

**New Issue
Book-Entry-Only**

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

THE BONDS HAVE BEEN DESIGNATED AS "QUALIFIED TAX-EXEMPT OBLIGATIONS" AS DESCRIBED IN SECTION 265(b)(3)(B) OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED.



\$4,860,000*
HARBOR BEACH COMMUNITY SCHOOL DISTRICT
Counties of Huron and Sanilac
State of Michigan
2026 School Building and Site Bonds, Series I
(General Obligation – Unlimited Tax)

Date of Sale: February 25, 2026
 Time of Sale: 1:30 PM, ET

PURPOSE AND SECURITY: The 2026 School Building and Site Bonds, Series I (General Obligation-Unlimited Tax) (the "Bonds") were authorized by the Board of Education of the Harbor Beach Community School District, Counties of Huron and Sanilac, State of Michigan (the "School District") by resolutions adopted on December 17, 2025 and expected to be adopted on March 4, 2026 (the "Resolutions") and at an election of the School District electors held on November 4, 2025, for the purpose of erecting, furnishing, and equipping additions to the school building and facilities; remodeling, equipping and re-equipping, and furnishing and refurbishing the school building and facilities; erecting, furnishing, and equipping a maintenance/transportation building; acquiring, installing, equipping, and re-equipping the school building for instructional technology; purchasing school buses; acquiring a site; and preparing, developing, improving and equipping, athletic fields and facilities, playgrounds, parking lots, driveways, sidewalks, and sites (the "Project"). The Bonds will pledge the full faith, credit and resources of the School District for payment of the principal and interest thereon, and will be payable from ad valorem taxes, which may be levied without limitation as to rate or amount as provided by Article IX, Section 6, of the Michigan Constitution of 1963.

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

PAYMENT OF BONDS: Principal of and interest on the Bonds will be paid by UMB Bank, N.A., Grand Rapids, Michigan (the "Paying Agent"). So long as DTC or its nominee, Cede & Co., is the Bondholder, such payments will be made directly to such Bondholder. Disbursement of such payments to the DTC Participants is the responsibility of DTC and disbursement of such payments to the Beneficial Owners is the responsibility of the DTC Participants and Indirect Participants, as more fully described herein. Interest will be payable semiannually on November 1 and May 1, commencing November 1, 2026, to the Bondholders of record as of the applicable record dates as stated in the Bonds.

Dated/Delivery:	To Be Determined (Estimated to be March 26, 2026)	Principal Due:	May 1, years shown below
Purchase Price:	Not less than 102% or more than 116% of par value	Maximum Interest Rate:	5.0%
Multiples:	1/8 or 1/100 of 1% or both	Maximum Interest Spread:	3.0%

(Base CUSIP\$: _____)

<u>CUSIP\$</u>	<u>Year</u>	<u>Amount*</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP\$</u>	<u>Year</u>	<u>Amount*</u>	<u>Interest Rate</u>	<u>Yield</u>
	2028	\$40,000			2041	\$205,000			
	2029	160,000			2042	205,000			
	2030	160,000			2043	205,000			
	2031	160,000			2044	205,000			
	2032	160,000			2045	205,000			
	2033	165,000			2046	210,000			
	2034	170,000			2047	210,000			
	2035	175,000			2048	210,000			
	2036	180,000			2049	210,000			
	2037	185,000			2050	210,000			
	2038	190,000			2051	215,000			
	2039	195,000			2052	215,000			
	2040	200,000			2053	215,000			

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

PRIOR REDEMPTION: Bonds of this issue maturing in years 2037 and thereafter shall be subject to redemption at the option of the School District prior to maturity as described in "PRIOR REDEMPTION – Optional Redemption" herein.

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

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

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

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

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

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

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

This Official Statement is dated _____, 2026

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

¹ As of date of delivery.

* Preliminary, subject to change.

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

Harbor Beach Community School District

402 South Fifth Street
Harbor Beach, MI 48441
Phone: (989) 479-3261

BOARD OF EDUCATION

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Vice President

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Kendra Messing
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PROFESSIONAL SERVICES

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

Municipal Advisor PFM Financial Advisors LLC
Ann Arbor, Michigan

Paying Agent..... UMB Bank, N.A.
Grand Rapids, Michigan

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

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

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

TABLE OF CONTENTS

INTRODUCTION	1
INFORMATION FOR BIDDERS.....	1
INTEREST.....	1
MATURITY ADJUSTMENT	1
ADJUSTMENT TO PURCHASE PRICE.....	1
TERM BOND OPTION	2
PRIOR REDEMPTION	2
Optional Redemption.....	2
Mandatory Redemption – Term Bonds	2
Notice of Redemption and Manner of Selection	2
OFFICIAL NOTICE OF SALE.....	2
BIDCOMP/PARITY BIDDING.....	3
PURPOSE AND SECURITY.....	3
QUALIFIED TAX-EXEMPT OBLIGATIONS.....	3
ESTIMATED SOURCES AND USES OF FUNDS	3
TAX PROCEDURES	3
LEVY AND COLLECTION OF TAXES FOR PAYMENT OF THE BONDS AND BONDHOLDER’S REMEDIES.....	4
SOURCES OF SCHOOL OPERATING REVENUE	4
MICHIGAN PROPERTY TAX REFORM.....	5
DESCRIPTION AND FORM OF THE BONDS	6
BOOK-ENTRY-ONLY SYSTEM	6
TRANSFER OUTSIDE BOOK-ENTRY-ONLY SYSTEM.....	8
PAYING AGENT AND BOND REGISTRATION.....	8
BOND INSURANCE AT PURCHASER’S OPTION	8
LITIGATION.....	8
TAX MATTERS.....	8
State	8
Federal	9
Original Issue Discount	9
Original Issue Premium.....	10
Future Developments.....	10
MUNICIPAL FINANCE QUALIFYING STATEMENT.....	10
BOND COUNSEL’S RESPONSIBILITY	10
MUNICIPAL ADVISOR.....	11
CONTINUING DISCLOSURE.....	11
UNDERWRITER	11
RATING	12
OTHER MATTERS.....	12
APPENDIX A: GENERAL FINANCIAL, ECONOMIC & SCHOOL INFORMATION	
APPENDIX B: GENERAL FUND BUDGET SUMMARY AND COMPARATIVE FINANCIAL STATEMENTS	
APPENDIX C: AUDITED FINANCIAL STATEMENTS	
APPENDIX D: FORM OF LEGAL OPINION	
APPENDIX E: FORM OF CONTINUING DISCLOSURE AGREEMENT	
APPENDIX F: DRAFT OFFICIAL NOTICE OF SALE	
APPENDIX G: CERTIFICATION REGARDING “ISSUE PRICE” BID FORM	

TERM BOND OPTION

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

PRIOR REDEMPTION

Optional Redemption

Bonds of this issue maturing in the years 2028 through 2036, inclusive, shall not be subject to redemption prior to maturity. Bonds or portions of Bonds in multiples of \$5,000 of this issue maturing in the year 2037 and thereafter shall be subject to redemption prior to maturity, at the option of the School District, in such order as the School District may determine and by lot within any maturity, on any date occurring on or after May 1, 2036, at par and accrued interest to the date fixed for redemption.

Mandatory Redemption – Term Bonds

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

Notice of Redemption and Manner of Selection

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

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

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

OFFICIAL NOTICE OF SALE

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

BIDCOMP/PARITY BIDDING

Notice is hereby given that electronic proposals will be received via BIDCOMP/PARITY, in the manner described below, until 1:30 p.m., Eastern Time, on Wednesday, February 25, 2026.

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

PURPOSE AND SECURITY

The 2026 School Building and Site Bonds, Series I (General Obligation-Unlimited Tax) were authorized by the Board of Education of the Harbor Beach Community School District, Counties of Huron and Sanilac, State of Michigan by resolutions adopted on December 17, 2025 and expected to be adopted on March 4, 2026 and at an election of the School District electors held on November 4, 2025, for the purpose of erecting, furnishing, and equipping additions to the school building and facilities; remodeling, equipping and re-equipping, and furnishing and refurbishing the school building and facilities; erecting, furnishing, and equipping a maintenance/transportation building; acquiring, installing, equipping, and re-equipping the school building for instructional technology; purchasing school buses; acquiring a site; and preparing, developing, improving and equipping athletic fields and facilities, playgrounds, parking lots, driveways, sidewalks, and sites. The Bonds will pledge the full faith, credit and resources of the School District for payment of the principal and interest thereon, and will be payable from ad valorem taxes, which may be levied without limitation as to rate or amount as provided by Article IX, Section 6, of the Michigan Constitution of 1963.

QUALIFIED TAX-EXEMPT OBLIGATIONS

THE BONDS HAVE BEEN DESIGNATED AS "QUALIFIED TAX-EXEMPT OBLIGATIONS" UNDER SECTION 265(b)(3)(B) OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED.

ESTIMATED SOURCES AND USES OF FUNDS

Sources of Funds:

Par Amount of Bonds	
Net Original Issue	
Premium	_____
TOTAL SOURCES	=====

Uses of Funds:

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

TAX PROCEDURES

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

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

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

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

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

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

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

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

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

SOURCES OF SCHOOL OPERATING REVENUE

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

The State school aid package passed by the Legislature as part of the school finance reform legislation instituted a per pupil foundation allowance beginning in fiscal year 1994/95. With the passage of Public Act 48 of 2021, the Legislature eliminated the foundation allowance range in 2021/22 that had been in place since the passage of the school finance reform legislation in 1994. In Public Act 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.

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

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 properties¹ in order for the school district to receive its per pupil foundation allowance. An intermediate school district may seek voter approval for up to three enhancement mills for distribution to local constituent school districts on a per pupil basis. Proceeds of the enhancement mills are not counted toward the foundation allowance. Furthermore, school districts whose per pupil foundation allowance in 2025/26 calculates to an amount in excess of \$10,050 are authorized to levy additional millage to obtain the foundation allowance, first by levying such amount of the 18 mills against homestead property² 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 A.

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

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

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

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

MICHIGAN PROPERTY TAX REFORM

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

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

¹ "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.

² "Homestead property," in this context, means principal residence, qualified to the extent not otherwise exempt agricultural property, qualified forestry property, supportive housing property, property occupied by a public school academy, certain industrial personal property and certain commercial personal property to the extent not otherwise exempt.

has been in service for the immediately preceding 10 years. The legislation extends certain personal property tax exemptions and tax abatements for technology parks, industrial facilities and enterprise.

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

DESCRIPTION AND FORM OF THE BONDS

The Bonds will be issued in book-entry-only form as one fully registered Bond per maturity, without coupons, in the aggregate principal amount for each maturity set forth on the cover page hereof and may be purchased in denominations of \$5,000 or any integral multiple thereof. The Bonds will be dated as of and bear interest from the date of issuance. Interest on the Bonds shall be payable semiannually each November 1 and May 1 to maturity or early redemption, commencing November 1, 2026. Interest on the Bonds shall be computed using a 360-day year with twelve 30-day months, and the Bonds will mature on the dates and in the principal amounts and will bear interest at the rates as set forth on the cover of this Official Statement.

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

BOOK-ENTRY-ONLY SYSTEM

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

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

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed

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

Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

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

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

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

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

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

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

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

TRANSFER OUTSIDE BOOK-ENTRY-ONLY SYSTEM

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

PAYING AGENT AND BOND REGISTRATION

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

BOND INSURANCE AT PURCHASER'S OPTION

If the Bonds qualify for the issuance of any policy of municipal bond insurance or commitment therefore at the option of the purchaser, the purchase of any such insurance policy or the issuance of any such commitment shall be at the sole option and expense of the purchaser. There will be no changes made to the Resolutions to reflect bond insurance. Any increased costs of issuance of the Bonds resulting from such purchase of insurance shall be paid by the purchaser, except that, if the School District has requested and received a rating on the Bonds from a rating agency, the School District will pay the fee for the requested rating. Any other rating agency fees shall be the responsibility of the purchaser. **FAILURE OF THE MUNICIPAL BOND INSURER TO ISSUE THE POLICY AFTER THE BONDS HAVE BEEN AWARDED TO THE PURCHASER SHALL NOT CONSTITUTE CAUSE FOR FAILURE OR REFUSAL BY THE PURCHASER TO ACCEPT DELIVERY OF THE BONDS FROM THE SCHOOL DISTRICT.**

LITIGATION

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

TAX MATTERS

State

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

Federal

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

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

Original Issue Discount¹

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

¹ Preliminary, subject to change.

Original Issue Premium¹

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

Future Developments

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

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

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

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

MUNICIPAL FINANCE QUALIFYING STATEMENT

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

BOND COUNSEL'S RESPONSIBILITY

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

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

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

¹ Preliminary, subject to change.

MUNICIPAL ADVISOR

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

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

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

CONTINUING DISCLOSURE

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

A failure by the School District to comply with the Agreement will not constitute an event of default under the Resolutions and holders of the Bonds or Beneficial Owners are limited to the remedies described in the Agreement.

A failure by the School District to comply with the Agreement must be reported by the School District in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the bonds in the secondary market. Consequently, such failure may adversely affect the transferability and liquidity of the Bonds and their market price.

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

UNDERWRITER

The Bonds were purchased at a competitive sale on February 25, 2026, by _____ (the "Underwriter"). The Underwriter has agreed to purchase the Bonds at a price of \$_____, which represents the par amount of the Bonds of \$_____, less underwriter's discount of \$_____, and plus original issue premium in the amount of \$_____. The Underwriter may offer and sell the Bonds to certain dealers and others at prices lower than the public offering price stated on the inside cover page hereof. The initial public offering price may be changed from time to time by the Underwriter.

RATING

Moody's Investors Service ("Moody's") will assign, as of the date of delivery of the Bonds, its municipal bond rating of "A1" to the Bonds

No application has been made to any other ratings service for a rating on the Bonds. The School District furnished to Moody's 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 Moody's if, in its judgment, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Bonds. Any ratings assigned represent only the views of Moody's. Further information is available upon request from Moody's Investors Service, 7 Trade Center at 250 Greenwich Street, New York, New York 10007, telephone: (212) 553-0377.

OTHER MATTERS

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

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

HARBOR BEACH COMMUNITY SCHOOL DISTRICT
COUNTIES OF HURON AND SANILAC
STATE OF MICHIGAN

By: _____
William C. Chilman IV, ED.S
Its: Superintendent

APPENDIX A¹

HARBOR BEACH COMMUNITY SCHOOL DISTRICT

GENERAL FINANCIAL, ECONOMIC AND SCHOOL INFORMATION

LOCATION AND AREA

Harbor Beach Community School District (the "School District") is located on the shore of Lake Huron, on the eastern side of Michigan's "Thumb Area" and encompasses 119.9 square miles in Huron and Sanilac Counties. The School District includes portions of seven townships and all of the City of Harbor Beach and the Village of Forestville.

