

In the opinion of Miller, Canfield, Paddock and Stone, P.L.C., Bond Counsel, under existing law, assuming compliance with certain covenants by the School District, the interest on the Bonds is excludable from gross income for federal income tax purposes and the Bonds and interest thereon are exempt from all taxation by the State of Michigan or by any taxing authority within the State of Michigan except estate taxes and taxes on gains realized from the sale, payment or other disposition thereof. See “TAX MATTERS” and “APPENDIX E- FORM OF APPROVING OPINION OF BOND COUNSEL” herein for a description of certain provisions of the Internal Revenue Code of 1986, as amended, which may affect the tax treatment of interest on the Bonds for certain Bondholders.



\$16,470,000
DEXTER COMMUNITY SCHOOLS
COUNTIES OF WASHTENAW AND LIVINGSTON, STATE OF MICHIGAN
2023 SCHOOL BUILDING AND SITE BONDS
(UNLIMITED TAX GENERAL OBLIGATION)

Dated: March 23, 2023**Due: May 1, as shown below**

On August 8, 2017, the qualified electors of Dexter Community Schools, Counties of Washtenaw and Livingston, State of Michigan (the “School District”) approved a proposal authorizing the issuance of bonds not to exceed an aggregate principal amount of \$71,705,000 to be issued in one or more series. Proceeds from the 2023 School Building and Site Bonds (Unlimited Tax General Obligation) (the “Bonds”) in the amount of \$16,470,000, representing the second series of bonds under the voter authorization, will be used for school building and site purposes. The Bonds were authorized by the Board of Education of the School District by a resolution adopted on November 7, 2022 (the “Resolution”). The Bonds will pledge the full faith and credit of the School District for payment of the principal and interest thereon and will be payable from ad valorem taxes, which may be levied on all taxable property in the School District without limitation as to rate or amount.

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

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

Principal of and interest on the Bonds will be paid by the corporate trust office of The Huntington National Bank, Grand Rapids, Michigan (the “Transfer Agent”). So long as DTC or its nominee, Cede & Co., is the Bondholder, such payments will be made directly to such Bondholder. Disbursement of such payments to DTC’s Direct Participants is the responsibility of DTC and disbursement of such payments to the Beneficial Owners is the responsibility of DTC’s Direct Participants and Indirect Participants, as more fully described herein. Interest will be payable semiannually on May 1 and November 1, commencing May 1, 2024, to the Bondholders of record as of the applicable record dates as stated in the Bonds.

(Base CUSIP\$: 252255)

Interest					Interest				
<u>Maturity</u>	<u>Amount</u>	<u>Rate</u>	<u>Yield</u>	<u>CUSIP\$</u>	<u>Maturity</u>	<u>Amount</u>	<u>Rate</u>	<u>Yield</u>	<u>CUSIP\$</u>
2026	\$3,185,000	5.00%	3.03%	MC5	2028	\$6,555,000	5.00%	2.94%	ME1
2027	6,730,000	5.00	2.96	MD3					

THE BONDS ARE NOT SUBJECT TO REDEMPTION PRIOR TO MATURITY. See “THE BONDS — No Redemption” herein.

The Bonds will be offered when, as and if issued by the School District and accepted by the Underwriter subject to the approving legal opinion of Miller, Canfield, Paddock and Stone, P.L.C., Detroit, Michigan, Bond Counsel. Certain legal matters will be passed upon for the Underwriter by Thrun Law Firm, P.C., East Lansing, Michigan. It is expected that the Bonds will be available for delivery through DTC on or about March 23, 2023.

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

STIFEL

The date of this Official Statement is February 23, 2023.

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

* As of date of delivery.

§ CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services (CGS) is managed on behalf of the American Bankers Association by FactSet Research Systems Inc. Copyright(c) 2023 CUSIP Global Services. All rights reserved. CUSIP® data herein is provided by CUSIP Global Services. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP® numbers are provided for convenience of reference only. None of the School District, the Underwriter or their agents or counsel assume responsibility for the accuracy of such numbers.

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

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

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

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

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

DEXTER COMMUNITY SCHOOLS
2704 Baker Road
Dexter, Michigan 48130-1535
(734) 424-4100

BOARD OF EDUCATION

Mara Greatorex, President
Elise Bruderly, Vice President
Richard B. Lundy, Treasurer
Jennifer Kangas, Secretary
Daniel Alabré, Trustee
Brian Arnold, Trustee
Melanie Szawara, Trustee

ADMINISTRATIVE STAFF

Christopher J. Timmis, Ed.D., Superintendent of Schools
Sharon Raschke, Ed.D., Chief Financial Officer

BOND COUNSEL

Miller, Canfield, Paddock and Stone, P.L.C.
Detroit, Michigan

MUNICIPAL ADVISOR

Baker Tilly Municipal Advisors, LLC
East Lansing, Michigan

TABLE OF CONTENTS

	PAGE
INTRODUCTION	1
PURPOSE AND SECURITY	1
QUALIFICATION BY THE STATE OF MICHIGAN	1
ESTIMATED SOURCES AND USES OF FUNDS	2
THE BONDS	2
Description and Form of the Bonds	2
Book-Entry-Only System	2
Transfer Outside Book-Entry-Only System	4
No Redemption	5
TAX PROCEDURES	5
LEVY AND COLLECTION OF TAXES FOR PAYMENT OF THE BONDS AND BONDHOLDERS' REMEDIES	6
SOURCES OF SCHOOL OPERATING REVENUE	6
State School Aid	6
Federal COVID-19 Stimulus Funding	7
MICHIGAN PROPERTY TAX REFORM	8
LITIGATION	9
TAX MATTERS	9
Tax Treatment of Accruals on Original Issue Discount	10
Amortizable Bond Premium	10
Market Discount	11
Information Reporting and Backup Withholding	11
Future Developments	11
APPROVAL OF LEGAL PROCEEDINGS	12
APPROVAL BY MICHIGAN DEPARTMENT OF TREASURY	12
RATINGS	12
UNDERWRITING	13
MUNICIPAL ADVISOR'S OBLIGATION	13
CONTINUING DISCLOSURE	14
OTHER MATTERS	15
 APPENDIX A: State Qualification	
APPENDIX B: General Financial, Economic and School Information	
APPENDIX C: General Fund Budget Summary and Comparative Financial Statements	
APPENDIX D: Audited Financial Statements and Notes to Financial Statements of the School District for the Fiscal Year Ended June 30, 2022	
APPENDIX E: Form of Approving Opinion of Bond Counsel	
APPENDIX F: Form of Continuing Disclosure Undertaking	

OFFICIAL STATEMENT
relating to
\$16,470,000
DEXTER COMMUNITY SCHOOLS
COUNTIES OF WASHTENAW AND LIVINGSTON, STATE OF MICHIGAN
2023 SCHOOL BUILDING AND SITE BONDS
(UNLIMITED TAX GENERAL OBLIGATION)

INTRODUCTION

The purpose of this Official Statement, which includes the cover page and Appendices, is to furnish information in connection with the issuance and sale by the Dexter Community Schools, Counties of Washtenaw and Livingston, State of Michigan (the "School District") of its 2023 School Building and Site Bonds (Unlimited Tax General Obligation) (the "Bonds") in the amount of \$16,470,000.

PURPOSE AND SECURITY

On August 8, 2017, the qualified electors of the School District approved a proposal authorizing the issuance of bonds in an aggregate amount of not to exceed \$71,705,000 to be issued in one or more series. Proceeds of the Bonds in the amount of \$16,470,000, representing the second series of bonds issued under the 2017 authorization, will be issued for the purpose of erecting, completing, equipping and furnishing a new elementary school building; constructing additions to and remodeling, equipping, re-equipping, furnishing, re-furnishing school buildings, and other facilities, including for technology, energy conservation and security improvements and purchasing school buses; acquiring land and preparing, developing, or improving sites, including school buildings, outdoor athletic fields, athletic facilities, playfields, playgrounds and other facilities; acquiring, installing, equipping and re-equipping school buildings and other facilities, including classrooms; and paying the costs of issuing the Bonds.

The Bonds, as authorized for issuance by a resolution of the Board of Education of the School District adopted on November 7, 2022 (the "Resolution"), are a full faith and credit unlimited tax general obligation of the School District. The principal of and interest on the Bonds are payable from the proceeds of ad valorem taxes levied on all taxable property in the School District which may be levied without limitation as to rate or amount. As of the date of delivery, the Bonds are expected to be fully qualified for participation in the State of Michigan School Bond Qualification and Loan Program. See "QUALIFICATION BY THE STATE OF MICHIGAN" and APPENDIX A, "State Qualification," in this Official Statement.

QUALIFICATION BY THE STATE OF MICHIGAN

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

as provided under such section. Loans to school districts for such purposes are made from the proceeds of such State borrowing. See APPENDIX A, "State Qualification," in this Official Statement.

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

ESTIMATED SOURCES AND USES OF FUNDS

SOURCES

Par Amount of the Bonds	\$16,470,000.00
Original Issue Premium	<u>1,347,001.65</u>
Total Sources	<u>\$17,817,001.65</u>

USES

Capital Projects Fund	\$17,656,498.15
Underwriter's Discount	48,586.50
Estimated Costs of Issuance	<u>111,917.00</u>
Total Uses	<u>\$17,817,001.65</u>

THE BONDS

Description and Form of the Bonds

The Bonds will be issued in book-entry-only form as one fully registered Bond per maturity, without coupons, in the aggregate principal amount for each maturity set forth on the cover page hereof and may be purchased in denominations of \$5,000 or any integral multiple thereof. The Bonds will be dated as of, and bear interest from, the date of issuance. Interest on the Bonds shall be payable semiannually each May 1 and November 1 to maturity, commencing May 1, 2024. 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 The Huntington National Bank, Grand Rapids, Michigan, will serve as the Transfer Agent (the "Transfer Agent") and also as bond registrar and paying agent if the Bonds cease to be held in book-entry-only form. Interest on the Bonds shall be payable when due by check or draft to the person or entity who or which is, as of the fifteenth (15th) day of the month preceding each interest payment date, the registered owner of record, at the owner's registered address. For a description of payment of principal and interest, transfers and exchanges and notice of redemption on the Bonds, which are held in the book-entry-only system, see "Book-Entry-Only System" below. For a description of transfers and exchanges on the Bonds if the Bonds cease to be held in book-entry form, see "Transfer Outside Book-Entry-Only System" below.

Book-Entry-Only System

The information in this section has been furnished by The Depository Trust Company, New York, New York ("DTC"). No representation is made by the School District, the Transfer Agent or the Underwriter as to the completeness or accuracy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof. No attempt has been made by the School District, the Transfer Agent or the Underwriter to determine whether DTC is or will be financially or otherwise capable of fulfilling its obligations. Neither the School District nor the Transfer Agent will have any responsibility or obligation to Direct Participants, Indirect Participants (both as defined below) or the

persons for which they act as nominees with respect to the Bonds, or for any principal, premium, if any, or interest payment thereof.

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

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

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not 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 transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of the notices be provided directly to them.

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

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

Payments of principal and interest and redemption amounts, if any, on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detailed information from the School District or Transfer 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, Transfer Agent, or the School District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payments of principal, interest and redemption amounts, if any, to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) are the responsibility of the School District or Transfer Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

Transfer Outside Book-Entry-Only System

In the event that the book-entry-only system is discontinued, the following provisions would apply to the Bonds. The Transfer Agent shall keep the registration books for the Bonds (the "Bond Register") at its corporate trust office. Subject to the further conditions contained in the Resolution, the Bonds may be transferred or exchanged for one or more Bonds in different authorized denominations upon surrender thereof at the corporate trust office of the Transfer Agent by the registered owners or their duly authorized attorneys; upon surrender of any Bonds to be transferred or exchanged, the Transfer 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 Transfer Agent shall not be required to effect or register any transfer or exchange of any bond which has been selected for such

redemption, except the Bonds properly surrendered for partial redemption may be exchanged for new Bonds in authorized denominations equal in the aggregate to the unredeemed portion; the School District and the Transfer Agent shall be entitled to treat the registered owners of the Bonds, as their names appear in the Bond Register as of the appropriate dates, as the owners of such Bonds for all purposes under the Resolution. No transfer or exchange made other than as described above and in the Resolution shall be valid or effective for any purposes under the Resolution.

No Redemption

The Bonds are not subject to redemption at the option of the School District prior to maturity.

TAX PROCEDURES

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

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

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

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

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

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

LEVY AND COLLECTION OF TAXES FOR PAYMENT OF THE BONDS AND BONDHOLDERS' REMEDIES

The Resolution authorizing the issuance of the Bonds and State law obligate the School District to levy a tax annually in an amount sufficient so that the estimated collections therefrom, together with other amounts on hand, if any, to be borrowed from the School Loan Revolving Fund for the Bonds, will be sufficient to pay promptly when due the principal of and interest on the Bonds becoming due prior to the time of the next tax levy. The tax levy shall not be subject to limitation as to rate or amount. Taxes for the payment of the principal of or interest on the Bonds are certified for collection each year with the school tax levies. In the event of the failure of the proper officials to certify taxes for the payment of the principal and interest requirements, a timely action in the nature of mandamus could compel certification and collection of adequate taxes or could compel the School District to make application to borrow the necessary funds from the School Loan Revolving Fund and thus prevent a default. However, if a transfer agent for any bonds of the School District qualified for State loans as provided in Article IX, Section 16, of the State Constitution notifies the State Treasurer that the School District has failed to deposit sufficient funds to pay principal and interest on the qualified bonds when due or if a bond holder notifies the State Treasurer that the School District has failed to pay principal or interest on such qualified bonds when due, whether or not the School District has filed a draw request with the State Treasurer, the State Treasurer shall promptly pay the principal or interest on the qualified bonds when due.

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

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

SOURCES OF SCHOOL OPERATING REVENUE

State School Aid

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. In 2021 the Legislature eliminated the foundation allowance range in the 2021/22 fiscal year that had been in place since the passage of school finance reform legislation in 1994 and established a base foundation allowance in fiscal year 2022/23 of \$9,150 per pupil.

The base foundation allowance is funded by locally raised property taxes plus State school aid appropriated under the School Aid Act. The revenues for the State's contribution to the base foundation allowance are derived from a mix of taxing sources, including but not limited to, a statewide property tax of 6 mills on all taxable property¹, a State sales and use tax, a real estate transfer tax and a cigarette tax.

Generally, school districts are required to levy a local property tax of not more than 18 mills or the number of mills levied in 1993 for school operating purposes, whichever is less, on non-homestead property² in order for the school district to receive its full base foundation allowance. Furthermore, school districts whose budgeted foundation allowance in 2022/23 calculates to an amount in excess of the \$9,150 base foundation allowance are authorized to levy additional millage to obtain this budgeted foundation allowance, first by levying such amount of the 18 mills against homestead property³ as is necessary to obtain the budgeted foundation allowance and, if the 18 mills is insufficient, to then levy such additional mills against all property uniformly as is necessary to obtain the budgeted foundation allowance.

The School District's 2022/23 per pupil budgeted foundation allowance is \$9,150 and accordingly the School District does not levy additional mills on homestead property.

The School District may also receive various categorical grants for specific expenditures such as special education, "at-risk" students, meal programs, early education, vocational-technical programs, bilingual programs and other instructional and non-instructional programs. The type and amount of these categorical grants are determined by the State pursuant to the annual amendments to the School Aid Act. For further information regarding the type and amount of categorical grants received by the School District see the Audited Financial Statements in APPENDIX D.

The appropriation of funds by the Legislature to establish the base foundation allowance and the categorical grants under the School Aid Act may be adjusted annually as part of the State's budgeting process. 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.

Federal COVID-19 Stimulus Funding

To address the impact of COVID-19, in 2020 and 2021 the U.S. Congress passed three stimulus bills providing nearly \$190.5 billion of financial support to public schools through the Elementary and Secondary Emergency Relief ("ESSER") Fund. In March 2020 the Coronavirus Aid, Relief and Economic Security ("CARES") Act provided initial ESSER funding of approximately \$13.5 billion ("ESSER I Funds"). In December 2020, the Coronavirus Response and Relief Supplemental Appropriations ("CRRSA") Act provided approximately \$54.3 billion of supplemental ESSER funding ("ESSER II Funds") and in March 2021 the American Rescue Plan Act ("ARPA") provided approximately \$122.7 billion of additional supplemental ESSER funding ("ESSER III Funds").

¹ "Taxable property" in this context does not include industrial personal property. See also "MICHIGAN PROPERTY TAX REFORM" herein regarding recent amendments exempting certain types of personal property from school operating taxes.

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

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

The ESSER Funds have been allocated to each state and states are required to distribute at least 90% of the ESSER Funds to public schools based on their proportional share of Title I, Part A grant funding under the Elementary and Secondary Education Act ("ESEA"). States have the option to reserve 10% of the ESSER Funds for emergency needs as determined by the state to address issues responding to the COVID-19 pandemic.

Public schools have the flexibility to use the ESSER Funds for any activity authorized under ESEA, which includes assessments, instructional materials, educational technology (software and hardware), professional development, connectivity, teacher pay, summer school activities and measures to address student learning loss. ESSER Funds may also be used for the repair and improvement to facilities to enable the schools to reduce the risk of virus transmission and exposure to environmental health hazards and support student health needs. The ESSER III Funds under the ARPA, including the State appropriated equalization payments discussed below, are subject to further restrictions requiring that 20% of the Funds be used to address learning loss through the implementation of evidence-based interventions.

As required under Michigan law the State has appropriated 90% of its ESSER I, II and III Funds to the Michigan Department of Education ("MDE") for distribution to public schools in proportion to each school's share of Title I Part A grant funding and the remaining 10% was appropriated to MDE to address emergency needs and various categorical spending areas which included summer programs, high school credit recovery, before and after school programs and benchmark assessments¹.

The appropriation of the ESSER II Funds also included additional funding from the State School Aid Fund for distribution to public schools whose per pupil allocation from the 90% portion of ESSER II Funds is less than \$450. This equalized payment ensures that each public school receives a minimum of \$450 per student from ESSER II Funds, this additional State funding, or a combination of the two.²

The 2021/22 State School Aid Fund Budget also included an appropriation of additional funding from the State School Aid Fund for distribution to public schools whose per-pupil allocation from the 90% portion of ESSER III Funds is less than \$1,093. This equalization payment ensures that each public school receives a minimum of \$1,093 per student from ESSER III Funds, this additional State funding, or a combination of the two³.

The School District has been awarded \$174,666 of the ESSER I Funds, \$2,663,237 of the ESSER II Funds, \$3,905,595 of the ESSER III Funds. In addition, the School District has been awarded \$4,004,576 in other grants through the Coronavirus Aid, Relief, and Economic Security Act; Coronavirus Relief Funds; The American Rescue Plan; The Coronavirus Response and Relief Supplemental Appropriations Act; and from the U.S. Department of Agriculture⁴.

