**NEW ISSUE—Book-Entry-Only** **RATINGS†*:** *Moody's Investors Service: Aaa*
*Standard & Poor's Ratings Services: AAA*
FSA Insured

*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 in the State of Michigan, except inheritance and estate taxes and taxes on gains realized from the sale, payment or other disposition thereof and except as described herein with respect to certain taxpayers under the Michigan Business Tax Act. See "TAX MATTERS" and "APPENDIX E" herein for a description of certain provisions of the Internal Revenue Code of 1986, as amended (the "Code") and the Michigan Business Tax which may affect the tax treatment of interest on the Bonds for certain Bondholders.*

# $59,780,000
# DEXTER COMMUNITY SCHOOLS
## COUNTIES OF WASHTENAW AND LIVINGSTON
## STATE OF MICHIGAN
## 2008 SCHOOL BUILDING AND SITE AND REFUNDING BONDS
## (Unlimited Tax General Obligation)

**Dated:** September 29, 2008 **Due:** May 1 as shown below

On May 6, 2008, the qualified electors of Dexter Community Schools, Counties of Washtenaw and Livingston, State of Michigan (the "School District") approved the issuance of bonds of the School District in the sum of not to exceed $47,890,000, to be issued in one or more series. Proceeds of the 2008 School Building and Site and Refunding Bonds (Unlimited Tax General Obligation) (the "Bonds") in the amount of $39,770,000, representing the first series, will be used for school building and site purposes and $20,010,000 will be used to refund a portion of a prior bond issue. The Bonds were authorized by the Board of Education of the School District by a resolution adopted on July 28, 2008 (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 will be fully qualified as of the date of delivery for the Michigan School Bond Qualification and Loan Program pursuant to Act 92, Public Acts of Michigan, 2005, as amended, enacted pursuant to Article IX, Section 16 of the Michigan Constitution of 1963. Under the terms of said constitutional and statutory provisions, if for any reason the School District will be or is unable to pay the principal of and interest on the Bonds when due, the School District shall borrow and the State of Michigan shall lend to it an amount sufficient to enable the School District to make the payment. See "QUALIFICATION BY THE STATE OF MICHIGAN" and APPENDIX A, "State Qualification," herein.

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

Principal of and interest on the Bonds will be paid by the corporate trust office of 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, 2009, to the Bondholders of record as of the applicable record dates herein described.

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed by a municipal bond insurance policy (see "BOND INSURANCE" and APPENDIX G, "Specimen of Municipal Bond Insurance Policy," herein) to be issued concurrently with the delivery of the Bonds by FINANCIAL SECURITY ASSURANCE INC.

(Base CUSIP§:252255)

| Maturity** | Amount** | Interest Rate | Price | CUSIP§ | Maturity** | Amount** | Interest Rate | Price | CUSIP§ |
|---|---|---|---|---|---|---|---|---|---|
| 2009 | $2,940,000 | 4.000% | 101.193% | JX3 | 2018 | $2,050,000 | 5.000% | 109.396% | KG8 |
| 2010 | 4,080,000 | 3.250 | 101.519 | JY1 | 2019 | 2,050,000 | 5.000 | 108.061 | KH6 |
| 2011 | 4,040,000 | 3.250 | 101.665 | JZ8 | 2020 | 550,000 | 4.000 | 98.266 | KJ2 |
| 2012 | 4,565,000 | 3.250 | 101.558 | KA1 | 2020 | 1,500,000 | 4.375 | 101.445 | KQ6 |
| 2013 | 4,520,000 | 3.250 | 101.191 | KB9 | 2021 | 1,245,000 | 4.125 | 98.118 | KK9 |
| 2014 | 4,490,000 | 5.000 | 109.463 | KC7 | 2021 | 1,000,000 | 4.250 | 99.322 | KT0 |
| 2015 | 4,480,000 | 5.000 | 109.928 | KD5 | 2022 | 2,250,000 | 4.250 | 98.173 | KL7 |
| 2016 | 4,470,000 | 5.000 | 109.918 | KE3 | 2023 | 2,250,000 | 4.250 | 97.030 | KM5 |
| 2017 | 1,475,000 | 3.750 | 100.729 | KN3 | 2028 | 2,250,000 | 4.500 | 97.204 | KS2 |
| 2017 | 575,000 | 5.000 | 109.873 | KF0 | | | | | |

| | | | | | | |
|---|---|---|---|---|---|---|
| $4,500,000 | 5.000% | Term Bonds due May 1, 2025 | Price | 104.013% | CUSIP§ | KP8 |
| $4,500,000 | 4.500% | Term Bonds due May 1, 2027 | Price | 97.535% | CUSIP§ | KR4 |

The Bonds maturing May 1, 2025 and May 1, 2027 (the "Term Bonds") are subject to mandatory redemption on the redemption dates and in the principal amounts set forth herein at a redemption price equal to the principal amount thereof without premium. See "THE BONDS – Mandatory Redemption of Term Bonds" herein.

THE BONDS MATURING ON OR AFTER MAY 1, 2019 ARE SUBJECT TO OPTIONAL REDEMPTION BEGINNING MAY 1, 2018, IN THE MATTER AND AT THE TIMES DESCRIBED HEREIN. See "THE BONDS — Optional Redemption" herein.

The Bonds will be offered when, as and if issued by the School District and accepted by the Underwriter subject to the approving legal opinion of Miller, Canfield, Paddock and Stone, P.L.C., Detroit, Michigan, Bond Counsel. Certain legal matters will be passed upon for the Underwriters' by Clark Hill PLC, Birmingham, Michigan. It is expected that the Bonds will be available for delivery through DTC on or about September 29, 2008.

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.

**Fifth Third Securities, Inc.**

The date of this Official Statement is September 11, 2008.

† For an explanation of the rating, see "RATINGS" herein.
* As of date of delivery.

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 Underwriters. 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, Financial Security Assurance Inc. and other sources believed to be reliable. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their responsibility to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information (except for information under the section captioned "UNDERWRITING," which was obtained from the Underwriters).

Other than with respect to information concerning Financial Security Assurance Inc. ("Financial Security") contained under the caption "BOND INSURANCE" and APPENDIX G "specimen of Municipal Bond Insurance Policy" herein, none of the information in this Official Statement has been supplied or verified by Financial Security and Financial Security makes no representation or warranty, express or implied, as to (i) the accuracy or completeness of such information; (ii) the validity of the Bonds; or (iii) the tax exempt status of the interest on the Bonds.

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 UNDERWRITERS 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 SCHOOL DISTRICT'S FINANCIAL RECORDS AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

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Evelynn Shirk, Superintendent of Schools[1]
Sharon Raschke, Ed.D., Executive Director of Finance and Business

BOND COUNSEL

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

FINANCIAL ADVISOR

H.J. Umbaugh & Associates, Certified Public Accountants, LLP
Lansing, Michigan

[1] The School District has selected a new Superintendent. Assuming successful contract negotiations, the new Superintendent is expected to start on September 18, 2008.

TABLE OF CONTENTS

**OFFICIAL STATEMENT**
**relating to**

**$59,780,000**
**DEXTER COMMUNITY SCHOOLS**
**COUNTIES OF WASHTENAW AND LIVINGSTON**
**STATE OF MICHIGAN**
**2008 SCHOOL BUILDING AND SITE AND REFUNDING 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 Dexter Community Schools, Counties of Washtenaw and Livingston, State of Michigan (the "School District") of its 2008 School Building and Site and Refunding Bonds (Unlimited Tax General Obligation) (the "Bonds") in the amount of $59,780,000.

## PURPOSE AND SECURITY

On May 6, 2008, the qualified electors of the School District approved a proposal authorizing the issuance of bonds in an aggregate amount of not to exceed $47,890,000 to be issued in one or more series. The amount of $39,770,000, represents the first series of Bonds to be issued for the purpose of remodeling and constructing additions to School District buildings, including energy conservation and security improvements; acquiring land and improving and developing sites, including playgrounds, playfields and outdoor athletic fields and facilities in the School District; furnishing, refurnishing, equipping and reequipping School District buildings, including the acquisition of school buses; acquiring and installing technology equipment in School District buildings, including classroom technology and to pay a portion of the costs of issuing the Bonds.

The remaining $20,010,000 of the Bond proceeds will be issued for the purpose of refunding a portion of the School District's outstanding 1998 School Building and Site Bonds, dated June 1, 1998, which are due and payable May 1, 2009 through May 1, 2016, inclusive (the "Prior Bonds"), and to pay a portion of 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 July 28, 2008 (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 will be fully qualified for participation in the State of Michigan School Bond Qualification and Loan Program. See "QUALIFICATION BY THE STATE OF MICHIGAN" and APPENDIX A, "State Qualification," in this Official Statement.

## PLAN OF REFUNDING

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

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

| Date | Principal | Interest | Total |
|---|---|---|---|
| 11/01/2008 | $20,800,000.00 | $512,200.50 | $21,312,200.50 |

The accuracy of the mathematical computations of the adequacy of cash and certain obligations to be held in the Escrow Fund and used, together with the earnings thereon, to pay the principal of and interest on the Prior Bonds, supporting the conclusion of Bond Counsel that the interest on the Bonds is excluded from gross income for federal income tax purposes as indicated under the caption "TAX MATTERS" below, will be verified Grant Thornton LLP, Minneapolis, Minnesota. Such verification of accuracy of the computations shall be based upon information supplied by the Underwriters and the interpretations of Section 148 of the Internal Revenue Code of 1986, as amended, as provided by Bond Counsel.

## ESTIMATED SOURCES AND USES OF FUNDS

| | |
|---|---|
| SOURCES | |
| Par Amount of Bonds | $59,780,000.00 |
| Original Issue Premium | 2,229,920.00 |
| Original Issue Discount | (321,515.40) |
| Contribution from Prior Bonds Debt Retirement Fund | 512,200.00 |
| Total Sources | $62,200,604.60 |
| USES | |
| Capital Projects Fund | $40,474,417.82 |
| Escrow Fund | 21,281,802.00 |
| Underwriters' Discount[1] | 247,725.33 |
| Estimated Costs of Issuance | 196,659.45 |
| Total Uses | $62,200,604.60 |

## 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 or early redemption, commencing May 1, 2009. 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.

[1] Includes municipal bond insurance premium.

The corporate trust office of The Huntington National Bank, Grand Rapids, Michigan, or its successor will serve as the Paying Agent (the "Transfer Agent") and also as bond registrar and transfer agent if the Bonds cease to be held in book-entry-only form. For a description of payment of principal and interest, transfers and exchanges and notice of redemption on the Bonds, which are held in the book-entry-only system, see "Book-Entry-Only System" below. In the event the Bonds cease to be held in the book-entry-only system, then interest on the Bonds shall be payable when due by check or draft to the person or entity who or which is, as of the fifteenth (15th) day of the month preceding each interest payment date, the registered owner of record, at the owner's registered address. See "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 Underwriters 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 Underwriters 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 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, 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, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, FICC and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. 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 Standard & Poor's highest rating: AAA. 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 and www.dtc.org.

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 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; 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.

**Optional Redemption**

The Bonds or portions of the Bonds in multiples of $5,000 maturing on or after May 1, 2019, are subject to redemption at the option of the School District in such order as the School District may determine and by lot within any maturity, on any date occurring on or after May 1, 2018, at par plus accrued interest to the date fixed for redemption.

**Mandatory Redemption of Term Bonds**

The Bonds maturing on May 1, 2025 and May 1, 2027 are term bonds (the "Term Bonds"), are subject to mandatory redemption, in part, by lot, on the redemption dates and in the principal amounts set forth below and at a redemption price equal to the principal amount thereof, without premium, together with interest thereon to the redemption date. When Term Bonds are purchased by the School District and delivered to the Transfer Agent for cancellation or are redeemed in a manner other than by mandatory redemption, the principal amount of the Term Bonds affected shall be reduced by the principal amount of the Bonds so redeemed or purchased in the order determined by the School District.

Term Bonds due May 1, 2025

| Redemption Dates | Principal Amounts |
|---|---|
| May 1, 2024 | $2,250,000 |
| May 1, 2025 (Maturity) | 2,250,000 |

Term Bonds due May 1, 2027

| Redemption Dates | Principal Amounts |
|---|---|
| May 1, 2026 | $2,250,000 |
| May 1, 2027 (Maturity) | 2,250,000 |

## QUALIFICATION BY THE STATE OF MICHIGAN

The Bonds will be fully qualified as of the date of delivery pursuant to Act 92 of the Public Acts of Michigan, 2005, as amended ("Act 92"), enacted pursuant to Article IX, Section 16, of the Michigan Constitution of 1963. 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 Comprehensive Annual Financial Report ("CAFR") prepared by the State's Office of the State Budget are available from the Budget web site www.michigan.gov/budget. The State has agreed to file its CAFR with the Nationally Recognized Municipal Securities Information Repositories and the State Information Depository (as described in Rule 15c2-12(b)(5) of the Securities and Exchange Commission) annually, so long as any bonds qualified for participation in the Michigan School Bond Qualification and Loan Program remain outstanding.

