOL DISTRICT

Notes to the Financial Statements

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 \$11,169,235 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 0.25948% which was a decrease of 0.02436% from its proportion measured as of September 30, 2023.

For the year ended June 30, 2025, the District recognized OPEB benefit of \$4,145,812. 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	\$ -	\$ 11,835,978	\$ (11,835,978)
Changes in assumptions	2,439,522	280,403	2,159,119
Net difference between projected and actual earnings on OPEB plan investments	-	2,114,464	(2,114,464)
Changes in proportion and differences between employer contributions and proportionate share of contributions	<u>747,718</u>	<u>613,785</u>	<u>133,933</u>
	3,187,240	14,844,630	(11,657,390)
District contributions subsequent to the measurement date	<u>270,764</u>	-	<u>270,764</u>
Total	<u>\$ 3,458,004</u>	<u>\$ 14,844,630</u>	<u>\$ (11,386,626)</u>

SOUTHGATE COMMUNITY SCHOOL DISTRICT

Notes to the Financial Statements

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	\$ (3,761,956)
2027	(2,191,083)
2028	(2,187,348)
2029	(2,076,415)
2030	(1,198,507)
Thereafter	<u>(242,081)</u>
Total	<u>\$ (11,657,390)</u>

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.

SOUTHGATE COMMUNITY SCHOOL DISTRICT

Notes to the Financial Statements

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.

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%.

SOUTHGATE COMMUNITY SCHOOL DISTRICT

Notes to the Financial Statements

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:

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%
	100.00%		5.60%
Inflation			2.30%
Risk adjustment			-1.90%
Investment rate of return			6.00%

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.

SOUTHGATE COMMUNITY SCHOOL DISTRICT

Notes to the Financial Statements

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.

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	\$ 97,771,118	\$ 66,691,952	\$ 40,812,566

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	\$ (8,631,677)	\$ (11,169,235)	\$ (13,363,222)

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	\$ (13,363,246)	\$ (11,169,235)	\$ (8,816,170)

SOUTHGATE COMMUNITY SCHOOL DISTRICT

Notes to the Financial Statements

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 MPSERS financial statements available on the State of Michigan Office of Retirement Services website at www.michigan.gov/orsschools.

Payable to the Pension Plan

At June 30, 2025, the District reported a payable of \$2,502,321 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 \$77,839 for the outstanding amount of OPEB contributions to the Plan required for the year ended June 30, 2025.

13. NET INVESTMENT IN CAPITAL ASSETS

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

Capital assets not being depreciated	\$ 3,188,258
Capital assets being depreciated/amortized, net	71,349,584
General obligation bonds payable	(76,400,000)
Lease liability (note 10)	(219,504)
Unamortized bond premium	(7,758,396)
Unexpended bond proceeds in capital projects funds	17,943,881
Construction related payables	(1,965,433)
Net investment in capital assets	\$ 6,138,390

14. PROPERTY TAXES

Property taxes are assessed on or before the first Monday in March. Taxes are levied on July 1 by the municipalities within the District, and are due on August 15. Delinquent real taxes are advanced to the District by the revolving tax fund of the applicable County.

SOUTHGATE COMMUNITY SCHOOL DISTRICT

Notes to the Financial Statements

15. RESTATEMENT OF BEGINNING BALANCES

During the current year, the District implemented GASB Statement No. 101, *Compensated Absences*. The effects of the change in accounting principle are summarized below:

	Governmental Activities
Net position, beginning of year, as previously reported	\$ (49,977,434)
Restatement - GASB 101 implementation	<u>(4,465,659)</u>
Net position, beginning of year, as restated	<u>\$ (54,443,093)</u>



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REQUIRED SUPPLEMENTARY INFORMATION

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SOUTHGATE COMMUNITY SCHOOL DISTRICT