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

MICHIGAN PROPERTY TAX REFORM

On March 28 and April 1, 2014, a package of bills amended and replaced legislation enacted in 2012 to reform personal property tax in Michigan. Commercial and industrial personal property of each owner with a combined true cash value in a local taxing unit of less than \$80,000 became exempt from ad

¹ Act 67, Public Acts of Michigan, 2020; Act 3, Public Acts of Michigan, 2021;

² Act 47, Public Acts of Michigan, 2021. MCL §388.1611r

³ Act 48, Public Acts of Michigan, 2021. MCL §388.1611t

⁴ <https://www.msbo.org/school-finance/funding/federal-funds/>

valorem taxes beginning in 2014. All eligible manufacturing personal property purchased or put into service beginning in 2013 and used more than 50% of the time in industrial processing or direct integrated support became exempt beginning in 2016. The legislation extended certain personal property tax exemptions and tax abatements for technology parks, industrial facilities and enterprise zones that were to expire after 2012, until the newly enacted personal property tax exemptions take effect.

Pursuant to voter approval in August 2014, the 2014 legislation also included a formula to reimburse school districts for lost personal property tax revenue for 100% of lost debt millage revenue associated with bonds approved by voters prior to January 1, 2013, and lost operating millage revenue and lost sinking fund millage revenue. To provide the reimbursement, the legislation reduced the State use tax and created a Local Community Stabilization Authority that levies a local use tax component and distributes that revenue from such local component to qualifying local units.¹

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

LITIGATION

The School District has not been served with any litigation, administrative action or proceeding, and to the knowledge of the appropriate officials of the School District no litigation or administrative action or proceeding has been threatened, restraining or enjoining, or seeking to restrain or enjoin, the issuance and delivery of the Bonds, or questioning or contesting the validity of the Bonds or the proceedings or authorities under which they are authorized to be issued, sold, executed and delivered. A certificate to such effect will be delivered to the Underwriter at the time of the original delivery of the Bonds.

TAX MATTERS

In the opinion of Miller, Canfield, Paddock and Stone, P.L.C., Bond Counsel, under existing law, the interest on the Bonds is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax. Bond Counsel is also of the opinion that, under existing law, the Bonds and the interest thereon are exempt from all taxation by the State of Michigan or by any taxing authority within the State of Michigan, except estate taxes and taxes on gains realized from the sale, payment or other disposition thereof. Bond Counsel will express no opinion regarding any other federal or state tax consequences arising with respect to the Bonds and the interest thereon.

The opinions on federal and State of Michigan tax matters are based on the accuracy of certain representations and certifications, and continuing compliance with certain covenants, of the School District contained in the transcript of proceedings and which are intended to evidence and assure the foregoing, including that the Bonds are and will remain obligations the interest on which is excludable from gross income for federal and State of Michigan income tax purposes. The School District has covenanted to take the actions required of it for the interest on the Bonds to be and to remain excludable from gross income for federal and State of Michigan income tax purposes, and not to take any actions that would adversely affect that exclusion. Bond Counsel's opinion assumes the accuracy of the School District's certifications and representations and the continuing compliance with the School District's covenants. Noncompliance with these covenants by the School District may cause the interest on the Bonds to be included in gross income for federal and State of Michigan income tax purposes retroactively to the date of issuance of the Bonds.

¹ Reimbursement for the School District's operating millage loss will come, in part from the State use tax, which is deposited into the State School Aid Fund. A school district that increases its millage rate to replace debt millage revenue loss is not eligible to receive reimbursement distributions. Further, much of the foregone revenue is deposited into and disbursed to the State School 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.

After the date of issuance of the Bonds, Bond Counsel will not undertake to determine (or to so inform any person) whether any actions taken or not taken, or any events occurring or not occurring, or any other matters coming to Bond Counsel's attention, may adversely affect the exclusion from gross income for federal and State of Michigan income tax purposes of interest on the Bonds or the market prices of the Bonds.

The opinions of Bond Counsel are based on current legal authority and covers certain matters not directly addressed by such authority. They represent Bond Counsel's legal judgment as to the excludability of interest on the Bonds from gross income for federal and State of Michigan income tax purposes but are not a guarantee of that conclusion. The Federal income tax opinion is not binding on the Internal Revenue Service ("IRS") or any court. Bond Counsel cannot give and has not given any opinion or assurance about the effect of future changes in the Internal Revenue Code of 1986, as amended (the "Code"), the applicable regulations, the interpretations thereof or the enforcement thereof by the IRS.

Ownership of the Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, corporations subject to the branch profits tax, corporations (as defined in Section 59(k) of the Code) subject to the alternative minimum tax, financial institutions, certain insurance companies, certain S corporations, individual recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred (or continued) indebtedness to purchase or carry the Bonds. Bond Counsel will express no opinion regarding any such consequences.

INVESTORS SHOULD CONSULT WITH THEIR TAX ADVISORS AS TO THE TAX CONSEQUENCES OF THEIR ACQUISITION, HOLDING OR DISPOSITION OF THE BONDS.

Tax Treatment of Accruals on Original Issue Discount

Under existing law, if the initial public offering price to the public (excluding bond houses and brokers) of a Bond is less than the stated redemption price of such Bonds at maturity, then such Bond is considered to have "original issue discount" equal to the difference between such initial offering price and the amount payable at maturity (such Bonds are referred to as "OID Bonds"). Such discount is treated as interest excludable from federal gross income to the extent properly allocable to each registered owner thereof. The original issue discount accrues over the term to maturity of each such OID Bonds on the basis of a constant interest rate compounded at the end of each six-month period (or shorter period) from the date of original issue with straight-line interpolations between compounding dates. The amount of original issue discount accruing during each period is added to the adjusted basis of such OID Bonds to determine taxable gain upon disposition (including sale, redemption or payment on maturity) of such OID Bonds.

The Code contains certain provisions relating to the accrual of original issue discount in the case of purchasers of OID Bonds who purchase such OID Bonds after the initial offering of a substantial amount thereof. Owners who do not purchase such OID Bonds in the initial offering at the initial offering prices should consult their own tax advisors with respect to the tax consequences of ownership of such OID Bonds.

All holders of the OID Bonds should consult their own tax advisors with respect to the allowance of a deduction for any loss on a sale or other disposition of an OID Bond to the extent such loss is attributable to accrued original issue discount.

Amortizable Bond Premium

For federal income tax purposes, the excess of the initial offering price to the public (excluding bond houses and brokers) at which a Bond is sold over the amount payable at maturity thereof constitutes for the original purchasers of such Bonds (collectively, the "Original Premium Bonds") an amortizable bond premium. The Bonds other than Original Premium Bonds may also be subject to an amortizable bond premium determined generally with regard to the taxpayer's basis (for purposes of determining loss on a sale or exchange) and the amount payable on maturity or, in certain cases, on an earlier call date (such

bonds being referred to herein collectively with the Original Premium Bonds as the "Premium Bonds"). 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 the 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 at maturity) of such Premium Bonds.

All holders of the Premium Bonds should consult with their own tax advisors as to the amount and effect of the amortizable bond premium.

Market Discount

The "market discount rules" of the Code apply to the Bonds. Accordingly, holders acquiring their Bonds subsequent to the initial issuance of the Bonds will generally be required to treat market discount recognized under the provisions of the Code as ordinary taxable income (as opposed to capital gain income). Holders should consult their own tax advisors regarding the application of the market discount provisions of the Code and the advisability of making any of the elections relating to market discount allowed by the Code.

Information Reporting and Backup Withholding

Information reporting requirements apply to interest paid after March 31, 2007 on tax-exempt obligations, including the Bonds. In general, such requirements are satisfied if the interest recipient completes, and provides the payor with, a Form W-9, "Request for Taxpayer Identification Number and Certification," or unless the recipient is one of a limited class of exempt recipients, including corporations. A recipient not otherwise exempt from information reporting who fails to satisfy the information reporting requirements will be subject to "backup withholding," which means that the payor is required to deduct and withhold a tax from the interest payment, calculated in the manner set forth in the Code. For the foregoing purpose, a "payor" generally refers to the person or entity from whom a recipient receives its payments of interest or who collects such payments on behalf of the recipient.

If an owner purchasing the Bonds through a brokerage account has executed a Form W-9 in connection with the establishment of such account no backup withholding should occur. In any event, backup withholding does not affect the excludability of the interest on the Bonds from gross income for federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the owner's federal income tax once the required information is furnished to the IRS.

Future Developments

Bond Counsel's engagement with respect to the Bonds ends with the issuance of the Bonds and, unless separately engaged, bond counsel is not obligated to defend the School District in the event of an audit examination by the IRS. The IRS has a program to audit tax-exempt obligations to determine whether the interest thereon is includible in gross income for federal income tax purposes. If the IRS does audit the Bonds, under current IRS procedures, the IRS will treat the School District as the taxpayer and the beneficial owners of the Bonds will have only limited rights, if any, to obtain and participate in judicial review of such audit.

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 OF MICHIGAN INCOME TAXATION, ADVERSELY AFFECT THE MARKET PRICE OR MARKETABILITY OF THE BONDS,

OR OTHERWISE PREVENT THE HOLDERS FROM REALIZING THE FULL CURRENT BENEFIT OF THE STATUS OF THE INTEREST THEREON. BOND COUNSEL EXPRESSES NO OPINION REGARDING ANY PENDING OR PROPOSED FEDERAL OR STATE OF MICHIGAN TAX LEGISLATION.

FURTHER, NO ASSURANCE CAN BE GIVEN THAT ANY ACTIONS OF THE INTERNAL REVENUE SERVICE, INCLUDING, BUT NOT LIMITED TO, SELECTION OF THE BONDS FOR AUDIT EXAMINATION, OR THE COURSE OR RESULT OF ANY EXAMINATION OF THE BONDS, OR OTHER BONDS WHICH PRESENT SIMILAR TAX ISSUES, WILL NOT AFFECT THE MARKET PRICE OF THE BONDS.

INVESTORS SHOULD CONSULT WITH THEIR TAX ADVISORS AS TO THE TAX CONSEQUENCES OF THEIR ACQUISITION, HOLDING OR DISPOSITION OF THE BONDS, INCLUDING THE IMPACT OF ANY PENDING OR PROPOSED FEDERAL OR STATE OF MICHIGAN LEGISLATION, AND THE TREATMENT OF ORIGINAL ISSUE PREMIUM OR ORIGINAL ISSUE DISCOUNT.

APPROVAL OF LEGAL PROCEEDINGS

Legal matters incident to the authorization, issuance and sale of the Bonds are subject to the approval of Miller, Canfield, Paddock and Stone, P.L.C., Detroit, Michigan, Bond Counsel. A copy of the opinion of Bond Counsel will be provided with the Bonds, which opinion will be in substantially the form set forth in APPENDIX E. Except to the extent necessary to deliver its approving opinion as to the validity of the Bonds and tax matters relating to the Bonds and the interest thereon, Bond Counsel has not been retained to examine or review any financial statements or other financial, statistical, or quantitative information, projections or estimates and will not express any opinion as to the accuracy or completeness of any such statements, information, projections or estimates. The legal fees of Bond Counsel in connection with the issuance of the Bonds are expected to be paid from Bond proceeds.

Miller, Canfield, Paddock and Stone, P.L.C. is currently representing Stifel, Nicolaus & Company, Incorporated in certain matters unrelated to the issuance of the Bonds. Both the School District and Stifel, Nicolaus & Company, Incorporated have consented to these unrelated representations.

Certain legal matters will be passed upon for the Underwriter by its counsel, Thrun Law Firm, P.C., East Lansing, Michigan.

Thrun Law Firm, P.C. is currently representing the School District in certain matters unrelated to the issuance of the Bonds. The School District and the Underwriter have consented to these unrelated representations.

APPROVAL BY MICHIGAN DEPARTMENT OF TREASURY

The School District has received a letter from the Department of Treasury of the State of Michigan stating that the School District is in material compliance with the criteria of the Revised Municipal Finance Act, Act No. 34, Public Acts of Michigan, 2001, as amended, for a municipality to be granted qualified status. The School District may therefore issue the Bonds without further approval from the Department of Treasury of the State of Michigan.

RATINGS

S&P Global Ratings, a business unit of Standard and Poor's Financial Services LLC ("S&P"), will assign, as of the date of delivery of the Bonds, its municipal bond rating of "AA" to the Bonds based upon the fact that each Bond will be fully qualified for participation in the Michigan School Bond Qualification and Loan Program as of its date of delivery. See "QUALIFICATION BY THE STATE OF MICHIGAN,"

"LEVY AND COLLECTION OF TAXES FOR PAYMENT OF THE BONDS AND BONDHOLDERS' REMEDIES" and APPENDIX A, "State Qualification," herein.

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

No application has been made to any other ratings service for a rating on the Bonds. The School District furnished to S&P certain materials and information in addition to that provided herein. Generally, rating agencies base their ratings on such information and materials, and on investigations, studies and assumptions. There is no assurance that such ratings will prevail for any given period of time or that they will not be revised downward or withdrawn entirely by S&P if, in its judgment, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse affect on the market price of the Bonds. Any ratings assigned represent only the views of S&P. Further information is available upon request from S&P Global Ratings, 55 Water Street, New York, New York 10041, telephone: (212) 438-1000.

UNDERWRITING

Stifel, Nicolaus & Company, Incorporated (the "Underwriter") has agreed, subject to the terms of the Bond Purchase Agreement, to purchase the Bonds from the School District. The Bond Purchase Agreement provides, in part, that the Underwriter, subject to certain conditions, will purchase from the School District the aggregate principal amount of Bonds for a purchase price as set forth therein. The Underwriter has further agreed to offer the Bonds to the public at the approximate initial offering prices as set forth on the cover hereto. The Underwriter may offer and sell the Bonds to certain dealers and others at prices lower than the offering prices stated on the cover hereto. The offering prices may be changed from time to time by the Underwriter. The aggregate underwriting fee for the Bonds equals 0.295 percent of the original principal amount of the Bonds.

The Bond Purchase Agreement provides that the obligations of the Underwriter are subject to certain conditions, including, among other things, that (i) no event has occurred which impairs or threatens to impair the validity of the Bonds or the interest thereon as exempt from taxation in the State of Michigan and interest on the Bonds is excluded from gross income for federal income tax purposes (except as described under the heading "TAX MATTERS" herein), and (ii) proceedings relating to the Bonds are not pending or threatened by the Securities and Exchange Commission. The Bond Purchase Agreement further provides that the School District will provide to the Underwriter, within seven business days of the date of the Bond Purchase Agreement, sufficient copies of the Official Statement to enable the Underwriter to comply with the requirements of Rule 15c2-12(b)(4) under the Securities Exchange Act of 1934, as amended.

MUNICIPAL ADVISOR'S OBLIGATION

Baker Tilly Municipal Advisors, LLC (successor to H.J. Umbaugh & Associates, Certified Public Accountants, LLP) (the "Municipal Advisor" or "Baker Tilly") has been retained by the School District to provide certain financial advisory services including, among other things, preparation of the deemed "nearly final" Preliminary Official Statement and the Final Official Statement (the "Official Statements"). The information contained in the Official Statements has been compiled from records and other materials provided by the School District officials and other sources deemed to be reliable. The Municipal Advisor has not and will not independently verify the completeness and accuracy of the information contained in the Official Statements.

The municipal advisor's duties, responsibilities and fees arise solely as Municipal Advisor to the School District and they have no secondary obligations or other responsibility. The municipal advisor's fees are expected to be paid from proceeds of the Bonds.

Municipal Advisor Registration

Baker Tilly is a Municipal Advisor registered with the Securities and Exchange Commission and the Municipal Securities Rulemaking Board. As such, Baker Tilly is providing certain specific municipal advisory services to the School District, but is neither a placement agent to the School District nor a broker/dealer and cannot participate in the underwriting of the Bonds.

The offer and sale of the Bonds shall be made by the School District, in the sole discretion of the School District, and under its control and supervision. The School District has agreed that Baker Tilly does not undertake to sell or attempt to sell the Bonds, and will take no part in the sale thereof.

Other Financial Industry Activities and Affiliations

Baker Tilly Investment Services, LLC ("BTIS") is registered as an investment adviser with the Securities and Exchange Commission ("SEC") under the Federal Investment Advisers Act of 1940. BTIS provides discretionary and non-discretionary investment management services to government and municipal entities. BTIS may provide advisory services to the clients of Baker Tilly.

Baker Tilly Virchow Krause, LLP ("BTVK") is an advisory, tax and assurance firm headquartered in Chicago, Illinois. BTVK and its affiliated entities, have operations in North America, South America, Europe, Asia and Australia. BTVK is an independent member of Baker Tilly International, a worldwide network of independent accounting and business advisory firms in 47 territories, with 33,600 professionals.

Baker Tilly Capital, LLC ("BTC"), a wholly owned subsidiary of BTVK, is a limited purpose broker/dealer registered with the SEC and member of the Financial Industry Regulatory Authority ("FINRA"). BTC provides merger & acquisition, capital sourcing and corporate finance advisory services. BTC may provide transaction advisory services to clients of Baker Tilly.

Baker Tilly Financial, LLC ("BTF"), a wholly owned subsidiary of BTVK, is a state-registered investment adviser that provides both discretionary and non-discretionary investment advice, investment and pension consulting and portfolio management services to individual and institutional clients. BTF may provide advisory services to the clients of Baker Tilly.

Baker Tilly has no other activities or arrangements that are material to its advisory business or its clients with a related person who is a broker-dealer, investment company, other investment adviser or financial planner, bank, law firm or other financial entity.

CONTINUING DISCLOSURE

Prior to delivery of the Bonds, the School District will execute a Continuing Disclosure Undertaking for the Bonds (the "Undertaking") for the benefit of the Bondholders (as defined in the Undertaking) to send certain information annually and to provide notice of certain events to certain information repositories pursuant to the requirements of Section (b)(5) of Rule 15c2-12 (the "Rule") adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended. The information to be provided on an annual basis, the events which will be noticed on an occurrence basis and the other terms of the Undertaking, are set forth in "APPENDIX F – FORM OF CONTINUING DISCLOSURE UNDERTAKING" to this Official Statement.

A failure by the School District to comply with the Undertaking will not constitute an event of default under the Resolution and Bondholders are limited to the remedies described in the Undertaking. A failure by the School District to comply with the Undertaking must be reported by the School District in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer

before recommending the purchase or sale of the Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Bonds and their market price.

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

OTHER MATTERS

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

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

DEXTER COMMUNITY SCHOOLS
COUNTIES OF WASHTENAW AND LIVINGSTON
STATE OF MICHIGAN

By: /s/ Christopher J. Timmis, Ed.D.

Its: Superintendent of Schools

[THIS PAGE INTENTIONALLY LEFT BLANK]

**APPENDIX A
STATE QUALIFICATION**

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

State loans to school districts.

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

Amount of loans.

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

Qualified bonds.

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

Repayment of loans, tax levy by school district.

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

Bonds, state loans, repayment.

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

Power to tax unlimited.

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

Rights and obligations to remain unimpaired.

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

SCHOOL BOND QUALIFICATION, APPROVAL, AND LOAN ACT

Act 92 of 2005

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

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

The People of the State of Michigan enact:

388.1921 Short title.

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

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

388.1922 Purpose of act.

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

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

388.1923 Definitions.

Sec. 3. As used in this act:

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

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

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

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

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

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

Reorganization Order No. 2010-2, MCL 12.194.