## 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 assessor, to the local board of review and ultimately to the Michigan Tax Tribunal.

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

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 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. The Legislature has appropriated funds to establish a base foundation allowance in 2008/09 ranging from $7,316 to $8,489 per pupil, depending upon the district's 1993/94 revenue. In the future, the foundation allowance may be adjusted annually by an index based upon the change in revenues to the State school aid fund and change in the total number of pupils statewide and the spread between the high and low per pupil allowance is reduced. The foundation allowance is funded by locally raised property taxes plus State aid. The revenues for the State's contribution to the foundation allowance are derived from a mix of taxing sources, including, but not limited to, a statewide property tax of 6 mills on all taxable property except, beginning in 2008, industrial personal property, a State sales and use tax, a real estate transfer tax and a cigarette tax.

School districts are required to levy a local property tax of not more than 18 mills or the number of mills levied in 1993 for school operating purposes, whichever is less, on non-homestead properties (all taxable property other than principal residences and industrial personal property) except commercial personal property which is exempt from 12 of the 18 mills in order for the district to receive its per pupil foundation allowance. An intermediate school district may seek voter approval for three enhancement mills for distribution to local constituent school districts on a per pupil basis. The enhancement mills are not counted toward the foundation allowance. Furthermore, districts whose per pupil foundation allowance in 2008/09 calculates to an amount in excess of $8,489 are authorized to levy additional millage ("hold harmless millage") to obtain the foundation allowance, first by reducing the exemption from the 18 mills against homestead property (principal residences, qualified agricultural property, industrial personal property and commercial personal property) as is necessary to hold themselves harmless and, if the 18 mills is insufficient, to then levy such additional mills against all property uniformly as is necessary to obtain the foundation allowance. The School District's per pupil foundation allowance does not exceed $8,489, and the School District does not levy such additional millage.

State aid appropriations and the payment schedule for state aid may be changed by the Legislature at any time. See "STATE AID PAYMENTS" in APPENDIX B.

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

## 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 Underwriters 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 excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. It should be noted, however, that with respect to corporations (as defined for federal income tax purposes), such interest is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on such corporations. Bond Counsel is also of the opinion that, under existing law, the Bonds and the interest thereon are exempt from all taxation presently in effect in the State of Michigan except inheritance and estate taxes, taxes on gains realized from the sale, payment or other disposition thereof and, with respect to certain taxpayers, portions of the Michigan Business Tax, as described below. Bond Counsel will express no opinion regarding any other federal or state tax consequences arising with respect to the Bonds and the interest thereon.

Under the Michigan Business Tax Act (the "MBTA"), which became effective January 1, 2008, the Bonds will be excluded from the calculation of "net capital" for purposes of taxation of financial institutions, and, so long as the interest on the Bonds qualifies for exclusion from gross income for federal income tax purposes as described above, such interest will be excluded for purposes of calculating the Business Income Tax component of the Michigan Business Tax. The MBTA does not provide, however, for an exclusion of the interest on the Bonds from "gross receipts" for purposes of the Modified Gross Receipts component of the Michigan Business Tax.

The opinion on federal tax matters is abased on the accuracy of certain representations and certification, 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 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 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 income tax purposes retroactively to the date of issuance of the Bonds. 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 income tax purposes of interest on the Bonds or the market prices of the Bonds.

The opinion of Bond Counsel is based on current legal authority and covers certain maters not directly addressed by such authority. It represents Bond Counsel's legal judgment as to the excludability of interest on the Bonds from gross income for federal income tax purposes but is not a guarantee of that conclusion. The 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, financial institutions, certain insurance companies, certain S corporations, individuals 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.

**Tax Treatment on Original Issue Discount Bonds**

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. 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 the 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 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. FURTHER, NO ASSURANCE CAN

BE GIVEN THAT ANY SUCH FUTURE LEGISLATION, OR 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.

## BOND COUNSEL'S RESPONSIBILITY

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. The legal fees of Bond Counsel in connection with the issuance of the Bonds are expected to be paid from Bond proceeds.

Except to the extent necessary to issue its approving opinion as to the validity of the Bonds, Bond Counsel has made no inquiry as to any financial information, statements or materials contained in any financial documents, statements or materials that have been or may be furnished in connection with the authorization, issuance or marketing of the Bonds, and accordingly will not express any opinion with respect to the accuracy or completeness of any such financial information, statements or materials.

## 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 proceed to issue the Bonds without further approval from the Department of Treasury of the State of Michigan.

## CERTAIN LEGAL MATTERS

Certain legal matters will be passed upon for the Underwriters by their counsel, Clark Hill PLC, Birmingham, Michigan. 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.

## BOND INSURANCE

### Bond Insurance Policy

Concurrently with the issuance of the Bonds, Financial Security Assurance Inc. ("Financial Security") will issue its Municipal Bond Insurance Policy for the Bonds (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as an exhibit to this Official Statement.

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

**Financial Security Assurance Inc.**

Financial Security is a New York domiciled financial guaranty insurance company and a wholly owned subsidiary of Financial Security Assurance Holdings Ltd. ("Holdings"). Holdings is an indirect subsidiary of Dexia, S.A., a publicly held Belgian corporation, and of Dexia Credit Local S.A., a direct wholly-owned subsidiary of Dexia, S.A. Dexia, S.A., through its bank subsidiaries, is primarily engaged in the business of public finance, banking and asset management in France, Belgium and other European countries. No shareholder of Holdings or Financial Security is liable for the obligations of Financial Security.

At June 30, 2008, Financial Security's consolidated policyholders' surplus and contingency reserves were approximately $2,474,294,855 and its total net unearned premium reserve was approximately $2,618,981,067 in accordance with statutory accounting principles. At June 30, 2008, Financial Security's consolidated shareholder’s equity was approximately $2,742,778,534 and its total net unearned premium reserve was approximately $2,065,001,822 in accordance with generally accepted accounting principles.

Portions of the following documents filed by Holdings with the Securities and Exchange Commission (“SEC”) that relate to Financial Security are incorporated by reference into this Official Statement and shall be deemed to be a part hereof:

(i) Annual Report of Holdings on Form 10-K for the year ended December 31, 2007, and

(ii) Quarterly Report of Holdings on Form 10-Q for the quarter ended March 31, 2008, and

(iii) Quarterly Report of Holdings on Form 10-Q for the quarter ended June 30, 2008, and

(iv) Current Report of Holdings on Form 8-K filed on August 6, 2008.

All information relating to Financial Security included in, or as exhibits to, documents filed by Holdings pursuant to Section 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934 after the filing of the last document referred to above and before the termination of the offering of the Bonds shall be deemed incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC’s website at http://www.sec.gov or at Holding’s website at http://www.fsa.com or will be provided upon request to Financial Security Assurance Inc.: 31 West 52nd Street, New York, New York 10019, Attention: Communications Department (telephone (212) 826-0100).

Any information regarding Financial Security included herein under the captions “BOND INSURANCE – Financial Security Assurance Inc.” and “ – Recent Events Regarding FSA’s Ratings” or included in a document incorporated by reference herein (collectively, the “Financial Security Information”) shall be modified or superseded to the extent that any subsequently included Financial Security Information (either directly or through incorporation by reference) modifies or supersedes such previously included Financial Security Information. Any Financial Security Information so modified or superseded shall not constitute a part of this Official Statement, except as so modified or superseded.

The Policy does not protect investors against changes in market value of the Bonds, which market value may be impaired as a result of changes in prevailing interest rates, changes in applicable ratings or other causes. Financial Security makes no representation regarding the Bonds or the advisability of investing in the Bonds. Financial Security makes no representation regarding the Official Statement, nor has it participated in the preparation thereof, except that Financial Security has provided to the Issuer the information presented under this caption for inclusion in the Official Statement.

## Recent Events Regarding FSA's Ratings

On August 6, 2008, Standard & Poor's Ratings Services revised its outlook on Financial Security to negative from stable, and affirmed Financial Security's "AAA" claims paying rating.

On August 6, 2008, Fitch Ratings affirmed Financial Security's "AAA"/Stable insurer financial strength rating.

On July 21, 2008, Moody's Investors Service, Inc. ("Moody's") placed Financial Security's "Aaa" insurance financial strength ratings on review for possible downgrade due to concerns regarding elevated risks with the financial guaranty insurance market and within Financial Security's insured portfolio. Moody's noted that, while the outcome of the review is uncertain at this time, a downgrade of Financial Security's insurance financial strength rating below "Aa2" is currently seen as unlikely.

These ratings reflect only the views of the respective rating agencies, are not recommendations to buy, sell or hold securities and are subject to revision or withdrawal at any time by those rating agencies. (See "Ratings.")

## RATINGS

Moody's Investors Service ("Moody's") and Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. ("S&P"), will assign, as of the date of delivery of the Bonds, their municipal bond ratings of "Aaa" and "AAA", respectively, to the Bonds with the understanding that the scheduled payment of principal and interest on the Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Bonds by Financial Security. See "BOND INSURANCE" and APPENDIX G, "Specimen of Municipal Bond Insurance Policy" herein.

Moody's and S&P, will assign, as of the date of delivery of the Bonds, their municipal bond ratings of "Aa3" and "AA-", respectively, 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.

Moody's and S&P will also assign, as of the date of delivery of the Bonds, their underlying municipal bond ratings of "A2" and "AA-", respectively, to the Bonds without regard to qualification of the Bonds for participation in the Michigan School Bond Qualification and Loan Program or municipal bond insurance.

No application has been made to any other ratings service for a rating on the Bonds. The School District furnished to Moody's and 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 Moody's and S&P if, in their 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 Moody's and S&P. Further information is available upon request from:

| | |
|---|---|
| Moody's Investors Service | Standard & Poor's Ratings Services |
| 7 Trade Center at 250 Greenwich Street | 55 Water Street |
| New York, NY 10007 | New York, NY 10014 |
| (212) 553-0377 | (212) 438-1000 |

## UNDERWRITING

Stifel, Nicolaus & Company, Incorporated and Fifth Third Securities, Inc. (the "Underwriters"), have 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 Underwriters, 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 Underwriters have further agreed to offer the Bonds to the public at the approximate initial offering prices as set forth on the cover hereto. The Underwriters 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 Underwriters. The aggregate underwriting fee equals approximately 0.414 percent of the original principal amount of the Bonds.

The Bond Purchase Agreement provides that the obligations of the Underwriters are subject to certain conditions, including, among other things, that (i) no event has occurred which impairs or threatens to impair the status of the Bonds or interest thereon as exempt from taxation in the State (except as described under the heading "TAX MATTERS" above) and the interest on the Bonds is excluded from gross income for federal income tax purposes 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 Underwriters, within seven business days of the date of the Bond Purchase Agreement, sufficient copies of the Official Statement to enable the Underwriters to comply with the requirements of Rule 15c2-12(b)(4) under the Securities Exchange Act of 1934, as amended.

## FINANCIAL ADVISOR'S OBLIGATION

H.J. Umbaugh & Associates, Certified Public Accountants, LLP (the "Financial Advisor") has been retained by the School District to provide certain financial advisory services. The information contained in the Official Statement was prepared in part by the Financial Advisor and is based on information supplied by various officials from records, statements and reports required by various local, county or state agencies of the State of Michigan in accordance with constitutional or statutory requirements.

To the best of the Financial Advisor's knowledge, all of the information contained in the Official Statement, which it assisted in preparing, while it may be summarized is (i) complete and accurate; (ii) does not contain any untrue statement of a material fact; and (iii) does not omit any material fact, or make any untrue statement which would be misleading in light of the circumstances under which these statements are being made. However the Financial Advisor has not or will not independently verify the completeness and accuracy of the information contained in the Official Statement.

The Financial Advisor's duties, responsibilities and fees arise solely as financial advisor to the School District and it has no underwriting, secondary market obligations or other responsibility to the School District. The Financial Advisor's fees are expected to be paid from Bond proceeds.

Further information concerning the Bonds may be secured from H.J. Umbaugh & Associates, Certified Public Accountants, LLP, 6639 Centurion Drive, Suite 100, Lansing, Michigan 48917, (517) 321-0110, Financial Advisor to the School District, or from Dexter Community Schools, 7714 Ann Arbor Street, Dexter, Michigan, 48130-1322, (734) 424-4100.

## CONTINUING DISCLOSURE

Prior to delivery of the Bonds, the School District will execute a Continuing Disclosure Undertaking (the "Undertaking") for the benefit of the holders of the Bonds and the Beneficial Owners (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 Rule 15c2-12(b)(5) (the "Rule") adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934. 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 Beneficial Owners of the Bonds 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 agreement 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.