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

60 miles north of Port Huron
93 miles northeast of Saginaw
109 miles northeast of Flint
123 miles north of Detroit
160 miles northeast of Lansing

POPULATION

The U.S. Census reported and 2024 estimated populations for the School District, the Village of Forestville and the County of Huron are as follows:

	School District	City of Harbor Beach	County of Huron
2024 Estimate	4,262	1,582	31,113
2020 U.S. Census	4,357	1,604	31,407
2010 U.S. Census	4,585	1,703	33,118

Source: U.S. Census Bureau via data.census.gov website

BOARD OF EDUCATION

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

ENROLLMENT

Historical Enrollment

Historical fall enrollment for the School District is as follows:

School Year End 30-Jun	Full-time Equivalent	Change	School Year End 30-Jun	Full-time Equivalent	Change
2026*	477	-1.24%	2021	482	-2.43%
2025	483	2.33	2020	494	3.13
2024	472	-4.65	2019	479	-5.52
2023	495	-2.75	2018	507	1.00
2022	509	5.60	2017	502	--

*Unaudited.

¹Information included in APPENDIX A of this Official Statement was obtained from the School District unless otherwise noted.

2025/2026 Fall Count*

Kindergarten	18	7 th	32
1 st	20	8 th	28
2 nd	26	9 th	61
3 rd	29	10 th	64
4 th	34	11 th	46
5 th	35	12 th	53
6 th	31	Total	<u>477</u>

*Unaudited.

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

SCHOOL DISTRICT FACILITIES

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

<u>Facility</u>	<u>Grades Served</u>	<u>Year Built</u>	<u>Last Remodel/Addition</u>	<u>Type of Construction</u>
<i>Elementary/Middle/High School:</i>				
Harbor Beach	K - 12	2005	2019	Masonry
<i>Additional Facilities:</i>				
Bus Garage	N/A	1972	--	Metal Frame/Siding

OTHER SCHOOLS

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

<u>Name of School</u>	<u>Grades Served</u>	<u>Approximate Enrollment</u>
Zion Lutheran	P - 8	122
Our Lady of Lake Huron	P - 8	99
		<u>221</u>

Source: 2026 Michigan Education Directory

STATE AID PAYMENTS

The School District's primary source of funding for operating costs is the State School Aid per pupil foundation allowance. Public Act 15 of 2025 set the target foundation allowance at \$10,050 for fiscal year 2025/2026.

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

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

<u>Fiscal Year End 30-Jun</u>	<u>Foundation Allowance per Pupil</u>	<u>Total State Aid Payments¹</u>	<u>Blended Pupil Count</u>	<u>Amount Received per Pupil²</u>
2026	\$10,050	\$4,521,195 ³	484.83 ³	\$9,325 ³
2025	9,608	4,589,488	484.52	9,472
2024	9,608	4,935,448	492.99	10,011
2023	9,150	4,683,442	498.15	9,402
2022	8,700	3,962,781	507.22	7,813
2021	8,111	3,371,894 ⁴	490.63	6,873 ⁴

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

²Represents the “Total State Aid Payments” divided by the “Blended Pupil Count”.

³Preliminary estimate, subject to change.

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

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

PROPERTY VALUATIONS

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

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

History of Valuations

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

Year	Principal Residence ¹	Non- Principal Residence ¹	Total Taxable Value	Percent Change	State Equalized Value	Percent Change
2025	\$247,403,383	\$103,535,131	\$350,938,514	4.88%	\$675,649,200	8.34%
2024	236,751,211	97,844,520	334,595,731	5.63	623,649,000	14.05
2023	225,514,651	91,253,281	316,767,932	3.55	546,801,900	7.14
2022	217,961,640	87,932,606	305,894,246	2.69	510,364,463	3.64
2021	213,554,588	84,321,241	297,875,829	---	492,447,112	---

¹All industrial personal property is included in the principal residence tax base. While commercial personal property continues to be included in the non-principal residence tax base, it is exempt from 12 of the 18 operating mills levied on non-principal residence property only. In 2025, industrial personal property had a taxable value of \$20,887,900 and commercial personal property had a taxable value of \$1,119,400 in the School District.

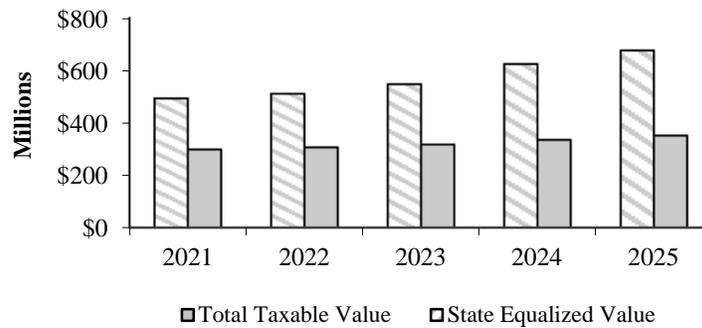
Source: Huron and Sanilac Counties Equalization Departments

The below listed values transferred from Sigel Township SD No. 6 (Kipper School) are included in the above history of property valuations table:

Year	Principal Residence	Non-Principal Residence	Total Taxable Value	State Equalized Value
2025	\$11,304,384	\$3,242,229	\$14,546,613	\$26,490,600
2024	11,082,829	3,344,613	14,427,442	24,853,900
2023	10,660,404	3,415,597	14,076,001	22,390,100
2022	10,423,334	3,662,360	14,085,694	21,629,300
2021	10,435,175	3,803,403	14,238,578	21,887,900

Source: Huron County Equalization Department

History of Valuations



Annual Equivalent Valuation

A summary of the 2025 valuation is as follows:

2025 Taxable Value	\$350,938,514
Plus: 2025 Equivalent IFT Taxable Value ¹	2,511,359
Total 2025 Equivalent Taxable Value	\$353,449,873
Less: 2025 Disabled Veterans Exemption Taxable Value ²	(413,600)
Net 2025 Annual Equivalent Valuation	<u>\$353,036,273</u>

¹See “INDUSTRIAL FACILITY TAX ABATEMENTS” herein.

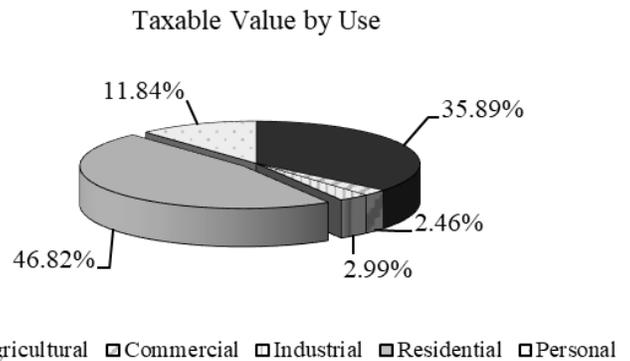
²Represents value which is exempt from taxes pursuant to Michigan’s General Property Tax Act Section 7b, MCL 211.7b, which states real property used and owned as a homestead by either (1) a disabled veteran who was discharged from the United States armed forces under honorable conditions or (2) the disabled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

Source: *Huron and Sanilac Counties Equalization Departments*

Tax Base Composition

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

	2025	Percent
By Class:	Taxable Value	of Total
Real Property	\$309,404,614	88.16%
Personal Property	41,533,900	11.84
TOTAL	<u>\$350,938,514</u>	<u>100.00%</u>
By Use:		
Agricultural	\$125,969,110	35.89%
Commercial	8,618,319	2.46
Industrial	10,483,970	2.99
Residential	164,333,215	46.82
Personal	41,533,900	11.84
TOTAL	<u>\$350,938,514</u>	<u>100.00%</u>



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

Municipality	2025	Percent
	Taxable Value	of Total
<i>County of Huron</i>		
City of Harbor Beach	\$56,520,041	16.11%
Township of Bloomfield	10,377,266	2.96
Township of Paris	2,732,069	0.78
Township of Rubicon	28,094,564	8.01
Township of Sand Beach	99,007,343	28.20
Township of Sherman	73,403,492	20.91
Township of Sigel	40,628,839	11.58
<i>County of Sanilac</i>		
Township of Delaware	40,174,900	11.45
TOTAL	<u>\$350,938,514</u>	<u>100.00%</u>

Source: *Huron and Sanilac Counties Equalization Departments*

INDUSTRIAL FACILITY TAX ABATEMENTS

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

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

The 2025 Taxable Value for the properties which have been granted IFT abatements within the School District’s boundaries is \$5,022,718, all of which is taxed at ½ rate. For purposes of computing “Equivalent” Taxable Value, it has been shown in the “History of Valuations” section as 50% of the Taxable Value.

Source: Huron and Sanilac Counties Equalization Departments

MAJOR TAXPAYERS

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

Taxpayer	Product/Service	2025 Taxable Value	"Equivalent" IFT Value ¹	2025 Total Valuation
Detroit Edison/Big Turtle Wind Farm LLC	Utility/Wind Farm	\$27,400,946	\$0	\$27,400,946
International Transmission Co	Utility	7,454,429	0	7,454,429
Corteva Agriscience (formerly Dow Agrisciences LLC)	Agricultural	5,887,742	529,059	6,416,801
Universal Flavor Corporation (d.b.a Sensient Flavors LLC)	Food Manufacturer	2,614,257	1,982,300	4,596,557
Harbor Beach Resort Assoc.	Resort	4,065,950	0	4,065,950
Bischer-Geiger Properties LLC	Agriculture	3,500,946	0	3,500,946
Excelon (d.b.a Michigan Wind 2)	Wind Park	3,109,300	0	3,109,300
Roggenbuck, Douglas & Debra Trust	Agriculture	1,995,516	0	1,995,516
Volmering, Leslie J Trust	Residential	1,854,245	0	1,854,245
Meissner Farms Inc.	Farm	1,818,500	0	1,818,500
TOTALS		<u>\$59,701,831</u>	<u>\$2,511,359</u>	<u>\$62,213,190</u>
Total 2025 Values		\$350,938,514		\$353,449,873
Top 10 Taxpayers as a % of 2025 Total Values		17.01%		17.60%

¹Represents 50% of the actual Taxable Value.

Source: Huron and Sanilac Counties Equalization Departments

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

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

	2025 ¹	2024	2023	2022	2021
Operating – Voted	18.0000	18.0000	18.0000	18.0000	18.0000
Debt	2.2500	2.2500	2.5000	2.5000	2.5500
Total Non-Principal Residence	<u>20.2500</u>	<u>20.2500</u>	<u>20.5000</u>	<u>20.5000</u>	<u>20.5500</u>
Total Principal Residence	<u>2.2500</u>	<u>2.2500</u>	<u>2.5000</u>	<u>2.5000</u>	<u>2.5500</u>

¹In 2025, the portion of the District that includes properties of the former Sigel Township SD No. 6 (Kipper School) had a debt levy 0.25 mill and an operating levy of 18 mills.

The School District levies voted operating millage on non-principal residence property and authorized debt millage on all taxable property within the School District. The voted operating millage expires with the 2028 levy.

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

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

	2025	2024
State Education Tax	6.0000	6.0000
County of Huron	6.8107	6.7607
County of Sanilac	8.1188	8.1461
Township of Sand Beach	4.9560	5.0764
Township of Delaware	3.7230	3.7230
Village of Forestville	8.4734	8.6007
Huron ISD	4.8286	4.8886

Source: Huron and Sanilac Counties Equalization Departments

TAX LEVIES AND COLLECTIONS

The School District’s fiscal year begins July 1 and ends June 30. School District property taxes are due December 1 of each fiscal year and are payable without interest or 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 Treasurers for collection. Huron and Sanilac Counties (the “Counties”) annually pay from their Delinquent Tax Revolving Fund delinquent taxes on real property to all taxing units in the Counties, including the School District, shortly after the date delinquent taxes are returned to the County Treasurers for collection.

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

Levy Year	Operating Tax Levy	Collections to March 1, Each Year		Collections Plus Funding to June 30, Each Year	
2025	\$1,851,967*	In Process of Collection		N/A	
2024	1,733,894	\$1,645,113	94.88%	\$1,725,627	99.52%
2023	1,632,924	1,558,503	95.44	1,632,924	100.00
2022	1,550,774	1,441,438	92.95	1,550,774	100.00
2021	1,484,584	1,418,982	95.58	1,484,584	100.00
2020	1,457,714	1,366,243	93.73	1,457,714	100.00

*Estimated.

RETIREMENT PLAN

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

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

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

Contribution to MPERS

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

Fiscal Year Ended 30-Jun	Pension Amount	Health Care Amount	Total Amount	State Aid MPERS Direct Offset Payments ²
2026 ¹	\$1,279,998	\$236,325	\$1,516,323	\$483,792
2025	1,219,046	231,691	1,450,737	375,914
2024	1,135,515	236,372	1,371,887	1,371,887
2023	1,082,518	247,485	1,330,003	1,330,003
2022	913,370	224,414	1,137,784	1,137,784

¹Estimated.

²Represents 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.

Effective for fiscal years beginning after June 15, 2014, GASB Statement 68 requires all reporting units in a multi-employer cost sharing pension plan to record a balance sheet liability for their proportionate share of the net pension liability of the plan. The School District implemented GASB 68 in its year ended June 30, 2015 financial statements. In its June 30, 2025 financial statements, the School District reported a proportionate share of the net pension liability of \$7,138,425 as of September 30, 2024.

Effective for fiscal years beginning after June 15, 2017, GASB Statement 75 requires all reporting units in a multi-employer cost sharing OPEB plan to record a balance sheet liability for their proportionate share of the net OPEB liability of the plan. The School District implemented GASB 75 in its year ended June 30, 2018 financial statements. In its June 30, 2025 financial statements, the School District reported a proportionate share of the net OPEB asset of \$1,199,810 as of September 30, 2024.

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

Source: Audited Financial Statements and School District

LABOR RELATIONS

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

<u>Employee Group</u>	<u>No. of Employees</u>	<u>Affiliation</u>	<u>Exp. Date of Contract</u>
Administrators	4	Non-Affiliated	N/A
Teachers	28	Tri-County Bargaining Assoc.-MEA/NEA	06/30/26*
Secretaries	4	Non-Affiliated	N/A
Aides	11	Non-Affiliated	N/A
Custodians	2	Non-Affiliated	N/A
Bus Drivers	4	Non-Affiliated	N/A
Food Service	4	Non-Affiliated	N/A
Other	2	Non-Affiliated	N/A
TOTAL	<u>59</u>		

*In negotiations.

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

DEBT STATEMENT* - (As of 02/17/26 – including the Bonds described herein)

DIRECT DEBT:

Dated Date	Purpose	Bond Type	Final Maturity	Principal Outstanding
02/04/15	Refunding	UTQ	05/01/27	\$1,425,000
12/28/17	Building & Site (QZAB)	LTNQ	12/15/32	1,467,000
11/17/20	School Building & Site	UTQ	05/01/40	960,000
__/__/26	School Building & Site, Series I	UTNQ	05/01/53	4,860,000*
NET DIRECT DEBT				\$8,712,000*

OVERLAPPING DEBT:

Percent Share	Municipality	Net Debt	District's Share
100.00%	City of Harbor Beach	\$0	\$0
11.95	Township of Bloomfield	0	0
39.77	Township of Delaware	0	0
5.23	Township of Paris	0	0
47.79	Township of Rubicon	0	0
99.48	Township of Sand Beach	0	0
79.51	Township of Sherman	0	0
43.64	Township of Sigel	0	0
100.00	Village of Forestville	121,000	121,000
10.59	County of Huron	7,305,983	773,704
1.88	County of Sanilac	14,375,838	270,266
12.24	Huron ISD	1,210,000	148,104
TOTAL OVERLAPPING DEBT			1,313,073
NET DIRECT AND OVERLAPPING DEBT			\$10,025,073*

*Preliminary, subject to change.