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

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

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

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

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

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

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

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

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

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

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

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

388.1925 Preliminary qualification; application.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

388.1926 Prequalification of bonds; determination by state treasurer.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

388.1928 Submission of ballot to electors; ballot.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

388.1930 Certificates of qualification or approval; file; delivery.

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

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

388.1931 Rules; bulletins.

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

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

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

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

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

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

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

Sec. 13. (1) If a school district owes a balance due to the revolving loan fund or has been identified as a potential borrower, the school district shall file an annual loan activity application with the state treasurer no less than 60 days before certifying its annual tax levy. The annual loan activity application shall be submitted in a format prescribed by the state treasurer and shall provide the taxable value, debt service, and any other information necessary to determine the proper required millage levy required under this act. The application shall contain a resolution passed by the local school board authorizing a designated school district official to complete all necessary documents to obtain a loan from the revolving loan fund or for making repayment to the revolving loan fund for the year.

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

- (a) A statement of the debt service owed in the next 6 months.
- (b) A copy of the most recent bank statement showing the amount on hand in the debt service accounts for all qualified bonds.
- (c) A statement of any revenue received for payment of the debt service since the date of the bank statement.
- (d) A statement of any withdrawals made from the debt service account since the date of the bank statement.

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

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

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

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

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

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

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

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

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

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

388.1935 Default; repayment.

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

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

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

388.1936 Charging and disposition of fees.

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

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

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

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

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

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

388.1938 Use of remaining proceeds.

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

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

(b) To repay this state.

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

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

388.1939 Actions by designee.

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

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

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

CONSTITUTIONAL LAW:
SCHOOL BONDS:
MUNICIPAL FINANCE COMMISSION:

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

No. 4422

March 12, 1965.

Hon. Sanford A. Brown
State Treasurer
Lansing, Michigan

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

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

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

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

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

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

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

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

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

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

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

FRANK J. KELLEY,
Attorney General

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

BONDS: Qualified bonds of school districts.

CONSTITUTION OF 1963: School Bond Loan Fund.

SCHOOLS: Bond Loans.

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

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

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

August 29, 1966.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

FRANK J. KELLEY,
Attorney General

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX B¹ SCHOOL DISTRICT DATA

Location and Area

Dexter Community Schools (the “School District”) encompasses an area of 85 square miles within the Counties of Washtenaw and Livingston. The School District is comprised of all of the City of Dexter, portions of Dexter, Freedom, Lima, Lodi, Northfield, Scio and Webster Townships in Washtenaw County and a portion of Hamburg Township in Livingston County.

Population²

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

2000	16,155
2010	19,591
2020	21,616

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

	<u>2010</u>	<u>2020</u>	<u>% Change</u>
Washtenaw County	344,791	372,258	8.0
Dexter Township*	6,042	6,696	10.8
Freedom Township	1,428	1,332	(6.7)
Lima Township	3,307	4,024	21.7
Lodi Township	6,058	6,417	5.9
Northfield Township	8,245	8,550	3.7
Scio Township*	20,081	17,552	(12.6)
Webster Township	6,784	6,575	(3.1)
Livingston County	180,967	193,866	7.1
Hamburg Township	21,165	21,259	0.4

* Includes portions of the population for the City of Dexter which was incorporated in November 2014. The City of Dexter’s 2020 population is 4,500.

Board of Education

The Board of Education consists of seven members who are elected at large for six-year overlapping terms.

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

² Sources: School District figures: 2000, 2010 and 2020 – U.S. Census of Population.

Enrollments

The following tables show total full time equivalent enrollments as of the Fall pupil count day at the School District for the current and past nine years as well as the 2022/2023 enrollment by grade.

Enrollment History

The School District's historical enrollment totals (Fall Pupil Count Day) are as follows:

2022/23	3,375	2017/18	3,628
2021/22	3,417	2016/17	3,587
2020/21	3,387	2015/16	3,550
2019/20	3,628	2014/15	3,547
2018/19	3,647	2013/14	3,550

Projected Pre-K – 12 enrollment for 2025/2026 is 3,677 as estimated by the School District.

2022/23 Enrollment by Grade

Pre-K	66	7 th	250
Kindergarten	214	8 th	250
1 st	247	9 th	273
2 nd	225	10 th	283
3 rd	216	11 th	283
4 th	234	12 th	287
5 th	273	Special Ed.	<u>37</u>
6 th	237		
		Total	<u>3,375</u>

School District Facilities

	<u>Grades Served</u>	<u>Year Constructed</u>	<u>Additions/ Remodeling</u>
Anchor Elementary	PreK-2	1995	2019
Beacon Elementary	PreK-2	2019	
Wylie Elementary	3-4	1965	1967, 1972, 1988, 1995, 2002, 2019
Creekside Intermediate	5-6	1956	1973, 1988, 1995, 2000, 2010, 2011
Mill Creek Middle School	7-8	1995	2000, 2009, 2019
Dexter High School	9-12	2002	2009
Louie Ceriani Building	Alt HS	2019	
Bates School		1952	1967, 1988, 1995, 2001, 2019
Jenkins Early Childhood Center		1993	
Athletic Services Bldg.		1979	2002
Transportation Facility		1988	2002, 2011, 2012
Swimming Pool Facility		1992	2011
Avery House Facility		1925	
Dalton House Facility		1948	
Proctor House Facility		1950	2001, 2002

Other Schools

There is one non-public school located within the School District's boundaries: Daycroft Montessori School, serving grades PreK-6.

Labor Relations

<u>Class</u>	<u>Number</u>	<u>Affiliation</u>	<u>Contract Expiration Date</u>
Superintendent	1	Non-affiliated	June 30, 2025
Chief Financial Officer	1	Non-affiliated	June 30, 2024
Executive Director Human Resources	1	Non-affiliated	June 30, 2024
Executive Director Instruction	1	Non-affiliated	June 30, 2023
Administrators	13	Dexter Administrators Association	June 30, 2025
Teachers	274	DEA/MEA/NEA	June 30, 2025
Para-Professionals, Secretarial, Technology, Maintenance, Custodial and Food Service	136	Dexter Educational Support Personnel Association/MEA/NEA	June 30, 2025
Bus Drivers and Bus Monitors	23	West Washtenaw Bus Drivers and Monitors Association	June 30, 2025
Other Non-Affiliated Personnel	<u>28</u>	Non-affiliated	N/A
Total	<u>478</u>		

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

Retirement Plan

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

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

Contributions to MPERS

The School District's estimated contribution to MPERS for 2022/23 and the contributions for the previous four years are shown below.

<u>Fiscal Year Ending June 30,</u>	<u>Contribution to MPERS¹</u>
2023	\$11,573,625*
2022	11,235,372*
2021	10,294,000*
2020	9,567,000*
2019	8,988,000*

*The contribution to MPERS above includes supplemental payments that were reimbursed by sections 147a(1), 147a(2), 147(e) and 147c(1) of the State School Aid Act.

¹ Sources: Audited Financial Statements and the School District.

Other Post-Employment Benefits

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

GENERAL FINANCIAL INFORMATION

Assessed Valuations¹

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

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

The following tables show a history of assessed valuations for the School District and an analysis of the 2022 taxable value by class and by municipal unit.

History of Valuations – State Equalized Valuation and Taxable Valuation^{2,3,4}

	State <u>Equalized Valuation</u>	<u>Taxable Valuation</u>
2022	\$1,981,909,640	\$1,595,569,505
2021	1,925,018,187	1,517,092,986
2020	1,850,473,957	1,467,217,107
2019	1,722,281,143	1,403,828,573
2018	1,629,979,824	1,332,417,299

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

² Sources: Washtenaw and Livingston County Equalization Departments.

³ The School District's debt millage is levied on the taxable valuation plus the IFT equivalent taxable valuation.

⁴ Beginning in 2008, all industrial personal property is included in the homestead tax base to the extent not otherwise exempt. While commercial personal property continues to be included in the non-homestead tax base, it is exempt from the first 12 mills levied on non-homestead property only to the extent not otherwise exempt.

2022 Taxable Value by Class^{1,2}

	<u>Taxable Value</u>	<u>% of Total Taxable Value</u>
Agriculture	\$43,318,372	2.71%
Commercial	74,281,955	4.66
Industrial	61,191,732	3.84
Residential	1,324,509,445	83.01
Developmental	3,854,998	0.24
Commercial Personal	14,696,431	0.92
Industrial Personal	3,598,231	0.23
Utility Personal	70,118,341	4.39
Total	<u>\$1,595,569,505</u>	<u>100.00%</u>

2022 Taxable Valuation by Municipal Unit^{1,3,4}

<u>Name of Unit</u>	<u>Homestead²</u>	<u>Non-Homestead⁵</u>	<u>Total Taxable Valuation</u>	<u>% of Total Valuation</u>
<i>Washtenaw County</i>				
Dexter City	\$192,210,204	\$84,671,163	\$276,881,367	17.35%
Dexter Township	219,355,651	69,528,957	288,884,608	18.11
Freedom Township	276,191	565,846	842,037	0.05
Lima Township	99,619,513	13,040,127	112,659,640	7.06
Lodi Township	8,531,591	708,226	9,239,817	0.57
Northfield Township	2,101,025	311,498	2,412,523	0.15
Scio Township	263,125,887	86,858,964	349,984,851	21.94
Webster Township	425,879,023	46,689,537	472,568,560	29.62
<i>Livingston County</i>				
Hamburg Township	<u>73,683,765</u>	<u>8,412,337</u>	<u>82,096,102</u>	<u>5.15</u>
Total	<u>\$1,284,782,850</u>	<u>\$310,786,655</u>	<u>\$1,595,569,505</u>	<u>100.00%</u>

Industrial Facilities Tax (IFT) Valuation¹

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

After expiration of the abatement certificate, the then-current SEV of the facility is returned to the ad valorem tax roll. The owner of such facility may obtain a new certificate, provided it has complied with the provisions of Act 198. The 2022 Taxable Value for the properties which have been granted IFT abatements within the School District’s boundaries is \$8,458,522 which is taxed at one-half rate of the total IFT valuations.

¹ Sources: Washtenaw and Livingston County Equalization Departments.

² The School District’s debt millage is levied on the taxable valuation plus the IFT equivalent taxable valuation.

³ See “MICHIGAN PROPERTY TAX REFORM” herein for information regarding changes to certain tax classifications and exemptions that took effect in the 2014 and 2016 tax years.

⁴ Until 2008 all personal property was included in non-homestead valuations. Beginning in 2008, all industrial personal property is included in the homestead tax base. While commercial personal property continues to be included in the non-homestead tax base, it is exempt from the first 12 mills levied on non-homestead property only.

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

Tax Increment Authorities¹

Act 450 of the Public Acts of Michigan, 1980, as amended (the "TIFA Act"), Act 197 of the Public Acts of Michigan, 1975, as amended (the "DDA Act"), Act 281 of the Public Acts of Michigan, 1986 (the "LDFA Act") and Act 381 of the Public Acts of Michigan, 1996 (the "BRDA Act," and, together the "TIF Acts"), authorize the designation of specific districts known as Tax Increment Finance Authority ("TIFA") Districts, Downtown Development Authority ("DDA") Districts, Local Development Finance Authority ("LDFA") Districts and Brownfield Redevelopment District Authority ("BRDA") Districts, respectively. TIF Districts are authorized to formulate tax increment financing plans for public improvements, economic development, neighborhood revitalization and historic preservation within such areas. Tax increment financing permits the TIFA, DDA, LDFA or BRDA to capture tax revenues attributable to increases in value ("TIF Captured Value") of real and personal property located within an approved development area while any tax increment financing plans by an established District are in place. These captured revenues are used by the TIF District and are not passed on to the local taxing jurisdictions. The City of Dexter established a DDA District in 1986 within the School District's boundaries. The City of Dexter DDA District has a 2022 Taxable Value of \$50,696,653 and a Final Captured Value of \$35,639,185. The City of Dexter DDA does not capture the School District's millage. Scio Township established a DDA District in 1988. A portion of the DDA is within the School District's boundaries. The Scio Township DDA does not capture the School District's millage.

Department of Natural Resources Property Valuation²

Act 451 of the Public Acts of Michigan, 1994, as amended ("Act 451"), provides for the procedures used in the assessment, equalization and taxation of real property owned by the State of Michigan and controlled by the Department of Natural Resources ("DNR"). Such property is valued by the State Tax Commission pursuant to Section 2153 of Act 451 and is classified as agricultural property pursuant to Section 34c of Act 206 of the Public Acts of Michigan, 1893 (the General Property Tax Act). Act 451 provides that such property is subject to an alternative means of taxation in lieu of general ad valorem taxation.

Section 2153(7) of Act 451 provides, in part, that for DNR property valuations established in 2004, the 2004 valuation shall be the valuation of the property for 2004 through 2008. In 2009 and each year after 2009, the valuation of property shall not increase each year by more than the increase in the immediately preceding year in the general price level or 5%, whichever is less. If the property is acquired after 2004, the initial property valuation shall be the valuation for each subsequent year until the next adjustment occurs.

The DNR properties are maintained on a separate tax roll. The 2022 taxable valuation of DNR properties in the School District is \$1,801,623. Pursuant to Act 451, the School District will not receive payment in lieu of taxes for operating purposes, but will receive payment in lieu of taxes for a portion of its debt millage. The exact amount to be received is not known at this time.

Tax Levies and Collections

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

¹ Sources: Washtenaw and Livingston County Equalization Departments, the City of Dexter, and Scio Township.

² Sources: Washtenaw and Livingston County Equalization Departments.

Washtenaw County and Livingston County (the “Counties”), to date, have purchased and paid from their Tax Payment Funds the delinquent taxes on all real property of all taxing units in the Counties. The decision to make such payments is determined on an annual basis by the Counties. There is no guarantee that the payments will continue in future years. If the delinquent taxes which are due and payable to the Counties are not received by the Counties for any reason, the Counties have full rights of recourse against the School District to recover the amount of uncollected delinquent taxes, together with interest thereon, at the rate of one percent per month or fraction of a month until repaid to the Counties by the School District.

March 1 and June 30 tax collections reflect percentages of levies at June 30 of each tax year. A history of the operating tax levies and collections for the School District is as follows:

<u>School Year</u>	<u>Total Tax Levy</u>	<u>Collections To March 1, Each Year</u>		<u>Collections to June 30 Fiscal Year End</u>		<u>Collections Including Tax Payment Fund</u>	
2022/2023	\$19,096,508	In Process of Collection		In Process of Collection		In Process of Collection	
2021/2022	18,130,230*	\$17,350,421	95.70%	\$18,103,512	99.85%	\$18,037,630	99.74%
2020/2021	17,609,467*	16,875,307	94.87%	17,689,039	99.44%	17,660,516	99.45%
2019/2020	16,894,736*	16,227,430	94.88%	16,793,271	98.19%	16,941,006	99.26%
2018/2019	15,931,743*	15,381,812	92.08%	16,068,449	96.19%	15,974,562	99.15%

* Total tax levy adjusted in subsequent tax year. March 1 and June 30 tax collections reflect percentages of levies at June 30 of respective tax year.

State Aid Payments

The School District’s primary source of funding for operating costs is the State aid foundation allowance per pupil. The base foundation allowance for all school districts in the State of Michigan is \$9,150 per pupil for fiscal year 2022/23. In future years, this allowance may be adjusted by an index based upon the change in revenues to the State school aid fund and the change in the total number of pupils statewide. See “SOURCES OF SCHOOL OPERATING REVENUE” herein for additional information.

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

<u>Year</u>	<u>Blended Pupil Count</u>	<u>Foundation Allowance Per Pupil</u>	<u>Total State Aid Payments</u>
2022/23 ¹	3,378	\$9,150	\$ 33,171,954 (Est.)
2021/22	3,411	8,700	31,198,865
2020/21	3,388 ²	8,328 ³	32,998,161
2019/20 ⁴	3,628	8,328	32,191,411
2018/19	3,644	8,117	31,261,255

¹ Preliminary estimate, subject to change. Public Act 144 of 2022 increased the foundation allowance to \$9,150 per pupil in 2022/23. See “SOURCES OF SCHOOL OPERATING REVENUE” herein.

² Due to the COVID-19 pandemic, the 2020/21 pupil count was calculated using a “super blend”: 75% 2019/20 student count and 25% 2020/21 student count.

³ \$65 increase from 2019/20, which is a one time categorical payment of \$226,000 based on 50% 2019/20 student count and 50% 2020/21 student count.

⁴ Public Act 146 of 2020 provided for a prorated reduction in State school aid payments to the School District for 2019/20, but also provided for additional funds in 2020/21 from the federal Coronavirus Aid, Relief, and Economic Security Act to offset the prior state aid reduction and provided additional funds to school districts.

Constitutional Millage Rollback

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

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

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Operating – Extra Voted (Non-Homestead)*	18.0000	18.0000	18.0000	18.0000	18.0000
Debt	<u>8.5000</u>	<u>8.5000</u>	<u>8.5000</u>	<u>8.5000</u>	<u>8.5000</u>
Total Homestead	8.5000	8.5000	8.5000	8.5000	8.5000
Total Non-Homestead	26.5000	26.5000	26.5000	26.5000	26.5000

*Because of the growth in the School District’s tax base, the School District’s millage rates have been “rolled back” by operation of law. Because the School District’s voters authorized an additional “hedge” millage rate that can be levied if the roll back causes the operating tax levy to fall below 18 mills, the hedge allows the School District to continue to levy 18 mills. Both of the School District’s voted operating millages expire in the year 2033.

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

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
State Education Tax	6.0000	6.0000	6.0000	6.0000	6.0000	6.0000
<i>Washtenaw County</i>	6.8343	6.8767	7.0962	7.1093	7.1532	6.2122
City of Dexter	15.3062	15.3062	15.3062	15.3062	14.3062	14.3062
Dexter Township	4.5154	4.5300	4.5611	4.5851	4.8269	4.8407
Freedom Township	1.2462	1.2462	1.2462	1.2462	1.2462	1.2462
Lima Township	0.7773	0.7813	0.7869	0.7915	0.7915	0.7957
Lodi Township	1.9278	1.9278	1.9278	0.9316	0.9351	0.9408
Northfield Township	7.4353	7.6147	7.7543	7.8212	7.9410	8.0465
Scio Township	2.3695	2.3884	2.4074	1.7692	1.7826	1.7997
Webster Township	3.8217	3.8217	3.8332	4.5973	4.6187	4.6556
<i>Livingston County</i>	3.4925	3.6381	3.6789	3.7125	3.7354	3.7636
Hamburg Township	6.7428	6.6676	6.7332	6.7940	7.0749	6.0718
Dexter District Library	1.4388	1.4681	1.5061	1.5137	1.5183	1.5313
Washtenaw Community College	3.3548	3.3759	3.3538	3.3763	3.3978	3.4267
Washtenaw ISD	5.2389	5.6417	5.6625	5.3285	5.3641	5.4109

¹ Sources: Washtenaw and Livingston County Equalization Departments.

Largest Taxpayers¹

Shown below are the ten largest identifiable taxpayers in the School District based on their 2022 taxable valuations. The taxpayers listed below represent 6.00% of the School District's 2022 Taxable Valuation of \$1,595,569,505.