DEXTER COMMUNITY SCHOOLS
COUNTIES OF WASHTENAW AND LIVINGSTON
STATE OF MICHIGAN

By: /s/ Sharon Raschke, Ed.D
Its: Executive Director of Finance and Business

# 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.

## ACT 92, PUBLIC ACTS OF MICHIGAN 2005, AS AMENDED
## School Bond Qualification, Approval and Loan Act*

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.

*The People of the State of Michigan enact:*

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

*Act 92 was signed into law with immediate effect on July 20, 2005. It repealed Act 108, Public Acts of Michigan, 1961, as amended.

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.

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 loans related to those qualified bonds no later than the date specified in the note and repayment agreement entered into by the school district under this act.

(b) "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.

(c) "Qualified loan" means a loan made under this act or 1961 PA 108, MCL 388.951 to 388.963, from this state to a school district to pay debt service on a qualified bond.

(d) "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.

(e) "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.

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

(g) "Superintendent of public instruction" means the superintendent of public instruction appointed under section 3 of article VIII of the state constitution of 1963.

(h) "Taxable value" means the value determined under section 27a of the general property tax act, 1893 PA 206, MCL 211.1 to 211.157.

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 1961 PA 108, MCL 388.951 to 388.963, and the loans associated with those qualified bonds. Unless otherwise amended as permitted by this act, outstanding qualified loans incurred in association with outstanding qualified bonds described in this subsection shall continue to bear interest and 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.

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. 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 in taxable value for the 5 years preceding the date of the application and the lesser of that average growth rate or 3% 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 loans at the times described in section 9.

(g) The weighted average age of all school buildings in the school district based on square footage.

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

(i) The taxable value per pupil.

(j) 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.

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

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

(m) 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.

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 loans on the earlier of the dates described in section 9.

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

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 paid a qualification fee of not less than $3,000.00 or the amount determined by the state treasurer, which shall be approximately equal to the amount required to pay the estimated administrative expenses incurred under this act for the fiscal year in which the state treasurer imposes the fee.

(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 repayment date for any loans made with respect to those bonds, 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 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 bonds if the state treasurer finds that the refunding bonds comply with the provisions of the revised municipal finance act, 2001 PA 34, MCL 141.2101 to 141.2821.

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 borrows from this state to pay debt service on the bonds, the school district may be required to continue to levy mills beyond the term of the bonds to repay this state.

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.

(3) For qualified loans related to qualified bonds issued after July 20, 2005, the qualified loans shall be due not later than 72 months after the date on which the qualified bonds for which the school borrowed from this state are due and payable. This section does not preclude early repayment of qualified bonds or qualified loans.

(4) Except with regard to qualified loans described in subsection (2), each loan made or considered made to a school district under this act shall be for debt service on only a specific qualified bond issue. 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 payment 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 mills 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) Except as otherwise provided in this act, loans shall bear interest at the greater of 3% or the average annual cost of funds computed annually on the basis of all state general obligations issued under section 16 of article IX of the state constitution of 1963 plus 0.125%. In the event this state has no outstanding general obligations under section 16 of article IX of the state constitution of 1963, the average annual cost of funds shall be computed on the basis of all state general obligations issued under section 15 of article IX of the state constitution of 1963 plus 0.125%.

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.

Sec. 11. The state treasurer shall promulgate rules to implement this act pursuant to the administrative procedures act of 1969, 1969 PA 306, MCL 24.201 to 24.328.

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.

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 computed millage is sufficient to pay principal and interest on its qualified bonds, a school district shall file a loan activity statement with the state treasurer no later than 30 days before the date set for payment of the qualified bonds setting forth 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 account for the 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.

(6) Within 30 days after receipt of the loan activity statement under subsection (5), 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.

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.

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.

Sec. 16. 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.

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.

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 for enhancements to the projects approved by the school electors as described in the ballot proposing the qualified bonds.

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

(c) To repay this state.

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.

**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 August 29, 1966.
State Treasurer
Capitol Building
Lansing, Michigan

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].

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[1] In your letter of request you stated that you were familiar with Opinion No. 4422 issued by me on March 12, 1965, in which it was ruled that Article IX, Section 16, Constitution of 1963, requires school districts to borrow and the state to lend sufficient sums to cover debt service payments on qualified bonds of school districts but that this requirement is not a pledge of the full faith and credit of the state; the Municipal Finance Commission however may and must enforce the duty of the school district to borrow and have the state to lend the necessary amounts.
[2] Act 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 instruction[3] 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.

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

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

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

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

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

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

FRANK J. KELLEY,
Attorney General

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## APPENDIX B[1]
## SCHOOL DISTRICT DATA

**Location and Area**

The Dexter Community Schools (the "School District"), is a K-12 school district located in the southeastern quadrant of Michigan's lower peninsula. The School District covers an area of approximately 85 square miles and is comprised of all of the Village of Dexter and portions of Dexter, Freedom, Lima, Lodi, Northfield, Scio and Webster Townships in Washtenaw County and a portion of Hamburg Township in Livingston County.

Existing school facilities include 3 elementary schools, one intermediate school, one middle school, one high school, an administration building, an athletic services building, a transportation facility, a swimming pool facility and the Proctor House building and grounds facility.

**Population**[2]

The School District's estimated 1980, 1990, 2000 and 2008 populations within its boundaries are as follows:

| | |
|---|---|
| 1980 | 9,975 |
| 1990 | 12,488 |
| 2000 | 16,155 |
| 2008 | 21,200 |

The following is a record of the 1990 and 2000 populations for the municipal units that comprise the School District, without regard to the School District boundaries.

| | 1990 | 2000 | % Change |
|---|---|---|---|
| *Washtenaw County* | 282,937 | 322,895 | 14.1 |
| Dexter Township | 4,407 | 5,248 | 19.1 |
| Freedom Township | 1,486 | 1,562 | 5.1 |
| Lima Township | 2,585 | 3,224 | 24.7 |
| Lodi Township | 3,902 | 5,710 | 46.3 |
| Northfield Township | 6,732 | 8,252 | 22.6 |
| Scio Township | 11,077 | 15,759 | 42.3 |
| Webster Township | 3,235 | 5,198 | 60.7 |
| *Livingston County* | 115,645 | 156,951 | 35.7 |
| Hamburg Township | 13,083 | 20,627 | 57.7 |

1 Unless otherwise noted, the information contained in Appendix B was provided by the School District.
2 Sources: School District figures: 1980 - Wayne State University, Michigan Metropolitan Information Center, 1990 – Michigan Department of Management and Budget, 2000 – Northwest Michigan Council of Governments, 2008 – School District. Municipal unit figures: U.S. Census of Population.

## School Administration

*Evelynn Shirk, Superintendent of Schools*

Mrs. Shirk is responsible for the day to day administration of the School District. She is appointed by the Board of Education. Mrs. Shirk has served as Superintendent of Schools since July 2004. She has announced her retirement and is expected to leave the School District on September 17, 2008. (The School District has selected a new Superintendent. Assuming successful contract negotiations, the new Superintendent is expected to start on September 18, 2008). Mrs. Shirk has over 30 years of teaching and administrative experience. Prior to this appointment, she served the School District since 1993 as a teacher/assistant principal for one year and a middle school principal for 11 years. She has approximately 20 years of teaching experience at other school districts.

Mrs. Shirk received a Bachelor of Arts degree and a Master of Education degree from Ball State University. She also earned an Educational Leadership degree from Madonna University. Mrs. Shirk is a member of several professional and community organizations including the Michigan Association of School Administrators, the Washtenaw Superintendents Association, Rotary International and the Dexter Chamber of Commerce.

*Sharon Raschke, Ed.D., Executive Director of Finance and Business*

Dr. Raschke has served the School District as Executive Director of Finance and Business since 2002 and as Financial Director from 1998 to 2002. Prior to coming to the School District, she was with Precision Color, Inc. as Vice President of Sales and Marketing from 1993 to 1998 and Manager of Cost Accounting from 1992 to 1993. She has held other operations positions in private business.

Dr. Raschke received a Bachelor of Science degree in Industrial and Operations Engineering from the University of Michigan, a Masters degree in Business Administration and a Doctor of Education degree from Eastern Michigan University. She is a member of several professional organizations including the Association of School Business Officials International, Michigan School Business Officials and the Washtenaw/Livingston School Business Officials.

## Board of Education

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

| | | TERM EXPIRATION |
|---|---|---|
| Larry L. Cobler | President | June 30, 2012 |
| Michael J. Wendorf | Vice-President | June 30, 2009 |
| Kimberly Cundiff Covert | Secretary | June 30, 2009 |
| Richard B. Lundy | Treasurer | June 30, 2011 |
| Richard Ronald Darr | Trustee | June 30, 2010 |
| Bonnie C. Everdeen | Trustee | June 30, 2012 |
| Julie A. Schumaker | Trustee | June 30, 2011 |

## Enrollments

The following tables show total full time equivalent enrollments as of the Fall pupil count day, including special education, at the School District for the past ten years and the 2007/08 enrollment by grade.

Enrollment History

| School Year | Enrollment | School Year | Enrollment |
|---|---|---|---|
| 2007/08 | 3,642 | 2002/03 | 3,349 |
| 2006/07 | 3,614 | 2001/02 | 3,187 |
| 2005/06 | 3,534 | 2000/01 | 3,090 |
| 2004/05 | 3,489 | 1999/00 | 2,993 |
| 2003/04 | 3,481 | 1998/99 | 2,878 |

The estimated enrollment for 2008/09 is 3,667. The projected K-12 enrollment for 2012/2013 is 3,867, as estimated by the School District.

2007/2008 Enrollment by Grade

| | | | |
|---|---|---|---|
| Early Childhood | 14 | 7th | 305 |
| Kindergarten | 235 | 8th | 305 |
| 1st | 251 | 9th | 297 |
| 2nd | 241 | 10th | 296 |
| 3rd | 249 | 11th | 268 |
| 4th | 265 | 12th | 293 |
| 5th | 304 | Special Education | 43 |
| 6th | 276 | Total | 3,642 |

## School District Facilities

| | Grades Served | Year Constructed | Additions/ Remodeling | 2007/08 Building Enrollment |
|---|---|---|---|---|
| Bates Elementary | K-2 | 1952 | 1967, 1988, 1995, 2001 | 328 |
| Cornerstone Elementary | K-2 | 1995 | | 416 |
| Wylie Elementary | 3-4 | 1965 | 1967, 1972, 1988, 1995, 2002 | 517 |
| Creekside Intermediate | 5-6 | 1956 | 1973, 1988, 1995, 2000 | 582 |
| Mill Creek Middle School | 7-8 | 1995 | 2000 | 617 |
| Dexter High School | 9-12 | 2002 | | 1,182 |
| Copeland Administration Bldg. | | 1936 | 1951, 1980, 1988, 1995, 2001, 2002 | |
| Athletic Services Bldg. | | 1979 | 2002 | |
| Transportation Facility | | 1988 | 2002 | |
| Swimming Pool Facility | | 1992 | | |
| Proctor House Facility | | 1950 | 2001, 2002 | |
| Total | | | | 3,642 |

**Other Schools**[1]

There is one non-public school located within the School District's boundaries: Daycroft Montessori School, serving grades PreK-6, with 197 students.

**Labor Relations**

| Class | Number | Affiliation | Contract Expires |
|---|---|---|---|
| Superintendent | 1 | Non-affiliated | June 30, 2010[2] |
| Assistant Superintendent | 1 | Non-affiliated | June 30, 2009 |
| Administrators | 12 | Dexter Administrators Association | June 30, 2010 |
| Teachers | 233 | MEA/NEA | June 30, 2010 |
| Para-Professionals, Secretarial, Technology, Maintenance, Custodial and Food Service | 154 | Michigan Educational Support Personnel Association (MEPSA) | June 30, 2008[3] |
| Bus Drivers | 38 | Operating Engineers | June 30, 2008[3] |
| Executive Director | 1 | Non-affiliated | June 30, 2010 |
| Supervisors | 17 | Non-affiliated | June 30, 2009 |
| Child Care | 9 | Non-affiliated | N/A |
| Total | 466 | | |

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

**Retirement Plan**

For the period from 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 ("MPSERS") which is administered by the State of Michigan. These contributions are required by law and are calculated by using the contribution rates and periods provided in the table below. The School District's historical contributions to MPSERS are shown below. The School District does not have an unfunded accrued liability under MPSERS.

| Contribution Period | Contribution Rate |
|---|---|
| October 1, 2008 – September 30, 2009 | 16.54% |
| October 1, 2007 – September 30, 2008 | 16.72 |
| October 1, 2006 – September 30, 2007 | 17.74 |
| October 1, 2005 – September 30, 2006 | 16.34 |
| October 1, 2004 – September 30, 2005 | 14.87 |

| Fiscal Year Ending June 30, | Contribution to MPSERS |
|---|---|
| 2009 | $3,662,000 (estimated) |
| 2008 | 3,556,000 (unaudited) |
| 2007 | 3,677,000 |
| 2006 | 3,239,000 |
| 2005 | 2,755,000 |

[1] Source: 2008 Michigan Education Directory.
[2] The Superintendent has announced her retirement and is expected to leave the School District in September 2008.
[3] In negotiations.