Source: *Municipal Advisory Council of Michigan*

SCHOOL LOAN REVOLVING FUND (SLRF) PROGRAM

The School District did not have a SLRF balance as of February 17, 2026.

OTHER DEBT

The School District has no short-term borrowing outstanding.

DEBT HISTORY

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

FUTURE FINANCING

The School District anticipates additional capital financings of approximately \$10,740,000 within the next 18 months, which represents the remaining 2025 voted authorization.

DEBT RATIOS*

Estimated School District Population	4,262
2025 Taxable Value	\$350,938,514
2025 State Equalized Value (SEV)	\$675,649,200
2025 True Cash Value (TCV)	\$1,351,298,400
Per Capita 2025 Taxable Value	\$82,341.27
Per Capita 2025 State Equalized Value	\$158,528.67
Per Capita 2025 True Cash Value	\$317,057.34
Per Capita Net Direct Debt	\$2,044.11
Per Capita Net Direct and Overlapping Debt	\$2,352.20
Percent of Net Direct Debt of 2025 Taxable Value	2.48%
Percent of Net Direct and Overlapping Debt of 2025 Taxable Value	2.86%
Percent of Net Direct Debt of 2025 SEV	1.29%
Percent of Net Direct and Overlapping Debt of 2025 SEV	1.48%
Percent of Net Direct Debt of 2025 TCV	0.64%
Percent of Net Direct and Overlapping Debt of 2025 TCV	0.74%

*Preliminary, subject to change.

LEGAL DEBT MARGIN* - (As of 02/17/26 – including the Bonds described herein)

2025 State Equalized Value		\$675,649,200
Legal Debt Limit - 15% of SEV		\$101,347,380
Total Bonded Debt Outstanding	\$8,712,000	
Less: SLRF Qualified Bonds ¹	<u>(2,385,000)</u>	
Net Amount Subject to Legal Debt Limit		<u>6,327,000</u>
LEGAL DEBT MARGIN AVAILABLE		<u><u>\$95,020,380</u></u>

*Preliminary, subject to change.

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

EMPLOYMENT CHARACTERISTICS

Listed below are the largest employers that are located within the School District and Huron County:

Employer	Product or Service	Approx. No. of Employees
<i>Within the School District</i>		
Harbor Beach Community Hospital	Healthcare	168
Universal Flavor Corporation (d.b.a Sensient Flavors LLC)	Food Manufacturer	115
Corteva Agriscience (formerly Dow Agrisciences LLC)	Agricultural Chemicals	90
Harbor Beach Community School District	Education	59
National Filters, Inc.	Air Filters	45
Wiric Corp.	Automotive Wire Harnesses	37
Leader Tool Company	Industrial Dies & Tools	35
Harbor Beach Resort Association	Resort	15
Frankenmuth Credit Union	Financial	7
<i>Within the County of Huron</i>		
Autokinition	Automotive Stamping	425
Huron Casting, Inc.	Steel Castings	400
McLaren Thumb Region	Healthcare	354
Schuerer Hospital	Healthcare	340
Walmart	Retail & Grocery	289
Michigan Sugar	Sugar Manufacturer	250
Valley Enterprises, Inc	Automotive Trim	235
Gemini Plastics	Plastic Extrusions	200
Huron ISD	Education	189
Thumb Tool & Engineering	Tool & Die Engineering	170
Cooperative Elevator Co.	Grain Elevator	150
Elkton-Pigeon-Bay Port Laker Schools	Education	149
Axis Machining, Inc.	Steel Castings	125
Briney Tooling Systems	Tool Holders	120
Regency Plastics, Inc.	Plastic Manufacturer	110
Bad Axe Public Schools	Education	106

Source: 2025 Michigan Manufacturers Directory, MEDC website via www.michiganbusiness.org, and individual employers.

EMPLOYMENT BREAKDOWN

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

PERSONS BY OCCUPATION	City of Harbor Beach		County of Huron	
	Number	Percent	Number	Percent
	601	100.00%	13,762	100.00%
Management, Business, Science & Arts	156	25.96	4,333	31.48
Service	127	21.13	2,261	16.43
Sales & Office	131	21.80	2,569	18.67
Natural Resources, Construction & Maintenance	31	5.16	1,799	13.07
Production, Transportation & Material Moving	156	25.95	2,800	20.35

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

PERSONS BY INDUSTRY	City of Harbor Beach		County of Huron	
	Number	Percent	Number	Percent
	601	100.00%	13,762	100.00%
Agriculture, Forestry, Fishing, Hunting & Mining	11	1.83	1,118	8.12
Construction	25	4.16	1,015	7.38
Manufacturing	155	25.79	2,807	20.40
Wholesale Trade	7	1.16	238	1.73
Retail Trade	55	9.15	1,380	10.03
Transportation, Warehousing & Utilities	40	6.66	701	5.09
Information	2	0.33	166	1.21
Finance, Insurance & Real Estate	23	3.83	580	4.21
Professional, Scientific & Management Services	34	5.66	806	5.86
Educational, Health & Social Services	141	23.46	2,891	21.00
Arts, Entertainment, Recreation & Food Services	54	8.99	1,003	7.29
Other Services except Public Administration	35	5.82	643	4.67
Public Administration	19	3.16	414	3.01

UNEMPLOYMENT

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

Annual Average	County of Huron	State of Michigan
December, 2025	6.0%	4.8%
2024	5.5	4.7
2023	4.9	3.9
2022	5.2	4.2
2021	6.0	5.7

POPULATION BY AGE

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

	City of Harbor Beach		County of Huron	
	Number	Percent	Number	Percent
Total Population	1,582	100.00%	31,113	100.00%
0 through 19 years	393	24.84	6,471	20.80
20 through 64 years	673	42.54	16,177	51.99
65 years and over	516	32.62	8,465	27.21
Median Age	46.1 years		49.5 years	

INCOME

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

HOUSEHOLDS BY INCOME	City of Harbor Beach		County of Huron	
	Number	Percent	Number	Percent
	747	100.00%	14,150	100.00%
Less than \$ 10,000	52	6.96	760	5.37
\$ 10,000 to \$ 14,999	106	14.19	620	4.38
\$ 15,000 to \$ 24,999	56	7.50	1,378	9.74
\$ 25,000 to \$ 34,999	93	12.45	1,204	8.51
\$ 35,000 to \$ 49,999	133	17.80	2,028	14.33
\$ 50,000 to \$ 74,999	126	16.87	2,696	19.05
\$ 75,000 to \$ 99,999	65	8.70	2,225	15.72
\$100,000 to \$149,999	62	8.30	1,774	12.54
\$150,000 to \$199,999	43	5.76	816	5.77
\$200,000 or MORE	11	1.47	649	4.59
Median Income	\$40,809		\$58,870	

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APPENDIX B
GENERAL FUND BUDGET SUMMARY AND
COMPARATIVE FINANCIAL STATEMENTS

Harbor Beach Community School District
General Fund Budget Summary

	As Adopted 2025/26
Revenues	
Local Sources	\$1,828,039
State Sources	4,924,345
Federal Sources	247,743
Incoming Transfers & Other Transactions	490,455
Total Revenues	\$7,490,582
Expenditures	
Instructional Services	
Basic Program	\$3,498,561
Special Education	671,905
Compensatory Education	371,470
Vocational Education	26,388
Support	
Truancy Services	1,200
College/Career Counseling	181,485
Instructional Staff	55,242
General Administration	339,685
School Administration	590,220
Business Administration	185,161
Operation & Maintenance	806,756
Transportation	590,556
Staff/Personnel Services	10,000
Technology	147,510
Athletics	349,592
Community Services	30,901
Total Expenditures	\$7,856,632
Excess of Expenditures (over) under Revenues	(\$366,050)
Other Financing Sources (Uses)	
Debt Service	\$33,699
Indirect Costs	200
QZAB Debt Payment	97,779
Total Other Financing Sources (Uses)	\$131,678
Net Change in Fund Balance	(\$234,372)
Beginning Fund Balance - July 1	\$2,118,910
Projected Fund Balance - June 30	\$1,884,538

Source: School District

**Harbor Beach Community School District
General Fund**

Comparative Balance Sheet

	For Fiscal Years Ended June 30th		
	2023	2024	2025
Assets			
Cash	\$840,779	\$741,741	\$862,397
Investments	515,872	1,518,146	453,609
Receivables			
Accounts Receivable	761	7,200	--
Due from Other Governmental Units	234,103	343,797	688,381
Due from Other Funds	1,125,939	1,206,658	1,572,633
Prepaid Items	92,139	13,086	70
Total Assets	<u>\$2,809,593</u>	<u>\$3,830,628</u>	<u>\$3,577,090</u>
Liabilities			
Accounts Payable	\$56,121	\$132,070	\$49,402
Due to Other Governmental Units	161,097	108,892	68,379
Due to Other Funds	--	22,586	145,524
Accrued Expenditures	152,253	155,120	161,616
Salaries Payable	309,982	296,384	331,159
Unearned Revenue	475,341	714,368	702,100
Total Liabilities	<u>\$1,154,794</u>	<u>\$1,429,420</u>	<u>\$1,458,180</u>
Fund Balances			
Non-Spendable			
Prepaid Items	\$92,139	\$13,086	\$70
Assigned	116,437	143,286	246,488
Unassigned	1,446,223	2,244,836	1,872,352
Total Fund Balances	<u>\$1,654,799</u>	<u>\$2,401,208</u>	<u>\$2,118,910</u>
Total Liabilities and Fund Balances	<u>\$2,809,593</u>	<u>\$3,830,628</u>	<u>\$3,577,090</u>

Source: Audited Financial Statements

**Harbor Beach Community School District
General Fund**

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

	For Fiscal Years Ended June 30th		
	2023	2024	2025
Revenue			
Local Sources	\$1,677,224	\$2,320,435	\$1,945,164
State Sources	4,509,457	4,777,372	4,931,424
Federal Sources	650,149	1,516,978	650,814
Interdistrict Sources	440,340	442,959	417,988
Total Revenue	<u>\$7,277,170</u>	<u>\$9,057,744</u>	<u>\$7,945,390</u>
Expenditures			
Current			
Instruction	\$4,240,962	\$4,090,805	\$4,254,744
Student Services	216,203	237,584	149,746
Instructional Support	56,185	23,728	67,585
General Administration	347,129	319,528	322,840
School Administration	456,600	435,708	570,999
Business Administration	195,844	187,543	174,021
Operations & Maintenance	588,815	727,490	940,267
Transportation	465,756	1,678,026	566,938
Other Support Services	195,803	140,470	132,953
Athletics	251,940	300,111	309,383
Community Services	21,574	17,330	16,304
Outgoing Transfer and Other Uses	30,221	60,587	71,097
Total Expenditures	<u>\$7,067,032</u>	<u>\$8,218,910</u>	<u>\$7,576,877</u>
Excess of Revenue Over (Under) Expenditures	<u>\$210,138</u>	<u>\$838,834</u>	<u>\$368,513</u>
Other Financing Sources (Uses)			
Proceeds from Sale of Capital Assets	--	\$5,354	\$693
Operating Transfers In	\$23,825	--	--
Operating Transfers Out	(97,779)	(97,779)	(97,779)
Total Other Financing Sources (Uses)	<u>(\$73,954)</u>	<u>(\$92,425)</u>	<u>(\$97,086)</u>
Net Change in Fund Balance	\$136,184	\$746,409	\$271,427
Fund Balance - Beginning	<u>\$1,518,615</u>	<u>\$1,654,799</u>	<u>\$1,847,483</u>
Fund Balance - Ending	<u>\$1,654,799</u>	<u>\$2,401,208</u>	<u>\$2,118,910</u>

Source: Audited Financial Statements

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APPENDIX C
AUDITED FINANCIAL STATEMENTS

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October 15, 2025

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of
Harbor Beach Community Schools

Report on the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Harbor Beach Community Schools, 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 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 Harbor Beach Community Schools, as of June 30, 2025, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Harbor Beach Community Schools 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.

Change in Accounting Principle

As discussed in Note 15 to the financial statements, the District adopted GASB Statement No. 101, *Compensated Absences*. Our opinions are not modified with respect to this matter.

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 Harbor Beach Community Schools' 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.

-I-

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additional offices in
Brighton • Fenton • Owosso
www.lewis-knopf.com

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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 generally accepted auditing standards 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 Harbor Beach Community Schools' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Harbor Beach Community Schools' ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information as identified 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.

-II-



HARBOR BEACH COMMUNITY SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS

Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2025, on our consideration of the Harbor Beach Community Schools' 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 Harbor Beach Community Schools' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Harbor Beach Community Schools' internal control over financial reporting and compliance.

Lewis & Knopf, P.C.

LEWIS & KNOPF, P.C.
CERTIFIED PUBLIC ACCOUNTANTS



As administration of Harbor Beach Community Schools, 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

- * The liabilities and deferred inflows of resources of the District exceeded its assets and deferred outflows of resources at the close of the most recent fiscal year by \$265,823 (net position).
- * The District's total net position increased by \$2,196,640. The increase was primarily due to net change in pension and OPEB obligations and payments of bond principal.
- * The general fund had an increase in fund balance of \$271,427. At the end of the year, unassigned fund balance for the general fund was \$1,872,352, or 24%, of total general fund expenditures. Total fund balance for the general fund was \$2,118,910, or 28%, of total general fund expenditures.

Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand the District financially as a whole. The District-Wide Financial Statements provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. The financial statements then proceed to provide an increasingly detailed look at specific financial activities included in the fund financial statements. For governmental activities, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements provide information about the School District's most significant funds - the General Fund, QZAB Debt Fund and Student Activities Fund. All other funds are presented in one column as non-major funds.

HARBOR BEACH COMMUNITY SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS

HARBOR BEACH COMMUNITY SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS

MAJOR FEATURES OF DISTRICT-WIDE AND FUND FINANCIAL STATEMENTS			
Fund Financial Statements			
	District-Wide Statements	Governmental Funds	Fiduciary Funds (if any)
Scope	Entire District (except Fiduciary Funds)	The activities of the District that are not proprietary or fiduciary such as special education and building maintenance	Instances in which the District administers resources on behalf of someone else, such as certain student activities monies
Required Financial Statements	* Statement of Net Position * Statement of Activities (Pages 1 and 2)	* Balance Sheet * Statement of Revenues, Expenditures and Changes in Fund Balances (Pages 3 and 5)	* Statement of Fiduciary Net Position * Statement of Changes in Fiduciary Net Position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of Asset/ Liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both short-term and long-term, The District's funds do not currently contain capital assets, although they can
Type of Inflow/ Outflow Information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received	All additions and deductions during year, regardless of when cash is received or paid

Fund Financial Statements

The fund financial statements are reported on a modified accrual basis and consist of governmental funds. Governmental funds include most of the District's basic services which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending on future District programs.