Required Supplementary Information
 MPSERS 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	\$ 66,691,952	\$ 91,160,104	\$ 102,491,782	\$ 62,094,885
District's proportion of the net pension liability	0.27241%	0.28165%	0.27252%	0.26228%
District's covered payroll	\$ 27,025,043	\$ 28,026,271	\$ 26,453,275	\$ 23,434,422
District's proportionate share of the net pension liability as a percentage of its covered payroll	246.78%	325.27%	387.44%	264.97%
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
District's proportionate share of the net pension liability	\$ 90,105,878	\$ 89,558,234	\$ 84,819,988	\$ 73,656,882	\$ 71,275,364	\$ 71,105,811
District's proportion of the net pension liability	0.26230%	0.27040%	0.28220%	0.28420%	0.28570%	0.29110%
District's covered payroll	\$ 22,829,727	\$ 22,862,943	\$ 23,666,050	\$ 23,744,986	\$ 23,831,822	\$ 24,177,701
District's proportionate share of the net pension liability as a percentage of its covered payroll	394.69%	391.72%	358.40%	310.20%	299.08%	294.10%
Plan fiduciary net position as a percentage of the total pension liability	59.72%	60.31%	62.36%	64.21%	63.27%	63.17%

See notes to required supplementary information.

SOUTHGATE COMMUNITY SCHOOL DISTRICT

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	\$ 12,211,571	\$ 11,062,422	\$ 10,098,473	\$ 8,991,601
Contributions in relation to the statutorily required contribution	<u>(12,211,571)</u>	<u>(11,062,422)</u>	<u>(10,098,473)</u>	<u>(8,991,601)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 31,077,599	\$ 27,401,035	\$ 28,247,465	\$ 25,011,933
Contributions as a percentage of covered payroll	39.29%	40.37%	35.75%	35.95%

	Year Ended June 30,					
	2021	2020	2019	2018	2017	2016
Statutorily required contribution	\$ 7,839,773	\$ 7,325,594	\$ 6,991,271	\$ 7,166,786	\$ 4,478,325	\$ 4,574,133
Contributions in relation to the statutorily required contribution	<u>(7,839,773)</u>	<u>(7,325,594)</u>	<u>(6,991,271)</u>	<u>(7,166,786)</u>	<u>(4,478,325)</u>	<u>(4,574,133)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 23,181,502	\$ 22,803,912	\$ 22,997,213	\$ 23,704,638	\$ 23,708,387	\$ 23,719,489
Contributions as a percentage of covered payroll	33.82%	32.12%	30.40%	30.23%	18.89%	19.28%

See notes to required supplementary information.

SOUTHGATE COMMUNITY SCHOOL DISTRICT

Required Supplementary Information
 MPSERS 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 proportionate share of the net OPEB (asset) liability	\$ (11,169,235)	\$ (1,605,680)	\$ 5,840,334	\$ 4,010,887
District's proportion of the net OPEB asset/liability	0.25948%	0.28384%	0.27574%	0.26277%
District's covered payroll	\$ 27,025,043	\$ 28,026,271	\$ 26,453,275	\$ 23,434,422
District's proportionate share of the net OPEB (asset) liability as a percentage of its covered payroll	-41.33%	-5.73%	22.08%	17.12%
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
	\$ 13,897,097	\$ 18,866,587	\$ 22,161,807	\$ 25,121,121
	0.25940%	0.26280%	0.27880%	0.28370%
	\$ 22,829,727	\$ 22,862,943	\$ 23,666,050	\$ 23,744,986
	60.87%	82.52%	93.64%	105.80%
	59.44%	48.46%	42.95%	36.39%

See notes to required supplementary information.