## Other Post-Employment Benefits

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

## GENERAL FINANCIAL INFORMATION

## Assessed Valuations

Taxable property in the School District is assessed by the respective municipal assessors and is subject to review by the County Equalization Departments. 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. See "Industrial Facilities Tax (IFT) Valuation" herein. 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 2008 taxable valuation by class and by municipal unit.

### History of Valuations – State Equalized Valuation and Taxable Valuation[1]

| | State Equalized Valuation | Taxable Valuation |
|---|---|---|
| 2008 | $1,421,982,225 | $1,162,638,417 |
| 2007 | 1,469,346,740 | 1,152,151,867 |
| 2006 | 1,377,643,572 | 1,076,591,873 |
| 2005 | 1,273,700,790 | 989,587,903 |
| 2004 | 1,179,454,000 | 909,207,264 |

1 Sources: County Equalization Departments.

**2008 Taxable Valuation by Class[1]**

| | Taxable Valuation | % of Total Taxable Valuation |
|---|---|---|
| Agricultural | $ 26,328,621 | 2.26% |
| Commercial | 58,529,294 | 5.03 |
| Industrial | 62,372,433 | 5.37 |
| Residential | 931,844,689 | 80.15 |
| Developmental | 6,584,810 | 0.57 |
| Commercial Personal | 14,515,630 | 1.25 |
| Industrial Personal | 32,088,400 | 2.76 |
| Utility Personal | 30,374,540 | 2.61 |
| Total | $1,162,638,417 | 100.00% |

**2008 Taxable Valuation by Municipal Unit[1]**

| Name of Unit | Homestead[2] | Non-Homestead[2] | Total Taxable Valuation | % of Total Valuation |
|---|---|---|---|---|
| *Washtenaw County* | | | | |
| Dexter Township | $145,794,117 | $ 38,927,722 | $ 184,721,839 | 15.89% |
| Freedom Township | 456,929 | 118,167 | 575,096 | 0.05 |
| Lima Township | 58,113,855 | 9,362,365 | 67,476,220 | 5.80 |
| Lodi Township | 7,047,138 | 483,675 | 7,530,813 | 0.65 |
| Northfield Township | 1,519,041 | 280,161 | 1,799,202 | 0.15 |
| Scio Township | 323,161,476 | 148,789,359 | 471,950,835 | 40.59 |
| Webster Township | 323,194,968 | 46,734,012 | 369,928,980 | 31.82 |
| *Livingston County* | | | | |
| Hamburg Township | 49,100,954 | 9,554,478 | 58,655,432 | 5.05 |
| Total | $908,388,478 | $254,249,939 | $1,162,638,417 | 100.00% |

**Industrial Facilities Tax (IFT) Valuation[3]**

Act 198, Public Acts of Michigan, 1974, as amended ("Act 198") provides significant property tax incentives to industry to renovate and expand aging plants and to build new industrial facilities in Michigan. Under the provisions of Act 198, qualifying cities, villages and townships may establish districts in which industrial firms are offered certain property tax incentives to encourage restoration or replacement of obsolete industrial facilities and to attract new industrial facilities. Property tax owners situated in such districts pay an IFT in lieu of ad valorem taxes on the facility and equipment for a period of up to 12 years. For rehabilitated plant and equipment the IFT is determined by calculating the product of the state equalized valuation of the replacement facility in the year before the effective date of the abatement certificate multiplied by the total mills levied by all taxing units in the current year. For new facility abatements granted after 1993, new plants and equipment are taxed at one-half of the total mills levied as ad valorem property taxes by all taxing units except mills levied under the State Education Tax Act, plus the number of mills levied under the State Education Act. For new facility abatements granted after 1993, the State Treasurer may permit abatement of all, none or one-half of the mills levied under the

[1] Sources: County Equalization Departments.
[2] Until 2008 all personal property was included in non-homestead valuations. Beginning in 2008, all industrial personal property is included in the homestead tax base. While commercial personal property continues to be included in the non-homestead tax base, it is exempt from 12 mills of the 18 operating mills levied on non-homestead property only. In 2008 industrial personal property has a taxable value of $32,088,400 and commercial personal property has a taxable value of $14,515,630 in the School District.
[3] Sources: Scio Township and Webster Township Assessors.

State Education Tax Act. It must be emphasized, however, that ad valorem property taxes on land are not reduced in any way since land is specifically excluded under Act 198. The School District collects debt and sinking fund, if any, tax revenues at one-half rate of the total IFT valuations.

The total 2008 valuation of IFT abatements in the School District is as follows:

| Name of Certificate Holder | Total 2008 Taxable Value of Certificates | Equivalent Valuation | Expiration Date of Certificates |
|---|---|---|---|
| Abeltech, Inc. | $ 352,000 | $ 176,000 | 2011 |
| Ann Arbor Fabrications, Inc. | 97,800 | 48,900 | 2008 |
| Dapco Industries | 873,900 | 436,950 | 2012, 2013 |
| Dexter Fastener Technologies | 3,815,278 | 1,907,639 | 2011 |
| QC Corporation | 107,300 | 53,650 | 2008 |
| Thomson-Shore Inc. | 4,868,000 | 2,434,000 | 2009, 2017 |
| Variety Die & Stamping Company | 432,729 | 216,365 | 2009 |
| Total | $10,547,007 | $5,273,504 | |

**Department of Natural Resources Property Valuation**[1]

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 2008 taxable valuation of DNR properties in the School District is $1,236,489. 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 Increment Authorities**[2]

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") and Act 291 of the Public Acts of Michigan, 1986 (the "LDFA Act") and, together with the TIFA Act and DDA Act, (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"), or Brownfield Redevelopment District Authority ("BRDA"). TIFA, DDA, LDFA and BRDA 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 District to capture tax revenues attributable to

[1] Source: Washtenaw County Equalization Department.
[2] Sources: Village of Dexter Finance Director and Scio Township Assessor.

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 District and are not passed on to the local taxing jurisdictions. The Village of Dexter established a DDA District in 1986 within the School District's boundaries. The Captured Value of the DDA in 2008 is $22,232,501. Scio Township established a DDA District in 1988. A portion of this DDA is within the School District's boundaries. The Captured Value of the portion of the District that is within the School District's boundaries in 2008 is $53,023,134. The DDAs capture the School District's operating millage, but do not capture the School District's sinking fund millage, if any, and debt millage.

**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 Treasurers for collection with penalties and interest. On the first Tuesday in May in each year, a tax sale is held by the Counties 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.

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.

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

| School Year | Total Tax Levy | Collections To March 1, Each Year | | Collections to June 30 Fiscal Year End | | Collections Including Tax Payment Fund[1] | |
|---|---|---|---|---|---|---|---|
| 2008/09 | $14,458,925 | Not applicable | | Not applicable | | Not applicable | |
| 2007/08 | 14,668,464 | $13,033,768 | 88.86% | $14,109,033 | 96.19% | $14,117,040 | 96.24% |
| 2006/07 | 14,009,206 | 12,230,037 | 87.30 | 12,976,016 | 92.62 | 13,724,133 | 97.97 |
| 2005/06 | 12,487,437 | 11,457,176 | 91.75 | 11,646,946 | 93.27 | 12,314,428 | 98.61 |
| 2004/05 | 11,663,447 | 8,429,656 | 72.27 | 11,014,153 | 94.43 | 11,662,327 | 99.99 |
| 2003/04 | 9,744,988 | 9,102,784 | 93.41 | 9,468,904 | 97.17 | 9,713,998 | 99.68 |

[1] Some payments from the Washtenaw County Tax Payment Fund are received after June 30. In 2005/06, payments from Northfield Township, Scio Township and Webster Township were received in July, 2006. In 2004/05, payments from Scio Township were received in April 2005, and payments from the DDA and LDFA Taxing Authorities were received in October, 2005.

## State Aid Payments

The School District's primary source of funding for operating costs is the State aid foundation allowance per pupil. The foundation allowance for all school districts in the State of Michigan is from $7,316 to $8,489 per pupil for the fiscal year 2008/09. In future years, this allowance may be adjusted by an index based upon the change in revenues to the State school aid fund and the change in the total number of pupils statewide. See "SOURCES OF SCHOOL OPERATING REVENUE" herein for additional information.

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

| Year | Blended Pupil Count | Foundation Allowance Per Pupil | Total State Aid Payments |
|---|---|---|---|
| 2008/09 | N/A | $7,938 | $25,340,000 (estimate) |
| 2007/08 | 3,636 | 7,843 | 25,309,306 |
| 2006/07 | 3,595 | 7,761 | 24,632,344 |
| 2005/06 | 3,518 | 7,551 | 23,732,027 |
| 2004/05 | 3,483 | 7,376 | 23,957,051 |

## School District Tax Rates (Per $1,000 of Valuation)[1]

| | 2008 | 2007 | 2006 | 2005 | 2004 |
|---|---|---|---|---|---|
| Operating – Extra Voted[2] | 18.0000 | 18.0000 | 18.0000 | 18.0000 | 18.0000 |
| Debt | 8.5000 | 8.5000 | 8.5000 | 8.5000 | 8.5000 |
| 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 |

[1] Commencing in 2008, commercial personal property is exempt from 12 mills of the School District's 18 mills of voted operating millage on non-homestead property (all taxable property other than principal residences, qualified agricultural property and industrial personal property). The School District will levy authorized debt millage on all taxable property located within the School District. See "SOURCES OF SCHOOL OPERATING REVENUE" in this Official Statement.
[2] The extra voted millage is levied on Non-Homestead property only and expires with the December 2013 tax levy.

**Other Tax Rates (Per $1,000 of Valuation)**[1]

| | 2008 | 2007 | 2006 | 2005 | 2004 |
|---|---|---|---|---|---|
| State Education Tax | 6.0000 | 6.0000 | 6.0000 | 6.0000 | 6.0000 |
| *Washtenaw County* | 5.4622 | 5.6768 | 5.6768 | 5.5024 | 5.5493 |
| Village of Dexter | 13.5562 | 13.5562 | 13.5562 | 13.7063 | 14.0216 |
| Dexter Township | N/A | 3.2944 | 2.3167 | 3.5320 | 3.6703 |
| Freedom Township | N/A | 0.9976 | 0.9976 | 1.0000 | 1.0000 |
| Lima Township | N/A | 0.8191 | 0.8445 | 0.8514 | 0.8656 |
| Lodi Township | N/A | 1.6595 | 1.5595 | 1.4654 | 1.4765 |
| Northfield Township | N/A | 9.3466 | 9.4230 | 9.6753 | 9.6993 |
| Scio Township | N/A | 1.4460 | 1.4460 | 1.4513 | 1.4631 |
| Webster Township | N/A | 3.6097 | 3.6097 | 3.6600 | 1.7102 |
| *Livingston County* | N/A | 3.8842 | 3.8842 | 3.9020 | 3.9168 |
| Hamburg Township | N/A | 3.9466 | 3.6740 | 3.7126 | 3.6686 |
| Dexter District Library | N/A | 1.6486 | 1.4286 | 1.6709 | 0.4461 |
| Washtenaw Community College | N/A | 3.6956 | 3.7082 | 3.7249 | 3.7748 |
| Washtenaw ISD | 3.9745 | 3.9745 | 3.9745 | 3.9970 | 4.0350 |

**Largest Taxpayers**[2]

Shown below are the ten largest identifiable taxpayers in the School District based on their 2008 taxable valuations. The taxpayers listed below represent 6.58% of the School District's 2008 Taxable Valuation of $1,162,638,417.

| Taxpayer | Product or Service | Taxable Value | Equivalent IFT[3] | Total Valuation Subject to Taxation |
|---|---|---|---|---|
| Dexter Fastener Technologies | Engine fasteners | $19,782,537 | $1,907,639 | $21,690,176 |
| DTE Energy Company/Mich Con | Utility | 19,142,387 | | 19,142,387 |
| International Transmission Co. | Utility | 7,838,327 | | 7,838,327 |
| Thetford Corporation | Plastic components | 5,740,823 | | 5,740,823 |
| Creative Solutions | Computer software | 5,361,489 | | 5,361,489 |
| Thomson-Shore Inc. | Publishing | 2,727,599 | 2,434,000 | 5,161,599 |
| Blackhawk Development Corp. | Mall/real estate dev'l. | 4,835,937 | | 4,835,937 |
| Nagel Precision Inc. | Honing machines | 4,133,332 | | 4,133,332 |
| Dapco Industries | Valves and fittings | 3,426,063 | 436,950 | 3,863,013 |
| Tri-Bro LLC | Grocery | 3,478,200 | | 3,478,200 |
| TOTAL | | $76,466,694 | $4,778,589 | $81,245,283 |

**Debt History**

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

[1] Sources: County Equalization Departments and individual municipalities.
[2] Sources: Township Assessors.
[3] The School District collects debt tax revenues at one-half rate of the total IFT valuations. See "Industrial Facilities Tax (IFT) Valuations" herein.