<u>Taxpayer</u>	<u>Product or Service</u>	<u>Taxable Value</u>	<u>Equivalent IFT*</u>	<u>Total Valuation Subject to Taxation</u>
DTE Energy Company	Utility	\$29,897,857		\$29,897,857
International Transmission Company	Utility	14,942,204		14,942,204
Enbridge Pipelines	Oil pipeline system	10,480,002		10,480,002
Rover Pipeline LLC	Natural gas pipeline	10,376,643		10,376,643
Dexter Fastener	Engine fasteners	7,347,349	\$1,863,036	9,210,385
United Methodist Retirement Community	Retirement develop	5,427,435		5,427,435
Fernco, Lenco, Norco Dev	Property develop	5,160,091		5,160,091
ARG THAARMI001 LLC	Real estate investment trust	4,551,400		4,551,400
Consumers Energy	Utility	4,188,555		4,188,555
Walkabout Creek	Affordable housing	<u>3,289,163</u>		<u>3,289,163</u>
Total		<u>\$95,660,699</u>	<u>\$1,863,036</u>	<u>\$97,523,735</u>

* Equivalent IFT Valuation is half of the property's total taxable valuation. The School District collects debt tax revenues at one-half rate of the total IFT valuations.

Debt History

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

Future Financing

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

School Bond Qualification and Loan Program²

As of February 23, 2023, the School District will have an estimated outstanding balance of \$1,054.22 in the School Loan Revolving Fund.

Direct Debt as of February 23, 2023³

	<u>Principal Outstanding</u>
06/01/1998 1998 School Building and Site Bonds (UTQ)	\$15,750,000
11/28/2017 2017 School Building and Site and Refunding Bonds (UTQ)	65,750,000
03/24/2021 2021 Refunding Bonds (UTQ)	<u>13,935,000</u>
Direct Debt (as of date of sale)	\$95,435,000
Plus: 2023 School Building and Site Bonds (UTQ)	<u>16,470,000</u>
NET DIRECT DEBT (as of date of delivery)	<u>\$111,905,000</u>

¹ Sources: Washtenaw and Livingston County Equalization Departments.

² Source: Michigan Department of Treasury.

³ Source: Municipal Advisory Council of Michigan and the School District.

Overlapping Debt as of February 23, 2023¹

<u>% Applicable</u>	<u>Municipality</u>	<u>Amount Outstanding</u>	<u>School District Share</u>
100.00	Dexter City	\$13,165,000	\$13,165,000
62.30	Dexter Township	349,115	217,499
6.61	Hamburg Township	6,808,066	450,013
40.49	Lima Township	90,610	36,688
1.81	Lodi Township	161,000	2,914
0.58	Northfield Township	4,385,000	25,433
22.72	Scio Township	12,330,909	2,801,583
93.91	Webster Township	1,417,560	1,331,231
0.75	Livingston County	20,025,000	150,188
7.50	Washtenaw County	15,912,838	1,193,463
7.97	Washtenaw I/S/D	38,315,000	3,053,706
7.67	Washtenaw Community College	5,535,000	424,535
100.00	Dexter District Library	1,670,000	<u>1,670,000</u>

Net overlapping debt in the School District \$24,522,250

NET DIRECT AND OVERLAPPING DEBT \$136,427,250

Debt Ratios

2022 State Equalized Valuation ("SEV")	\$1,981,909,640
2022 Taxable Valuation	\$1,595,569,505
2020 Population	21,616
Direct Debt (Including New Issue)	\$111,905,000
Direct/Overlapping Debt	\$136,427,250

Direct Debt Per Capita	\$5,177
Direct/Overlapping Debt Per Capita	\$6,311

Per Capita 2022 SEV	\$91,687
Ratio of Direct Debt to 2022 SEV	5.65%
Ratio of Direct/Overlapping Debt to 2022 SEV	6.88%

Per Capita 2022 Taxable Valuation	\$73,814
Ratio of Direct Debt to 2022 Taxable Valuation	7.01%
Ratio of Direct/Overlapping Debt to 2022 Taxable Valuation	8.55%

¹ Source: Municipal Advisory Council of Michigan.

Legal Debt Margin

2022 State Equalized Valuation		\$1,981,909,640
Debt Limit (15% of 2022 State Equalized Valuation)		297,286,446
Debt Outstanding	\$111,905,000	
Less bonds not subject to Debt Limit ¹	<u>(111,905,000)</u>	
Total Subject to Debt Limit		<u>0</u>
Additional Debt Which Could Be Legally Incurred		<u>\$297,286,446</u>

ECONOMIC PROFILE

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

9	Miles west of Ann Arbor
19	Miles west of Ypsilanti
51	Miles west of Detroit
51	Miles southeast of Lansing
56	Miles southwest of Flint
123	Miles southeast of Grand Rapids

Unemployment²

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

	<u>Washtenaw County</u>	<u>Livingston County</u>	<u>State of Michigan</u>
2022, Dec.	3.0%	2.4%	3.8%
2021	4.3	4.2	5.9
2020	6.7	8.6	10.0
2019	2.9	3.2	4.1
2018	3.1	3.3	4.2
2017	3.5	3.4	4.6

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

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

Major Employers¹

<u>Company</u>	<u>Product or service</u>	<u>Approximate # of employees</u>
<i>Within the Area of the School District (75 or more employees)</i>		
Sweepster Attachments LLC	Machinery Mfg.	1,300
Paladin Brand Groups	Coupler systems and attachment tools	1,300
Dexter Community Schools	Education	478
Dexter Fastener Technologies	Engine fasteners	230
Thomson-Shore Inc.	Publishing	200
Dapco Industries	Valves and fittings	180
Dexter Automatic Products Company	Motor Vehicle Parts Mfg.	180
The Huron-Clinton Metropolitan Authority	Recreation	141
Colorbok LLC	Wholesale	110
Variety Die & Stamping Company	Metal stampings	75
Trucent Separation Technologies, LLC	Fluid separation technology	75
<i>Washtenaw County (Ann Arbor Area – 1,300 or more employees)</i>		
University of Michigan	Public university and health system	34,300
St. Joseph Mercy	Health care system	5,800
General Motors Proving Ground	OEM Research	5,500
VA Ann Arbor Healthcare System	Medical Center	2,800
Ann Arbor Healthcare System	Public School	2,500
Toyota Technical Center	OEM Research	2,200
Faurecia Interior Systems	Automotive Components Mfg.	1,800
IHA Health Services Corporation	Physician	1,600
Eastern Michigan University	Public University	1,300
Washtenaw County	County Government	1,300
<i>Livingston County (350 or more employees)</i>		
Iha Hematology Oncology Consultants	Hospitals	1,358
Brighton Area Schools	Education	1,100
Antolin Interiors Usa Inc.	Motor Parts Mfg.	718
Howell Public Schools	Education	714
Hartland Consolidated Schools	Education	650
Livingston County	County government	500
Livingston Educational Service Agency	Education	400
Pinckney School District	Education	400
Citizens Insurance Co. of America	Insurance	400
Tribar Manufacturing LLC	Rubber & Plastic Mfg.	350

¹ Sources: Ann Arbor SPARK, Michigan Manufacturers Directory, Harris Michigan Industrial Directory, Crain's Detroit Business Book of Lists, D&B Hoovers, and the School District.

APPENDIX C

DEXTER COMMUNITY SCHOOLS

**General Fund Budget Summary
Fiscal Year Ending June 30, 2023**

	Amended <u>2022/23</u>
<u>REVENUES</u>	
Local Sources	\$6,117,212
Other Political Subdivisions	0
State Sources	34,132,942
Federal Sources	2,885,458
Other Financing Transactions	<u>6,062,242</u>
 TOTAL REVENUES	 <u>\$49,197,854</u>
 <u>EXPENDITURES</u>	
Instruction	
Basic Programs	\$23,624,861
Added Needs	7,798,253
Support Services	
Pupil Support	5,989,056
Instructional	2,987,240
General Administration	859,230
School Administration	2,743,367
Business Services	729,509
Operations and Maintenance	6,351,131
Transportation	1,874,235
Other Central Support	685,312
Community Services	209,712
Other Financing Uses	<u>0</u>
 TOTAL EXPENDITURES	 <u>\$53,851,906</u>
 Excess of Revenues Over (Under) Expenditures	 (\$4,654,052)
 Fund Balance - July 1	 <u>\$12,170,943</u>
 Estimated Fund Balance - June 30	 <u>\$7,516,891</u>

[THIS PAGE INTENTIONALLY LEFT BLANK]

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

APPENDIX D



Rehmann

DEXTER COMMUNITY SCHOOLS

Table of Contents

	<u>Page</u>
Independent Auditors' Report	1
Management's Discussion and Analysis	5
Basic Financial Statements	
Government-wide Financial Statements:	
Statement of Net Position	18
Statement of Activities	19
Fund Financial Statements:	
Balance Sheet – Governmental Funds	20
Reconciliation of Fund Balances of Governmental Funds to Net Position of Governmental Activities	23
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	24
Reconciliation of Net Changes in Fund Balances of Governmental Funds to Change in Net Position of Governmental Activities	27
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual - General Fund	28
Notes to Financial Statements	29
Required Supplementary Information	
MPSERS Cost-Sharing Multiple-Employer Plan:	
Schedule of the District's Proportionate Share of the Net Pension Liability	60
Schedule of the District's Pension Contributions	62
Schedule of the District's Proportionate Share of the Net Other Postemployment Benefit Liability	64
Schedule of the District's Other Postemployment Benefit Contributions	66
Notes to Required Supplementary Information	68
Combining and Individual Fund Financial Statements and Schedules	
Schedule of Revenues and Other Financing Sources – General Fund	70
Schedule of Expenditures and Other Financing Uses – General Fund	71
Nonmajor Governmental Funds:	
Combining Balance Sheet	75
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	76
Schedule of Bonds Issued and Outstanding (Unaudited)	77

INDEPENDENT AUDITORS' REPORT

October 19, 2022

Board of Education
Dexter Community Schools
Dexter, Michigan

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of **Dexter Community Schools** (the "District"), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2022, and the respective changes in financial position and the budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Independent Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Independent Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.

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

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the financial statements. The other information comprises the schedule of bonds issued and outstanding but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued, under separate cover, our report dated October 19, 2022 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Rehmann Robson LLC

MANAGEMENT'S DISCUSSION AND ANALYSIS

DEXTER COMMUNITY SCHOOLS

Management's Discussion and Analysis

As administration of Dexter Community Schools (the "District"), Counties of Washtenaw and Livingston, State of Michigan, 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, 2022.

Financial Highlights

- The liabilities and deferred inflows of resources of the District, as a whole, exceeded its assets and deferred outflows of resources at the close of the most recent fiscal year by \$37,296,152.
- The District's total net position increased by \$11,599,144.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$23,708,676, an increase of \$3,436,399 in comparison with the prior year, which was largely attributable to the utilization of one time State and Federal grants related to the Elementary and Secondary School Emergency Relief Fund (ESSER) to provide alternative learning delivery in accordance with the District's Continuity of Learning Plan.
- The general fund had an increase in fund balance of \$661,707. At the end of the current fiscal year, total fund balance for the general fund was \$12,242,845 or 26.30% of total general fund expenditures. The unassigned fund balance of the general fund was \$3,289,515 or 7.07% percent of total general fund expenditures.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements, including management's discussion and analysis, required schedules for the pension and other postemployment benefits plan, schedule of general fund revenues and other financing sources, schedule of general fund expenditures and other financing uses, and combining statements for nonmajor funds.

Government-wide Financial Statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private sector business. These statements are presented on a full accrual basis, which means that all assets, deferred outflows of resources, liabilities and deferred inflows of resources of the District are recorded, regardless of when related cash is received or paid.

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

DEXTER COMMUNITY SCHOOLS

Management's Discussion and Analysis

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

Both of the government-wide financial statements display functions of the District that are principally supported by taxes and intergovernmental revenues (governmental activities). The activities of the District include instruction, supporting services, community services, and food services. The District has no business-type activities as of and for the year ended June 30, 2022.

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

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

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

The District maintains several individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balances for the general, debt retirement, 2017 capital projects, and capital projects from non-bond sources. Data from the other governmental funds are combined into a single, aggregated presentation. These funds consist of the special revenue funds (i.e., food service, community service, and student/school activity). Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

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

DEXTER COMMUNITY SCHOOLS

Management's Discussion and Analysis

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

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. This is limited to this management's discussion and analysis and the schedules for the Michigan Public School Employee's Retirement System (MPERS) net pension and other postemployment benefits plan immediately following the notes to the financial statements. The schedule of general fund revenues and other financing sources, schedule of general fund expenditures and other financing uses, and combining statements for nonmajor funds are presented immediately following the required supplementary information.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of the District's financial position. The District reported a deficit net position of \$37,296,152 at June 30, 2022. This deficit balance is due to the requirement to report the District's proportionate share of the MPERS net pension and other postemployment benefits liabilities, as well as their related deferrals, on the statement of net position. The District's long-term debt balance also contributes to the District's deficit balance.

A portion of the District's net position reflects its investment in capital assets net of related debt (e.g., land, buildings and improvements, machinery and equipment, vehicles and buses, less any related debt used to acquire those assets that is still outstanding). The District uses these capital assets to provide services to the students it serves; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

DEXTER COMMUNITY SCHOOLS

Management's Discussion and Analysis

An additional portion of the District's net position represents resources that are subject to other external restrictions on how they may be used. The remaining balance of unrestricted net position, when available, may be used to meet the District's ongoing obligations to its general programs.

	Net Position	
	2022	2021
Assets		
Current and other assets	\$ 32,022,025	\$ 29,211,200
Capital assets, net	124,253,903	130,457,803
Total assets	<u>156,275,928</u>	<u>159,669,003</u>
Deferred outflows of resources	<u>20,582,366</u>	<u>28,920,750</u>
Liabilities		
Current and other liabilities	76,490,386	114,664,355
Long-term debt	100,879,379	111,333,046
Total liabilities	<u>177,369,765</u>	<u>225,997,401</u>
Deferred inflows of resources	<u>36,784,681</u>	<u>11,487,648</u>
Net position		
Net investment in capital assets	29,297,436	41,236,672
Restricted	2,042,638	2,194,037
Unrestricted (deficit)	(68,636,226)	(92,326,005)
Total net position (deficit)	<u>\$ (37,296,152)</u>	<u>\$ (48,895,296)</u>

DEXTER COMMUNITY SCHOOLS

Management's Discussion and Analysis

	Change in Net Position	
	2022	2021
Revenues		
Program revenues:		
Charges for services	\$ 4,322,579	\$ 2,244,118
Operating grants and contributions	22,502,636	17,308,398
General revenues:		
Property taxes - operations	5,258,752	5,223,288
Property taxes - debt service	12,834,058	12,425,359
Grants and contributions not restricted to specific programs	24,257,347	24,398,321
Unrestricted investment earnings	20,966	13,929
Other revenues	258,596	1,213,081
Total revenues	<u>69,454,934</u>	<u>62,826,494</u>
Expenses		
Instruction	24,948,026	28,393,496
Supporting services	17,966,580	18,933,526
Community services	3,793,417	3,298,004
Food services	1,903,755	1,248,147
Interest on long-term debt	3,154,519	4,162,577
Unallocated depreciation	6,089,493	6,297,026
Total expenses	<u>57,855,790</u>	<u>62,332,776</u>
Change in net position	<u>11,599,144</u>	<u>493,718</u>
Net position, beginning of year (deficit)	<u>(48,895,296)</u>	<u>(49,389,014)</u>
Net position, end of year (deficit)	<u>\$ (37,296,152)</u>	<u>\$ (48,895,296)</u>

Governmental Activities. The above analysis focuses on the net position of governmental activities. The change in net position of the District's governmental activities is discussed below. Because the focus of the net position of governmental activities, and the related changes in net position differ from the fund balances of governmental funds, and their related changes, reconciliations between the equity measures and related activity are included with the basic financial statements.

By far the largest portion of the District's net position reflects its investment in capital assets, and capital projects (i.e., land, buildings, vehicles and buses, 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.

DEXTER COMMUNITY SCHOOLS

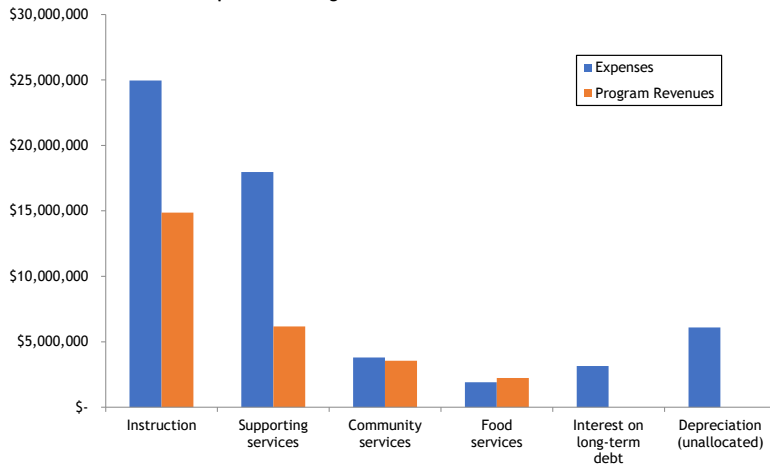
Management's Discussion and Analysis

An additional portion of the District's net position, \$2,042,638 represents resources that are subject to external restrictions on how they may be used. In the case of the District, these amounts are restricted for debt service and food service. 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 District as a whole are reported in the statement of activities (see table), which shows the changes in net position for the fiscal year. The District's net position increased by \$11,599,144 during the current fiscal year.

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

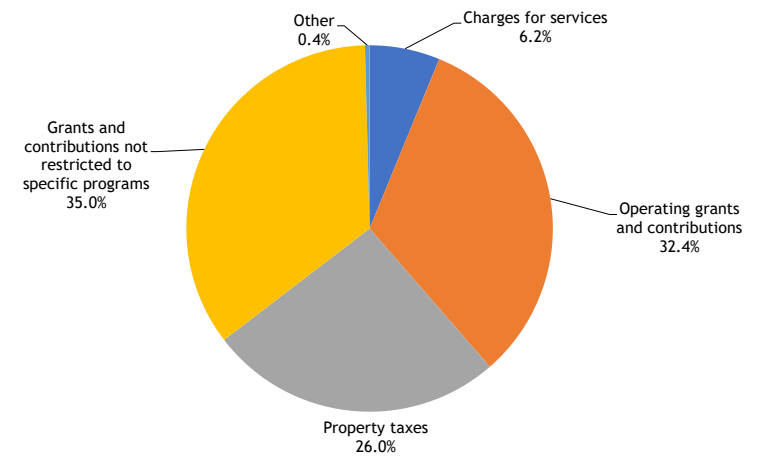
Expenses and Program Revenues - Governmental Activities



DEXTER COMMUNITY SCHOOLS

Management's Discussion and Analysis

Revenues by Source - Governmental Activities



Financial Analysis of the Government's Funds

The District's budgets are prepared according to Michigan law. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal budgeting requirements. The most significant budgeted fund is the general fund.

During the fiscal year ended June 30, 2022, the 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 appropriations. The statement of revenues, expenditures and changes in fund balance – budget and actual – general fund, which presents the District's general fund original and final amended budget amounts compared with amounts actually paid and received, is provided in these financial statements.

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

The general fund is the chief operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the general fund was \$3,289,515, while the total fund balance was \$12,242,845. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance and total fund balance represent 7.07% and 26.30%, respectively, of total general fund expenditures.

DEXTER COMMUNITY SCHOOLS

Management's Discussion and Analysis

The fund balance of the District's general fund increased by \$661,707 or 5.71% from the prior year. The largest revenue source in this fund is state revenue which includes primarily state aid. The increase in fund balance was largely attributable to the utilization of State and Federal grants related to the Elementary and Secondary School Emergency Relief Fund (ESSER) to provide alternative learning delivery in accordance with the District's Continuity of Learning Plan.