SOUTHGATE COMMUNITY SCHOOL DISTRICT

Required Supplementary Information
 MPERS 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	\$ 656,343	\$ 2,061,364	\$ 2,188,591	\$ 1,995,599
Contributions in relation to the statutorily required contribution	<u>(656,343)</u>	<u>(2,061,364)</u>	<u>(2,188,591)</u>	<u>(1,995,599)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 31,077,599	\$ 27,401,035	\$ 28,247,465	\$ 25,011,933
Contributions as a percentage of covered payroll	2.11%	7.52%	7.75%	7.98%

	Year Ended June 30,			
	2021	2020	2019	2018
Statutorily required contribution	\$ 1,932,788	\$ 1,888,797	\$ 1,716,966	\$ 1,765,942
Contributions in relation to the statutorily required contribution	<u>(1,932,788)</u>	<u>(1,888,797)</u>	<u>(1,716,966)</u>	<u>(1,765,942)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 23,181,502	\$ 22,803,912	\$ 22,997,213	\$ 23,704,638
Contributions as a percentage of covered payroll	8.34%	8.28%	7.47%	7.45%

See notes to required supplementary information.

SOUTHGATE COMMUNITY SCHOOL DISTRICT

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.

SOUTHGATE COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information

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%.
- 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 FUND FINANCIAL STATEMENTS

SOUTHGATE COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2025

	Special Revenue		
	Cafeteria	Student/School Activity	Community Service
Assets			
Cash and investments	\$ -	\$ 494,664	\$ -
Accounts receivable	-	-	165
Due from other governments	37,003	-	-
Due from other funds	1,102,742	-	419,136
Inventory	16,250	-	-
Prepaid items	5,994	-	-
Total assets	<u>\$ 1,161,989</u>	<u>\$ 494,664</u>	<u>\$ 419,301</u>
Liabilities			
Accounts payable	\$ 589	\$ 1,023	\$ 179
Accrued salaries and related liabilities	15,163	-	10,516
Due to other funds	-	131,106	-
Unearned revenue	20,227	-	3,575
Total liabilities	<u>35,979</u>	<u>132,129</u>	<u>14,270</u>
Fund balances			
Nonspendable	22,244	-	-
Restricted	1,103,766	-	405,031
Committed	-	362,535	-
Total fund balances	<u>1,126,010</u>	<u>362,535</u>	<u>405,031</u>
Total liabilities and fund balances	<u>\$ 1,161,989</u>	<u>\$ 494,664</u>	<u>\$ 419,301</u>

	Capital Projects				Total Nonmajor Governmental Funds
	Sinking	Prevailing Wage	2020 Capital Projects	Debt Service	
	\$ 393,288	\$ -	\$ 1,579,292	\$ 560,808	\$ 3,028,052
	-	-	7,100	-	7,265
	-	-	-	-	37,003
	103,888	24	459,410	338,844	2,424,044
	-	-	-	-	16,250
	-	-	-	-	5,994
	<u>\$ 497,176</u>	<u>\$ 24</u>	<u>\$ 2,045,802</u>	<u>\$ 899,652</u>	<u>\$ 5,518,608</u>
	\$ 79,892	\$ -	\$ 1,271,621	\$ 3,193	\$ 1,356,497
	-	-	-	-	25,679
	-	-	-	-	131,106
	-	-	-	-	23,802
	<u>79,892</u>	<u>-</u>	<u>1,271,621</u>	<u>3,193</u>	<u>1,537,084</u>
	-	-	-	-	22,244
	417,284	-	774,181	896,459	3,596,721
	-	24	-	-	362,559
	<u>417,284</u>	<u>24</u>	<u>774,181</u>	<u>896,459</u>	<u>3,981,524</u>
	<u>\$ 497,176</u>	<u>\$ 24</u>	<u>\$ 2,045,802</u>	<u>\$ 899,652</u>	<u>\$ 5,518,608</u>