## Future Financing

The School District does not anticipate issuing any additional capital financing bonds in the next twelve months. The School District expects to issue two additional series of school building and site bonds, in the amount of $3,350,000 in 2011 and in the amount of $3,925,000 in 2014, respectively, pursuant to the ballot proposal approved by the voters in 2008.

## Other Financing

The School District currently has a $1,600,000 State Aid Note, dated August 20, 2008 bearing interest at 1.70% that matures August 20, 2009. For General Fund Obligations, see the School District's audited financial statements.

## School Loan Revolving Fund[1]

As of June 30, 2008, the School District had an outstanding balance, including interest, of $14,272,121 in the School Loan Revolving Fund.

## Direct Debt (as of date of sale)

| | | |
|---|---|---|
| 06/01/98 | 1998 School Building and Site Bonds (UTQ) | $52,300,000 |
| 03/26/03 | 2003 Refunding Bonds (UTQ) | 18,545,000 |
| Direct Debt (as of date of sale) | | $70,845,000 |
| Less: | Prior Bonds (UTQ) | (20,800,000) |
| Plus: | The Bonds (UTQ) | 59,780,000 |
| NET DIRECT DEBT (as of date of delivery) | | $109,825,000 |

## Overlapping Debt as of September 30, 2008[2]

| % Applicable | Municipality | Amount Outstanding | School District Share |
|---|---|---|---|
| 5.59 | Hamburg Township | $19,806,000 | $ 1,107,155 |
| 36.04 | Lima Township | 17,200 | 6,199 |
| 0.50 | Northfield Township | 11,135,000 | 55,675 |
| 33.20 | Scio Township | 23,180,000 | 7,695,760 |
| 100.00 | Village of Dexter | 5,755,000 | 5,755,000 |
| 0.67 | Livingston County | 16,863,789 | 112,987 |
| 7.05 | Washtenaw County | 95,050,029 | 6,701,027 |
| 7.21 | Washtenaw Community College | 52,435,000 | 3,780,564 |
| 100.00 | Dexter District Library | 7,260,000 | 7,260,000 |
| Net overlapping debt in the School District | | | $32,474,367 |
| NET DIRECT AND OVERLAPPING DEBT | | | $142,299,367 |

[1] Source: Michigan Department of Treasury.
[2] Source: Municipal Advisory Council of Michigan.

**Debt Ratios**

| | |
|---|---|
| 2008 State Equalized Valuation (SEV) | $1,421,982,225 |
| 2008 Taxable Valuation | $1,162,638,417 |
| 2008 Population Estimate | 21,200 |
| Direct Debt | $109,825,000 |
| Direct/Overlapping Debt | $142,299,367 |
| Direct Debt Per Capita | $5,180 |
| Direct/Overlapping Debt Per Capita | $6,712 |
| Per Capita 2008 SEV | $67,075 |
| Ratio of Direct Debt to 2008 SEV | 7.72% |
| Ratio of Direct/Overlapping Debt to 2008 SEV | 10.01% |
| Per Capita 2008 Taxable Valuation | $54,841 |
| Ratio of Direct Debt to 2008 Taxable Valuation | 9.45% |
| Ratio of Direct/Overlapping Debt to 2008 Taxable Valuation | 12.24% |

**Legal Debt Margin (as of date of delivery)**

| | | |
|---|---|---|
| 2008 State Equalized Valuation | | $1,421,982,225 |
| Debt Limit (15% of 2008 State Equalized Valuation) | | $213,297,334 |
| Debt Outstanding (as of date of delivery) | $109,825,000 | |
| Less bonds not subject to Debt Limit[1] (as of date of delivery) | (109,825,000) | |
| Total Subject to Debt Limit | | 0 |
| Additional Unlimited Tax Debt Which Could Be Legally Incurred | | $213,297,334 |

## ECONOMIC PROFILE

Over 80% of the School District is residential properties, while over 5% is commercial properties.

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

| | |
|---|---|
| 9 | miles west of Ann Arbor |
| 16 | miles west of Ypsilanti |
| 50 | miles west of Detroit |
| 57 | miles southeast of Lansing |
| 57 | miles southwest of Flint |
| 124 | miles southeast of Grand Rapids |

[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.

**Major Employers**[1]

| Company | Product or service | Approximate # of employees |
|---|---|---|
| ***Within School District (75 or more)*** | | |
| Dexter Community Schools | Education | 466 |
| Thomson-Shore Inc. | Publishing | 250 |
| Dexter Fastener Technologies | Engine fasteners | 200 |
| Dapco Industries | Valves and fittings | 180 |
| Dexter Automatic Products Co. | Auto engine valves | 180 |
| ReCellular | Cell phone recycling | 180 |
| Sweepster Inc. | Industrial sweeping units | 164 |
| Nagel Precision Inc. | Honing machines | 84 |
| Astro Cap Manufacturing Inc. | Pickup truck covers | 80 |
| Thetford Corporation | Metal sanitary ware | 80 |
| Variety Die & Stamping Company | Metal stampings | 75 |
| ***Washtenaw County (1,100 or more)*** | | |
| University of Michigan | Higher education and healthcare | 32,500 |
| Trinity Health Corporation (St. Joseph Mercy Health System) | Healthcare | 4,800 |
| Ford Motor Company[2] | Auto manufacturer | 4,023 |
| General Motors Corporation[2] | Auto manufacturer | 3,511 |
| U.S. Government | Federal government | 2,133 |
| Ann Arbor Public Schools | Education | 2,000 |
| Pfizer Corporation[3] | Pharmaceuticals | 2,000 |
| Eastern Michigan University | Higher education | 1,867 |
| State of Michigan | State government | 1,694 |
| Washtenaw County | County government | 1,383 |
| Borders Group Inc.[4] | Book retailer | 1,163 |
| ***Livingston County (500 or more)*** | | |
| Howell Public Schools | Education | 1,000 |
| Citizens Insurance Co. of America | Insurance | 1,000 |
| Brighton Area Schools | Education | 700 |
| Hartland Consolidated Schools | Education | 560 |
| TRW Automotive Holdings Group | Auto supplier | 588 |
| State of Michigan | State government | 576 |
| Trinity Health Corporation (St. Joseph Mercy Livingston Hospital) | Health care | 546 |
| Livingston County | County government | 527 |

1 Sources: 2008 Harris Michigan Industrial and Services Directories, 2008 Michigan Manufacturers Directory, Crain's Detroit Business, Ann Arbor SPARK, School District and individual employers.
2 These companies have announced significant employee reductions and the School District has no assurance of the numbers shown.
3 In January 2007, Pfizer Corporation announced its plan to close its Ann Arbor research and development site by the end of 2008.
4 In March 2008, Borders Group announced it was exploring the possible sale of all or part of the company.

**Retail Sales**[1]

A breakdown of the 2008 estimated retail sales as reported in the 2008 Editor & Publishers Market Guide is as follows. The number of stores is based on the 2002 U.S. Census.

| | Washtenaw County | | Livingston County | | State of Michigan | |
|---|---|---|---|---|---|---|
| | No. of Stores | Total Retail Sales (000) | No. of Stores | Total Retail Sales (000) | No. of Stores | Total Retail Sales (000) |
| Motor Vehicles/Parts | 94 | $1,682,907 | 48 | $841,846 | 4,208 | $ 45,500,400 |
| Furniture | 74 | 163,310 | 38 | 62,501 | 2,062 | 4,952,900 |
| Electrical/Appliance | 64 | 156,181 | 19 | 43,954 | 1,568 | 3,637,537 |
| Building Material | 89 | 475,283 | 63 | 237,528 | 3,367 | 14,944,178 |
| Food/Beverage | 162 | 577,153 | 55 | 301,275 | 6,167 | 18,832,163 |
| Health/Personal Care | 81 | 262,384 | 27 | 114,368 | 2,836 | 9,654,800 |
| Gasoline | 111 | 505,221 | 47 | 288,885 | 4,112 | 16,321,876 |
| Clothing/Accessories | 165 | 261,113 | 54 | 61,008 | 4,910 | 6,736,326 |
| General Merchandise | 27 | 787,916 | 16 | 405,632 | 1,373 | 26,369,220 |
| Other Retailers | 335 | 712,949 | 108 | 165,392 | 8,893 | 5,537,657 |
| 2008 E&P Estimate | | $5,584,417 | | $2,522,389 | | $152,487,057 |
| 2002 U.S. Census | 1,202 | $4,759,826 | 475 | $2,145,445 | 39,496 | $128,392,982 |

**Unemployment**[2]

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

| | Washtenaw County | Livingston County | State of Michigan |
|---|---|---|---|
| 2008 (as of June) | 6.3% | 7.7% | 8.7% |
| 2007 | 4.8 | 5.7 | 7.2 |
| 2006 | 4.6 | 5.3 | 6.9 |
| 2005 | 4.4 | 5.4 | 6.9 |
| 2004 | 4.3 | 5.0 | 7.1 |
| 2003 | 4.1 | 5.0 | 7.1 |

**Higher Education**

Residents of the School District have access to several institutions of higher learning that are located nearby including the University of Michigan, Concordia University, Cleary College and Washtenaw Community College with campuses in Ann Arbor and Eastern Michigan University in Ypsilanti.

[1] Source: 2008 Editor & Publisher (E&P) Market Guide.
[2] Source: State of Michigan Office of Labor Market Information.

## Health Facilities[1]

Healthcare needs of residents of the School District are served primarily by two University of Michigan Hospitals with a total of 913 beds and the Veterans Medical Center with 98 beds. All three medical facilities are located nearby in Ann Arbor. Area residents are also served by St. Joseph Mercy Health System, a part of Trinity Health Corporation, located in Ypsilanti, with 529 beds and Chelsea Community Hospital, located in Chelsea, with 113 beds. Numerous specialized agencies are also located in the area and provide School District residents with all aspects of quality health care.

## Transportation

Residents of the School District have convenient access to all area of the State by three main highways. To the north, I-96 connects with Detroit to the southeast and Lansing to the northwest. Within a short drive south, residents may travel via I-94 east to Detroit or west to Chicago, Illinois. Nearby U.S. 23 provides easy access to I-94 and I-96. Commercial and airfreight services are available from Detroit Wayne County Metropolitan Airport, located 34 miles east of the School District.

## Utilities

Residents of the School District are supplied with electricity by DTE Energy Company and natural gas service by Consumers Energy Company, DTE Energy Company and Michigan Consolidated Gas Company. Telephone service is provided by AT&T Corporation. Municipal water and sewer service is provided for some residents within the School District, while most use wells and septic systems.

## Banking[2]

The following banks have branches that serve the financial needs of School District residents.

| Name of Bank | Main Office Location | Statewide Deposits |
|---|---|---|
| Ann Arbor Commerce Bank | Ann Arbor, MI | $ 278,737,000 |
| Bank of America | Troy, MI | 23,851,647,000 |
| Chelsea State Bank | Chelsea, MI | 172,090,000 |
| Citizens Bank | Flint, MI | 7,818,750,000 |
| Comerica Bank | Detroit, MI | 43,792,165,000 |
| Fifth Third Bank | Grand Rapids, MI | 37,990,237,000 |
| JPMorgan Chase Bank, National Association | Columbus, OH | N/A |
| National City Bank | Cleveland, OH | N/A |
| TCF National Bank | Wayzata, MN | N/A |
| United Bank & Trust - Washtenaw | Ann Arbor, MI | 242,646,000 |

1 Sources: Individual hospital websites and American Hospital Directory.
2 Source: Michigan Bankers Association 2008 Registry of Michigan Financial Institutions.