The debt retirement fund balance decreased by \$508,335 to \$1,629,996. Millage rates are determined annually to ensure that the District accumulates sufficient resources to pay annual bond issue-related debt service. The debt retirement fund balance is restricted to pay debt service obligations.

The 2017 capital projects fund balance was \$3,990,594, a decrease of \$702,137 from the prior year. The decrease was caused by expenditures on capital projects of bond proceeds for debt issued in a prior fiscal year.

The capital projects fund from non-bonded sources fund balance was \$1,053,607, an increase of \$970,206 from the prior year. The increase was caused by the execution of the land contract provisions of an agreement for the sale of the Copeland building and land.

General Fund Budgetary Highlights

Several major variables are not fully known at the time of budget preparation. Changes in student count, state foundation and state categorical grants have the largest impact. The original budget is prepared to meet our obligation in good faith. Further information and decisions continue to be made after the budget hearing and original budget adoption. Amendments to the original adopted budget are passed in order to reflect changes in information and circumstances. The changes between the original adopted and final amended budgets were:

- The final budget was amended with a 10.48% increase in revenues over the original budget.
- Budgeted expenditures were amended for an overall increase of \$3,228,200.

In accordance with State statute, the District is prohibited from amending the budget after year-end. As the District's books are not closed for accounting purposes at that point, a certain level of estimation is required in determining actual need. Some of the more significant differences between the final amended budget and the actual financial results were:

- The general fund actual revenue and other financing sources was \$49,573,913. That amount is more than the final budget estimate of \$49,413,439. The variance was \$160,474, or 0.32%.

DEXTER COMMUNITY SCHOOLS

Management's Discussion and Analysis

- The actual expenditures and other financing uses of the general fund were \$48,912,206, which is more than the final budget estimate of \$48,684,306. The variance was \$227,900, or 0.47%. The negative variance was attributable to the transfer out of funds to the community service special revenue fund and assigned for future year programs.

Capital Asset and Debt Administration

Capital Assets. The District's investment in capital assets for its governmental activities as of June 30, 2022 amounted to \$124,253,903 (net of accumulated depreciation). Additions included renovations to the District's facilities being funded through voter-approved bond issues. Reductions were due to depreciation and the removal of the Copeland building and land. Capital assets at year-end included the following:

	Capital Assets (Net of Depreciation)	
	2022	2021
Land	\$ 5,835,892	\$ 5,853,892
Construction in progress	124,698	124,698
Buildings and improvements	112,153,782	117,613,689
Furniture and equipment	5,058,423	5,520,040
Vehicles and buses	1,081,108	1,345,484
Total capital assets, net	\$ 124,253,903	\$ 130,457,803

Additional information on the District's capital assets can be found in Note 7 of this report.

Long-term Debt

	Long-term Debt	
	2022	2021
General obligation bonds	\$ 95,435,000	\$ 105,355,000
Unamortized premiums and discounts	3,709,356	4,236,977
School Loan Revolving Fund	1,034	1,008
Compensated absences	1,733,989	1,740,061
	\$ 100,879,379	\$ 111,333,046

At the end of the current fiscal year, the District had total long-term debt outstanding of \$100,879,379. The District's total debt decreased by \$10,453,667 during the current fiscal year as a result of normal debt service payments. An additional \$26 in accrued interest was also added to the School Loan Revolving Fund balance.

Additional information on the District's long-term debt can be found in Note 8 of this report.

DEXTER COMMUNITY SCHOOLS

Management's Discussion and Analysis

Factors Bearing on the District's Future

The following factors were considered in preparing the District's budget for the 2022-2023 fiscal year:

- **Foundation Allowance**

The Board of Education and administration agreed to an estimated foundation allowance of \$9,135 per pupil for the 2022-23 fiscal year, a \$435 per pupil increase from 2021-22, 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. The projected increase for the year ended June 30, 2023 was adopted in June 2022 when there was a high degree of uncertainty related to the funding and operations for districts in the State of Michigan due to the COVID-19 pandemic. The political debate regarding the funding of public education and the current economic climate in the State of Michigan will affect this estimate before the final foundation allowance is known.

- **Pupil Count**

The Board of Education and administration agreed to an estimated pupil count of 3,522 for the 2022-23 fiscal year, a 105 pupil increase from 2021-22, based on information received from Middle Cities Education Association and the District's own pupil projections. The projected increase is largely attributable to a high degree of uncertainty related to students returning to school following the COVID-19 pandemic.

- **Retirement Rate**

The Michigan School Employees Retirement System recommends retirement rates to the legislature for approval. The actual rate depends on the Benefit Plan selected by each member. In 2022-23, the rate for a Basic/MIP with Premium Subsidy member is anticipated to remain stable at 28.23% effective October 1, 2022. Additionally, the District will be required to pay 16.65%, for all wages earned October 1, 2022 and later, for the Unfunded Actuarial Accrued Liability (UAAL).

- **Novel Coronavirus Outbreak (COVID-19 pandemic)**

The budget for the year ended June 30, 2023 was adopted in June 2022 when there was a high degree of uncertainty related to the funding and operations for districts in the State of Michigan due to the COVID-19 pandemic. Subsequent to year end, additional funding has been provided by the State of Michigan through various restricted federal grant programs. Despite this, there continues to be a high degree of uncertainty regarding potential changes to state and federal funding. In addition, the District is continuously evaluating the impacts of the pandemic as it determines the appropriate methods to deliver education to students in a safe environment. These factors will have a significant impact on the operational and financial performance of the District.

DEXTER COMMUNITY SCHOOLS

Management's Discussion and Analysis

Requests for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Sharon Raschke, Chief Financial Officer
Dexter Community Schools
2704 Baker Rd.
Dexter, MI 48130
Telephone: (734) 424-4100
Email: raschkesh@dexterschools.org

BASIC FINANCIAL STATEMENTS

This page intentionally left blank.

DEXTER COMMUNITY SCHOOLS

Statement of Net Position

June 30, 2022

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 19,930,350
Investments	5,714,631
Receivables	6,277,089
Other assets	99,955
Capital assets not being depreciated	5,960,590
Capital assets being depreciated, net	<u>118,293,313</u>
Total assets	<u>156,275,928</u>
Deferred outflows of resources	
Deferred charge on advance bond refundings, net	197,295
Deferred pension amounts	14,632,740
Deferred other postemployment benefit amounts	<u>5,752,331</u>
Total deferred outflows of resources	<u>20,582,366</u>
Liabilities	
Accounts payable and accrued liabilities	5,877,526
Unearned revenue	2,990,378
Long-term debt:	
Due within one year	11,174,313
Due in more than one year	89,705,066
Net pension liability (due in more than one year)	63,513,923
Net other postemployment benefit liability (due in more than one year)	<u>4,108,559</u>
Total liabilities	<u>177,369,765</u>
Deferred inflows of resources	
Deferred pension amounts	21,186,229
Deferred other postemployment benefit amounts	<u>15,598,452</u>
Total deferred inflows of resources	<u>36,784,681</u>
Net position	
Net investment in capital assets	29,297,436
Restricted for:	
Food service operations	967,197
Debt service	1,075,441
Unrestricted (deficit)	<u>(68,636,226)</u>
Total net position (deficit)	<u>\$ (37,296,152)</u>

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

DEXTER COMMUNITY SCHOOLS

Statement of Activities

For the Year Ended June 30, 2022

Functions / Programs	Expenses	Program Revenues		Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	
Governmental activities				
Instruction	\$ 24,948,026	\$ -	\$ 14,868,528	\$ (10,079,498)
Supporting services	17,966,580	624,315	5,541,589	(11,800,676)
Community services	3,793,417	3,497,185	51,152	(245,080)
Food services	1,903,755	201,079	2,041,367	338,691
Interest on long-term debt	3,154,519	-	-	(3,154,519)
Unallocated depreciation	<u>6,089,493</u>	<u>-</u>	<u>-</u>	<u>(6,089,493)</u>
Total governmental activities	<u>\$ 57,855,790</u>	<u>\$ 4,322,579</u>	<u>\$ 22,502,636</u>	<u>(31,030,575)</u>
General revenues				
Property taxes - operations				5,258,752
Property taxes - debt service				12,834,058
Grants and contributions not restricted to specific programs				24,257,347
Unrestricted investment earnings				20,966
Other revenues				<u>258,596</u>
Total general revenues				<u>42,629,719</u>
Change in net position				11,599,144
Net position, beginning of year (deficit)				<u>(48,895,296)</u>
Net position, end of year (deficit)				<u><u>\$ (37,296,152)</u></u>

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

DEXTER COMMUNITY SCHOOLS

Balance Sheet			
Governmental Funds			
June 30, 2022			
	General Fund	Debt Retirement Fund	2017 Capital Projects Fund
Assets			
Cash and cash equivalents	\$ 15,742,578	\$ 79,178	\$ -
Investments	73	1,550,036	4,164,522
Accounts receivable	83,148	-	-
Interest receivable	-	782	2,488
Due from other governments	6,159,920	-	-
Due from other funds	26,813	-	-
Inventory	-	-	-
Prepaid items	71,901	-	-
Total assets	\$ 22,084,433	\$ 1,629,996	\$ 4,167,010
Liabilities			
Accounts payable	\$ 119,075	\$ -	\$ 176,416
Accrued liabilities	4,212,311	-	-
Due to other governments	741,364	-	-
Due to other funds	2,011,767	-	-
Unearned revenue	2,757,071	-	-
Total liabilities	9,841,588	-	176,416
Fund balances			
Nonspendable	71,901	-	-
Restricted	-	1,629,996	3,990,594
Committed	8,617,882	-	-
Assigned	263,547	-	-
Unassigned	3,289,515	-	-
Total fund balances	12,242,845	1,629,996	3,990,594
Total liabilities, deferred inflows of resources and fund balances	\$ 22,084,433	\$ 1,629,996	\$ 4,167,010

Capital Projects Non-bonded	Nonmajor Governmental Funds	Total Governmental Funds
\$ 1,053,607	\$ 3,054,987	\$ 19,930,350
-	-	5,714,631
-	-	83,148
-	-	3,270
-	30,751	6,190,671
-	2,014,391	2,041,204
-	19,424	19,424
-	8,630	80,531
\$ 1,053,607	\$ 5,128,183	\$ 34,063,229
\$ -	\$ 40,387	\$ 335,878
-	17,789	4,230,100
-	15,629	756,993
-	29,437	2,041,204
-	233,307	2,990,378
-	336,549	10,354,553
-	28,054	99,955
-	947,366	6,567,956
1,053,607	1,282,801	10,954,290
-	2,533,413	2,796,960
-	-	3,289,515
1,053,607	4,791,634	23,708,676
\$ 1,053,607	\$ 5,128,183	\$ 34,063,229

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

This page intentionally left blank.

DEXTER COMMUNITY SCHOOLS

Reconciliation	
Fund Balances of Governmental Funds to Net Position of Governmental Activities June 30, 2022	
Fund balances - total governmental funds	\$ 23,708,676
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Capital assets not being depreciated	5,960,590
Capital assets being depreciated, net	118,293,313
Certain liabilities, such as bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	
Bonds and school loan revolving fund payable	(95,436,034)
Compensated absences	(1,733,989)
Unamortized bond premiums and discounts, net	(3,709,356)
Unamortized deferred charge on advance bond refunding	197,295
Accrued interest on bonds payable	(554,555)
Certain pension and other postemployment benefit-related amounts, such as the net pension liability, the net other postemployment benefit liability, and deferred amounts are not due and payable in the current period or do not represent current financial resources and therefore are not reported in the funds.	
Net pension liability	(63,513,923)
Deferred outflows related to the net pension liability	14,632,740
Deferred inflows related to the net pension liability	(21,186,229)
Net other postemployment benefit liability	(4,108,559)
Deferred outflows related to the net other postemployment benefit liability	5,752,331
Deferred inflows related to the net other postemployment benefit liability	(15,598,452)
Net position of governmental activities	<u>\$ (37,296,152)</u>

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

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2022

Capital Projects Non-bonded	Nonmajor Governmental Funds	Total Governmental Funds
\$ 602	\$ 3,699,999	\$ 22,348,941
-	130,129	33,386,114
-	2,714,168	8,541,786
-	160,374	5,193,413
-	-	9,415
602	6,704,670	69,479,669
-	-	28,114,916
-	-	18,271,585
-	3,761,011	3,903,936
-	2,008,942	2,008,942
-	-	9,920,000
-	-	3,704,730
396	-	1,064,426
-	-	24,735
396	5,769,953	67,013,270
206	934,717	2,466,399
-	2,358,045	2,635,849
-	(277,804)	(2,635,849)
970,000	-	970,000
970,000	2,080,241	970,000
970,206	3,014,958	3,436,399
83,401	1,776,676	20,272,277
\$ 1,053,607	\$ 4,791,634	\$ 23,708,676

25

This page intentionally left blank.

DEXTER COMMUNITY SCHOOLS

Reconciliation

Net Changes in Fund Balances of Governmental Funds
to Change in Net Position of Governmental Activities
For the Year Ended June 30, 2022

Net changes in fund balances - total governmental funds \$ 3,436,399

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 and reported as depreciation expense.

Capital assets purchased/constructed	1,300,838
Depreciation expense	(6,089,493)
Loss on disposal of capital assets	(1,415,245)
Proceeds from sale of capital assets	(970,000)

Bond proceeds provide current financial resources to governmental funds in the period issued, but issuing bonds increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but a reduction in long-term debt on the statement of net position.

Principal payments on long-term debt	9,920,000
Accrued interest on School Loan Revolving Fund added to principal	(26)
Amortization of bond premiums and discounts, net	527,621
Amortization of deferred charge on advance bond refunding	(40,820)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.

Change in the net pension liability and related deferred amounts	812,119
Change in the net other postemployment benefit liability and related deferred amounts	4,048,243
Change in accrued interest payable on bonds	63,436
Change in compensated absences payable	6,072

Change in net position of governmental activities \$ 11,599,144

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

DEXTER COMMUNITY SCHOOLS

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - General Fund
For the Year Ended June 30, 2022

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
Local sources	\$ 6,155,699	\$ 5,926,772	\$ 5,605,706	\$ (321,066)
State sources	31,330,602	32,400,725	32,820,331	419,606
Federal sources	1,964,331	5,786,643	5,827,618	40,975
Interdistrict sources	4,945,976	4,937,210	5,033,039	95,829
Total revenues	44,396,608	49,051,350	49,296,109	244,759
Expenditures				
Current:				
Instruction:				
Basic programs	21,937,742	21,151,524	20,913,552	(237,972)
Added needs	5,423,052	7,278,128	7,201,364	(76,764)
Total instruction	27,360,794	28,429,652	28,114,916	(314,736)
Supporting services:				
Student services	4,276,941	5,299,316	5,042,501	(256,815)
Instructional support	2,699,834	3,244,831	3,189,706	(55,125)
General administration	686,136	679,967	635,942	(44,025)
School administration	2,624,332	2,374,427	2,329,485	(44,942)
Business administration	758,958	778,276	766,802	(11,474)
Operation & maintenance of plant	3,975,350	4,404,052	4,060,129	(343,923)
Transportation	1,649,830	1,861,438	1,707,025	(154,413)
Other support services	404,227	601,655	539,995	(61,660)
Total supporting services	17,075,608	19,243,962	18,271,585	(972,377)
Community services	275,419	266,407	142,925	(123,482)
Other adjustments	-	-	24,735	24,735
Total expenditures	44,711,821	47,940,021	46,554,161	(1,410,595)
Revenues over (under) expenditures	(315,213)	1,111,329	2,741,948	(1,655,354)
Other financing sources (uses)				
Transfers in	333,230	362,089	277,804	(84,285)
Transfers out	(671,541)	(744,285)	(2,358,045)	(1,613,760)
Proceeds from sale of capital assets	-	-	-	-
Total other financing uses	(338,311)	(382,196)	(2,080,241)	(1,698,045)
Net change in fund balance	(653,524)	729,133	661,707	(67,426)
Fund balance, beginning of year	11,581,138	11,581,138	11,581,138	-
Fund balance, end of year	\$ 10,927,614	\$ 12,310,271	\$ 12,242,845	\$ (67,426)

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

NOTES TO FINANCIAL STATEMENTS

DEXTER COMMUNITY SCHOOLS

Notes to Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies of Dexter Community Schools (the "District"), consistently applied in the preparation of the accompanying financial statements, is as follows:

The Reporting Entity

The District is governed by an elected seven-member Board of Education. As required by generally accepted accounting principles, these financial statements present the reporting entity of Dexter Community Schools. The criteria identified in GAAP, including financial accountability, have been utilized in identifying the District's reporting entity, which includes no component units.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The District had no business-type activities during the year ended June 30, 2022.

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

DEXTER COMMUNITY SCHOOLS

Notes to Financial Statements

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

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

The District reports the following major governmental funds:

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

The *debt retirement fund* accounts for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

The *2017 capital projects fund* accounts for and reports the proceeds of specific revenue sources that are restricted or committed to expenditure in connection with the building and site bonds issued in 2017.

The *capital projects non-bonded fund* are used to account for financial resources to be used for the acquisition or construction of major capital facilities, major remodeling, and improvements. The District's non-bonded fund resulted from the sale of the Copeland property.

Additionally, the District reports the following fund types:

Special revenue funds are used to account for and report the proceeds of specific revenue sources that are assigned or committed to expenditure for specified purposes other than debt service or capital projects.

Restricted net position includes assets that are subject to restrictions beyond the District's control. The restrictions may be externally imposed or imposed by law. When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

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

DEXTER COMMUNITY SCHOOLS

Notes to Financial Statements

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments

The District participates in an external investment pool. In accordance with GASB 79, some the District's shares in that pool are recorded at amortized cost and others are valued at each investment's net asset value, both of which approximate fair value.

State statutes authorize the District to invest in:

- a. Bond, securities, other obligations and repurchase agreements 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 qualified financial institution.
- c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
- d. Bankers acceptances of United States banks.
- e. Obligations of the State of Michigan and its political subdivisions that are rated as investment grade by at least one standard rating service at the time of purchase.
- f. Mutual funds registered under the Investment Company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- g. External investment pools as authorized by Public Act 20 as amended through December 31, 1997.

Receivables and Revenues

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

DEXTER COMMUNITY SCHOOLS

Notes to Financial Statements

Inventory

Inventories consist of food items. All inventories are valued at cost using the first-in/first-out method. Inventories of governmental funds are recorded as expenditures when consumed.

Prepays

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

Capital Assets

Capital assets, which include property and equipment, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition cost at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Capital assets of the District are depreciated using the straight-line method over the following estimated useful lives:

	Years
Buildings and improvements	20-50
Furniture and equipment	5-20
Vehicles and buses	5-10

Deferred Outflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District reports deferred outflows for the deferred charge on advance bond refundings, which 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. The District also reports deferred outflows of resources related to the net pension and other postemployment benefit liabilities. A portion of these costs represent contributions to the plans subsequent to the plan measurement date.

DEXTER COMMUNITY SCHOOLS

Notes to Financial Statements

Salaries Payable and Accrued Employee Benefits

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

The liability for accrued retirement and the employer share of FICA related to the salaries payable has been recorded as has the liability for employee health insurances for the months of July and August. The District pays these insurances for this period as a part of the compensation for services rendered in the preceding school year.