Fiduciary funds are for assets that belong to others, such as certain student activities funds where the District is the trustee or fiduciary. The District cannot use these assets to finance its operations but it is responsible to ensure that these funds are used for their intended purposes. Only measurable and currently available funds are reported. Liabilities to beneficiaries are recognized when an event has occurred that compels the District to disburse fiduciary resources. Some of these funds are established by State law and by bond covenants while others can be established for the District to control and manage money for a particular purpose such as school lunch and athletics.

SUMMARY OF NET POSITION:

NET POSITION SUMMARY		
	2025	2024 *
ASSETS		
Other Assets	\$4,759,252	\$5,086,383
Net Other Postemployment Benefits Asset	1,199,810	171,651
Capital Assets	8,921,412	9,325,833
TOTAL ASSETS	\$14,880,474	\$14,583,867
DEFERRED OUTFLOWS OF RESOURCES		
	2,692,673	3,900,735
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$17,573,147	\$18,484,602
LIABILITIES		
Other Liabilities	8,475,788	11,636,171
Long-Term Liabilities	4,729,375	4,995,835
Total Liabilities	\$13,205,163	\$16,632,006
DEFERRED INFLOWS OF RESOURCES		
	4,633,807	3,191,543
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	\$17,838,970	\$19,823,549
NET POSITION		
Net Investment in Capital Assets	4,869,067	4,474,954
Restricted	2,048,527	986,619
Unrestricted	(7,183,417)	(6,800,520)
TOTAL NET POSITION	(\$265,823)	(\$1,338,947)

* The 2024 numbers have not been updated for the adoption of GASB 101.

The above analysis focuses on the net position. The change in net position of the School District's governmental activities is discussed below. The net position differs from fund balances and a reconciliation appears on page 4.

The District's net position reflects its investment in capital assets, and capital projects (i.e. land, buildings, vehicles, equipment, and infrastructure), less any related debt used to acquire those assets that are still outstanding. The District uses these capital assets to provide services to citizens; 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 to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the District's net position, \$2,048,527, represents resources that are subject to external restrictions on how they may be used. In the case of the School District, these amounts are restricted for debt service and capital projects. Most of the debt will be repaid from voter-approved property taxes collected as the debt service comes due.

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

HARBOR BEACH COMMUNITY SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS

HARBOR BEACH COMMUNITY SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS OF OPERATIONS:

For the fiscal years ended June 30, 2025 and 2024, the District wide results of operations were:

	2025	2024 *
REVENUES		
<u>Program Revenues</u>		
Charges for Services	\$273,787	\$221,777
Operating Grants	3,133,288	3,825,484
Total Program Revenues	\$3,407,075	\$4,047,261
<u>General Revenues:</u>		
Property Taxes	2,508,000	2,377,689
State Sources - Unrestricted	2,991,631	3,051,260
Interdistrict Sources	417,988	442,959
Other General Revenues	99,179	648,569
Total General Revenues	\$6,016,798	\$6,520,477
Total Revenues	\$9,423,873	\$10,567,738
EXPENSES		
Instruction & Instructional Support	3,271,827	3,720,246
Support Services	2,461,645	2,474,013
Community Services	16,304	17,330
Outgoing Transfers and Other Uses	22,997	2,088
Food Service	402,768	431,767
Student Activities	176,819	140,719
Interest on Long-Term Debt	83,293	107,924
Depreciation/Amortization	791,580	654,372
Total Expenses	\$7,227,233	\$7,548,459
CHANGE IN NET POSITION	\$2,196,640	\$3,019,279

* The 2024 numbers have not been updated for the adoption of GASB 101.

The District's net position increased by \$2,196,640 during the current fiscal year. The increase in net position differs from the change in fund balances and a reconciliation appears on page 6.

The net cost shows the financial burden that was placed on the State and the School District's taxpayers by each of these functions. Since property taxes for operations and unrestricted State aid constitute the vast majority of the School District's operating revenue sources, the Board of Education and Administration must annually evaluate the needs of the School District and balance those needs with State-prescribed available unrestricted resources.

Student Enrollment

Student enrollment decreased from 493 in 2023-24 to 485 in 2024-25.

RESULTS OF OPERATIONS: (Continued)

General Fund Budgeting and Operating Highlights

The School District's budgets are prepared according to Michigan law. The most significant budgeted fund is the General Fund.

During the fiscal year ended June 30, 2025, the School District amended the budget of the General Fund two times. State law requires that the budget be amended to ensure that expenditures do not exceed appropriation. A schedule showing the School District's general fund original and final budget amounts compared with amounts actually paid and received is provided in required supplemental information of these financial statements.

The general fund actual revenue and other financing sources was \$7,946,083. That amount is less than the final budget estimate of \$8,225,372. The variance was \$279,289 or 3%. The variance was primarily due to grant funds that will be carried over into the following year.

The actual expenditures and other financing uses of the general fund were \$7,674,656, which is less than the final budget estimate of \$8,115,682. The variance was \$441,026 or 5%. The variance was primarily due to unexpended grant funds that will be carried over into the following year.

The general fund had total revenues of \$7,946,083 and total expenditures of \$7,674,656 with a net increase in fund balance of \$271,427 and an ending fund balance of \$2,118,910.

Capital Asset and Debt Administration

A. **Capital Assets**

The District's investment in capital assets for its governmental activities as of June 30, 2025 amounted to \$8,921,412 (net of accumulated depreciation/amortization). This investment in capital assets included land, land improvements, machinery and equipment, and licensed vehicles. Capital assets at fiscal year-end included the following:

	Capital Assets (Net of Depreciation)	
	2025	2024
Land	\$106,601	\$106,601
Buildings and Improvements	6,068,100	6,463,785
Equipment and Furniture	1,570,124	1,462,892
Vehicles	1,136,697	1,227,470
Right to Use - Leased Equipment	39,890	65,085
Total capital assets, net	\$8,921,412	\$9,325,833

Additional information on the District's capital assets can be found in Note 4.

HARBOR BEACH COMMUNITY SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS

Capital Asset and Debt Administration (Continued)

B. Long-Term Debt

At the end of the current fiscal year, the District had total long-term debt outstanding of \$4,729,375. Long-term debt at fiscal year-end included the following:

	Long-Term Debt	
	2025	2024 *
General Obligation Bonds	\$3,960,685	\$4,750,136
Notes from Direct Borrowings and Direct Placements	166,532	214,632
Compensated Absences	602,158	31,067
Total Long-Term Debt	\$4,729,375	\$4,995,835

* The 2024 numbers have not been updated for the adoption of GASB 101.

The District's total bonded debt decreased by \$730,000 during the current fiscal year due to the District making scheduled debt payments. Additional information on the District's long-term debt can be found in Note 6.

Economic Factors And Next Year's Budget

The following factors will affect the District in the future and were considered in preparing the District's budget for the 2025-26 fiscal year:

- * Foundation Allowance
The Board of Education and Administration agreed to an estimate of a foundation allowance of \$10,000 per pupil for the 2025-26 fiscal year, a \$392 per pupil increase from 2024-25, based on information received from various educational organizations such as Michigan School Business Officials, Michigan Association of School Administrators, and the Michigan Association of School Boards as well as discussions with local state representatives.
- * Retirement Rate
The continuing cost of health insurance to current and potential retirees continues to drive the rate increase the Michigan School Employees Retirement System recommends to the legislature for approval. For 2024-2025, the rate is anticipated to decrease to 29.91% effective October 1, 2025. Additionally, the District will be required to pay 15.02%, for all wages earned October 1, 2025 and later, for the Unfunded Actuarial Accrued Liability (UAAL).
- * The Harbor Beach Community Schools' 2025/2026 adopted budget is as follows:

<u>REVENUE</u>	\$7,490,582
<u>EXPENDITURES</u>	7,737,068
<u>NET (UNDER) BUDGET</u>	(\$246,486)

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens and taxpayers with a general overview of the District's finances. If you have questions about this report or need additional information, contact the Business Office, Harbor Beach Community Schools.

HARBOR BEACH COMMUNITY SCHOOLS
STATEMENT OF NET POSITION
JUNE 30, 2025

	Governmental Activities
ASSETS	
Cash and Cash Equivalents	\$2,624,568
Investments	551,366
Receivables:	
Due from Other Governmental Units	1,577,298
Inventory	5,950
Prepaid Expenditures	70
Net Other Postemployment Benefits Asset	1,199,810
Capital Assets, Not Being Depreciated - Land	106,601
Capital Assets, Net of Accumulated Depreciation	8,814,811
Total Assets	\$14,880,474
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Loss on Refunding	71,794
Related to Pensions	2,273,304
Related to Postemployment Benefits	347,575
Total Deferred Outflows of Resources	\$2,692,673
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$17,573,147
LIABILITIES	
Accounts Payable	51,616
Due to Other Governmental Units	68,379
Accrued Expenditures	174,561
Salaries Payable	331,796
Unearned Revenue	711,011
Non-Current Liabilities - Due in One Year	869,915
Non-Current Liabilities - Due in More than One Year	3,859,460
Net Pension Liability	7,138,425
Total Liabilities	\$13,205,163
DEFERRED INFLOWS OF RESOURCES	
Related to State Aid Funding for Pension and Other Postemployment Benefits	375,914
Related to Pensions	2,588,542
Related to Other Postemployment Benefits	1,669,351
Total Deferred Inflows of Resources	\$4,633,807
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	\$17,838,970
NET POSITION	
Net Investment in Capital Assets	4,869,067
Restricted	2,048,527
Unrestricted	(7,183,417)
Total Net Position	(\$265,823)

See notes to the financial statements.

-1-

HARBOR BEACH COMMUNITY SCHOOLS
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2025

	Program Revenues			Governmental Activities
<u>FUNCTIONS/PROGRAMS</u>	Expenses	Charges For Services	Program Specific Operating Grants and Contributions	Net (Expense) Revenue & Change in Net Position
Governmental Activities:				
Instruction	\$3,271,827	\$15,545	\$2,590,607	(\$665,675)
Support Services	2,461,645	54,333	105,093	(2,302,219)
Food Service	402,768	10,447	437,588	45,267
Community Services	16,304	0	0	(16,304)
Student Activities	176,819	193,462	0	16,643
Outgoing Transfers and Other Uses	22,997	0	0	(22,997)
Interest - Long-Term Obligations	83,293	0	0	(83,293)
Depreciation/Amortization - Unallocated	791,580	0	0	(791,580)
Total Governmental Activities	\$7,227,233	\$273,787	\$3,133,288	(\$3,820,158)
General Revenues:				
Taxes:				
Property Taxes, Levied for General Purposes				1,786,596
Property Taxes, Levied for Debt Retirement				721,404
State Sources - Unrestricted				2,991,631
Interdistrict Sources				417,988
Investment Earnings				43,763
Other				55,416
Total General Revenues				\$6,016,798
Change in Net Position				\$2,196,640
Net Position - Beginning of Year As Previously Reported				(1,338,947)
Adjustment to Beginning Net Position				(1,123,516)
Net Position - Beginning of Year As Restated				(\$2,462,463)
Net Position - End of Year				(\$265,823)

See notes to the financial statements.

-2-

HARBOR BEACH COMMUNITY SCHOOLS
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2025

	General Fund	QZAB Debt Fund	Student Activities Fund	Non-Major Governmental Funds	Total Governmental Funds
<u>ASSETS</u>					
Cash and Cash Equivalents	\$862,397	\$590,610	\$587,889	\$583,672	\$2,624,568
Investments	453,609	0	0	97,757	551,366
Receivables:					
Due from Other Funds	688,381	97,779	0	47,745	833,905
Due from Other Governmental Units	1,572,633	0	0	4,665	1,577,298
Inventory	0	0	0	5,950	5,950
Prepaid Expenditures	70	0	0	0	70
<u>TOTAL ASSETS</u>	<u>\$3,577,090</u>	<u>\$688,389</u>	<u>\$587,889</u>	<u>\$739,789</u>	<u>\$5,593,157</u>
<u>LIABILITIES</u>					
Accounts Payable	\$49,402	\$0	\$1,280	\$934	\$51,616
Due to Other Governmental Units	68,379	0	0	0	68,379
Due to Other Funds	145,524	0	368,075	320,306	833,905
Accrued Expenditures	161,616	0	0	112	161,728
Salaries Payable	331,159	0	0	637	331,796
Unearned Revenue	702,100	0	0	8,911	711,011
Total Liabilities	\$1,458,180	\$0	\$369,355	\$330,900	\$2,158,435
<u>FUND BALANCES</u>					
Non-Spendable					
Inventory	0	0	0	5,950	5,950
Prepaid Expenditures	70	0	0	0	70
Restricted					
Debt Retirement	0	688,389	0	173,161	861,550
Food Service	0	0	0	226,700	226,700
Capital Projects	0	0	0	3,078	3,078
Committed	0	0	218,534	0	218,534
Assigned - Subsequent Yr Expenditures	246,488	0	0	0	246,488
Unassigned	1,872,352	0	0	0	1,872,352
Total Fund Balances	\$2,118,910	\$688,389	\$218,534	\$408,889	\$3,434,722
<u>TOTAL LIABILITIES AND FUND BALANCES</u>	<u>\$3,577,090</u>	<u>\$688,389</u>	<u>\$587,889</u>	<u>\$739,789</u>	<u>\$5,593,157</u>

See notes to the financial statements.

-3-

HARBOR BEACH COMMUNITY SCHOOLS
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2025

Total Governmental Fund Balances:	\$3,434,722
Amounts reported for governmental activities in the statement of net assets are different because:	
Deferred Outflows of Resources - Related to Pensions	2,273,304
Deferred Outflows of Resources - Related to Postemployment Benefits	347,575
Deferred Inflows Related to State Aid Funding for Pension and Other Postemployment Benefits	(375,914)
Deferred Inflows of Resources - Related to Pensions	(2,588,542)
Deferred Inflows of Resources - Related to Other Postemployment Benefits	(1,669,351)
Some assets are not current financial resources and therefore are not reported in the Governmental Funds Balance Sheet.	
Noncurrent asset at year end consist of:	
Net Other Postemployment Benefits Assets	1,199,810
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.	
Capital Assets	\$22,297,021
Less: Accumulated Depreciation/Amortization	(13,375,609)
Capital Assets, Net of Accumulated Depreciation/Amortization	8,921,412
Accrued Interest on Long-Term Debt	(12,833)
Unavailable Amount on Bond Refunding	71,794
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:	
General Obligation Bonds	\$3,960,685
Notes from Direct Borrowing and Direct Placement	166,532
Compensated Absences Payable	602,158
Total Long-Term Liabilities	(4,729,375)
Net Pension Liability	(7,138,425)
<u>TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES</u>	<u>(\$265,823)</u>

See notes to the financial statements.