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**APPENDIX C**
**DEXTER COMMUNITY SCHOOLS**

## General Fund Budget Summary
## Fiscal Years Ending June 30, 2008 and 2009

| | Unaudited 2007/08 | Adopted 06-26-08 2008/09 |
|---|---|---|
| **REVENUES** | | |
| Local Sources | $ 5,023,761 | $ 5,712,754 |
| Other Political Subdivisions | 1,955 | 2,334 |
| State Sources | 25,445,037 | 25,341,185 |
| Federal Sources | 740,591 | 777,599 |
| Transfers and Other Financing Sources | 3,879,563 | 3,689,331 |
| TOTAL REVENUES | $35,090,907 | $35,523,203 |
| **EXPENDITURES** | | |
| Instruction | | |
| Basic Programs | $ 15,878,177 | $ 16,469,147 |
| Added Needs | 3,205,803 | 3,400,387 |
| Support Services | | |
| Pupil Support | 3,341,222 | 3,578,993 |
| Instruction Staff Support | 2,036,938 | 1,982,812 |
| General Administration | 564,261 | 599,330 |
| School Administration | 1,766,468 | 1,905,785 |
| Business Services | 527,342 | 579,142 |
| Operations and Maintenance | 3,756,179 | 3,947,126 |
| Transportation | 2,420,511 | 2,243,333 |
| Other Central Support | 61,788 | 64,853 |
| Community Services | 134,653 | 147,372 |
| Outgoing Transfers and Other Financing Uses | 752,773 | 889,787 |
| TOTAL EXPENDITURES | $34,446,115 | $35,808,067 |
| Revenues Over (Under) Expenditures | $ 644,792 | $ ( 284,864) |
| Fund Balance - July 1 | $ 5,188,377 | $ 5,833,169 |
| Estimated Fund Balance - June 30 | $ 5,833,169 | $ 5,548,305 |

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DEXTER COMMUNITY SCHOOLS

DEXTER, MICHIGAN

FINANCIAL REPORT WITH
SUPPLEMENTAL INFORMATION

FOR THE YEAR ENDED JUNE 30, 2007



Lewis & Knopf CPAs, P.C.
Serving You with Trust and Integrity

September 24, 2007

**INDEPENDENT AUDITOR'S REPORT**

To the Board of Education of
Dexter Community Schools

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Dexter Community Schools, as of and for the year ended June 30, 2007, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Dexter Community Schools' management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Dexter Community Schools as of June 30, 2007, and the respective changes in financial position, thereof and the respective budgetary comparison for the General Fund for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report under separate cover dated September 24, 2007 on our consideration of the School District's internal control over financial reporting and our tests of 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis information on pages II - VIII, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Dexter Community Schools' basic financial statements. The additional information on pages 19 - 29 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The additional information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Lewis & Knopf, P.C.

LEWIS & KNOPF, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

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As administration of Dexter Community Schools, 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, 2007.

**Financial Highlights**

* The assets of the District exceeded its liabilities at the close of the most recent fiscal year by $5,008,358 (net assets). Of this amount, $3,386,203 (unrestricted net assets) may be used to meet the District's ongoing obligations to taxpayers, students and creditors.

* The District's total net assets increased by $3,228,700. The increase was accomplished primarily by the repayment of bond principal.

* As of the close of the current fiscal year, the District's aggregated fund balance for the District's governmental funds was $7,255,761 or 17 percent of the total expenditures of these funds.

* The general fund had a net change in fund balance of $1,165,784. At the end of the year, unreserved fund balance for the general fund was $5,037,475 or 16 percent, of total general fund expenditures. Total fund balance for the general fund was $5,188,377.

**Using this Annual Report**

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand the District financially as a whole. The District-Wide Financial Statements provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. The financial statements then proceed to provide an increasingly detailed look at specific financial activities included in the fund financial statements. For governmental activities, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements provide information about the School District's most significant funds - the General Fund, the 1998 Debt Fund and the 2003 Debt Fund. All other funds are presented in one column as non-major funds.

**Reporting the District as a Whole**

**The Statement of Net Assets and Statement of Activities -** One of the most important questions asked about the District's finances is, "Is the District better off or worse off as a result of the year's activities?" The statement of net assets and the statement of activities, which appear first in the School District's financial statements, report information about the District as a whole and about its activities in a manner that helps to answer this question. These statements include all assets and liabilities of the District using the accrual basis of accounting, which is similar to the accounting used by private-sector corporations. However, the School District's goal is to provide services to our students, not to generate profits as private-sector corporations do. All of the current year's revenues and expenses are taken into consideration regardless of when cash is received or paid.

The statement of net assets and the statement of activities present information about the following:

**Governmental Activities** - All of the District's basic services are considered to be governmental activities, including instruction, support services, community services, athletics, food services, and transfers to other local districts. Property taxes, intergovernmental revenues (unrestricted and restricted State Aid), and charges for services finance most of these activities. These two statements report the District's net assets and changes in them. The change in net assets provides the reader a tool to assist in determining whether the District's financial health is improving or deteriorating. The reader will need to consider other nonfinancial factors such as property tax base, political conditions at the State Capitol, student enrollment growth, birth rates, and facility conditions in arriving at their conclusion regarding the overall health of the District.

The government-wide financial statements can be found on pages 1 - 2 of this report.





**Reporting the District's Most Significant Funds**

**Fund Financial Statements** - The fund financial statements provide detailed information about the most significant funds - not the District as a whole. The fund financial statements begin on page 3 and provide detailed information about the most significant funds. The fund statements are formatted to comply with the legal requirements of the Michigan Department of Education's "Accounting Manual." The District's two types of funds: governmental funds and fiduciary funds use different accounting approaches as further discussed in the notes to the financial statements. In the fund financial statements, capital assets purchased by cash are reported as expenditures in the year of acquisition. No asset is reported. The issuance of debt is recorded as a financial resource. The current year's payments of principal and interest on long-term obligations are recorded as expenditures. Future year's debt obligations are not recorded.

**Governmental Funds** - Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or less financial resources available to spend in the near future to finance the District's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 3 and 4 of this report.

**Fiduciary Funds** - The District is the fiduciary for various student group activities. We exclude these activities from the District's other financial statements because the assets cannot be utilized by the District to finance its operations. The District's fiduciary activities are reported in a separate Statement of Fiduciary Net Assets.

The basic fiduciary fund financial statement can be found on page 5 of this report.

**Additional Information** - The notes to financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to financial statements can be found on pages 7 - 18 of this report.

**SUMMARY OF NET ASSETS:**
The following summarizes the net assets at the fiscal years ended June 30, 2007 and 2006:

**NET ASSETS SUMMARY**

| | 2007 | 2006 |
|---|---|---|
| ASSETS | | |
| Current Assets | $14,607,170 | $14,495,002 |
| Non-Current Assets | 90,432,082 | 92,822,188 |
| TOTAL ASSETS | $105,039,252 | $107,317,190 |
| LIABILITIES | | |
| Current Liabilities | $11,966,275 | $12,761,724 |
| Long-Term Liabilities | 88,064,619 | 92,775,808 |
| Total Liabilities | $100,030,894 | $105,537,532 |
| NET ASSETS | | |
| Invested in Capital Assets - Net of Related Debt | (226,258) | (3,165,227) |
| Restricted - Capital Projects and Debt Retirement | 1,848,413 | 2,404,541 |
| Unrestricted | 3,386,203 | 2,540,344 |
| Total Net Assets | $5,008,358 | $1,779,658 |
| TOTAL LIABILITIES AND NET ASSETS | $105,039,252 | $107,317,190 |

The above analysis focuses on the net assets. The change in net assets of the School District's governmental activities is discussed below. The net assets differ from fund balances and a reconciliation appears on page 3.

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

An additional portion of the District's net assets, $1,848,413, represents resources that are subject to external restrictions on how they may be used. In the case of the School District, these amounts are restricted for debt service and capital projects. Most of the debt will be repaid from voter-approved property taxes collected as the debt service comes due. The remaining balance of unrestricted net assets $3,386,203, may be used to meet the government's ongoing obligations to citizens and creditors.

The results of this year's operations for the School District as a whole are reported in the statement of activities (see table above), which shows the changes in net assets for fiscal year 2007.







**RESULTS OF OPERATIONS**:
For the fiscal years ended June 30, 2007 and 2006, the District wide results of operations were:

| | 2007 | 2006 |
|---|---|---|
| REVENUES | | |
| Revenues | | |
| Program Revenues: | | |
| Charges for Services | $2,729,423 | $2,473,034 |
| Operating Grants | 6,348,737 | 5,674,921 |
| General Revenues | | |
| Property Taxes | 13,007,698 | 12,453,610 |
| Grants and State Aid | 22,938,916 | 21,964,251 |
| Other | 869,673 | 584,333 |
| Total Revenues | $45,894,447 | $43,150,149 |
| EXPENSES | | |
| Instruction & Instructional Support | 19,410,007 | 18,493,636 |
| Support Services | 15,359,881 | 15,105,037 |
| Community Services | 1,140,662 | 1,085,511 |
| Food Service | 1,409,758 | 1,289,989 |
| Athletics | 734,162 | 667,614 |
| Interest on Long-Term Debt | 4,611,277 | 4,607,504 |
| Total Expenses | $42,665,747 | $41,249,291 |
| INCREASE IN NET ASSETS | $3,228,700 | $1,900,858 |
| BEGINNING NET ASSETS (DEFICIT) | 1,779,658 | (121,200) |
| ENDING NET ASSETS | $5,008,358 | $1,779,658 |

The District's net assets increased by $3,228,700 during the current fiscal year. The increase in net assets differs from the change in fund balances and a reconciliation appears on page 4.

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

**General Fund Budgeting and Operating Highlights**
The School District's budgets are prepared according to Michigan law. The most significant budgeted funds are the General Fund and Debt Funds.

During the fiscal year ended June 30, 2007, the School District amended the budget of the General Fund twice and the Debt Funds once. State law requires that the budget be amended to ensure that expenditures do not exceed appropriation. A schedule showing the School District's general fund original and final budget amounts compared with amounts actually paid and received is provided in required supplemental information of these financial statements.

The general fund actual revenue and other financing sources was $34,460,412. That amount is higher than the amended budget estimate of $34,190,827. The variance was less than 1%.

The actual expenditures and other financing uses of the general fund were $33,294,628, which is below the amended budget estimate of $34,618,381. The variance was $1,323,753, less than 4%, favorable to the final amended budget. Actual health benefit costs were below projected costs in the self-funded health benefits plan. Special education services required were less than anticipated primarily in the areas of outsourced physical and speech therapy services. Savings were attained in salaries and benefits of staff on leaves of absences. Teaching supplies planned for this year were costs that are deferred into next year due to the uncertainty of future funding.

The general fund had total revenues of $34,460,412 and total expenditures of $33,294,628 with a net change in fund balance of $1,165,784 and an ending fund balance of $5,188,377.

**Capital Asset and Debt Administration**

A. Capital Assets
The district's net investment in capital assets decreased by $2,390,106 during the fiscal year. This can be summarized as follows:

| | Balance 7-1-06 | Additions | Deductions | Balance 6-30-07 |
|---|---|---|---|---|
| Capital Assets | $119,815,195 | $274,754 | $0 | $120,089,949 |
| Less: Accumulated Depreciation | (26,993,007) | (2,664,860) | 0 | (29,657,867) |
| Net Investment Capital Outlay | $92,822,188 | ($2,390,106) | $0 | $90,432,082 |

Significant additions were the purchase of four buses.

D-4



DEXTER COMMUNITY SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

**Capital Asset and Debt Administration** (Continued)

B. Debt, Principal Payments
The District made principal payments on bonded, long term debt obligations that reduced the amount of the District's long term liabilities as follows:

| | Principal Balance 7-1-06 | Additions | Deductions | Principal Balance 6-30-07 |
|---|---|---|---|---|
| General Obligation Bonds | $79,434,260 | $0 | $4,440,000 | $74,994,260 |
| Unamortized Deferred Amount on Refunding | (1,320,655) | 102,000 | 0 | (1,218,655) |
| Unamortized Bond Premium | 1,078,873 | 0 | 83,000 | 995,873 |
| School Bond Loan Fund | 16,794,937 | 794,333 | 1,702,408 | 15,886,862 |
| Compensated Absences | 1,233,799 | 18,480 | 0 | 1,252,279 |
| Total Long-Term Debt | $97,221,214 | $914,813 | $6,225,408 | $91,910,619 |

At June 30, 2007, the District had total bonded debt outstanding of $74,994,260, of which $284,260 is Durant Resolution Bonds, that are a legal obligation of the School District, but an annual State of Michigan appropriation is the only revenue source making the annual debt service payments on the bonds. If the legislature fails to appropriate the bonds, the District is under no obligation for payment.

The District's total long-term debt decreased by $5,310,595 during the current fiscal year.

The District has an "AAA" rating for the general obligation bonds from Moody's and an "AA-" rating from Standard & Poor's.

State statues limit the amount of general obligation debt that a School District may issue to 15 percent of its total assessed valuation (State Equalized Value). The current debt limitation for Dexter Community Schools is significantly in excess of the District's outstanding general obligation debt.

Additional information on the District's long-term debt can be found in Note 10 on pages 15 - 16 of this report.