SOUTHGATE COMMUNITY SCHOOL DISTRICT

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

	Special Revenue		
	Cafeteria	Student/School Activity	Community Service
Revenues			
Local sources	\$ 453,375	\$ 277,513	\$ 590,917
State sources	233,322	-	224,773
Federal sources	1,919,280	-	-
Total revenues	<u>2,605,977</u>	<u>277,513</u>	<u>815,690</u>
Expenditures			
Current:			
Supporting services	-	332,084	570,976
Food service	2,384,896	-	-
Debt service:			
Principal	-	-	-
Interest and fiscal charges	-	-	-
Capital outlay	-	-	-
Total expenditures	<u>2,384,896</u>	<u>332,084</u>	<u>570,976</u>
Revenues over (under) expenditures	221,081	(54,571)	244,714
Other financing uses			
Transfers out	(111,634)	-	-
Net change in fund balances	109,447	(54,571)	244,714
Fund balances, beginning of year	1,016,563	417,106	160,317
Fund balances, end of year	<u>\$ 1,126,010</u>	<u>\$ 362,535</u>	<u>\$ 405,031</u>

Capital Projects				
Sinking	Prevailing Wage	2020 Capital Projects	Debt Service	Total Nonmajor Governmental Funds
\$ 1,782,612	\$ 24	\$ 26,921	\$ 5,650,472	\$ 8,781,834
-	-	-	36,057	494,152
-	-	367,576	-	2,286,856
<u>1,782,612</u>	<u>24</u>	<u>394,497</u>	<u>5,686,529</u>	<u>11,562,842</u>
-	-	-	-	903,060
-	-	-	-	2,384,896
-	-	-	3,280,000	3,280,000
-	-	-	3,349,590	3,349,590
<u>1,882,143</u>	<u>-</u>	<u>667,324</u>	<u>-</u>	<u>2,549,467</u>
<u>1,882,143</u>	<u>-</u>	<u>667,324</u>	<u>6,629,590</u>	<u>12,467,013</u>
(99,531)	24	(272,827)	(943,061)	(904,171)
-	(220)	-	-	(111,854)
(99,531)	(196)	(272,827)	(943,061)	(1,016,025)
516,815	220	1,047,008	1,839,520	4,997,549
<u>\$ 417,284</u>	<u>\$ 24</u>	<u>\$ 774,181</u>	<u>\$ 896,459</u>	<u>\$ 3,981,524</u>

Rehmann

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 24, 2025

Board of Education
Southgate Community School District
Southgate, 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 **Southgate Community School District** (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 24, 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.

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.



1249 Griswold Street, Suite 201, Detroit, MI 48226 | 313.202.7400



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.

INDEPENDENT AUDITORS’ COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

October 24, 2025

Board of Education
Southgate Community School District
Southgate, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the **Southgate Community School District** (the "District"), as of and for the year ended June 30, 2025, and have issued our report thereon dated October 24, 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 23, 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 24, 2025. In addition, we noted a certain other matter which is included in Attachment A to this letter.



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.

As described in Note 15 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*. Accordingly, beginning net position of the governmental activities was restated.

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.

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 C 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.

Other Information in Documents Containing Audited Financial Statements

Our responsibility for the supplementary information accompanying the financial statements, as described by professional standards, is to evaluate the presentation of the supplementary information in relation to the financial statements as a whole and to report on whether the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole. We made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

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 B 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 **Southgate Community School District** and is not intended to be and should not be used by anyone other than these specified parties.



SOUTHGATE COMMUNITY SCHOOL DISTRICT

Attachment A - Comments and Recommendations
For the June 30, 2025 Audit

During our audit, we became aware of a certain other matter that is an opportunity for strengthening internal control and/or improving operating efficiency. This memorandum summarizes our comments and recommendations regarding this matter. Our consideration of the District's internal control over financial reporting is described in our report, dated October 24, 2025, issued in accordance with *Government Auditing Standards*. This memorandum does not affect that report or our report dated October 24, 2025, on the financial statements of **Southgate Community School District**.

Excess Fund Balance

The United States Department of Agriculture (USDA) requires that the ending fund balance of a recipient district's food service fund does not exceed three months' average of operating expenses (7 CFR Part 210.14(b)). As of June 30, 2025, the District's food service fund was carrying fund balance in excess of the USDA requirement. The District will be required to file a spending plan with the Michigan Department of Education in relation to this matter.