-4-

HARBOR BEACH COMMUNITY SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2025

	General Fund	QZAB Debt Fund	GASB 100		Total Governmental Funds
			Change in Reporting	Formally Non-Major	
			Student Activities Fund	Non-Major Governmental Funds	
REVENUES					
Local Sources	\$1,945,164	\$1,577	\$193,462	\$740,070	\$2,880,273
State Sources	4,931,424	0	0	262,686	5,194,110
Federal Sources	650,814	0	0	279,995	930,809
Interdistrict Sources	417,988	0	0	0	417,988
Total Revenues	\$7,945,390	\$1,577	\$193,462	\$1,282,751	\$9,423,180
EXPENDITURES					
Instruction	4,254,744	0	0	0	4,254,744
Student Services	149,746	0	0	0	149,746
Instructional Support	67,585	0	0	0	67,585
General Administration	322,840	0	0	0	322,840
School Administration	570,999	0	0	0	570,999
Business Administration	174,021	0	0	0	174,021
Operation & Maintenance of Plant	940,267	0	0	0	940,267
Transportation	566,938	0	0	0	566,938
Other Support Services	132,953	0	0	0	132,953
Athletics	309,383	0	0	0	309,383
Community Services	16,304	0	0	0	16,304
Outgoing Transfers and Other Uses	71,097	0	0	0	71,097
Food Service	0	0	0	441,878	441,878
Student Activities	0	0	176,819	0	176,819
Debt Service					
Principal	0	0	0	730,000	730,000
Interest	0	0	0	105,000	105,000
Other	0	0	0	3,253	3,253
Capital Outlay	0	0	0	66,596	66,596
Total Expenditures	\$7,576,877	\$0	\$176,819	\$1,346,727	\$9,100,423
Revenues Over (Under) Expenditures	\$368,513	\$1,577	\$16,643	(\$63,976)	\$322,757
OTHER FINANCING SOURCES (USES)					
Transfers In	0	97,779	0	0	97,779
Transfers Out	(97,779)	0	0	0	(97,779)
Sale of Assets	693	0	0	0	693
Total Other Financing Sources (Uses)	(\$97,086)	\$97,779	\$0	\$0	\$693
Net Change in Fund Balance	\$271,427	\$99,356	\$16,643	(\$63,976)	\$323,450
FUND BALANCE - BEGINNING OF YEAR	2,401,208	589,033	0	674,756	3,664,997
Adjustment to Beginning Fund Balance	(553,725)	0	201,891	(201,891)	(553,725)
Beginning of Year - As Restated	\$1,847,483	\$589,033	\$201,891	\$472,865	\$3,111,272
FUND BALANCE - END OF YEAR	\$2,118,910	\$688,389	\$218,534	\$408,889	\$3,434,722

See notes to the financial statements.

HARBOR BEACH COMMUNITY SCHOOLS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2025

Total net change in fund balances - governmental funds	\$323,450
Amounts reported for governmental activities 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 as depreciation expense.	
Capital Outlay	\$387,159
Depreciation/Amortization Expense	(791,580)
Total	(404,421)
Amortization of:	
Bond Premium	59,451
Deferred Loss on Refunding	(39,158)
Payments on Lease	48,100
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount of repayments reported as expenditures in the governmental funds.	730,000
Net Change in Compensated Absences	(1,300)
Change in accrued interest on long-term liabilities	4,667
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental Funds.	
State Aid Funding for Pension and Other Postemployment Benefits	222,699
Pension Related Items	808,305
OPEB Related Items	444,847
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$2,196,640

See notes to the financial statements.

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A) DESCRIPTION OF GOVERNMENT-WIDE 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 nonfiduciary activities of the District. All fiduciary activities are reported only in the fund financial statements. Governmental activities normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions.

B) REPORTING ENTITY

The District is governed by an elected seven-member Board of Education. The accompanying basic financial statements have been prepared in accordance with criteria established by the GASB for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are part of the District's reporting entity and which organizations are legally separate component units of the District. Based on application of the criteria, the District does not contain component units.

The District receives funding from local, state, federal and interdistrict government sources and must comply with the accompanying requirements of these funding source entities. However, the District is not included in any other governmental "reporting entity" body that has separate legal standing and is fiscally independent of the governmental entities. As such, the Board of Education has decision-making authority, the authority to levy taxes, and determine its budget, the power to designate management, the ability to significantly influence operations and primary accountability for fiscal matters.

C) BASIS OF PRESENTATION - GOVERNMENT-WIDE FINANCIAL STATEMENTS

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from the governmental funds. Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

D) BASIS OF PRESENTATION - FUND FINANCIAL STATEMENTS

The fund financial statements provide information about the District's funds, including its fiduciary funds (if any). Separate statements for each fund category - governmental and fiduciary - are presented. The emphasis of fund financial statements is on major governmental funds. All remaining governmental funds are aggregated and reported as nonmajor funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

The School District reports the following major governmental funds:

General Fund - The General Fund is the School District's primary operating fund. It accounts for all financial resources of the School District, except those required to be accounted for and reported in another fund.

Debt Retirement Funds - The Debt Retirement Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs. (The QZAB Debt Fund is a major fund for the year.

Special Revenue Funds - The special revenue funds accounts for revenue sources that are legally restricted to expenditures for specific purposes (not including expendable trusts or major capital projects). The District accounts for its food service and student/school activities in the special revenue funds. (The student activities fund is major).

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D) BASIS OF PRESENTATION - FUND FINANCIAL STATEMENTS (Continued)

Other Non-Major Funds:

Special Revenue Funds - The special revenue funds accounts for revenue sources that are legally restricted to expenditures for specific purposes (not including expendable trusts or major capital projects). The District accounts for its food service and student/school activities in the special revenue funds.

Debt Retirement Funds - The Debt Retirement Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Building and Site Capital Projects Funds - The Building and Site Capital Projects Funds are used to record bond proceeds or other revenue and the disbursement of funds specifically designated for acquiring new school sites, buildings, equipment, and for remodeling and repairs. The funds operate until the purpose for which they were created is accomplished. The District has complied with the applicable provision of §1351a of the Revised School Code.

During the course of operations the District has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds. While these balances are reported in the fund financial statements, they are eliminated in the preparation of the government-wide financial statements.

Further, certain activity occurs during the year involving transfers of resources between funds. In the fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in the fund financial statements, they are eliminated in the preparation of the government-wide financial statements.

E) MEASUREMENT FOCUS, BASIS OF ACCOUNTING

The accounting and financial reporting treatment applied to the financial statements is determined by its measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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

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

Fiduciary Fund Financial Statements (if any) are reported using the economic resources measurement focus and the accrual basis of accounting, except for the recognition of certain liabilities to the beneficiaries of a fiduciary activity. Liabilities to beneficiaries are recognized when an event has occurred that compels the District to disburse fiduciary resources.

**HARBOR BEACH COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

1) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

E) **MEASUREMENT FOCUS, BASIS OF ACCOUNTING** (Continued)

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

Property taxes, state and federal aid, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end).

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

F) **CASH AND CASH EQUIVALENTS**

Cash and cash equivalents include amounts in demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

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

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

**HARBOR BEACH COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

1) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

F) **CASH AND CASH EQUIVALENTS** (Continued)

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

G) **INVENTORIES AND PREPAID COSTS**

Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds, including commodities received from the United States Department of Agriculture, are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid costs in both government-wide and fund financial statements.

H) **CAPITAL ASSETS**

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) using a \$5,000 capitalization threshold and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an assets life are not. Interest incurred during the construction of capital assets is also capitalized.

Land and construction in progress, if any, are not depreciated. Right to use assets of the District are amortized using the straight-line method over the shorter of the lease period of the estimated useful lives. The other property, plant, and equipment of the District are depreciated using the straight line method over the following estimated useful lives:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Buildings and Improvements	15 – 40 years
Furniture and Equipment	5 – 15 years
Vehicles and Buses	5 – 8 years
Right to Use – Leased Equipment	5 years

I) **INTERFUND BALANCES**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund receivables/payables.” These amounts are eliminated in the governmental activities columns of the statement of net position.

J) **UNEARNED REVENUE**

The District reports unearned revenue on its governmental funds balance sheet. Unearned revenues arise when potential revenue does not meet both the “measurable” and “available” criteria for recognition in the current period. Unearned revenues also arise when the District receives resources before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for unearned revenue is removed from the combined balance sheet and revenue is recognized.

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K) COMPENSATED ABSENCES

Each teacher is allowed to accumulate up to a maximum of 30 compensated sick leave days. These sick days must be used during the school year. Any unused number of days over 30 from the current year will be paid out at \$50 per day. Transportation employees are capped at \$1,000 upon completion of five years of service.

L) 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. Bond premiums and discounts, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as debt service expenditures.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period.

The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

M) DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

Deferred Outflows

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net assets that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The District has three items that qualify for reporting in this category. They are the deferred charge on refunding, pension and other postemployment benefits related items reported in the government-wide statement of net position. A deferred charge on refunding results from 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. A deferred outflow is recognized for pension and other postemployment benefit related items. These amounts are expensed in the plan year in which they apply.

Deferred Inflows

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net assets that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The District has three items that qualifies for reporting in this category. The first is restricted state aid funding deferred to offset deferred outflows related to section 147c pension and other postemployment benefit contributions subsequent to the measurement period. The second and third items are future resources yet to be recognized in relation to the pension and other postemployment benefit actuarial calculation. These future resources arise from differences in the estimates used by the actuary to calculate the pension and other postemployment benefit liability and the actual results. The amounts are amortized over a period determined by the actuary.

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N) DEFINED BENEFIT PLAN

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

O) NET POSITION FLOW ASSUMPTION

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

P) FUND BALANCE FLOW ASSUMPTION

Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Q) FUND BALANCE POLICIES

Fund balances for each of the District's governmental funds are displayed in the following classifications depicting the relative strength of the spending constraints placed on the purposes for which resources can be used:

- * Nonspendable fund balance - amounts that cannot be spent because they are either not in a spendable form (such as inventories and prepaid amounts) or are legally or contractually required to be maintained intact.
- * Restricted fund balance - amounts that can be spent only for specific purposes because of constraints imposed by external providers (such as grantors, bondholders, and higher levels of government), or imposed by constitutional provisions or enabling legislation. The District's Capital Projects Fund, Debt Retirement Fund and Food Service balances are considered restricted.
- * Committed fund balance - amounts that have been formally set aside by specific purposes. Commitments are made and can be rescinded only via resolution of the Board of Education.
- * Assigned fund balance - amounts the District intends to use for specific purposes that do not meet the criteria to be classified as restricted or committed. The intent is expressed by the Board of Education.
- * Unassigned fund balance - amounts that are available for any purpose; these amounts can be reported only in the District's General Fund.

In the general fund, the goal of the District shall be to maintain a minimum unassigned fund balance of no less than 5% of the preceding year's expenditures.

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

R) LEASES AND SUBSCRIPTION BASED IT ARRANGEMENTS (SBITA)

Lessee/subscriber: The District is a lessee for a noncancelable lease/subscription of office equipment and an IT arrangement. The District recognizes a lease liability and an intangible right-to-use lease asset in the government-wide financial statements. The District recognizes a lease/SBITA liability and an intangible right-to-use lease/SBITA asset in the government-wide financial statements.

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

Key estimates and judgements related to leases included how the District determines (1) the discount rate it uses to discount the expected lease/SBITA payments to present value, (2) lease/SBITA term, and (3) lease/SBITA 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/SBITA.

* The lease/SBITA term includes the noncancelable period of the lease/subscription. Lease/SBITA payments included in the measurement of the lease/SBITA liability are composed of fixed payments and purchase option price that the District is reasonably certain to exercise.

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

Lease/SBITA assets are reported with other capital assets and lease/SBITA liabilities are reported with long-term obligations on the statement of net position.

S) REVENUE

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per pupil based on a statewide formula. The Foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the current year ended, the foundation allowance was based on pupil membership counts.

The state portion of the Foundation is provided primarily by a state education property tax millage of 6 mills on Principal Residence Exemption (PRE) property and an allocated portion of state sales and other taxes. The local portion of the Foundation is funded primarily by Non-PRE property taxes which may be levied at a rate of up to 18 mills as well as 6 mills for Commercial Personal Property Tax. The state revenue is recognized during the foundation period and is funded through payments from October to August. Thus, the unpaid portion at June 30 is reported as due from other governmental units.

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

S) REVENUE (Continued)

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

All other revenue items are generally considered to be measurable and available only when cash is received by the District.

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The District levies its property taxes on December 1 and various municipalities collect its property taxes and remit them to the District through February. The delinquent real property taxes of the District are purchased by the County, and delinquent personal property taxes continue to be collected by the municipalities and recorded as revenue as they are collected. The county sells tax notes, the proceeds of which have been used to pay the District for these delinquent real property taxes. These delinquent real property taxes have been recorded as revenue in the current year.

T) USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

U) MICHIGAN PUBLIC SCHOOL ACCOUNTING MANUAL

The accompanying financial statements have been prepared on a basis substantially consistent with the Michigan Public School Accounting Manual (Bulletin 1022), which outlines the accounting procedures and policies for school districts required by the Michigan State Board of Education.

V) BUDGETARY INFORMATION

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund and special revenue fund. The capital projects fund is appropriated on a project-length basis. Other funds do not have appropriated budgets.

Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances are commitments related to unperformed (executor) contracts for goods or services (i.e., purchase orders, contracts, and commitments). The District does not utilize encumbrance accounting.

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

1. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.
2. Public hearings are conducted to obtain taxpayer comments.

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

V) BUDGETARY INFORMATION

3. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (1968 PA 2). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated. Violations, if any, in the general fund are noted in the required supplementary information section.
4. Transfers may be made for budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the School Board.
5. The budget was amended during the year with supplemental appropriations, the last one approved prior to year-end June 30, 2025. The District does not consider these amendments to be significant.

2) DEPOSITS AND INVESTMENTS

As of June 30, 2025 the District had deposits and investments subject to the following risk:

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District’s deposits may not be returned to it. As of June 30, 2025, \$1,418,465 of the District’s bank balance of \$2,657,863 was exposed to custodial credit risk because it was uninsured and uncollateralized. The carrying value on the books for deposits at the end of the year was \$2,624,568.

Custodial credit risk – investments. For an investment, this 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.

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

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

Concentration of credit risk. The District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the District’s investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Investment Type	Fair value	Weighted Average Maturity (Years)	Standard & Poor's Rating	%
MILAF External Investment Pool - MICMS	\$ 496,247	N/A	AAAm	90.00%
MILAF External Investment Pool - MIMAX	55,119	N/A	AAAm	10.00%
Total fair value	<u>\$ 551,366</u>			<u>100.00%</u>

2) DEPOSITS AND INVESTMENTS (Continued)

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

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

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

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

MILAF-MIMAX investments fair value measurement is level 2.

The District voluntarily invests certain excess funds in external pooled investment funds which included money market funds. One of the pooled investment funds utilized by the District is the Michigan Investment Liquid Asset Fund (MILAF). MILAF is an external pooled investment fund of “qualified” investments for Michigan school districts. MILAF is not regulated nor is it registered with the SEC. MILAF reports as of June 30, 2025, the fair value of the District’s investments is the same as the value of the pooled shares.

MILAF funds are considered external investment pools as defined by the GASB and as such are recorded at amortized cost which approximate fair value. The MILAF (MAX Class) fund requires notification of redemptions prior to 14 days to avoid penalties. These funds are not subject to the fair value disclosures.