**Economic Factors and Next Year's Budgets and Rates**
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 equalize the per pupil finance resource disparities among school districts. The State aid package passed by the Legislature as part of the school finance reform legislation instituted a per pupil foundation guarantee beginning in fiscal year 1994-1995. The Legislature has appropriated funds to establish a foundation guarantee in 2006-2007 of $7,761 per pupil for Dexter Community Schools, based upon the District's 1993-1994 revenue. In following years the foundation guarantee may be adjusted by an index based upon the change in revenues to the state school aid fund and change in the total number of pupils statewide and the spread between the high and low pupil guarantee will be reduced. The foundation guarantee consists of the locally raised property taxes plus State aid. The source of revenues for the State's contribution to the foundation allowance is derived from a mix of taxing sources, including but not limited to, a statewide property tax of six mills on all property (homestead and non-homestead), a real estate transfer tax, a state sales and use tax, an income tax, gambling revenue, and a tobacco/liquor tax. The funding status for education is volatile.

**Economic Factors and Next Year's Budgets and Rates** (Continued)
The following factors were considered in preparing District's budgets for the 2007-2008 fiscal year:

* Foundation allowance of $7,861
* Student enrollment increase of 50 students.
* State aid membership count based on 75% September and 25% prior February blend.
* Staff salary increase of 2%.

**Requests for Information**
This financial report is designed to provide a general overview of the Dexter Community School'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 information should be addressed to:

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Dexter, Michigan 48130
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STATEMENT OF NET ASSETS
AS OF JUNE 30, 2007

| | Governmental Activities |
|---|---|
| ASSETS | |
| CURRENT ASSETS | |
| Cash and Cash Equivalents | $9,107,316 |
| Investments | 789 |
| Accounts Receivable | 91,304 |
| Taxes Receivable | 367,241 |
| Due from Other Governmental Units | 4,857,972 |
| Inventory | 30,544 |
| Prepaid Expenses | 152,004 |
| Total Current Assets | $14,607,170 |
| NON-CURRENT ASSETS | |
| Capital Assets | 120,089,949 |
| Less: Accumulated Depreciation | (29,657,867) |
| Total Noncurrent Assets | $90,432,082 |
| TOTAL ASSETS | $105,039,252 |
| LIABILITIES | |
| CURRENT LIABILITIES | |
| Accounts Payable | $366,419 |
| State Aid Note Payable | 2,200,000 |
| Accrued Expenses | 1,197,124 |
| Salaries Payable | 1,848,602 |
| Deferred Revenue | 2,508,130 |
| Current Portion of Long-Term Obligations | 3,846,000 |
| Total Current Liabilities | $11,966,275 |
| NON-CURRENT LIABILITIES | |
| Noncurrent Portion of Long-Term Obligations | 88,064,619 |
| TOTAL LIABILITIES | $100,030,894 |
| NET ASSETS | |
| NET ASSETS | |
| Invested in Capital Assets, Net of Related Debt | (226,258) |
| Restricted for: | |
| Debt Retirement | 1,848,413 |
| Unrestricted | 3,386,203 |
| TOTAL NET ASSETS | $5,008,358 |
| TOTAL LIABILITIES AND NET ASSETS | $105,039,252 |

See accompanying notes to the basic financial statements.

DEXTER COMMUNITY SCHOOLS - DEXTER, MICHIGAN
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2007

| | | Program Revenues | | Net (Expense) |
|---|---|---|---|---|
| FUNCTIONS/PROGRAMS | Expenses | Charges For Services | Operating Grants and Contributions | Revenue & Change in Net Assets |
| Governmental Activities: | | | | |
| Instruction | $19,410,007 | $12,216 | $2,733,128 | ($16,664,663) |
| Support Services | 15,359,881 | 165,578 | 3,393,898 | (11,800,405) |
| Community Services | 1,140,662 | 1,010,308 | 23,195 | (107,159) |
| Food Service | 1,409,758 | 1,386,156 | 198,516 | 174,914 |
| Athletics | 734,162 | 155,165 | 0 | (578,997) |
| Interest - Long-Term Obligations | 4,611,277 | 0 | 0 | (4,611,277) |
| TOTALS | $42,665,747 | $2,729,423 | $6,348,737 | ($33,587,587) |

| | |
|---|---|
| General Revenues: | |
| Taxes: | |
| Property Taxes, Levied for General Purposes | 13,007,698 |
| State Aid | 22,938,916 |
| Investment Earnings | 419,808 |
| Miscellaneous | 449,865 |
| Total General Revenues and Transfers | $36,816,287 |
| Change in Net Assets | $3,228,700 |
| Net Assets - Beginning | 1,779,658 |
| Net Assets - Ending | $5,008,358 |

See accompanying notes to the basic financial statements.



DEXTER COMMUNITY SCHOOLS - DEXTER, MICHIGAN
BALANCE SHEET
GOVERNMENTAL FUNDS
AS OF JUNE 30, 2007

| | General Fund | 1998 Debt Fund | 2003 Debt Fund | Other Governmental Funds | Total Governmental Funds |
|---|---|---|---|---|---|
| ASSETS | | | | | |
| Cash and Cash Equivalents | $6,985,457 | $1,362,953 | $450,983 | $307,923 | $9,107,316 |
| Investments | 789 | 0 | 0 | 0 | 789 |
| Accounts Receivable | 54,074 | 17,990 | 5,977 | 13,263 | 91,304 |
| Taxes Receivable | 356,731 | 6,375 | 4,135 | 0 | 367,241 |
| Due from Other Funds | 0 | 0 | 0 | 4,039 | 4,039 |
| Due from Other Governmental Units | 4,833,108 | 0 | 0 | 24,864 | 4,857,972 |
| Inventory | 0 | 0 | 0 | 30,544 | 30,544 |
| Prepaid Expenses | 150,900 | 0 | 0 | 1,104 | 152,004 |
| TOTAL ASSETS | $12,381,059 | $1,387,318 | $461,095 | $381,737 | $14,611,209 |
| LIABILITIES | | | | | |
| Accounts Payable | $356,780 | $0 | $0 | $9,639 | $366,419 |
| State Aid Note Payable | 2,200,000 | 0 | 0 | 0 | 2,200,000 |
| Due to Other Funds | 4,039 | 0 | 0 | 0 | 4,039 |
| Accrued Expenses | 468,254 | 0 | 0 | 1,106 | 469,360 |
| Salaries Payable | 1,844,250 | 0 | 0 | 4,352 | 1,848,602 |
| Deferred Revenue | 2,319,359 | 0 | 0 | 147,669 | 2,467,028 |
| Total Liabilities | $7,192,682 | $0 | $0 | $162,766 | $7,355,448 |
| FUND BALANCES | | | | | |
| Reserved For: | | | | | |
| Inventory | 0 | 0 | 0 | 30,544 | 30,544 |
| Debt Retirement | 0 | 1,387,318 | 461,095 | 0 | 1,848,413 |
| Prepaid Expenses | 150,900 | 0 | 0 | 1,104 | 152,004 |
| Designated for Special Purposes | 3,312,963 | 0 | 0 | 0 | 3,312,963 |
| Unreserved: | | | | | |
| Undesignated, Reported In: | | | | | |
| General Fund | 1,724,514 | 0 | 0 | 0 | 1,724,514 |
| School Service Funds | 0 | 0 | 0 | 187,323 | 187,323 |
| Total Fund Balances | $5,188,377 | $1,387,318 | $461,095 | $218,971 | $7,255,761 |
| TOTAL LIABILITIES AND FUND BALANCES | $12,381,059 | $1,387,318 | $461,095 | $381,737 | $14,611,209 |

See accompanying notes to the basic financial statements.

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DEXTER COMMUNITY SCHOOLS - DEXTER, MICHIGAN
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
AS OF JUNE 30, 2007

| | | |
|---|---|---|
| Total Governmental Fund Balances: | | $7,255,761 |
| Amounts reported for governmental activities in the statement of net assets are different because: | | |
| Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is $120,089,949 and the accumulated depreciation is $29,657,867 | | 90,432,082 |
| Other long-term assets not available to pay current period expenditures; therefore deferred in the funds | | (41,102) |
| Accrued Interest on Long-Term Deb | | (604,643) |
| Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of: | | |
| Bonds Payable | $74,994,260 | |
| Deferred Amount on Refunding | (1,218,655) | |
| Unamortized Premium | 995,873 | |
| School Bond Loan Fund | 15,886,862 | |
| Compensated Absences Payable | 1,252,279 | |
| Total Long-Term Liabilities | | (91,910,619) |
| Accrued self-funded insurance is not included as a liability in governmental activities. | | (123,121) |
| TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES | | $5,008,358 |

DEXTER COMMUNITY SCHOOLS - DEXTER, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2007

| | General Fund | 1998 Debt Fund | 2003 Debt Fund | Other Governmental Funds | Total Governmental Funds |
|---|---|---|---|---|---|
| REVENUES | | | | | |
| Local Sources | $4,875,365 | $5,698,341 | $3,719,253 | $2,372,288 | $16,665,247 |
| State Sources | 25,019,017 | 0 | 0 | 43,689 | 25,062,706 |
| Federal Sources | 701,169 | 0 | 0 | 178,022 | 879,191 |
| Total Revenues | $30,595,551 | $5,698,341 | $3,719,253 | $2,593,999 | $42,607,144 |
| EXPENDITURES | | | | | |
| Current: | | | | | |
| Instruction | 18,121,924 | 0 | 0 | 0 | 18,121,924 |
| Student Services | 3,311,186 | 0 | 0 | 0 | 3,311,186 |
| Instructional Support | 1,986,821 | 0 | 0 | 0 | 1,986,821 |
| General Administration | 520,447 | 0 | 0 | 0 | 520,447 |
| School Administration | 1,715,091 | 0 | 0 | 0 | 1,715,091 |
| Business Administration | 489,463 | 0 | 0 | 0 | 489,463 |
| Operation & Maintenance of Plant | 3,468,639 | 0 | 0 | 0 | 3,468,639 |
| Transportation | 2,300,526 | 0 | 0 | 0 | 2,300,526 |
| Other Support Services | 83,303 | 0 | 0 | 0 | 83,303 |
| Community Services | 141,463 | 0 | 0 | 0 | 141,463 |
| Special Revenue | 0 | 0 | 0 | 3,143,119 | 3,143,119 |
| Debt Service | | | | | |
| Principal | 0 | 1,730,000 | 2,710,000 | 0 | 4,440,000 |
| Interest | 0 | 2,834,025 | 983,260 | 0 | 3,817,285 |
| Other | 0 | 6,844 | 5,386 | 0 | 12,230 |
| Capital Outlay | 0 | 0 | 0 | 1,853 | 1,853 |
| Total Expenditures | $32,138,863 | $4,570,869 | $3,698,646 | $3,144,972 | $43,553,350 |
| Excess (Deficiency) of Revenue (Under) Expenditures | ($1,543,312) | $1,127,472 | $20,607 | ($550,973) | ($946,206) |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Transfers from (to) Other Funds | (577,593) | 0 | 0 | 577,593 | 0 |
| Redemption School Bond Loan | 0 | (986,187) | (716,221) | 0 | (1,702,408) |
| Transfers from Other Govt. Units | 2,984,761 | 0 | 0 | 0 | 2,984,761 |
| Prior Period Adjustments | 301,928 | 0 | 0 | 2,927 | 304,855 |
| Total Other Financing Sources (Uses) | $2,709,096 | ($986,187) | ($716,221) | $580,520 | $1,587,208 |
| Net Change in Fund Balance | $1,165,784 | $141,285 | ($695,614) | $29,547 | $641,002 |
| FUND BALANCE - BEGINNING | 4,022,593 | 1,246,033 | 1,156,709 | 189,424 | 6,614,759 |
| FUND BALANCE - ENDING | $5,188,377 | $1,387,318 | $461,095 | $218,971 | $7,255,761 |

See accompanying notes to the basic financial statements.

DEXTER COMMUNITY SCHOOLS - DEXTER, MICHIGAN
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2007

| | |
|---|---|
| Total net change in fund balances - governmental funds | $641,002 |
| Amounts reported for governmental activities in the statement of activities are different because: | |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation in the current period exceeded capital outlay. | (2,390,106) |
| Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount of repayments reported as expenditures in the governmental funds. | 4,421,000 |
| Net Reduction of Michigan School Bond Loan | 908,075 |
| (Increase) in Compensated Absences | (18,480) |
| Change in accrued interest on long-term liabilities | 31,571 |
| Decrease in taxes and other receivables is recorded in the Statement of Activities when incurred; it is not reported in governmental funds until paid. | (363,308) |
| (Increase) in Accrued self-funded health insurance is recorded in the Statement of Activities when incurred; it is not reported in governmental funds until paid. | (1,054) |
| CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES | $3,228,700 |



DEXTER COMMUNITY SCHOOLS - DEXTER, MICHIGAN
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
AS OF JUNE 30, 2007

| | |
|---|---|
| ASSETS | |
| Cash and Cash Equivalents | $384,348 |
| LIABILITIES | |
| Due to Student Groups | $384,348 |

See accompanying notes to the basic financial statements.