■ ■ ■ ■ ■

SOUTHGATE COMMUNITY SCHOOL DISTRICT

Attachment B – 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.



SOUTHGATE COMMUNITY SCHOOL DISTRICT

Attachment C – Management Representations

For the June 30, 2025 Audit

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



Board of Education
 Jason Craig, President
 Andrew A. Green, Vice President
 Dr. Darlene L. Pomponio, Secretary
 Jason Kupser, Treasurer
 Angela Angel, Trustee
 Neil J. Freitas, Trustee
 Shawn Sage, Trustee

Central Administration
 Sharon Irvine, Superintendent
 Keturah Godfrey, Director of Curriculum

13940 Leroy
 Southgate, MI 48195
 (734) 246-4600 • FAX: (734) 283-6791

Rehmann Robson
 Page 2 of 5

October 24, 2025

Rehmann Robson
 1249 Griswold Street, Suite 201
 Detroit, Michigan 48226

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 **Southgate Community School District** (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 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 24, 2025:

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated July 23, 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. 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.
3. 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.
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 with maintaining/updating a GASB 101 schedule for compensated absences, and 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 all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP.
11. 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.
12. All funds and activities are properly classified.
13. 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.
14. All components of net position and fund balance classifications have been properly reported.
15. 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.
16. 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.
17. All interfund and intra-entity transactions and balances have been properly classified and reported.
18. Deposit and investment risks have been properly and fully disclosed.
19. Capital assets, including infrastructure assets, are properly capitalized, reported, and if applicable, depreciated.

Rehmann Robson
Page 3 of 5

20. All required supplementary information is measured and presented within the prescribed guidelines.
21. We believe that the actuarial assumptions and methods used to measure pension and other postemployment benefit liability and costs for financial accounting purposes are appropriate in the circumstances.
22. We are responsible for the fair presentation of the District's proportionate share of the net pension liability and net other postemployment benefit (asset) liability 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

23. 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 District from whom you determined it necessary to obtain audit evidence.
24. All transactions have been recorded in the accounting records and are reflected in the financial statements.
25. 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.
26. We have no knowledge of any fraud or suspected fraud that affects the District 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.
27. 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.
28. 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.
29. 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.
30. We have a process to track the status of audit findings and recommendations.
31. 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.

Rehmann Robson
Page 4 of 5

32. We have provided views on your reported audit findings, conclusions, and recommendations, as well as our planned corrective actions, for the report.
33. We are not aware of any pending or threatened litigation and claims whose effects should be considered when preparing the financial statements.
34. We have disclosed to you the identity of the District's related parties and all the related party relationships and transactions of which we are aware.
35. There have been no communications from regulatory agencies concerning noncompliance with or deficiencies in accounting, internal control, or financial reporting practices.
36. The District has no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.
37. We have disclosed to you all guarantees, whether written or oral, under which the District is contingently liable.
38. 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.
39. 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.
40. The District 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.
41. 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.
42. 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.
43. 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.
44. 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

45. 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

46. 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.

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Signed by: Sharon Irvine
A55EFB3D52CA45C...rintendent

Signed by: Maria Gistinger
07BCET7E3D037479...rim Director of Business & Finance

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APPENDIX E



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

Southgate Community School District
County of Wayne
State of Michigan

We have acted as bond counsel in connection with the issuance by Southgate Community School District, County of Wayne, State of Michigan (the “Issuer”), of its bonds in the aggregate principal amount of \$ _____ designated 2026 School Building and Site (Series II) and Refunding Bonds (General Obligation - Unlimited Tax) (the “Bonds”). The Bonds are in fully registered form and issued without coupons, are dated _____, 2026, are of \$5,000 denomination or any integral multiple thereof, are 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 November 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 November 1, 20__, are term Bonds subject to mandatory redemption in part, by lot, on the redemption dates and at the redemption price equal to the principal amount thereof as provided in the Bonds.