The above amounts are reported in the financial statements as follows:

Cash – District Wide	\$ 2,624,568
Investments – District Wide	<u>551,366</u>
TOTAL	<u>\$ 3,175,934</u>

HARBOR BEACH COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS

3) **RECEIVABLES – DUE FROM OTHER GOVERNMENTAL UNITS**

Receivables at June 30, 2025, consist of taxes, accounts (fees), intergovernmental grants and interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

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

GOVERNMENTAL ACTIVITIES	AMOUNT
State Aid	\$ 803,131
Federal Grants	285,964
Other Grant Programs & Fees	488,203
TOTAL GOVERNMENTAL ACTIVITIES	\$ 1,577,298

4) **CAPITAL ASSETS**

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

	Balance Beginning	Additions	Deductions	Balance Ending
GOVERNMENTAL ACTIVITIES				
Non-Depreciable				
Land	\$106,601	\$0	\$0	\$106,601
Buildings and Improvements	16,808,901	0	0	16,808,901
Equipment and Furniture	2,835,968	208,683	0	3,044,651
Vehicles and Buses	2,032,422	178,476		2,210,898
Right to Use - Leased Equipment	125,970	0	0	125,970
Totals at Historical Cost	\$21,803,261	\$387,159	\$0	\$22,190,420
Less: Accum. Depreciation/Amortization				
Buildings and Improvements	(10,345,116)	(395,685)	0	(10,740,801)
Equipment and Furniture	(1,373,076)	(101,451)	0	(1,474,527)
Vehicles and Buses	(804,952)	(269,249)		(1,074,201)
Right to Use - Leased Equipment	(60,885)	(25,195)	0	(86,080)
Total Accumulated Depreciation/ Amortization	(\$12,584,029)	(\$791,580)	\$0	(\$13,375,609)
GOVERNMENTAL ACTIVITIES				
CAPITAL ASSETS - NET	\$9,325,833	(\$404,421)	\$0	\$8,921,412

Depreciation/amortization expense was unallocated on the Statement of Activities as the district considers all fixed assets to have mixed use.

Net investment in capital assets consists of the following:

Capital Assets	\$ 22,297,021
Less: Accumulated Depreciation/Amortization	(13,375,609)
Add: Deferred Loss on Refunding	71,794
Less: Related Long-Term Liabilities	(4,127,217)
Add: Unspent 2020 Capital Projects	3,078
NET INVESTMENT IN CAPITAL ASSETS	\$ 4,869,067

HARBOR BEACH COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS

5) **SHORT-TERM DEBT**

The District has various options for short-term financing including tax anticipation notes, state aid anticipation notes and lines of credit. The District entered into no short-term financing arrangements during the fiscal year ended June 30, 2025.

6) **GENERAL LONG-TERM DEBT**

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

Governmental Activities:	As Restated			Balance Ending	Amount Due in One Year
	Balance Beginning	Additions	Deductions		
General Obligation Bonds	\$4,750,136	\$0	\$789,451	\$3,960,685	\$819,451
Notes from Direct Borrowings and Direct Placements	214,632	0	48,100	166,532	50,464
Compensated Absences *	600,858	1,300	0	602,158	0
Total Governmental Activities	\$5,565,626	\$1,300	\$837,551	\$4,729,375	\$869,915

* The change in the compensated absences liability is presented as a net change.

GENERAL OBLIGATIONS BONDS

2015 Refunding Bonds - dated February 4, 2015, in the amount of \$7,085,000 with interest rates ranging from 2% to 4% per annum, matures in 2027. \$ 1,425,000

Energy Conservation Bonds - dated December 28, 2017, in the amount of \$1,466,687 with interest rates at 0% per annum, matures in December 2032. Payments of \$97,779 on this debt will be recorded annually in the District's General Fund. 1,466,687

2020 School Building & Site Bonds dated November 17, 2020, in the amount of \$1,235,000 with interest rates ranging from 2% to 2.25% per annum, matures in 2040. 960,000

Bond Premium 108,998

TOTAL GENERAL OBLIGATION BONDS \$ 3,960,685

NOTES FROM DIRECT BORROWINGS AND DIRECT PLACEMENTS

Copier Lease – Michigan Office Solutions requires monthly payments of \$2,241 including interest at an imputed rate of 2.6% per annum, matures January 2027. 41,667

Bus Lease – In July 2023, the District entered into a four year lease agreement with Tax-Exempt Leasing Corp to lease two buses. The lease requires three annual payments of \$33,699 with the remaining fourth payment of \$108,046 due in July 2026. 124,865

TOTAL NOTES FROM DIRECT BORROWINGS AND DIRECT PLACEMENTS \$ 166,532

Compensated Absences 602,158

TOTAL GENERAL LONG-TERM OBLIGATIONS \$ 4,729,375

HARBOR BEACH COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS

6) **GENERAL LONG-TERM DEBT** (Continued)

The District's outstanding notes from direct borrowings and direct placements related to governmental activities of \$166,532 contains provisions that in an event of default, either by (1) unable to make principal or interest payments (2) false or misrepresentation is made to the lender (3) become insolvent or make an assignment for the benefit of its creditors (4) if the lender at any time in good faith believes that the prospect of payment of any indebtedness is impaired. Upon the occurrence of any default event, the outstanding amounts, including accrued interest become immediately due and payable.

The annual requirements to amortize long-term obligations outstanding exclusive of employment benefit obligation payments as of June 30, 2025 are as follows:

	Notes from Direct Borrowings and Direct Placements				
	General Obligation Bonds				Total
	Principal	Interest	Principal	Interest	
June 30, 2026	\$819,451	\$77,000	\$50,464	\$10,123	\$957,038
June 30, 2027	834,547	47,800	116,068	7,663	1,006,078
June 30, 2028	60,000	17,600	0	0	77,600
June 30, 2029	60,000	16,400	0	0	76,400
June 30, 2030	60,000	15,200	0	0	75,200
June 30, 2031-2035	1,791,687	57,000	0	0	1,848,687
June 30, 2036-2040	335,000	22,408	0	0	357,408
TOTAL	\$3,960,685	\$253,408	\$166,532	\$17,786	\$4,398,411

Interest expense for the year ended June 30, 2025 was \$117,487.

7) **INTERFUND BALANCES**

Interfund balances at June 30, 2025 consisted of the following:

	Receivable	Payable
General Fund	\$688,381	\$145,524
Food Service	47,745	0
Student Activities	0	368,075
Debt Retirement	97,779	253,710
Capital Projects	0	66,596
TOTAL	\$833,905	\$833,905

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 systems, and (3) payments between funds are made.

HARBOR BEACH COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS

8) **INTERFUND TRANSFERS**

Interfund transfers for the year ended June 30, 2025, consisted of the following:

TRANSFERS TO	TRANSFERS FROM	
		General Fund
Debt Retirement		\$97,779

Transfers are made to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Transfers were made from the general fund to the debt retirement fund to help make debt principal and interest payments.

9) **TAX ABATEMENTS**

The District receives reduced property tax revenues as a result of Industrial Facilities Tax exemptions granted by cities and townships. Industrial facility exemptions are intended to promote construction of new industrial facilities, or to rehabilitate historical facilities. There were no property taxes abated.

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

There are no significant abatements made by the District.

10) **RESTRICTED NET POSITION**

Restricted net position consists of the following:

Net Other Postemployment Benefits Asset	\$1,199,810
Debt Retirement	861,550
Less: Accrued Interest - General Obligation Bonds	(12,833)
TOTAL	\$2,048,527

11) **PENSION AND OTHER POSTEMPLOYMENT BENEFITS**

Plan Description

The Michigan Public School Employees' Retirement System (MPSERS) (System) is a cost-sharing, multiple employer, state-wide, defined benefit public employee retirement plan governed by the State of Michigan (State) originally created under Public Act 136 of 1945, recodified and currently operating under the provisions of Public Act 300 of 1980, as amended. Section 25 of this act establishes the Board's authority to promulgate or amend the provisions of the System. MPSERS issues a publicly available Annual Comprehensive Financial Report that can be obtained at www.michigan.gov/orsschools.

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

11) PENSION AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

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

Benefits Provided – Overall

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

<u>Plan Name</u>	<u>Plan Type</u>	<u>Plan Status</u>
Basic	Defined Benefit	Closed
Member Investment Plan (MIP)	Defined Benefit	Closed
Pension Plus	Hybrid	Closed
Pension Plus 2	Hybrid	Open
Defined Contribution	Defined Contribution	Open

Benefits Provided – Pension

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

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

Pension Reform 2010

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

Pension Reform 2012

On September 4, 2012, the Governor signed Public Act 300 of 2012 into law. The legislation grants all active members who first became a member before July 1, 2010 and who earned service credit in the 12 months ending September 3, 2012 or were on an approved professional services or military leave of absence on September 3, 2012, a voluntary election regarding their pension. Any changes to a member's pension are effective as of the member's *transition date*, which is defined as the first day of the pay period that begins on or after February 1, 2013.

Under the reform, members voluntarily chose to increase, maintain, or stop their contributions to the pension fund.

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

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

11) PENSION AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

Pension Reform 2012 (Continued)

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

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

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

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

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

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

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

Pension Reform of 2017

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

11) PENSION AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

Pension Reform of 2017 (Continued)

New employees hired between February 1, 2018 and June 30, 2024, are automatically enrolled as members in the Pension Plus 2 plan as of their date of hire. They have 75 days from the last day of their first pay period, as reported to ORS, to elect to opt out of the Pension Plus 2 plan and become a qualified participant to the DC plan; if no election is made they will default to the DC plan. If they elect to opt out of the Pension Plus 2 plan, their participation in the DC plan will be retroactive to their date of hire.

Pension Reform of 2023

On November 29, 2023, the Governor signed Public Act 250 of 2023 into law. New employees hired after June 30, 2024, are automatically enrolled as members in the Pension Plus 2 plan as of their date of hire. They have 75 days from the last day of their first pay period, as reported to ORS, to elect to opt out of the Pension Plus 2 plan and become a qualified participant in the DC plan; if no election is made they will remain in the Pension Plus 2 plan. If they elect to opt out of the Pension Plus 2 plan, their participation in the DC plan will be retroactive to their date of hire.

Benefits Provided - Other Postemployment Benefit (OPEB)

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

Retiree Healthcare Reform of 2012

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

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

Regular Retirement (no reduction factor for age)

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

11) PENSION AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

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

Member Contributions

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

Employer Contributions

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

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The normal cost is the annual cost assigned under the actuarial funding method, to the current and subsequent plan years. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis.

Pension and OPEB contributions made in the fiscal year ending September 30, 2024 were determined as of the September 30, 2021 actuarial valuations. The pension and OPEB benefits, the unfunded (overfunded) actuarial accrued liabilities as of September 30, 2021 are amortized over a 15-year period beginning October 1, 2023 and ending September 30, 2038.

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

	Pension	Other Postemployment Benefit
October 1, 2024 – September 30, 2025	20.96% - 30.11%	0.00% - 1.25%
October 1, 2023 – September 30, 2024	13.90% - 23.03%	7.06% - 8.31%

The District's pension contributions for the year ended June 30, 2025 were equal to the required contribution total. Total pension contributions were approximately \$1,339,000. Of the total pension contributions approximately \$1,304,000 was contributed to fund the Defined Benefit Plan and approximately \$35,000 was contributed to fund the Defined Contribution Plan.

The District's OPEB contributions for the year ended June 30, 2025 were equal to the required contribution total. Total OPEB contributions were approximately \$42,000. Of the total OPEB contributions approximately \$17,000 was contributed to fund the Defined Benefit Plan and approximately \$25,000 was contributed to fund the Defined Contribution Plan.

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

HARBOR BEACH COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS

11) PENSION AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

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

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 date of September 30, 2023 and rolled-forward using generally accepted actuarial procedures.

The District's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined.

<u>MPSERS (Plan) Non-University Employers</u>	<u>September 30, 2023</u>	<u>September 30, 2024</u>
Total Pension Liability	\$94,947,828,557	\$95,765,499,515
Plan Fiduciary Net Position	62,581,762,238	71,283,482,728
Net Pension Liability	\$32,366,066,319	\$24,482,016,78
Proportionate Share	0.03151%	0.02916%
Net Pension Liability for the District	\$10,197,285	\$7,138,425

For the year ended June 30, 2025, the District recognized pension expense of \$494,140.

At June 30, 2025, the Reporting Unit reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred (Inflows) of Resources</u>
Changes of Assumptions	\$744,223	(\$523,021)
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	0	(1,362,314)
Differences Between Actual and Expected Experience	193,670	(77,560)
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	133,067	(625,647)
Employer Contributions Subsequent to the Measurement Date	<u>1,202,344</u>	<u>0</u>
TOTAL	<u>\$2,273,304</u>	<u>(\$2,588,542)</u>

\$1,202,344, reported as deferred outflows of resources related to pensions resulting from District employer contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

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

<u>Year Ending Sept. 30,</u>	<u>Amount</u>
2025	(\$319,524)
2026	(97,268)
2027	(672,526)
2028	(428,264)
	<u>(\$1,517,582)</u>

HARBOR BEACH COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS

11) PENSION AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

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

The net OPEB liability (asset) was measured as of September 30, 2024, and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation date of September 30, 2023 and rolled-forward using generally accepted actuarial procedures.

The District's proportion of the net OPEB liability (asset) was based on a projection of its long-term share of contributions to the OPEB plan relative to the projected contributions of all participating reporting units, actuarially determined.

<u>MPSERS (Plan) Non-University Employers</u>	<u>September 30, 2023</u>	<u>September 30, 2024</u>
Total Other Postemployment Benefits Liability	\$11,223,648,949	\$9,991,545,923
Plan Fiduciary Net Position	11,789,347,341	14,295,943,589
Net Other Postemployment Benefits Liability (Asset)	\$(565,698,392)	\$(4,304,397,666)
Proportionate Share	0.03034%	0.02787%
Net Other Postemployment Benefits Liability for the District	\$(171,651)	\$(1,199,810)

For the year ended June 30, 2025, the District recognized OPEB benefit of \$421,749.

At June 30, 2025, the Reporting Unit reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred (Inflows) of Resources</u>
Changes of Assumptions	\$262,056	(\$30,121)
Net Difference Between Projected and Actual Earnings on OPEB Plan Investments	0	(227,138)
Differences Between Actual and Expected Experience	0	(1,271,432)
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	77,055	(140,660)
Employer Contributions Subsequent to the Measurement Date	<u>8,464</u>	<u>0</u>
TOTAL	<u>\$347,575</u>	<u>(\$1,669,351)</u>

\$8,464, reported as deferred outflows of resources related to OPEB resulting from District employer contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the subsequent fiscal year.

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

<u>Year Ending Sept. 30,</u>	<u>Amount</u>
2025	(\$425,075)
2026	(257,237)
2027	(246,436)
2028	(239,255)
2029	(136,857)
Thereafter	<u>(25,380)</u>
	<u>(\$1,330,240)</u>

11) PENSION AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

Actuarial Assumptions

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

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

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

Inflation - 3.0%.

Mortality Assumptions -

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

Active: PubT-2010 Male and Female Employee Mortality Tables scaled 100% and MP-2021 adjusted for mortality improvements using projection scale from 2010.