Compensated Absences

It is the District's policy to permit employees to accumulate various earned, but unused vacation, sick pay and severance benefits. These are accrued when earned in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations or retirements.

Deferred Inflows of Resources

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

Unearned Revenue

Unearned revenue consists of revenue received prior to the delivery of goods or services or the incurrence of qualifying expenditures.

Long-term Obligations

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. Bond premiums and discounts are deferred and amortized over the life of the related bonds using the straight-line method which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognized bond premiums and discounts during the current period. The face amount of debt issued is reported as an other financing source. Discounts and premiums on debt issuances are reported as other financing uses and sources, respectively.

DEXTER COMMUNITY SCHOOLS

Notes to Financial Statements

Property Taxes

Property taxes are recognized as revenue in the general and debt service funds on a levy year basis. The 2021 levy amounts are recognized as current property tax revenue to the extent they are collected during the year or within 60 days after year end. Collections of delinquent taxes in subsequent years are recognized as property tax revenues in the year collected. Assessed values are established annually by the various governmental units within the District and are equalized by the State of Michigan.

Fund Equity

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

When the District incurs an expenditure for purposes for which various fund balance classifications can be used, it is the District's policy to use restricted fund balance first, then committed fund balance, assigned fund balance, and finally unassigned fund balance, but reserves the right to selectively spend unassigned resources first to defer the use of these classified funds.

Interfund Transactions

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

Pensions and Other Postemployment Benefits

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

DEXTER COMMUNITY SCHOOLS

Notes to Financial Statements

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires administration to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

2. ACCOUNTABILITY AND BUDGETARY COMPLIANCE

Budgets are adopted for general and special revenue funds as required by state law and are adopted on a basis consistent with generally accepted accounting principles (GAAP). The District considers the debt service payment schedule to be an adequate budgetary control for the debt service funds. The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Superintendent submits to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1.
2. Adoption and amendments of all budgets used by the District are governed by Public Act 621, which was followed for the year ended June 30, 2022. Expenditures may not exceed appropriations at the function code level. The appropriations resolutions are based on the projected expenditures budget of the department heads of the District. Any amendment to the original budget must meet the requirements of Public Act 621. Any revisions that alter the total expenditures of any fund must be approved by the Board of Education.

Excess of Expenditures Over Appropriations

P.A. 621 of 1978, as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. During the year ended June 30, 2022, expenditures exceeded appropriations at the legal level of budgetary control in the following funds:

	Total Appropriations	Amount of Expenditures	Budget Variance
General fund			
Transfers out	\$ 744,285	\$ 2,358,045	\$ 1,613,760
Other adjustments	-	24,735	24,735

3. STATE OF MICHIGAN SCHOOL AID

The District reports State of Michigan school aid in the fiscal year in which the District is entitled to the revenue as provided by State of Michigan school aid appropriation acts. State funding represented 67% of the District's general fund revenue during the 2022 fiscal year.

DEXTER COMMUNITY SCHOOLS

Notes to Financial Statements

4. DEPOSITS AND INVESTMENTS

Cash and investments are comprised of the following at year-end:

	Governmental Activities
Cash and cash equivalents	\$ 19,930,350
Investments	5,714,631
Total	\$ 25,644,981
Checking and savings accounts	\$ 19,929,550
Investments	5,714,631
Cash on hand	800
Total	\$ 25,644,981

Cash and cash equivalents are comprised of deposits held with Chelsea State Bank, located in Michigan. State policy limits the District's investing options to financial institutions located in Michigan. All accounts are in the name of the District and a specific fund or common account.

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

	Maturity	Carrying Value	Rating
External investment pools:			
Michigan Liquid Asset Fund (MILAF):			
MILAF + Portfolio:			
Cash management class	N/A	\$ 68	AAAm S&P
MAX class	N/A	2,166,563	AAAm S&P
MILAF term	8/12/2022	2,000,000	AAA Kroll
MILAF term	10/19/2022	1,548,000	AAA Kroll
Total		\$ 5,714,631	

DEXTER COMMUNITY SCHOOLS

Notes to Financial Statements

Investment and Deposit Risk

Interest Rate Risk. State law limits the allowable investments and the maturities of some of the allowable investments as identified in Note 1 of the summary of significant accounting policies. The District's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The maturity dates for the District's investments are indicated in the previous table.

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

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned. The District minimizes this risk by pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisors to be in compliance with the requirements set forth in the District's investment policy. As of year-end, \$20,533,911 of the District's bank balance of \$20,783,911 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial Credit Risk – Investments. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District minimized this risk by pre-qualifying the financial institutions, brokers/dealers, intermediaries, and advisors to be in compliance with the requirements set forth in the District's investment policy. The District is exposed to no custodial credit risk on its investments because they are held in the name of the District.

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

DEXTER COMMUNITY SCHOOLS

Notes to Financial Statements

Assets carried at amortized cost:

External investment pools:

Michigan Liquid Asset Fund (MILAF):

MILAF + Portfolio:

Cash management class \$ 68

MAX class 2,166,563

Assets carried at net asset value:

External investment pools:

Michigan Liquid Asset Fund (MILAF):

MILAF Term 3,548,000

Total investments \$ 5,714,631

5. RECEIVABLES AND PAYABLES

Receivables in the government-wide financial statements at year-end are as follows:

	Governmental Activities
Accounts receivable	\$ 83,148
Interest receivable	3,270
Due from other governments	6,190,671
Totals	\$ 6,277,089

Accounts payable and accrued liabilities in the government-wide financial statements at year-end are as follows:

	Governmental Activities
Accounts payable	\$ 335,878
Accrued liabilities	4,230,100
Due to other governments	756,993
Interest payable on long-term debt	554,555
Totals	\$ 5,877,526

DEXTER COMMUNITY SCHOOLS

Notes to Financial Statements

6. INTERFUND RECEIVABLE, PAYABLES, AND TRANSFERS

At June 30, 2022, interfund receivables, and payables consisted of the following:

	Due from Other Funds	Due to Other Funds
General fund	\$ 26,813	\$ 2,011,767
Nonmajor governmental funds	2,014,391	29,437
	<u>\$ 2,041,204</u>	<u>\$ 2,041,204</u>

The District often reports interfund balances between many of its funds. These interfund balances result primarily from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

For the year ended June 30, 2022, interfund transfers consisted of the following:

Transfers Out	Transfers In		Totals
	General Fund	Nonmajor Governmental Funds	
General fund	\$ -	\$ 2,358,045	\$ 2,358,045
Nonmajor governmental funds	277,804	-	277,804
	<u>\$ 277,804</u>	<u>\$ 2,358,045</u>	<u>\$ 2,635,849</u>

Transfers are used to: (1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; (2) move receipts restricted to or allowed for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due; (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations; and (4) to cover direct and indirect costs paid by general fund on behalf of special revenue funds.

DEXTER COMMUNITY SCHOOLS

Notes to Financial Statements

7. CAPITAL ASSETS

A summary of changes in capital assets activity for the year ended June 30, 2022 was as follows:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Governmental activities					
Capital assets, not being depreciated:					
Land	\$ 5,853,892	\$ -	\$ (18,000)	\$ -	\$ 5,835,892
Construction in progress	124,698	1,300,838	-	(1,300,838)	124,698
	<u>5,978,590</u>	<u>1,300,838</u>	<u>(18,000)</u>	<u>(1,300,838)</u>	<u>5,960,590</u>
Capital assets, being depreciated:					
Buildings and improvements	193,281,372	-	(3,441,444)	802,557	190,642,485
Furniture and equipment	15,076,911	-	(20,977)	498,281	15,554,215
Vehicles and buses	3,963,618	-	-	-	3,963,618
	<u>212,321,901</u>	<u>-</u>	<u>(3,462,421)</u>	<u>1,300,838</u>	<u>210,160,318</u>
Less accumulated depreciation for:					
Buildings and improvements	(75,667,683)	(4,867,654)	2,046,634	-	(78,488,703)
Furniture and equipment	(9,556,871)	(957,463)	18,542	-	(10,495,792)
Vehicles and buses	(2,618,134)	(264,376)	-	-	(2,882,510)
	<u>(87,842,688)</u>	<u>(6,089,493)</u>	<u>2,065,176</u>	<u>-</u>	<u>(91,867,005)</u>
Total capital assets being depreciated, net	<u>124,479,213</u>	<u>(6,089,493)</u>	<u>(1,397,245)</u>	<u>1,300,838</u>	<u>118,293,313</u>
Governmental activities capital assets, net					
	<u>\$ 130,457,803</u>	<u>\$ (4,788,655)</u>	<u>\$ (1,415,245)</u>	<u>\$ -</u>	<u>\$ 124,253,903</u>

Depreciation expense is reported as unallocated in the statement of activities.

At June 30, 2022, the District has approximately \$2,253,000 in commitments related to the construction in progress reported above.

DEXTER COMMUNITY SCHOOLS

Notes to Financial Statements

8. LONG-TERM DEBT

The following is a summary of long-term debt transactions of the District for the year ended June 30, 2022:

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Governmental activities					
General obligation bonds	\$ 105,355,000	\$ -	\$ (9,920,000)	\$ 95,435,000	\$ 10,715,000
Unamortized premiums and discounts	4,236,977	-	(527,621)	3,709,356	459,313
School Loan Revolving Fund	1,008	26	-	1,034	-
Compensated absences	1,740,061	-	(6,072)	1,733,989	-
Total governmental activities	\$ 111,333,046	\$ 26	\$ (10,453,693)	\$ 100,879,379	\$ 11,174,313

General obligation bonds

\$31,500,000 (original issuance of \$69,900,000 before refunding),
1998 school building and site bonds due in annual installments
of \$2,625,000 plus interest at 5.00-5.10% through 2028 \$ 15,750,000

\$50,605,000 2017 school building and site bonds due in amounts
ranging from \$760,000 through \$7,835,000 plus interest at
3.00-4.00% through 2034 48,205,000

\$20,010,000, 2017 refunding bonds due in amounts ranging
from \$1,280,000 through \$4,010,000 plus interest at 4.00%
through 2028 17,545,000

\$15,440,000 2021 refunding bonds due in amounts ranging
from \$1,515,000 through \$4,635,000 plus interest at
0.25-0.82% through 2026 13,935,000

Total **\$ 95,435,000**

DEXTER COMMUNITY SCHOOLS

Notes to Financial Statements

The District has advance refunded certain bonds payable in previous periods through issuance of refunding bonds. The proceeds from issuance of the refunding bonds were placed in escrow until the related bonds were called. Of the refunding bonds reported in the table above, there are no amounts currently held in escrow, as the original bonds in each instance have already been called and repaid in full.

Future principal and interest payment requirements on outstanding general obligation debt are as follows:

Year Ended June 30,	Principal	Interest	Total
2023	\$ 10,715,000	\$ 3,327,323	\$ 14,042,323
2024	11,515,000	3,009,723	14,524,723
2025	12,355,000	2,669,574	15,024,574
2026	9,585,000	2,300,381	11,885,381
2027	6,140,000	1,936,282	8,076,282
2028-2032	27,665,000	4,956,603	32,621,603
2033-2034	17,460,000	887,946	18,347,946
Totals	\$ 95,435,000	\$ 19,087,832	\$ 114,522,832

The State of Michigan school loan revolving funds represent amounts borrowed from the State of Michigan school bond loan program to supplement property tax revenue for making payments on the District's general obligation bonds. Although interest accrues each year, no payment is due until such time as the District's property tax revenue is sufficient to support the debt service requirements on the general obligation bonds. Changes to the school loan revolving funds for the year ended June 30, 2022, are as follows:

School Loan Revolving Fund			
	Principal	Interest	Total
Beginning balance	\$ 1,000	\$ 8	\$ 1,008
Additions	-	26	26
Ending balance	\$ 1,000	\$ 34	\$ 1,034

Compensated absences are expected to be liquidated by the general fund.

DEXTER COMMUNITY SCHOOLS

Notes to Financial Statements

9. UNEARNED REVENUE

Governmental funds report unearned revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. The District has recorded \$2,711,071 in unearned revenue to offset the amounts passed to the District from various taxing authorities for excess capture of DDA and TIFA taxes. These amounts will be due back to the State upon final determination of the amounts due for each taxing authority. At the end of the current fiscal year, the various components of unearned revenue are as follows:

Future State Aid Adjustment	
for Prior Year DDA/TIFA Captures	\$ 2,711,071
Prepaid fees	151,097
Prepaid student lunches	82,210
Other	46,000
	<u>\$ 2,990,378</u>

10. PENSION AND OTHER POSTEMPLOYMENT BENEFITS PLANS

Plan Description

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

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

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

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

DEXTER COMMUNITY SCHOOLS

Notes to Financial Statements

Pension Benefits Provided

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

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

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

DEXTER COMMUNITY SCHOOLS

Notes to Financial Statements

Other Postemployment Benefits Provided

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

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

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

Contributions

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

DEXTER COMMUNITY SCHOOLS

Notes to Financial Statements

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2020 valuation will be amortized over an 18-year period beginning October 1, 2020 and ending September 30, 2038.

The table below summarizes pension contribution rates in effect for fiscal year 2022:

Benefit Structure	Member Rates	Employer Rates
Basic	0.00% - 4.00%	19.78% - 20.14%
Member Investment Plan (MIP)	3.00% - 7.00%	19.78% - 20.14%
Pension Plus	3.00% - 6.40%	16.82% - 17.22%
Pension Plus 2	6.20%	19.59% - 19.93%
Defined Contribution	0.00%	13.39% - 13.73%

For the year ended June 30, 2022, required and actual contributions from the District to the pension plan were \$8,799,078, which included \$4,075,666, the amount received from the State and remitted to the System to fund the MPSERS unfunded actuarial accrued liability ("UAAL") stabilization rate.

The table below summarizes OPEB contribution rates in effect for fiscal year 2022:

Benefit Structure	Member Rates	Employer Rates
Premium Subsidy	3.00%	8.09% - 8.43%
Personal Healthcare Fund (PHF)	0.00%	7.23% - 7.57%

For the year ended June 30, 2022, required and actual contributions from the District to the OPEB plan were \$1,979,501.

The table below summarizes defined contribution rates in effect for fiscal year 2022:

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

DEXTER COMMUNITY SCHOOLS

Notes to Financial Statements

For the year ended June 30, 2022, required and actual contributions from the District for those members with a defined contribution benefit were \$428,853.

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

At June 30, 2022, the District reported a liability of \$63,513,923 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2020. The District's proportion of the net pension liability was determined by dividing each employer's statutorily required pension contributions to the system during the measurement period by the percent of pension contributions required from all applicable employers during the measurement period. At September 30, 2021, the District's proportion was 0.26827%, which was an increase of 0.00170% from its proportion measured as of September 30, 2020.

For the year ended June 30, 2022, the District recognized pension expense of \$7,798,706. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Differences between expected and actual experience	\$ 983,858	\$ 374,021	\$ 609,837
Changes in assumptions	4,003,691	-	4,003,691
Net difference between projected and actual earnings on pension plan investments	-	20,419,522	(20,419,522)
Changes in propor. on and differences between employer contributions and proportionate share of contributions	1,386,344	392,686	993,658
	<u>6,373,893</u>	<u>21,186,229</u>	<u>(14,812,336)</u>
District contributions subsequent to the measurement date	8,258,847	-	8,258,847
Total	<u>\$ 14,632,740</u>	<u>\$ 21,186,229</u>	<u>\$ (6,553,489)</u>

DEXTER COMMUNITY SCHOOLS

Notes to Financial Statements

The \$8,258,847 reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Amount
2023	\$ (1,324,117)
2024	(3,228,948)
2025	(4,769,940)
2026	<u>(5,489,331)</u>
Total	<u>\$ (14,812,336)</u>

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

At June 30, 2022, the District reported a liability of \$4,108,559 for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 2020. The District's proportion of the net OPEB liability was determined by dividing each employer's statutorily required OPEB contributions to the system during the measurement period by the percent of OPEB contributions required from all applicable employers during the measurement period. At September 30, 2021, the District's proportion was 0.26917% which was a decrease of 0.00164% from its proportion measured as of September 30, 2020.

DEXTER COMMUNITY SCHOOLS

Notes to Financial Statements

For the year ended June 30, 2022, the District recognized OPEB expense of \$(2,151,711). At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Differences between expected and actual experience	\$ -	\$ 11,727,590	\$ (11,727,590)
Changes in assumptions	3,434,552	513,937	2,920,615
Net difference between projected and actual earnings on OPEB plan investments	-	3,096,695	(3,096,695)
Changes in proportion and differences between employer contributions and proportionate share of contributions	583,172	260,230	322,942
	4,017,724	15,598,452	(11,580,728)
District contributions subsequent to the measurement date	1,734,607	-	1,734,607
Total	\$ 5,752,331	\$ 15,598,452	\$ (9,846,121)

The \$1,734,607 reported as deferred outflows of resources related to OPEB resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30,	Amount
2023	\$ (2,952,375)
2024	(2,723,838)
2025	(2,542,260)
2026	(2,378,792)
2027	(869,400)
Thereafter	(114,063)
Total	\$ (11,580,728)

DEXTER COMMUNITY SCHOOLS

Notes to Financial Statements

Actuarial Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. The total pension and OPEB liabilities in the September 30, 2020 actuarial valuation were determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial cost method	Entry age, normal
Wage inflation rate	2.75%
Investment rate of return:	
MIP and Basic plans (non-hybrid)	6.80%
Pension Plus plan (hybrid)	6.80%
Pension Plus 2 plan (hybrid)	6.00%
OPEB plans	6.95%
Projected salary increases	2.75% - 11.55%, including wage inflation at 2.75%
Cost of living adjustments	3% annual non-compounded for MIP members
Healthcare cost trend rate	7.75% Year 1 graded to 3.5% Year 15; 3.0% Year 120
Mortality	RP-2014 Male and Female Employee Annuitant Mortality Tables, adjusted for mortality improvements using projection scale MP-2017 from 2006. For retirees, the tables were scaled by 82% for males and 78% for females. For active members, 100% of the table rates were used for both males and females.

Other OPEB assumptions:

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

DEXTER COMMUNITY SCHOOLS

Notes to Financial Statements

Assumption changes as a result of an experience study for the period 2012 through 2017 have been adopted by the System for use in the annual pension and OPEB valuations beginning with the September 30, 2017 valuation. The total pension and OPEB liabilities as of September 30, 2021, are based on the results of an actuarial valuation date of September 30, 2020, and rolled forward using generally accepted actuarial procedures, including the experience study. The recognition period for pension liabilities is 4.4367 years which is the average of the expected remaining service lives of all employees. The recognition period for OPEB liabilities is 6.1312 years which is the average of the expected remaining service lives of all employees. The recognition period for assets is 5 years.