We have examined the documents which we deem authentic and pertinent to the validity of the Bonds, including the certified record evidencing the authorization of the Bonds by the electors and board of education of the Issuer, a copy of the approval of the Department of Treasury of the State of Michigan to issue the Bonds, a signed copy of the certificate of the Treasurer of the State of Michigan qualifying the Bonds for purposes of Article IX, Section 16, of the Michigan Constitution, and a specimen of the Bond certificates.

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

- (1) the Bonds have been lawfully authorized and issued and are enforceable obligations of the Issuer in accordance with their terms;
- (2) the Bonds are the general obligation of the Issuer for which its full faith, credit and resources have been irrevocably pledged;



Southgate Community School District
County of Wayne
State of Michigan

_____, 2026

Page 2

(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;

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

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

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

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

THRUN LAW FIRM, P.C.

OPTIONAL DTC BOOK-ENTRY-ONLY

OFFICIAL NOTICE OF SALE

\$28,180,000

SOUTHGATE COMMUNITY SCHOOL DISTRICT

COUNTY OF WAYNE

STATE OF MICHIGAN

2026 SCHOOL BUILDING AND SITE (SERIES II) AND REFUNDING BONDS
(GENERAL OBLIGATION - UNLIMITED TAX)

BIDS for the purchase of the above 2026 School Building and Site (Series II) and Refunding Bonds (the “Bond” or “Bonds”) will be received electronically on behalf of Southgate Community School District, Wayne County, Michigan (the “Issuer”), on Tuesday, the 3rd day of March, 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.

PURPOSE AND SECURITY: The Bonds are being issued for the purpose of erecting, furnishing, and equipping maintenance and athletic facilities; remodeling, furnishing and refurbishing, and equipping and re-equipping school buildings, including for HVAC systems and school security; acquiring and installing instructional technology; and preparing, developing, and improving sites (the “Project”) and refunding a portion of a certain prior bond issue of the Issuer (the “Refunded Bonds”). 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, and Article IX, Section 16, of the Michigan Constitution of 1963.

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

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, 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 November 1 as follows:

<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
2026	\$505,000	2038	\$1,280,000
2027	875,000	2039	\$1,270,000
2028	830,000	2040	1,000,000
2029	955,000	2041	1,000,000
2030	1,050,000	2042	1,000,000
2031	1,160,000	2043	1,000,000
2032	1,215,000	2044	1,000,000
2033	1,250,000	2045	1,000,000
2034	1,300,000	2046	2,000,000
2035	1,300,000	2047	2,000,000
2036	1,300,000	2048	1,600,000
2037	1,290,000	2049	1,000,000

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.

MATURITY ADJUSTMENT: The aggregate principal amount of this issue is believed to be the amount necessary to provide, in part, adequate funds to retire the Refunded Bonds and pay transactional costs. 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.

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

PRIOR REDEMPTION:

A. Mandatory Redemption – Term Bonds.

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

B. Optional Redemption.

The Bonds or portions of Bonds maturing on or after November 1, 2036 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 less than one percent (1%) per annum and 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. The purchase price of the Bonds shall be not less than 99% nor greater than 118% of the par value.

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 March 30, 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 H to the Preliminary Official Statement for the Bonds, dated February 23, 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.

Dr. Darlene Pomponio
Secretary, Board of Education

**FORM OF
CONTINUING DISCLOSURE AGREEMENT**

§ _____
**SOUTHGATE COMMUNITY SCHOOL DISTRICT
COUNTY OF WAYNE
STATE OF MICHIGAN
2026 SCHOOL BUILDING AND SITE (SERIES II) AND REFUNDING BONDS
(GENERAL OBLIGATION - UNLIMITED TAX)**

This Continuing Disclosure Agreement (the “Agreement”) is executed and delivered by Southgate Community School District, County of Wayne, State of Michigan (the “Issuer”), in connection with the issuance of its \$_____ 2026 School Building and Site (Series II) and Refunding Bonds (General Obligation - Unlimited Tax) (the “Bonds”). The Bonds are being issued pursuant to resolutions adopted by the Board of Education of the Issuer on January 13, 2026 and _____, 2026 (together, the “Resolution”). The Issuer covenants and agrees as follows:

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

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

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

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

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

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

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

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

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

“MSRB” shall mean the Municipal Securities Rulemaking Board.