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

Experience Study - Assumption changes as a result of an experience study for the periods 2017 through 2022 have been adopted by the System for use in the determination of the total pension and OPEB liability beginning with the September 30, 2023 valuation.

The Long-Term Expected Rate of Return on Pension and Other Postemployment Benefit Plan Investments - The pension rate was 6.00% (MIP, Basic, Pension Plus Plan, and Pension Plus 2 Plan), and the other postemployment benefit rate was 6.00%, net of investment and administrative expenses determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension and 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.

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

Healthcare Cost Trend Rate for Other Postemployment Benefit - Pre 65, 7.25% for year one and graded to 3.5% in year fifteen. Post 65, 6.50% for year one and graded to 3.5% in year fifteen.

Additional Assumptions for Other Postemployment Benefit Only - Applies to Individuals Hired Before September 4, 2012:

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

Survivor Coverage - 80% of male retirees and 67% of female retirees electing two-person coverage are assumed to have coverage continuing after the retiree's death.

Coverage Election at Retirement - 75% of male and 60% of female future retirees who elected coverage are assumed to elect coverage for 1 or more dependents.

11) PENSION AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

Actuarial Assumptions (Continued)

The target asset allocation at September 30, 2024 and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Investment Category</u>	<u>Target Allocation*</u>	<u>Long-term Expected Real Rate of Return*</u>
Domestic Equity Pools	25.0%	5.3%
International Equity Pools	15.0%	6.5%
Private Equity Pools	16.0%	9.0%
Real Estate and Infrastructure Pools	10.0%	7.1%
Fixed Income Pools	13.0%	2.2%
Absolute Return Pools	9.0%	5.2%
Real Return/Opportunistic Pools	10.0%	6.9%
Short Term Investment Pools	2.0%	1.4%
Total	100.00%	

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

Rate of Return - For 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.

Pension Discount Rate - A single discount rate of 6.00% was used to measure the total pension liability. This discount rate was based on the expected rate of return on pension plan investments of 6.00%. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that contributions from school districts will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

OPEB Discount Rate - A single discount rate of 6.00% was used to measure the total OPEB liability. This discount rate was based on the long-term expected rate of return on OPEB plan investments of 6.00%. The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that school districts contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the Reporting Unit's proportionate share of the net pension liability calculated using a single discount rate of 6.00%, as well as what the Reporting Unit's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	<u>Pension</u>		
	<u>1% Decrease</u>	<u>Discount Rate</u>	<u>1% Increase</u>
District's proportionate share of the net pension liability	\$10,465,008	\$7,138,425	\$4,368,405
	-28-		

11) PENSION AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

Actuarial Assumptions (Continued)

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

	<u>Other Postemployment Benefit</u>		
	<u>1% Decrease</u>	<u>Discount Rate</u>	<u>1% Increase</u>
District's proportionate share of the net other postemployment benefit liability (asset)_	\$(927,223)	\$(1,199,810)	\$(1,435,490)

Sensitivity to the Net OPEB Liability (Asset) to Changes in the Healthcare Cost Trend Rates - The following presents the Reporting Unit's proportionate share of the net other postemployment benefit liability (asset) calculated using the healthcare cost trend rate, as well as what the Reporting Unit's proportionate share of the net other postemployment benefit liability (asset) would be if it were calculated using a healthcare cost trend rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	<u>Other Postemployment Benefit</u>		
	<u>1% Decrease</u>	<u>Current Healthcare Cost Trend Rate</u>	<u>1% Increase</u>
District proportionate share of the net other postemployment benefit liability (asset)	\$(1,435,492)	\$(1,199,810)	\$(947,041)

Pension and OPEB Plan Fiduciary Net Position

Detailed information about the pension and OPEB's fiduciary net position is available in the separately issued Michigan Public School Employees' Retirement System 2024 Annual Comprehensive Financial Report.

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

12) RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees' and natural disasters. The School District has purchased commercial insurance for general liability, property and casualty and health and vision claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in the past three fiscal years.

The School District is subject to the Michigan Employment Security Act and has elected to pay unemployment claims on a direct self-insured basis. Under this method, the School District must reimburse the Employment Commission for all benefits charged against the School District. The School District had no unemployment compensation expense for the year. No provision has been made for possible future claims.

For risk retention situations (other than commercial coverage or risk sharing pools), the School District estimates the liability for workers' compensation, medical claims, and life insurance that have been incurred through the end of the fiscal year, including both those claims that have been reported as well as those that have not yet been reported.

12) RISK MANAGEMENT (Continued)

The District continues to carry commercial insurance for other risks of loss, including employee health and accident insurance. No settlements have occurred in excess of coverage for June 30, 2025 or any of the prior 3 years.

13) COMMITMENTS AND CONTINGENCIES

In the ordinary course of business, the District is involved in various pending or threatened legal actions. The District believe that any ultimate liability arising from these actions will not have a material adverse effect on its financial position.

The District participates in a number of federal and state programs that require compliance with specific terms and conditions and are subject to audits by the contracting agencies. Management believes that the effect of any disallowed expenditures would be immaterial to the financial statements.

14) UPCOMING ACCOUNTING PRONOUNCEMENTS

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

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

HARBOR BEACH COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS

14) UPCOMING ACCOUNTING PRONOUNCEMENTS (Continued)

- e. Budgetary comparison information should include variances between original and final budget amounts and variances between final budget and actual amounts with explanations of significant variances required to be presented in the notes to RSI;

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

In September 2024, the GASB issued Statement No. 104, *Disclosure of Certain Capital Assets*. This Statement requires certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement No. 34. Lease assets recognized in accordance with Statement No. 87, *Leases*, and intangible right-to-use assets recognized in accordance with Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, should be disclosed separately by major class of underlying asset in the capital assets note disclosures. Subscription assets recognized in accordance with Statement No. 96, *Subscription-based Information Technology Arrangements*, also should be separately disclosed. In addition, this Statement requires intangible assets other than those three types to be disclosed separately by major class. This Statement also requires additional disclosures for capital assets held for sale. The District is currently evaluating the impact this standard will have on the financial statements when adopted during the 2025-2026 fiscal year.

15) CHANGE IN ACCOUNTING PRINCIPLE

For the year ended June 30, 2025, the District implemented GASB Statement No. 101, *Compensated Absences*.

Summary: This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. This Statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements.

16) ADJUSTMENTS TO BEGINNING FUND BALANCES/NET POSITION

During the fiscal year changes to beginning fund balance/net position are as follows:

	Reporting Units Affected by Adjustments and Restatements of Beginning Balances				
	General Fund	QZAB Debt Fund	Student Activities	Nonmajor Governmental Funds	Governmental Activities
Fund Balance/Net Position, As Previously Reported	\$2,401,208	\$589,033	\$0	\$674,756	(\$1,338,947)
Change from Nonmajor to Major Fund	0	0	201,891	(201,891)	0
Error Correction	(553,725)	0	0	0	(553,725)
Change in Accounting Principle (GASB 101)	0	0	0	0	(569,791)
<u>Fund Balance/Net Position, as Restated</u>	<u>\$1,847,483</u>	<u>\$589,033</u>	<u>\$201,891</u>	<u>\$472,865</u>	<u>(\$2,462,463)</u>

The beginning general fund balance was corrected to properly reflect the treatment of monies received by the District for a contribution the board approved to be transferred to the Huron County Community Foundation. The amount was recorded in revenue but should have been a liability at June 30, 2024.

REQUIRED SUPPLEMENTARY
INFORMATION

HARBOR BEACH COMMUNITY SCHOOLS
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2025

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
<u>REVENUES</u>				
Local Sources	\$1,702,728	\$1,885,808	\$1,945,164	\$59,356
State Sources	4,684,004	5,146,862	4,931,424	(215,438)
Federal Sources	170,429	671,298	650,814	(20,484)
Total Revenues	<u>\$6,557,161</u>	<u>\$7,703,968</u>	<u>\$7,527,402</u>	<u>(\$176,566)</u>
<u>EXPENDITURES</u>				
Instruction	4,004,264	4,454,781	4,254,744	200,037
Student Services	119,002	216,019	149,746	66,273
Instructional Support	37,512	33,720	67,585	(33,865)
General Administration	337,230	328,125	322,840	5,285
School Administration	592,610	580,032	570,999	9,033
Business Administration	194,684	187,836	174,021	13,815
Operation & Maintenance of Plant	774,785	1,052,112	940,267	111,845
Transportation	471,402	578,564	566,938	11,626
Other Support Services	179,210	170,569	132,953	37,616
Athletics	275,698	326,526	309,383	17,143
Community Services	44,050	30,901	16,304	14,597
Total Expenditures	<u>\$7,030,447</u>	<u>\$7,959,185</u>	<u>\$7,505,780</u>	<u>\$453,405</u>
Excess of Revenues Over Expenditures	(\$473,286)	(\$255,217)	\$21,622	\$276,839
<u>OTHER FINANCING SOURCES (USES)</u>				
Net Change in Fund Balance	330,001	364,906	249,805	(115,101)
	(\$143,285)	\$109,689	\$271,427	\$161,738
<u>FUND BALANCE - BEGINNING OF YEAR</u>			2,401,208	
Adjustment to Beginning Fund Balance			(553,725)	
Beginning of Year - As Restated			\$1,847,483	
<u>FUND BALANCE - END OF YEAR</u>			<u>\$2,118,910</u>	

HARBOR BEACH COMMUNITY SCHOOLS
BUDGETARY COMPARISON SCHEDULE
STUDENT ACTIVITIES FUND
YEAR ENDED JUNE 30, 2025

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
<u>REVENUES</u>				
Local Sources	\$154,845	\$176,622	\$193,462	\$16,840
<u>EXPENDITURES</u>				
Student Activities	154,845	752,822	176,819	576,003
Net Change in Fund Balance	\$0	(\$576,200)	\$16,643	\$592,843
<u>FUND BALANCE - BEGINNING OF YEAR</u>			201,891	
<u>FUND BALANCE - END OF YEAR</u>			<u>\$218,534</u>	

HARBOR BEACH COMMUNITY SCHOOLS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE REPORTING UNIT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN
LAST 10 FISCAL YEARS (AMOUNTS WERE DETERMINED AS OF 9/30 OF EACH FISCAL YEAR)

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Reporting unit's proportion of net pension liability (%)	0.02915%	0.03151%	0.03181%	0.03042%	0.03085%	0.03008%	0.02780%	0.02670%	0.02680%	0.02630%
Reporting unit's proportionate share of net pension liability	\$7,138,425	\$10,197,285	\$11,961,528	\$7,201,840	\$10,596,799	\$9,960,766	\$8,356,514	\$6,925,332	\$6,691,857	\$6,429,742
Reporting unit's covered-employee payroll	\$2,937,423	\$3,027,949	\$3,159,702	\$2,736,179	\$2,742,219	\$2,724,607	\$2,453,296	\$2,221,912	\$2,335,766	\$2,255,122
Reporting unit's proportionate share of net pension liability as a percentage of its covered-employee payroll	243.02%	336.77%	378.57%	263.21%	386.43%	365.59%	340.62%	311.68%	286.50%	285.12%
Plan fiduciary net position as a percentage of total pension liability	74.44%	65.91%	60.77%	72.60%	59.72%	60.31%	62.36%	64.21%	63.27%	63.17%

-34-

HARBOR BEACH COMMUNITY SCHOOLS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE REPORTING UNIT'S CONTRIBUTIONS
MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN - PENSION
LAST 10 FISCAL YEARS (AMOUNTS WERE DETERMINED AS OF 6/30 OF EACH FISCAL YEAR)

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Statutorily required contributions	\$1,219,046	\$1,135,515	\$1,082,518	\$913,370	\$847,757	\$799,029	\$798,887	\$700,131	\$408,085	\$440,706
Contributions in relation to statutorily required contributions	1,219,046	1,135,515	1,082,518	913,370	847,757	799,029	798,887	700,131	408,085	440,706
Contribution deficiency (excess)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Reporting unit's covered-employee payroll	\$3,249,392	\$3,010,866	\$3,020,558	\$2,992,868	\$2,693,196	\$2,786,584	\$2,672,597	\$2,404,076	\$2,296,968	\$2,333,868
Contributions as a percentage of covered-employee payroll	37.52%	37.71%	35.84%	30.52%	31.48%	28.67%	29.89%	29.12%	17.77%	18.88%

-35-

HARBOR BEACH COMMUNITY SCHOOLS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE REPORTING UNIT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN
LAST 10 FISCAL YEARS (AMOUNTS WERE DETERMINED AS OF 9/30 OF EACH FISCAL YEAR)

	2024	2023	2022	2021	2020	2019	2018	2017
Reporting unit's proportion of net OPEB liability (%)	0.02787%	0.03034%	0.03249%	0.03023%	0.03086%	0.03117%	0.02880%	0.02670%
Reporting unit's proportionate share of net OPEB liability	(\$1,199,810)	(\$171,651)	\$688,152	\$461,431	\$1,653,162	\$2,237,081	\$2,292,591	\$2,368,267
Reporting unit's covered-employee payroll	\$2,937,423	\$3,027,949	\$3,159,702	\$2,736,179	\$2,742,219	\$2,724,607	\$2,453,296	\$2,221,912
Reporting unit's proportionate share of net OPEB liability as a percentage of its covered-employee payroll	-40.85%	-5.67%	21.78%	16.86%	60.29%	82.11%	93.45%	106.59%
Plan fiduciary net position as a percentage of total OPEB liability (Non-university employers)	143.08%	105.04%	83.09%	87.33%	59.44%	48.46%	42.95%	36.39%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, reporting units should present information for those years for which information is available.

-36-

HARBOR BEACH COMMUNITY SCHOOLS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE REPORTING UNIT'S CONTRIBUTIONS - OPEB
MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN
LAST 10 FISCAL YEARS (AMOUNTS WERE DETERMINED AS OF 6/30 OF EACH FISCAL YEAR)

	2025	2024	2023	2022	2021	2020	2019	2018
Statutorily required contributions	\$231,691	\$236,372	\$247,485	\$224,414	\$218,022	\$213,994	\$212,720	\$180,211
Contributions in relation to statutorily required contributions	231,691	236,372	247,485	224,414	218,022	213,994	212,720	180,211
Contribution deficiency (excess)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Reporting unit's covered-employee payroll	\$3,249,392	\$3,010,866	\$3,020,558	\$2,992,868	\$2,693,196	\$2,786,584	\$2,672,597	\$2,404,076
Contributions as a percentage of covered-employee payroll	7.13%	7.85%	8.19%	7.50%	8.10%	7.68%	7.96%	7.50%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, reporting units should present information for those years for which information is available.

-37-

**HARBOR BEACH COMMUNITY SCHOOLS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

BUDGETARY INFORMATION

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund and Special Revenue Fund (Food Service). All annual appropriations lapse at fiscal year-end.

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

Amounts encumbered for purchase orders, contracts, etc. are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

During the year, Harbor Beach Community Schools has the following expenditure budget variances.

	Final Budget	Actual	Variance With Final Budget
Instructional Support	\$33,720	\$67,585	(\$33,865)
Other Financing Uses	156,497	168,876	(12,379)

NOTE 1 - PENSION INFORMATION

Benefit Changes

There were no changes of benefit terms for each of the reported plan years ended September 30.