Long-term Expected Return on Pension Plan Assets

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2021, are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return	Expected Money-Weighted Rate of Return
Domestic equity pools	25.00%	5.09%	1.27%
Private equity pools	16.00%	8.58%	1.37%
International equity pools	15.00%	7.08%	1.06%
Fixed income pools	10.50%	-0.73%	-0.08%
Real estate and infrastructure pools	10.00%	5.12%	0.51%
Absolute return pools	9.00%	2.42%	0.22%
Real return/opportunistic pools	12.50%	5.73%	0.72%
Short-term investment pools	2.00%	-1.29%	-0.03%
	<u>100.00%</u>		5.04%
Inflation			2.00%
Risk adjustment			<u>-0.24%</u>
Investment rate of return			<u><u>6.80%</u></u>

DEXTER COMMUNITY SCHOOLS

Notes to Financial Statements

Long-term Expected Return on OPEB Plan Assets

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan's target asset allocation as of September 30, 2021, are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return	Expected Money-Weighted Rate of Return
Domestic equity pools	25.00%	5.09%	1.27%
Private equity pools	16.00%	8.58%	1.37%
International equity pools	15.00%	7.08%	1.06%
Fixed income pools	10.50%	-0.73%	-0.08%
Real estate and infrastructure pools	10.00%	5.12%	0.51%
Absolute return pools	9.00%	2.42%	0.22%
Real return/opportunistic pools	12.50%	5.73%	0.72%
Short-term investment pools	2.00%	-1.29%	-0.03%
	<u>100.00%</u>		5.04%
Inflation			2.00%
Risk adjustment			<u>-0.09%</u>
Investment rate of return			<u><u>6.95%</u></u>

DEXTER COMMUNITY SCHOOLS

Notes to Financial Statements

Rate of Return

For the fiscal year ended September 30, 2021, the annual money-weighted rate of return on pension and OPEB plan investments, net of pension and OPEB plan investment expense, was 27.30% and 27.14%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate

A discount rate of 6.80% was used to measure the total pension liability (6.80% for the Pension Plus plan, 6.00% for the Pension Plus 2 plan, both of which are hybrid plans provided through non-university employers only) and a discount rate of 6.95% was used to measure the total OPEB liability. This discount rate was based on the long-term expected rate of return on pension and OPEB plan investments of 6.80% (6.80% for the Pension Plus plan, 6.00% for the Pension Plus 2 plan) and 6.95%, respectively. The projection of cash flows used to determine these discount rates assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension and OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension and OPEB plan investments was applied to all periods of projected benefit payments to determine the total pension and OPEB liabilities.

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

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 6.80% (6.80% for the Pension Plus plan, 6.00% for the Pension Plus 2 plan), as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher:

	1% Decrease (5.80% / 5.80% / 5.00%)	Current Discount Rate (6.80% / 6.80% / 6.00%)	1% Increase (7.80% / 7.80% / 7.00%)
District's proportionate share of the net pension liability	\$ 90,807,684	\$ 63,513,923	\$ 40,885,604

DEXTER COMMUNITY SCHOOLS

Notes to Financial Statements

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

The following presents the District's proportionate share of the net OPEB liability calculated using the discount rate of 6.95%, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher:

	1% Decrease (5.95%)	Current Discount Rate (6.95%)	1% Increase (7.95%)
District's proportionate share of the net OPEB liability	\$ 7,634,445	\$ 4,108,559	\$ 1,116,342

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

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

	1% Decrease (6.00%)	Current Healthcare Cost Trend Rate (7.00%)	1% Increase (8.00%)
District's proportionate share of the net OPEB liability	\$ 999,991	\$ 4,108,559	\$ 7,606,073

Pension and OPEB Plans Fiduciary Net Position

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

Payable to the Pension Plan

At June 30, 2022, the District reported a payable of \$1,297,823 for the outstanding amount of pension contributions to the Plan required for the year ended June 30, 2022.

Payable to the OPEB Plan

At June 30, 2022, the District reported a payable of \$223,524 for the outstanding amount of OPEB contributions to the Plan required for the year ended June 30, 2022.

DEXTER COMMUNITY SCHOOLS

Notes to Financial Statements

11. FUND BALANCES - GOVERNMENTAL FUNDS

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

	General Fund	Debt Retirement Fund	2017 Capital Projects Fund	Capital Projects Non-bonded	Nonmajor Governmental Funds	Total
Nonspendable						
Inventory	\$ -	\$ -	\$ -	\$ -	\$ 19,424	\$ 19,424
Prepaid items	71,901	-	-	-	8,630	80,531
	<u>71,901</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>28,054</u>	<u>99,955</u>
Restricted						
Debt service	-	1,629,996	-	-	-	1,629,996
Food service program	-	-	-	-	947,366	947,366
Capital projects	-	-	3,990,594	-	-	3,990,594
	<u>-</u>	<u>1,629,996</u>	<u>3,990,594</u>	<u>-</u>	<u>947,366</u>	<u>6,567,956</u>
Committed						
Unspent supply carryover	217,392	-	-	-	-	217,392
Facilities, equipment and maintenance	1,000,000	-	-	-	-	1,000,000
Facilities, athletics	1,040,000	-	-	-	-	1,040,000
Performing arts equipment	160,000	-	-	-	-	160,000
Instructional materials and equipment	1,000,000	-	-	-	-	1,000,000
Technology	1,500,000	-	-	-	-	1,500,000
New programs	2,400,000	-	-	-	-	2,400,000
New buildings and spaces	300,490	-	-	-	-	300,490
Retirement and severance	1,000,000	-	-	-	-	1,000,000
Athletic programs	-	-	-	-	177,963	177,963
Student / school activity	-	-	-	-	1,104,838	1,104,838
Non-bonded capital projects	-	-	-	1,053,607	-	1,053,607
	<u>8,617,882</u>	<u>-</u>	<u>-</u>	<u>1,053,607</u>	<u>1,282,801</u>	<u>10,954,290</u>
Assigned						
Community services	-	-	-	-	2,533,413	2,533,413
Subsequent year expenditures	263,547	-	-	-	-	263,547
	<u>263,547</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,533,413</u>	<u>2,796,960</u>
Unassigned	<u>3,289,515</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,289,515</u>
Total fund balances - governmental funds	<u>\$ 12,242,845</u>	<u>\$ 1,629,996</u>	<u>\$ 3,990,594</u>	<u>\$ 1,053,607</u>	<u>\$ 4,791,634</u>	<u>\$ 23,708,676</u>

DEXTER COMMUNITY SCHOOLS

Notes to Financial Statements

12. NET INVESTMENT IN CAPITAL ASSETS

The composition of the District's net investment in capital assets as of June 30, 2022, was as follows:

	Governmental Activities
Capital assets:	
Capital assets not being depreciated	\$ 5,960,590
Capital assets being depreciated, net	<u>118,293,313</u>
	<u>124,253,903</u>
Related debt:	
General obligation bonds	95,435,000
Premiums/discounts on bonds payable, net	3,709,356
Deferred charge on advance bond refundings, net	(197,295)
Unexpended bond proceeds	<u>(3,990,594)</u>
	<u>94,956,467</u>
Net investment in capital assets	<u>\$ 29,297,436</u>

13. BONDED CONSTRUCTION COSTS

2017 Capital Projects Fund Compliance

The 2017 Capital Projects Fund includes capital project activities funded with proceeds from the 2017 building and site bonds. For these activities, the District has complied with the applicable provisions of §1351a of the Revised School Code and the applicable section of the Revised Bulletin for School District Audits of Bonded Construction Funds and Sinking Funds in Michigan.

14. CONTINGENCIES

Federal Grant Programs

The District participates in federally assisted grant programs, which are subject to program compliance audits by the grantor or its representatives. Such audits of these programs may be performed at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the District expects such amounts, if any, not to be material.

DEXTER COMMUNITY SCHOOLS

Notes to Financial Statements

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 District participates in and pays premiums to M.A.I.S.L. Joint Management Trust and SET-SEG, Inc. Insurance Trust. The pools maintain loss funds and are also required by the terms of the participation agreements to obtain insurance and reinsurance as necessary.

The terms of the participation agreement with the pools indicate that, should losses of the pools incurred in a given coverage period exceed the loss fund and the aggregate excess reinsurance, the fund may access its member districts on a pro-rata basis to cover excess losses. In past years, the loss funds have exceeded the amount necessary to maintain prudent loss reserves, resulting in annual premium refunds to member districts. The District's management believes that participation in these pools provide sufficient coverage to protect the District from significant adverse financial impact.

15. CORONAVIRUS (COVID-19)

In March 2020, the World Health Organization declared the novel coronavirus outbreak (COVID-19) to be a global pandemic. While the pandemic has resulted in an increase in the demands on the District to deliver education to students in a safe environment, the Federal Government has also provided significant resources to help mitigate the impacts of COVID-19. Over the past two years, the District has been awarded funds from various sources to be used to respond to the impacts of the COVID-19 pandemic. Of the amount awarded, approximately \$4,719,000 was expended and recognized as revenue during the current fiscal year. With these additional Federal resources, at this time management does not believe that the negative financial impact of the pandemic, if any, would be material to the District.

■ ■ ■ ■ ■

REQUIRED SUPPLEMENTARY INFORMATION

DEXTER COMMUNITY SCHOOLS

Required Supplementary Information

MPSERS Cost-Sharing Multiple-Employer Plan
Schedule of the District's Proportionate Share of the Net Pension Liability

	Year Ended June 30,			
	2022	2021	2020	2019
District's proportionate share of the net pension liability	\$ 63,513,923	\$ 91,569,173	\$ 86,772,214	\$ 78,076,238
District's proportion of the net pension liability	0.26827%	0.26657%	0.26202%	0.25972%
District's covered payroll	\$ 24,366,821	\$ 24,033,841	\$ 23,160,721	\$ 22,350,671
District's proportionate share of the net pension liability as a percentage of its covered payroll	260.66%	381.00%	374.65%	349.32%
Plan fiduciary net position as a percentage of the total pension liability	72.60%	59.72%	60.31%	62.38%

See notes to required supplementary information.

	Year Ended June 30,			
	2018	2017	2016	2015
\$ 66,388,499	\$ 62,177,767	\$ 61,232,973	\$ 52,543,111	
0.25619%	0.24922%	0.25070%	0.23854%	
\$ 21,844,616	\$ 21,116,479	\$ 21,237,606	\$ 20,490,109	
303.91%	294.45%	288.32%	256.43%	
64.21%	63.27%	63.17%	66.20%	

DEXTER COMMUNITY SCHOOLS

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

	Year Ended June 30,			
	2022	2021	2020	2019
Statutorily required contribution	\$ 8,799,078	\$ 7,960,419	\$ 7,319,434	\$ 6,953,030
Contributions in relation to the statutorily required contribution	<u>(8,799,078)</u>	<u>(7,960,419)</u>	<u>(7,319,434)</u>	<u>(6,953,030)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 24,737,501	\$ 23,838,048	\$ 23,821,083	\$ 21,043,362
Contributions as a percentage of covered payroll	35.57%	33.39%	30.73%	33.04%

See notes to required supplementary information.

	Year Ended June 30,			
	2018	2017	2016	2015
Statutorily required contribution	\$ 6,467,637	\$ 5,956,455	\$ 4,836,283	\$ 3,704,745
Contributions in relation to the statutorily required contribution	<u>(6,467,637)</u>	<u>(5,956,455)</u>	<u>(4,836,283)</u>	<u>(3,704,745)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 22,283,619	\$ 21,652,765	\$ 20,993,350	\$ 21,188,803
Contributions as a percentage of covered payroll	29.02%	27.51%	23.04%	17.48%

DEXTER COMMUNITY SCHOOLS

Required Supplementary Information

MPSERS Cost-Sharing Multiple-Employer Plan
Schedule of the District's Proportionate Share of the Net Other Postemployment Benefit Liability

	Year Ended June 30,		
	2022	2021	2020
District's proportionate share of the net OPEB liability	\$ 4,108,559	\$ 14,508,268	\$ 19,005,006
District's proportion of the net OPEB liability	0.26917%	0.27081%	0.26478%
District's covered payroll	\$ 24,366,821	\$ 24,033,841	\$ 23,160,721
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	16.86%	60.37%	82.06%
Plan fiduciary net position as a percentage of the total OPEB liability	87.33%	59.44%	48.46%

Year Ended June 30,	
2019	2018
\$ 20,863,637	\$ 22,742,261
0.26247%	0.25682%
\$ 22,350,671	\$ 21,844,616
93.35%	104.11%
42.95%	36.39%

See notes to required supplementary information.

DEXTER COMMUNITY SCHOOLS

Required Supplementary Information

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

	Year Ended June 30,		
	2022	2021	2020
Statutorily required contributions	\$ 1,979,501	\$ 1,953,217	\$ 1,914,592
Contributions in relation to the statutorily required contributions	<u>(1,979,501)</u>	<u>(1,953,217)</u>	<u>(1,914,592)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 24,737,501	\$ 23,838,048	\$ 23,821,083
Contributions as a percentage of covered payroll	8.00%	8.19%	8.04%

	Year Ended June 30,	
	2019	2018
Statutorily required contributions	\$ 1,961,551	\$ 1,761,556
Contributions in relation to the statutorily required contributions	<u>(1,961,551)</u>	<u>(1,761,556)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 21,043,362	\$ 22,283,619
Contributions as a percentage of covered payroll	9.32%	7.91%

See notes to required supplementary information.

DEXTER COMMUNITY SCHOOLS

Notes to Required Supplementary Information

Pension Information

GASB 68 was implemented in fiscal year 2015. The pension plan schedules are being built prospectively. Ultimately, 10 years of data will be presented.

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

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

- 2022 - The payroll growth assumption for amortization purposes used in determining the fiscal year 2023 employer contributions decreased from 3.0% to 2.5%.
- 2021 - The payroll growth assumption for amortization purposes used in determining the fiscal year 2022 employer contributions decreased from 3.5% to 3.0%.
- 2020 - The discount rate used in the September 30, 2018 actuarial valuation decreased to 6.80% for the MIP and Basic plans, 6.80% for the Pension Plus Plan, and 6.00% for the Pension Plus 2 Plan.
- 2019 - The discount rate used in the September 30, 2017 actuarial valuation decreased to 7.05% for the MIP and Basic plans, 7.00% for the Pension Plus plan, and 6.00% for the Pension Plus 2 plan.
- 2018 - The discount rate used in the September 30, 2016 actuarial valuation decreased to 7.50% for the MIP and Basic plans and 7.00% for the Pension Plus plan.

OPEB Information

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

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

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

- 2022 - The payroll growth assumption for amortization purposes used in determining the fiscal year 2023 employer contributions decreased from 3.0% to 2.5%. The healthcare cost trend rate used in the September 30, 2020 actuarial valuation increased to 7.75%.
- 2021 - The payroll growth assumption for amortization purposes used in determining the fiscal year 2022 employer contributions decreased from 3.5% to 3.0%. The healthcare cost trend rate used in the September 30, 2019 actuarial valuation decreased to 7.0%.
- 2020 - The discount rate used in the September 30, 2018 actuarial valuation decreased to 6.95%.
- 2019 - The discount rate used in the September 30, 2017 actuarial valuation decreased to 7.15%.

COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES

DEXTER COMMUNITY SCHOOLS

Schedule of Revenues and Other Financing Sources

General Fund
For the Year Ended June 30, 2022

	Total
Revenues	
Local sources	
Property taxes	\$ 5,258,752
Earnings on investments and deposits	20,218
Transportation	128,280
Rentals	119,952
Other local revenues	78,504
Total local sources	<u>5,605,706</u>
State sources	
State aid - membership - section 20	24,257,347
At risk	311,017
Special education	2,194,646
Other state grants	6,057,321
Total state sources	<u>32,820,331</u>
Federal sources	
Title I	220,102
Title II - Teacher Principal Training	62,864
Title III - Immigrant Students and English Learners	5,723
Elementary and Secondary School Emergency Relief Program	4,709,120
Special Education	788,454
Special Education - Preschool	24,318
Student Support and Academic Enrichment Program	17,037
Total federal sources	<u>5,827,618</u>
Interdistrict sources	<u>5,033,039</u>
Other adjustments	<u>9,415</u>
Total revenues	<u>49,296,109</u>
Other financing sources	
Transfers from other funds	277,804
Proceeds from sale of capital assets	-
Total other financing sources	<u>277,804</u>
Total revenues and other financing sources	<u>\$ 49,573,913</u>

DEXTER COMMUNITY SCHOOLS

Schedule of Expenditures and Other Financing Uses

General Fund
For the Year Ended June 30, 2022

	Total
Instruction	
Basic programs	
Elementary	
Salaries	\$ 5,573,386
Insurances	1,034,047
FICA, retirement, etc.	2,832,319
Purchased services	633,338
Supplies and materials	208,950
Other	149
Total elementary	<u>10,282,189</u>
Middle/junior high	
Salaries	1,924,336
Insurances	321,198
FICA, retirement, etc.	969,658
Purchased services	131,191
Supplies and materials	60,302
Other	1,150
Total middle/junior high	<u>3,407,835</u>
High school	
Salaries	4,025,782
Insurances	612,309
FICA, retirement, etc.	2,037,603
Purchased services	219,234
Supplies and materials	115,752
Other	197,296
Total high school	<u>7,207,976</u>
Summer school	
Salaries	768
FICA, retirement, etc.	59
Purchased services	14,725
Total summer school	<u>15,552</u>
Total basic programs	<u>20,913,552</u>
Added needs	
Special education	
Salaries	2,278,259
Insurances	280,217
FICA, retirement, etc.	1,200,954
Purchased services	68,228
Supplies and materials	22,455
Other	197,509
Total special education	<u>4,047,622</u>

continued...

DEXTER COMMUNITY SCHOOLS

Schedule of Expenditures and Other Financing Uses

General Fund
For the Year Ended June 30, 2022

	Total
Instruction (concluded)	
Added needs (concluded)	
Compensatory education	
Salaries	\$ 1,663,450
Insurances	59,018
FICA, retirement, etc.	783,206
Purchased services	208,809
Supplies and materials	91,178
Total compensatory education	<u>2,805,661</u>
Vocational education	
Salaries	99,994
Insurances	16,194
FICA, retirement, etc.	49,846
Purchased services	4,064
Supplies and materials	7,009
Other	170,974
Total vocational education	<u>348,081</u>
Total added needs	<u>7,201,364</u>
Total instruction	<u>28,114,916</u>
Supporting services	
Student services	
Salaries	2,922,431
Insurances	485,218
FICA, retirement, etc.	1,507,926
Purchased services	101,717
Supplies and materials	25,209
Total student services	<u>5,042,501</u>
Instructional staff	
Salaries	1,590,782
Insurances	200,599
FICA, retirement, etc.	836,291
Other benefits	22,407
Purchased services	441,059
Supplies and materials	44,164
Other	54,404
Total instructional staff	<u>3,189,706</u>

continued...

DEXTER COMMUNITY SCHOOLS

Schedule of Expenditures and Other Financing Uses

General Fund
For the Year Ended June 30, 2022

	Total
Supporting services (continued)	
General administration	
Salaries	\$ 227,539
Insurances	40,743
FICA, retirement, etc.	135,492
Other benefits	61,417
Purchased services	151,248
Supplies and materials	6,743
Other	12,760
Total general administration	<u>635,942</u>
School administration	
Salaries	1,264,654
Insurances	247,378
FICA, retirement, etc.	684,450
Other benefits	76,243
Purchased services	29,977
Supplies and materials	19,048
Other	7,735
Total school administration	<u>2,329,485</u>
Business administration	
Salaries	368,913
Insurances	41,187
FICA, retirement, etc.	224,704
Other benefits	69,563
Purchased services	34,340
Supplies and materials	1,408
Other	26,687
Total business administration	<u>766,802</u>
Operation and maintenance of plant	
Salaries	1,231,977
Insurances	264,357
FICA, retirement, etc.	657,973
Other benefits	1,293
Purchased services	809,645
Supplies and materials	1,094,884
Total operation and maintenance of plant	<u>4,060,129</u>

continued...