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

“Official Statement” shall mean the final Official Statement for the Bonds dated _____, 2026.

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

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

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

“SEC” shall mean the Securities and Exchange Commission.

“State” shall mean the State of Michigan.

SECTION 3. Provision of Annual Reports.

(a) Each year, the Issuer shall provide, or shall cause the Dissemination Agent to provide, on or prior to the end of the sixth month after the end of the fiscal year of the Issuer commencing with the fiscal year ending June 30, 2026, to EMMA an Annual Report for the preceding fiscal year which is consistent with the requirements of Section 4 of this Agreement. Currently, the Issuer’s fiscal year ends on June 30. In each case, the Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by specific reference other information as provided in Section 4 of this Agreement; provided, however, that if the audited financial statements of the Issuer are not available by the deadline for filing the Annual Report, they shall be provided when and if available, and unaudited financial statements in a format similar to the financial statements contained in the Official Statement shall be included in the Annual Report.

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

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

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

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

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

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

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

SECTION 5. Reporting of Significant Events.

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

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

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

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

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

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

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

SECTION 6. Termination of Reporting Obligation.

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

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

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

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

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

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

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

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

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

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

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

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

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

SOUTHGATE COMMUNITY SCHOOL
DISTRICT
COUNTY OF WAYNE
STATE OF MICHIGAN

By: _____
Its: Superintendent

Dated: _____, 2026

APPENDIX A

NOTICE TO THE MSRB OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Southgate Community School District, Wayne County, Michigan

Name of Bond Issue: 2026 School Building and Site (Series II) and Refunding Bonds
(General Obligation - Unlimited Tax)

Date of Bonds: _____, 2026

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

SOUTHGATE COMMUNITY SCHOOL
DISTRICT
COUNTY OF WAYNE
STATE OF MICHIGAN

By: _____
Its: Superintendent

Dated: _____



APPENDIX B

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

Name of Issuer: Southgate Community School District, Wayne County, Michigan

Name of Bond Issue: 2026 School Building and Site (Series II) and Refunding Bonds
(General Obligation - Unlimited Tax)

Date of Bonds: _____, 2026

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

SOUTHGATE COMMUNITY SCHOOL
DISTRICT
COUNTY OF WAYNE
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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APPENDIX I

SOUTHGATE COMMUNITY SCHOOL DISTRICT
COUNTY OF WAYNE, STATE OF MICHIGAN
\$28,180,000*
2026 SCHOOL BUILDING AND SITE (SERIES II) AND REFUNDING BONDS
(General Obligation – Unlimited Tax)

OPTIONAL BID FORM

Date: March 3, 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>Date</u>	<u>Amount*</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>Maturity</u> <u>Date</u>	<u>Amount*</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>
11/01/26	\$505,000	%	%	11/01/38	\$1,280,000	%	%
11/01/27	875,000			11/01/39	1,270,000		
11/01/28	830,000			11/01/40	1,000,000		
11/01/29	955,000			11/01/41	1,000,000		
11/01/30	1,050,000			11/01/42	1,000,000		
11/01/31	1,160,000			11/01/43	1,000,000		
11/01/32	1,215,000			11/01/44	1,000,000		
11/01/33	1,250,000			11/01/45	1,000,000		
11/01/34	1,300,000			11/01/46	2,000,000		
11/01/35	1,300,000			11/01/47	2,000,000		
11/01/36	1,300,000			11/01/48	1,600,000		
11/01/37	1,290,000			11/01/49	1,000,000		

* 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.

Southgate Community Schools



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