Changes in Assumptions

There were no significant changes of benefit assumptions for each of the reported plan years ended September 30 except for the following:

- 2023 - The valuation includes the impact of an updated experience study for periods from 2017 to 2022.
- 2022 - The discount rate and investment rate of return used in the September 30, 2021 actuarial valuation decreased by 0.80 percentage points.
- 2019 - The discount rate used in the September 30, 2018 actuarial valuation decreased by 0.25 percentage points.
- 2018 - The discount rate used in the September 30, 2017 actuarial valuation decreased by 0.45 percentage points. The valuation also includes the impact of an updated experience study for periods from 2012 to 2017.
- 2017 - The discount rate used in the September 30, 2016 actuarial valuation decreased by 0.50 percentage points.

**HARBOR BEACH COMMUNITY SCHOOLS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

NOTE 2 - OPEB INFORMATION

Benefit Changes

There were no changes of benefit terms for each of the reported plan years ended September 30.

Changes in Assumptions

There were no significant changes of benefit assumptions for each of the reported plan years ended September 30 except for the following:

- 2024 - The health care cost trend rate used in the September 30, 2023 actuarial valuation decreased by 0.25 percentage points for members under 65 and increased by 0.25 percentage point for members over 65.
- 2023 - The health care cost trend rate used in the September 30, 2022 actuarial valuation decreased by 0.25 percentage points for members under 65 and increased by 1.00 percentage point for members over 65. In addition, actual per person health benefit costs were lower than projected. The valuation includes the impact of an updated experience study for periods from 2017 to 2022.
- 2022 - The discount rate and investment rate of return used in the September 30, 2021 actuarial valuation decreased by 0.95 percentage points. This resulted in lower than projected per person health benefit costs to reduce the plan's total OPEB liability by an additional \$1.1 billion in 2022.
- 2021 - The health care cost trend rate used in the September 30, 2020 actuarial valuation increased by 0.75 percentage points for members under 65 and decreased by 1.75 percentage points for members over 65. In addition, actual per person health benefit costs were lower than projected. This reduced the plan's total OPEB liability by \$1.3 billion in 2021.
- 2020 - The health care cost trend rate used in the September 30, 2019 actuarial valuation decreased by 0.50 percentage points and actual per person health benefit costs were lower than projected. This reduced the plan's total OPEB liability by \$1.8 billion in 2020.
- 2019 - The discount rate used in the September 30, 2018 actuarial valuation decreased by 0.20 percentage points. The valuation also includes the impact of an updated experience study for periods from 2012 to 2017. This resulted in lower than projected per person health benefit costs to reduce the plan's total OPEB liability by an additional \$1.4 billion in 2019.
- 2018 - The discount rate used in the September 30, 2017 actuarial valuation decreased by 0.35 percentage points. The valuation also includes the impact of an updated experience study for periods from 2012 to 2017. This resulted in lower than projected per person health benefit costs to reduce the plan's total OPEB liability by \$1.4 billion in 2018.

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APPENDIX D
FORM OF LEGAL OPINION

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DRAFT LEGAL OPINION

Harbor Beach Community School District
Counties of Huron and Sanilac
State of Michigan

We have acted as bond counsel in connection with the issuance by Harbor Beach Community School District, Counties of Huron and Sanilac, State of Michigan (the "Issuer"), of its bonds in the aggregate principal amount of \$_____ designated 2026 School Building and Site Bonds, Series I (General Obligation - Unlimited Tax) (the "Bonds"). The Bonds are in fully registered form and issued without coupons, are dated _____, 2026, are of \$5,000 denomination or any integral multiple thereof, are subject to redemption prior to maturity at the option of the Issuer in the manner and at the times as set forth in the Bonds, mature on May 1 of each year, and bear interest payable on November 1, 2026, and semiannually thereafter on May 1 and November 1 of each year in the amounts and at the rates as follows:

<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
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The Bonds maturing on May 1, 20___, are term Bonds subject to mandatory redemption in part, by lot, on the redemption dates and at the redemption price equal to the principal amount thereof as provided in the Bonds.

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

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

- (1) the Bonds have been lawfully authorized and issued and are enforceable obligations of the Issuer in accordance with their terms;
- (2) the Bonds are the general obligation of the Issuer for which its full faith, credit and resources have been irrevocably pledged;
- (3) the Issuer has the power, and is obligated, to levy taxes on all taxable property now situated within the corporate boundaries of the Issuer, without limitation as to rate or amount, sufficient to pay the principal of and interest on the Bonds;
- (4) the Issuer has designated the Bonds as "qualified tax-exempt obligations" within the meaning of the Internal Revenue Code of 1986, as amended (the "Code");



Harbor Beach Community School District
Counties of Huron and Sanilac
State of Michigan

_____, 2026

Page 2

(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 Code is included in annual “adjusted financial statement income” for purposes of calculating the alternative minimum tax imposed on an applicable corporation. The opinions set forth in the preceding sentence are subject to the condition that the Issuer comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The Issuer has covenanted to comply with such requirements. Failure to comply with certain of such requirements may cause the inclusion of interest on the Bonds in gross income for federal income tax purposes to be retroactive to the date of issuance of the Bonds. We express no opinion regarding other federal tax consequences arising with respect to the Bonds.

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

THRUN LAW FIRM, P.C.

TLF/RJN

APPENDIX E
FORM OF CONTINUING DISCLOSURE AGREEMENT

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**FORM OF
CONTINUING DISCLOSURE AGREEMENT**

\$ _____

**HARBOR BEACH COMMUNITY SCHOOL DISTRICT
COUNTIES OF HURON AND SANILAC
STATE OF MICHIGAN
2026 SCHOOL BUILDING AND SITE BONDS, SERIES I
(GENERAL OBLIGATION - UNLIMITED TAX)**

This Continuing Disclosure Agreement (the “Agreement”) is executed and delivered by Harbor Beach Community School District, Counties of Huron and Sanilac, State of Michigan (the “Issuer”), in connection with the issuance of its \$_____ 2026 School Building and Site Bonds, Series I (General Obligation - Unlimited Tax) (the “Bonds”). The Bonds are being issued pursuant to resolutions adopted by the Board of Education of the Issuer on December 17, 2025 and _____, 2026 (together, the “Resolution”). The Issuer covenants and agrees as follows:

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

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

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

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

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

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

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



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

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

“MSRB” shall mean the Municipal Securities Rulemaking Board.

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

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

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

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

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

“SEC” shall mean the Securities and Exchange Commission.

“State” shall mean the State of Michigan.

SECTION 3. Provision of Annual Reports.

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

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

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

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

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

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

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

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

SECTION 5. Reporting of Significant Events.

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

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

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

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

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

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

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

SECTION 6. Termination of Reporting Obligation.

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

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

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

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

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

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

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

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

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

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

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

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

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

HARBOR BEACH COMMUNITY SCHOOL
DISTRICT
COUNTIES OF HURON AND SANILAC
STATE OF MICHIGAN

By: _____
Its: Superintendent

Dated: _____, 2026

APPENDIX A

NOTICE TO THE MSRB OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Harbor Beach Community School District, Huron and Sanilac Counties,
Michigan

Name of Bond Issue: 2026 School Building and Site Bonds, Series I (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 _____.

HARBOR BEACH COMMUNITY SCHOOL
DISTRICT
COUNTIES OF HURON AND SANILAC
STATE OF MICHIGAN

By: _____
Its: Superintendent

Dated: _____



APPENDIX B

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

Name of Issuer: Harbor Beach Community School District, Huron and Sanilac Counties,
Michigan

Name of Bond Issue: 2026 School Building and Site Bonds, Series I (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 _____.

HARBOR BEACH COMMUNITY SCHOOL
DISTRICT
COUNTIES OF HURON AND SANILAC
STATE OF MICHIGAN

By: _____
Its: Superintendent

Dated: _____



APPENDIX C

SIGNIFICANT EVENT NOTICE COVER SHEET

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

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

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

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

Number of pages of attached significant event notice: _____

Description of Significant Events Notice (Check One):

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

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

Signature: _____

Name: _____ Title: _____

Employer: _____

Address: _____

City, State, Zip Code: _____

Voice Telephone Number: (_____) _____

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

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APPENDIX F
DRAFT OFFICIAL NOTICE OF SALE

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OPTIONAL DTC BOOK-ENTRY-ONLY
FORM OF OFFICIAL NOTICE OF SALE
\$4,860,000
HARBOR BEACH COMMUNITY SCHOOL DISTRICT
COUNTIES OF HURON AND SANILAC
STATE OF MICHIGAN
2026 SCHOOL BUILDING AND SITE BONDS, SERIES I
(GENERAL OBLIGATION - UNLIMITED TAX)

BIDS for the purchase of the above 2026 School Building and Site Bonds, Series I (the “Bond” or “Bonds”) will be received electronically on behalf of Harbor Beach Community School District, Huron and Sanilac Counties, Michigan (the “Issuer”), on Wednesday, the 25th day of February, 2026, until 1:30 p.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 PFM Financial Advisors LLC, at (734) 994-9700 or *PARITY* at (212) 849-5021.

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

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

The Bonds will mature on May 1 as follows:

<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
2028	\$40,000	2041	\$205,000
2029	160,000	2042	205,000
2030	160,000	2043	205,000
2031	160,000	2044	205,000
2032	160,000	2045	205,000
2033	165,000	2046	210,000
2034	170,000	2047	210,000
2035	175,000	2048	210,000
2036	180,000	2049	210,000
2037	185,000	2050	210,000
2038	190,000	2051	215,000
2039	195,000	2052	215,000
2040	200,000	2053	215,000

All or a portion of interest payable November 1, 2026 and May 1, 2027, is to be paid out of the proceeds from the sale of the Bonds, and an amount sufficient therefor shall be deposited in the Debt Retirement Fund immediately upon receipt of such proceeds.

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

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

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

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

PRIOR REDEMPTION:

A. Mandatory Redemption - Term Bonds.

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

B. Optional Redemption.

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

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

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

INTEREST RATE AND BIDDING DETAILS: The Bonds shall bear interest at a rate or rates not exceeding five percent (5%) per annum, to be fixed by the bids therefor, expressed in multiples of 1/8 or 1/100 of 1%, or both. The interest on any one Bond shall be at one rate only. All Bonds maturing in any one year must carry the same interest rate. The difference between the highest and lowest interest rates bid shall not exceed three percent (3%) per annum. No proposal for the purchase of less than all of the Bonds or at a price less than 102% or greater than 116% of the par value, or at a price which will cause the true interest cost on the Bonds to exceed five percent (5%) per annum, will be considered. The interest rate borne by bonds maturing in any year shall not be less than the interest rate borne by Bonds maturing in the preceding year.

PURPOSE AND SECURITY: The Bonds are the first of two or more series of bonds that were authorized at an election on November 4, 2025, for the purpose of erecting, furnishing, and equipping additions to the school building and facilities; remodeling, equipping and re-equipping,

and furnishing and refurbishing the school building and facilities; erecting, furnishing, and equipping a maintenance/transportation building; acquiring, installing, equipping, and re-equipping the school building for instructional technology; purchasing school buses; acquiring a site; and preparing, developing, improving, and equipping athletic fields and facilities, playgrounds, parking lots, driveways, sidewalks, and sites. The Bonds will pledge the full faith, credit and resources of the Issuer for payment of the principal and interest thereon, and will be payable from ad valorem taxes, which may be levied without limitation as to rate or amount as provided by Article IX, Section 6, of the Michigan Constitution of 1963.

AWARD OF BONDS: The Bonds will be awarded to the bidder whose bid produces the lowest true interest cost which is the rate that will discount all future cash payments so that the sum of the present value of all cash flows will equal the Bond proceeds computed from March 26, 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 designated the Bonds as “**QUALIFIED TAX-EXEMPT OBLIGATIONS**” within the meaning of the Code, and has covenanted to comply with those requirements of the Code necessary to continue the exclusion of interest on the Bonds from gross income for federal income tax purposes.

OFFICIAL STATEMENT: Upon the sale of the Bonds, the Issuer will publish an Official Statement in substantially the same form as the Preliminary Official Statement, subject to minor additions, deletions and revisions as required to complete the Preliminary Official Statement. Promptly after the sales date, but in no event later than seven (7) business days after such date, the Issuer will provide the Purchaser with either a reasonable number of final Official Statements or a reasonably available electronic version of the same. The Issuer will determine which format will be provided. The Purchaser agrees to supply to the Issuer all necessary pricing information and any underwriter identification necessary to complete the Official Statement within twenty-four (24) hours after the award of Bonds. Additional copies of the final Official Statement may be obtained up to three months following the sale of the Bonds by a request and payment of costs to the financial consultant. The Issuer agrees to provide to the Purchaser at closing a certificate executed by appropriate officers of the Issuer acting in their official capacities, to the effect that as of the date of delivery the information contained in the Official Statement, and any supplement to

the Official Statement, relating to the Issuer and the Bonds are true and correct in all material respects, and that the Official Statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

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

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

CERTIFICATION REGARDING “ISSUE PRICE”: Please see Appendix G to the Preliminary Official Statement for the Bonds, dated February 17, 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 PFM Financial Advisors LLC, municipal advisor to the Issuer. The CUSIP Service Bureau's charge for the assignment of CUSIP identification numbers shall be paid by the Purchaser.

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

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

THE RIGHT IS RESERVED TO REJECT ANY OR ALL BIDS.

Nancy J. Krueger
Secretary, Board of Education

APPENDIX G
CERTIFICATION REGARDING “ISSUE PRICE”

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

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

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

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

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

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

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

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

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

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

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

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

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

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BID FORM

To: Secretary, Board of Education
 Harbor Beach Community School District
 c/o Municipal Advisory Council
munibids@macmi.com
 Phone: (800) 337-0696

Sale Date: February 25, 2026
 1:30 PM, ET

RE: \$4,860,000* Harbor Beach Community School District, Counties of Huron and Sanilac, State of Michigan, 2026 School Building and Site Bonds, Series I (General Obligation – Unlimited Tax)

For all or none of the above Bonds, in accordance with the Official Notice of Sale, we will pay you \$4,860,000* plus a premium of \$_____ for fully registered bonds bearing interest rates and maturing in the stated years as follows:

2028 _____	2037 _____	2046 _____
2029 _____	2038 _____	2047 _____
2030 _____	2039 _____	2048 _____
2031 _____	2040 _____	2049 _____
2032 _____	2041 _____	2050 _____
2033 _____	2042 _____	2051 _____
2034 _____	2043 _____	2052 _____
2035 _____	2044 _____	2053 _____
2036 _____	2045 _____	

The following maturities have been designated as Term Bonds:

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

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

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

TRUE INTEREST COST: _____% (calculated from March 26, 2026)

Account Manager: _____ By: _____

Account Members: _____

The foregoing offer is hereby accepted by and on behalf of Harbor Beach Community School District, Counties of Huron and Sanilac, State of Michigan on the 25th day of February, 2026.

Attest: _____ By: _____

Title: _____ Title: _____

*Preliminary, subject to change.



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

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



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