DEXTER COMMUNITY SCHOOLS

Schedule of Expenditures and Other Financing Uses

General Fund
For the Year Ended June 30, 2022

	Total
Supporting services (concluded)	
Transportation	
Salaries	\$ 817,145
Insurances	159,898
FICA, retirement, etc.	431,265
Other benefits	3,400
Purchased services	105,406
Supplies and materials	187,471
Other	2,440
Total transportation	1,707,025
Other supporting services	
Salaries	209,073
Insurances	52,759
FICA, retirement, etc.	106,329
Other benefits	7,416
Purchased services	137,788
Supplies and materials	1,535
Other	25,095
Total other supporting services	539,995
Total supporting services	18,271,585
Community services	
Salaries	(73,961)
Insurances	6,850
FICA, retirement, etc.	(34,326)
Purchased services	94,061
Supplies and materials	150,301
Total community services	142,925
Other adjustments	24,735
Total expenditures	46,554,161
Other financing uses	
Transfers to other funds	2,358,045
Total expenditures and other financing uses	\$ 48,912,206

concluded

DEXTER COMMUNITY SCHOOLS

Combining Balance Sheet

Nonmajor Governmental Funds
June 30, 2022

	Special Revenue			
	Food Service	Community Service	Student/School Activity	Total
Assets				
Cash and cash equivalents	\$ 1,067,970	\$ 858,684	\$ 1,128,333	\$ 3,054,987
Due from other governments	10,204	20,547	-	30,751
Due from other funds	-	2,011,767	2,624	2,014,391
Inventory	19,424	-	-	19,424
Prepaid items	407	8,223	-	8,630
Total assets	\$ 1,098,005	\$ 2,899,221	\$ 1,130,957	\$ 5,128,183
Liabilities				
Accounts payable	\$ 777	\$ 13,680	\$ 25,930	\$ 40,387
Accrued liabilities	16,272	1,517	-	17,789
Due to other governments	15,629	-	-	15,629
Due to other funds	15,920	13,328	189	29,437
Unearned revenue	82,210	151,097	-	233,307
Total liabilities	130,808	179,622	26,119	336,549
Fund balances				
Nonspendable	19,831	8,223	-	28,054
Restricted	947,366	-	-	947,366
Committed	-	177,963	1,104,838	1,282,801
Assigned	-	2,533,413	-	2,533,413
Total fund balances	967,197	2,719,599	1,104,838	4,791,634
Total liabilities and fund balances	\$ 1,098,005	\$ 2,899,221	\$ 1,130,957	\$ 5,128,183

DEXTER COMMUNITY SCHOOLS

Combining Statement of Revenues, Expenditures and Changes in Fund Balances Nonmajor Governmental Funds For the Year Ended June 30, 2022

	Special Revenue			Total
	Food Service	Community Service	Student/School Activity	
Revenues				
Local sources	\$ 202,066	\$ 2,718,097	\$ 779,836	\$ 3,699,999
State sources	78,977	51,152	-	130,129
Federal sources	1,962,390	751,778	-	2,714,168
Interdistrict sources	160,374	-	-	160,374
Total revenues	2,403,807	3,521,027	779,836	6,704,670
Expenditures				
Current:				
Community services	-	3,116,517	644,494	3,761,011
Food services	2,008,942	-	-	2,008,942
Total expenditures	2,008,942	3,116,517	644,494	5,769,953
Revenues over expenditures	394,865	404,510	135,342	934,717
Other financing sources (uses)				
Transfers in	-	2,358,045	-	2,358,045
Transfers out	(101,365)	(176,439)	-	(277,804)
Total other financing sources (uses)	(101,365)	2,181,606	-	2,080,241
Net changes in fund balances	293,500	2,586,116	135,342	3,014,958
Fund balances, beginning of year	673,697	133,483	969,496	1,776,676
Fund balances, end of year	\$ 967,197	\$ 2,719,599	\$ 1,104,838	\$ 4,791,634

SCHEDULE OF BONDS ISSUED AND OUTSTANDING (Unaudited)

DEXTER COMMUNITY SCHOOLS

Schedule of Bonds Issued and Outstanding (Unaudited)

1998 School and Building Site Bonds

June 30, 2022

Issue dated April 20, 1998 in the amount of

\$ 69,600,000

Less:

Bonds paid in prior years

51,225,000

Bonds due and paid May 1, 2022

2,625,000

Balance outstanding - June 30, 2022

\$ 15,750,000

Due	Interest Rate (%)	Principal Due	November Interest Requirement	May Interest Requirement	Total
2022 - 2023	5.00	\$ 2,625,000	\$ 400,313	\$ 400,312	\$ 3,425,625
2023 - 2024	5.00	2,625,000	334,687	334,688	3,294,375
2024 - 2025	5.10	2,625,000	267,750	267,750	3,160,500
2025 - 2026	5.10	2,625,000	200,813	200,812	3,026,625
2026 - 2027	5.10	2,625,000	133,875	133,875	2,892,750
2027 - 2028	5.10	2,625,000	66,938	66,937	2,758,875
		\$ 15,750,000	\$ 1,404,376	\$ 1,404,374	\$ 18,558,750

continued...

DEXTER COMMUNITY SCHOOLS

Schedule of Bonds Issued and Outstanding (Unaudited)

2017 School Building and Site Bonds

June 30, 2022

Issue dated November 28, 2017 in the amount of

\$ 50,605,000

Less:

Bonds paid in prior years

Bonds due and paid May 1, 2022

-

2,400,000

Balance outstanding - June 30, 2022

\$ 48,205,000

Due	Interest Rate (%)	Principal Due	November Interest Requirement	May Interest Requirement	Total
2022 - 2023	4.00	\$ 1,505,000	\$ 878,066	\$ 878,065	\$ 3,261,131
2023 - 2024	4.00	760,000	847,965	847,966	2,455,931
2024 - 2025	4.00	1,190,000	832,766	832,765	2,855,531
2025 - 2026	4.00	1,435,000	808,965	808,966	3,052,931
2026 - 2027	4.00	2,235,000	780,266	780,266	3,795,532
2027 - 2028	4.00	2,455,000	735,565	735,565	3,926,130
2028 - 2029	4.00	6,775,000	686,465	686,466	8,147,931
2029 - 2030	4.00	7,050,000	550,965	550,966	8,151,931
2030 - 2031	4.00	7,340,000	409,966	409,965	8,159,931
2031 - 2032	3.00	7,600,000	263,165	263,166	8,126,331
2032 - 2033	3.00	7,835,000	149,166	149,165	8,133,331
2033 - 2034	3.125	2,025,000	31,641	31,640	2,088,281
		\$ 48,205,000	\$ 6,974,961	\$ 6,974,961	\$ 62,154,922

continued...

DEXTER COMMUNITY SCHOOLS

Schedule of Bonds Issued and Outstanding (Unaudited)					
2017 Refunding Bonds					
June 30, 2022					
Issue dated November 28, 2017 in the amount of				\$	20,010,000
Less:					
Bonds paid in prior years				-	
Bonds due and paid May 1, 2022				2,465,000	
Balance outstanding - June 30, 2022				\$	17,545,000
Due	Interest Rate (%)	Principal Due	November Interest Requirement	May Interest Requirement	Total
2022 - 2023	4.00	\$ 2,925,000	\$ 350,900	\$ 350,900	\$ 3,626,800
2023 - 2024	4.00	4,005,000	292,400	292,400	4,589,800
2024 - 2025	4.00	3,905,000	212,300	212,300	4,329,600
2025 - 2026	4.00	4,010,000	134,200	134,200	4,278,400
2026 - 2027	4.00	1,280,000	54,000	54,000	1,388,000
2027 - 2028	4.00	1,420,000	28,400	28,400	1,476,800
		<u>\$ 17,545,000</u>	<u>\$ 1,072,200</u>	<u>\$ 1,072,200</u>	<u>\$ 19,689,400</u>

continued...

DEXTER COMMUNITY SCHOOLS

Schedule of Bonds Issued and Outstanding (Unaudited)					
2021 Refunding Bonds					
June 30, 2022					
Issue dated March 24, 2021 in the amount of				\$	15,440,000
Less:					
Bonds paid in prior years				-	
Bonds due and paid May 1, 2022				1,505,000	
Balance outstanding - June 30, 2022				\$	13,935,000
Due	Interest Rate (%)	Principal Due	November Interest Requirement	May Interest Requirement	Total
2022 - 2023	0.25	\$ 3,660,000	\$ 34,383	\$ 34,383	\$ 3,728,766
2023 - 2024	0.38	4,125,000	29,808	29,808	4,184,616
2024 - 2025	0.68	4,635,000	21,971	21,970	4,678,941
2025 - 2026	0.82	1,515,000	6,212	6,211	1,527,423
		<u>\$ 13,935,000</u>	<u>\$ 92,374</u>	<u>\$ 92,372</u>	<u>\$ 14,119,746</u>

concluded

Founded in 1852
by Sidney Davy Miller



Miller, Canfield, Paddock and Stone, P.L.C.
150 West Jefferson, Suite 2500
Detroit, Michigan 48226
TEL (313) 963-6420
FAX (313) 496-7500
www.millercanfield.com

MICHIGAN
ILLINOIS
NEW YORK
OHIO
WASHINGTON, D.C.
CALIFORNIA
CANADA
CHINA
MEXICO
POLAND
UKRAINE
QATAR

March 23, 2023

Dexter Community Schools

Counties of Washtenaw and Livingston
State of Michigan

We have acted as bond counsel to the Dexter Community Schools, Counties of Washtenaw and Livingston, State of Michigan (the “Issuer”) in connection with the issuance by the Issuer of bonds in the aggregate principal sum of \$16,470,000, designated 2023 School Building and Site Bonds (Unlimited Tax General Obligation) (the “Bonds”). In such capacity, we have examined such law and the transcript of proceedings relating to the issuance of the Bonds and such other proceedings, certifications and documents as we have deemed necessary to render this opinion.

The Bonds are in fully-registered form in the denomination of \$5,000 each or multiples thereof, numbered in order of registration, bearing original issue date of March 23, 2023, payable as to principal and interest as provided in the Bonds. The Bonds are not subject to redemption prior to maturity.

As to questions of fact material to our opinion, we have relied on the certified proceedings and other certifications of public officials and others furnished to us.

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

1. The Bonds have been duly authorized and executed by the Issuer and are valid and binding obligations of the Issuer.
2. All taxable property within the boundaries of the Issuer is subject to taxation for payment of the Bonds, without limitation as to rate or amount.
3. The interest on the Bonds (a) is excludable from gross income for federal income tax purposes and (b) is not an item of tax preference for purposes of the federal alternative minimum tax. Further, the Bonds and the interest thereon are exempt from all taxation by the State of Michigan or by any taxing authority within the State of Michigan except estate taxes and taxes on gains realized from the sale, payment or other disposition thereof. The opinions set forth in this paragraph are subject to the condition that the Issuer comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be (or continue to be) excludable from gross income for federal and

Michigan income tax purposes. The Issuer has covenanted to comply with all such requirements. Failure to comply with certain of such requirements could cause the interest on the Bonds to be included in gross income retroactively to the date of issuance of the Bonds.

4. The Bonds have been qualified by the State Treasurer under Article IX, Section 16 of the Michigan Constitution of 1963 and Act 92, Public Acts of Michigan, 2005, as amended. As a result of such qualification, if for any reason the Issuer will be or is unable to pay the principal of and interest on the Bonds when due, then the Issuer shall borrow, and the State of Michigan shall loan to the Issuer, an amount sufficient to enable the Issuer to make the payment.

Except as stated in paragraph 3 above, we express no opinion regarding other federal or State tax consequences arising with respect to the Bonds and the interest thereon.

The rights or remedies of bondholders may be affected by bankruptcy, insolvency, fraudulent conveyance or other laws affecting creditors' rights generally, now existing or hereafter enacted, and by the application of general principles of equity, including those relating to equitable subordination.

This opinion is given as of the date hereof and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Very truly yours,

MILLER, CANFIELD, PADDOCK AND STONE, P.L.C.

By _____

CONTINUING DISCLOSURE UNDERTAKING

\$16,470,000

DEXTER COMMUNITY SCHOOLS
COUNTIES OF WASHTENAW AND LIVINGSTON, STATE OF MICHIGAN
2023 SCHOOL BUILDING AND SITE BONDS
(UNLIMITED TAX GENERAL OBLIGATION)

This Continuing Disclosure Undertaking (the “Undertaking”) is executed and delivered by the Dexter Community Schools, Counties of Washtenaw and Livingston, State of Michigan (the “Issuer”) in connection with the issuance of its 2023 School Building and Site Bonds (Unlimited Tax General Obligation) (the “Bonds”). The Issuer covenants and agrees for the benefit of the Bondholders, as hereinafter defined, as follows:

(a) *Definitions.* The following terms used herein shall have the following meanings:

“Audited Financial Statements” means the annual audited financial statement pertaining to the Issuer prepared by an individual or firm of independent certified public accountants as required by Act 2, Public Acts of Michigan, 1968, as amended, which presently requires preparation in accordance with generally accepted accounting principles.

“Bondholders” shall mean the registered owner of any Bond or any person (a) with the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bond (including any person holding a Bond through a nominee, depository or other intermediary) or (b) treated as the owner of any Bond for federal income tax purposes.

“EMMA” shall mean the MSRB’s Electronic Municipal Market Access District, or such other District, Internet Web site, or repository hereafter prescribed by the MSRB for the submission of electronic filings pursuant to the Rule.

“Financial Obligation” means “financial obligation” as such term is defined in the Rule.

“MSRB” means the Municipal Securities Rulemaking Board.

“Rule” means Rule 15c2-12 promulgated by the SEC pursuant to the Securities Exchange Act of 1934, as amended, as in effect on the date of this Undertaking, including any official interpretations thereof issued either before or after the date of this Undertaking which are applicable to this Undertaking.

“SEC” means the United States Securities and Exchange Commission.

(b) *Continuing Disclosure.* The Issuer hereby agrees, in accordance with the provisions of the Rule, to provide or cause to be provided to the MSRB through EMMA on or before the last day of the sixth month after the end of its fiscal year the following annual financial

information and operating data, commencing with the fiscal year ending June 30, 2023 in an electronic format as prescribed by the MSRB:

(1) Updates of the numerical financial information and operating data included in the official statement of the Issuer relating to the Bonds (the “Official Statement”) appearing in the tables or under the headings in the Official Statement as described below:

- a. Enrollments – Enrollment History;
- b. Retirement Plan – Contributions to MPSERS;
- c. History of Valuations – State Equalized Valuation and Taxable Valuation;
- d. Tax Levies and Collections;
- e. State Aid Payments;
- f. School District Tax Rates (Per \$1,000 of Valuation);
- g. Largest Taxpayers;
- h. Direct Debt;
- i. Legal Debt Margin; and
- j. General Fund Budget Summary in Appendix C.

(2) Audited Financial Statements, or in the event audited financial statements are not available, the Issuer agrees to provide unaudited financial statements and to provide audited financial statements immediately after they become available.

Such annual financial information and operating data described above are expected to be provided directly by the Issuer by specific reference to documents available to the public through EMMA or filed with the SEC.

If the fiscal year of the Issuer is changed, the Issuer shall send a notice of such change to the MSRB through EMMA, prior to the earlier of the ending date of the fiscal year prior to such change or the ending date of the fiscal year as changed.

(c) *Notice of Failure to Disclose.* The Issuer agrees to provide or cause to be provided, in a timely manner, to the MSRB through EMMA, in an electronic format as prescribed by the MSRB, notice of a failure by the Issuer to provide the annual financial information with respect to the Issuer described in subsection (b) above on or prior to the dates set forth in subsection (b) above.

(d) *Occurrence of Events.* The Issuer agrees to provide or cause to be provided to the MSRB through EMMA, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of ten business days after the occurrence of the event, notice of the occurrence of any of the following events listed in (b)(5)(i)(C) of the Rule with respect to the Bonds:

- (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 Bonds, or other material events affecting the tax status of the Bonds;
- (7) modifications to rights of holders of the Bonds, if material;
- (8) bond calls, if material, and tender offers;
- (9) defeasances;
- (10) release, substitution, or sale of property securing repayment of the Bonds, if material;
- (11) rating changes;
- (12) bankruptcy, insolvency, receivership or similar event of the Issuer, which is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Issuer in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Issuer, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Issuer;
- (13) the consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, 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, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Issuer, any of which affect security holders, if material; or
- (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the Issuer, any of which reflect financial difficulties.

(e) *Materiality Determined Under Federal Securities Laws.* The Issuer agrees that its determination of whether any event listed in subsection (d) is material shall be made in accordance with federal securities laws.

(f) *Termination of Reporting Obligation.* The Issuer reserves the right to terminate their obligation to provide annual financial information and notices of material events, as set forth above, if and when the Issuer is no longer an “obligated person” with respect to the Bonds within the meaning of the Rule, including upon legal defeasance of all Bonds.

(g) *Identifying Information.* All documents provided to the MSRB through EMMA shall be accompanied by the identifying information prescribed by the MSRB.

(h) *Benefit of Bondholders.* The Issuer agrees that its undertaking pursuant to the Rule, set forth in this Undertaking, is intended to be for the benefit of the Bondholders and shall be enforceable by any Bondholder; provided that, the right to enforce the provisions of this undertaking shall be limited to a right to obtain specific enforcement of the Issuer’s obligations hereunder and any failure by the Issuer to comply with the provisions of this undertaking shall not constitute a default or an event of default with respect to the Bonds.

(i) *Amendments to the Undertaking.* Amendments may be made in the specific types of information provided or the format of the presentation of such information to the extent deemed necessary or appropriate in the judgment of the Issuer, provided that the Issuer agrees that any such amendment will be adopted procedurally and substantively in a manner consistent with the Rule, including any interpretations thereof by the SEC, which, to the extent applicable, are incorporated herein by reference. Such interpretations currently include the requirements that (a) the amendment may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the Issuer or the type of activities conducted thereby, (b) the undertaking, as amended, 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, and (c) the amendment does not materially impair the interests of Bondholders, as determined by parties unaffiliated with the Issuer (such as independent legal counsel), but such interpretations may be changed in the future. If the accounting principles to be followed by the Issuer in the preparing of the Audited Financial Statements are modified, the annual financial information for the year in which the change is made shall present a comparison between the financial statements as prepared on the prior basis and the statements as prepared on the new basis, and otherwise shall comply with the requirements of the Rule, in order to provide information to investors to enable them to evaluate the ability of the Issuer to meet its obligations. A notice of the change in accounting principles shall be sent to the MSRB through EMMA.

DEXTER COMMUNITY SCHOOLS
Counties of Washtenaw and Livingston
State of Michigan

By: _____
Christopher J. Timmis, Ed.D.
Its: Superintendent

Dated: March 23, 2023

CONTINUING DISCLOSURE UNDERTAKING
Dexter Community Schools 2023 School Building and Site Bonds

[THIS PAGE INTENTIONALLY LEFT BLANK]

[THIS PAGE INTENTIONALLY LEFT BLANK]



Printed by: ImageMaster, LLC
www.imagemaster.com