DEXTER COMMUNITY SCHOOLS - DEXTER, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2007

| | Budgeted Amounts | | | |
|---|---|---|---|---|
| | Original | Final | Actual | Variance With Final Budget |
| REVENUES | | | | |
| Local Sources | $5,313,894 | $5,502,217 | $4,875,365 | ($626,852) |
| State Sources | 24,458,465 | 24,504,018 | 25,019,017 | 514,999 |
| Federal Sources | 698,756 | 701,221 | 701,169 | (52) |
| Total Revenues | $30,471,115 | $30,707,456 | $30,595,551 | ($111,905) |
| EXPENDITURES | | | | |
| Current: | | | | |
| Instruction | 18,138,768 | 18,701,574 | 18,121,924 | 579,650 |
| Student Services | 3,505,858 | 3,344,725 | 3,311,186 | 33,539 |
| Instructional Support | 1,964,167 | 2,113,062 | 1,986,821 | 126,241 |
| General Administration | 564,726 | 564,520 | 520,447 | 44,073 |
| School Administration | 1,775,540 | 1,796,520 | 1,715,091 | 81,429 |
| Business Administration | 562,605 | 539,361 | 489,463 | 49,898 |
| Operation & Maintenance of Plant | 3,636,627 | 3,716,547 | 3,468,639 | 247,908 |
| Transportation | 2,401,901 | 2,437,683 | 2,300,526 | 137,157 |
| Other Support Services | 92,152 | 84,581 | 83,303 | 1,278 |
| Community Services | 130,400 | 148,307 | 141,463 | 6,844 |
| Total Expenditures | $32,772,744 | $33,446,880 | $32,138,863 | $1,308,017 |
| Excess of Revenues Over Expenditures | ($2,301,629) | ($2,739,424) | ($1,543,312) | $1,196,112 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers to Other Funds | 2,108,237 | 2,311,870 | 2,709,096 | 397,226 |
| Net Change in Fund Balance | ($193,392) | ($427,554) | $1,165,784 | $1,593,338 |
| FUND BALANCE - BEGINNING | | | 4,022,593 | |
| FUND BALANCE - ENDING | | | $5,188,377 | |

See accompanying notes to the basic financial statements.





DEXTER COMMUNITY SCHOOLS - DEXTER, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

1) REPORTING ENTITY

The basic financial statements of the Dexter Community Schools have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

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

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Dexter Community Schools conform to generally accepted accounting principles as applicable to school districts. The following is a summary of the significant accounting policies:

In June 1999 the Governmental Accounting Standards Board (GASB) issued Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments. Certain of the significant changes in the Statement include the following:

A Management Discussion and Analysis (MD&A) section to provide an analysis of the District's overall financial position and results of operations.

Financial statements prepared with full accrual accounting for all of the District's activities.

- A change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements and notes to the financial statements.

A) BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE STATEMENTS

The District's basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District's major funds). The government-wide financial statements categorize primary activities as either governmental or business type. All of the District's activities are classified as governmental activities. Fiduciary funds are not included in the government-wide financial statements.

In the government-wide Statement of Net Assets, the governmental activities column is presented on a consolidated basis and is reported on a full-accrual economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net assets are reported in three parts: invested in capital assets net of related debt; restricted net assets; and unrestricted net assets. The District first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the District's functions. General government revenues also support the functions. The Statement of Activities reduces gross expenses by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary grants. The net costs by function are normally covered by general revenue (property taxes, state and federal sources, interest income, etc.).

The District does not allocate indirect costs. Inter-fund transactions have been eliminated in the government-wide financial statements.

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B) BASIC FINANCIAL STATEMENTS - FUND FINANCIAL STATEMENTS

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the general-purpose financial statements in this report, into five generic fund types in two broad fund categories as follows:

Governmental Funds

Governmental funds are those funds through which most school district functions typically are financed. The acquisition, use, and balances of the District's expendable financial resources and the related current liabilities are accounted for through governmental funds.

General Fund

The General Fund is used to record the general operations of the District pertaining to education and those operations not provided for in other funds.

Special Revenue Funds

Special Revenue Funds are used to segregate the transactions of particular activities from regular revenue and expenditure accounts. The District maintains full control of these funds. The District maintains three school service funds: Food Service, Athletic and Community Service Funds.

Debt Retirement Fund

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

Capital Projects Fund

Capital Project Funds are used to record bond proceeds or other revenue and the disbursement of monies specifically designated for acquiring new school sites, buildings, equipment, and for remodeling and repairs.

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The District's fiduciary funds consist of agency funds which are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The agency funds are used to account for amount held for student and employee groups.

C) BASIS OF ACCOUNTING/MEASUREMENT FOCUS

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types and expendable trust funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Accrual

Governmental activity in the government-wide financial statements is presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.







2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C) BASIS OF ACCOUNTING/MEASUREMENT FOCUS (Continued)

Modified Accrual

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt is recognized when due.

Those revenues susceptible to accrual are property taxes, state aid, interest revenue, grants and charges for services. Other revenue is recorded when received.

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

D) CASH AND CASH EQUIVALENTS

Cash and cash equivalents include amounts in demand deposits and certificates of deposit.

The District reports its investments in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools and No. 40 Deposits and Investment Risk Disclosures.* Under these standards, certain investments are value at fair value as determined by quoted market prices, or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are value at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the district intends to hold the investment until maturity. Accordingly, investments in banker acceptances and commercial paper are recorded at amortized cost.

State statues authorize the District to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury, certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by no less than two standard rating services and which matures not more than 270 days after the date of purchase. The District is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

E) PREPAID ASSETS

Payments made to vendors for services that will benefit periods beyond June 30, 2007, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

F) INVENTORY

On government-wide financial statements are stated at cost and are expensed when used.

On fund financial statements inventories are stated at cost. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased.

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G) CAPITAL ASSETS

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

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

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

| Description | Governmental Activities Estimated Lives |
|---|---|
| Buildings and Improvements | 20 – 50 years |
| Furniture and Equipment | 5 – 20 years |
| Vehicles and Buses | 5 – 10 years |

H) INTERFUND BALANCES

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

I) COMPENSATED ABSENCES

The School District reports compensated absences in accordance with the provisions of GASB Statement No. 16, “Accounting for Compensated Absences.” Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the School District’s past experience of making termination payments.

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts, if any, are recorded in the account “compensated absences payable” in the fund from which the employees who have accumulated unpaid leave are paid. The noncurrent portion of the liability is not reported. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

J) ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.







2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J) ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS (Continued)

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgements, the noncurrent portion of capital leases, compensated absences, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

K) FUND BALANCE RESERVES

The School District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for inventories.

L) NET ASSETS

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

M) ESTIMATES

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

N) BUDGETARY DATA

The budgetary process is prescribed by provisions of the State of Michigan Budget Act and entails the preparation of budgetary documents within an established timetable. All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control has been established by the Board of Education at the function level. Any budgetary modifications may only be made by resolution of the Board of Education.

The School District follows these procedures in establishing the budgets for the individual funds as reflected in the financial statements.

1) Prior to June 30, the Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1.

2) A public hearing is conducted during June to obtain taxpayer comments.

3) Prior to June 30, the budget is legally enacted through passage of a resolution.

4) For purposes of meeting emergency needs of the School District, transfer of appropriations may be made by the authorization of the Superintendent. Such transfers of appropriations must be approved by the Board of Education at its next regularly scheduled meeting.

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N) BUDGETARY DATA (Continued)

5) The School Superintendent is charged with general supervision of the budget and shall hold the department heads responsible for performance of their responsibilities.

6) During the year the budget is monitored, and amendments to the budget resolution are made when deemed necessary.

3) STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY – BUDGET VIOLATIONS
1968 PA 2 provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the District's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets of the District for these budgetary funds were adopted to the activity level.

4) DEPOSITS AND INVESTMENTS
As of June 30, 2007, the District had the following investments.

| Investment Type | Fair value | Weighted Average Maturity (Years) | Standard & Poor's Rating | % |
|---|---|---|---|---|
| MILAF External Investment Pool - MICMS | $772 | 0.0027 | AAAm | 97.85% |
| MILAF External Investment Pool - MIMAX | 17 | 0.0027 | AAAm | 2.15% |
| Total fair value | $ 789 | | | 100.00% |
| Portfolio weighted average maturity | | 0.0027 | | |

1 day maturity equals 0.0027, one year equals 1.00.

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

**Credit risk**. State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs). As of June 30, 2007, the District's investment in the investment pool was rated AAA by Standards & Poor's and AAA by Moody's Investors Service.

**Concentration of credit risk.** The District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized More than 5% of the District's investments are in pooled investment accounts which represents 100% of the District's total investments.

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DEXTER COMMUNITY SCHOOLS - DEXTER, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

4) DEPOSITS AND INVESTMENTS (Continued)

**Custodial credit risk – deposits.** In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2007, $8,197,855 of the District's bank balance of $9,491,121 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name.

**Custodial credit risk – investments.** For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

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

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

The above amounts as previously report in Note 4:

| | |
|---|---|
| Deposits – Including Fiduciary Funds of $384,348 | $ 9,491,664 |
| Investments | 789 |
| TOTAL | $ 9,492,453 |

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

| | |
|---|---|
| Cash Agency Fund | $ 384,348 |
| Cash – District Wide | 9,107,316 |
| Investments – District Wide | 789 |
| TOTAL | $ 9,492,453 |

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

For the year ended June 30, 2007, the District levied the following amounts per $1,000 of assessed valuation:

| | |
|---|---|
| General Fund – Non-Homestead | 18.000 |
| Debt Funds – Homestead and Non-Homestead | 8.500 |

6) RECEIVABLES
Receivables at June 30, 2007, consist of taxes, accounts (fees), intergovernmental grants and interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

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

| GOVERNMENTAL ACTIVITIES | AMOUNT |
|---|---|
| State Aid | $ 4,110,645 |
| Grants Other | 552,251 |
| DDA/ TIFA Recapture Receivable | 195,076 |
| TOTAL GOVERNMENTAL ACTIVITIES | $ 4,857,972 |

7) UNEMPLOYMENT COMPENSATION
The District is subject to the Michigan Employment Security Act and has elected the reimbursement method of financing. Under this method, the District must reimburse the Employment Commission for all benefits charged against the District for the year. As of June 30, 2007, the School District had $11,108 in estimated claims in conjunction with the program.

8) SHORT-TERM DEBT
The District borrowed $2,200,000 at 3.68% per annum on August 18, 2006 on a State Aid Anticipation Note. The short-term note proceeds were used to meet cash flow needs. The balance as of June 30, 2007 was $2,200,000. The note matures August 20, 2007.

| | BALANCE JULY 1, 2006 | ADDITIONS | DEDUCTIONS | BALANCE JUNE 30, 2007 |
|---|---|---|---|---|
| State Aid Note | $3,000,000 | $2,200,000 | $3,000,000 | $2,200,000 |



9) CAPITAL ASSETS
Capital asset activity for the fiscal year ended June 30, 2007, was as follows:

| | BALANCE JULY 1, 2006 | ADDITIONS | DEDUCTIONS | BALANCE JUNE 30, 2007 |
|---|---|---|---|---|
| GOVERNMENTAL ACTIVITIES | | | | |
| Land | $2,591,902 | $0 | $0 | $2,591,902 |
| Buildings and Improvements | 113,625,402 | 1,700 | 0 | 113,627,102 |
| Equipment and Furniture | 1,601,688 | 17,648 | 0 | 1,619,336 |
| Vehicles | 1,996,203 | 255,406 | 0 | 2,251,609 |
| Totals at Historical Cost | $119,815,195 | $274,754 | $0 | $120,089,949 |
| Less: Accumulated Depreciation | | | | |
| Buildings and Improvements | (25,276,136) | (2,304,074) | 0 | (27,580,210) |
| Equipment and Furniture | (674,991) | (165,594) | 0 | (840,585) |
| Vehicles | (1,041,880) | (195,192) | 0 | (1,237,072) |
| Total Accumulated Depreciation | ($26,993,007) | ($2,664,860) | $0 | ($29,657,867) |
| GOVERNMENTAL ACTIVITIES CAPITAL ASSETS - NET | $92,822,188 | ($2,390,106) | $0 | $90,432,082 |

Depreciation expense, when appropriate, was allocated to governmental functions. Depreciation expense that was not allocated appears on the statement of activities as "unallocated". Depreciation was recorded on the statement of activities as follows:

| | |
|---|---|
| Instruction | $ 1,287,029 |
| Support Services | 1,377,831 |
| TOTAL DEPRECIATION EXPENSE | $ 2,664,860 |





10) LONG-TERM LIABILITIES

A) 1998 SCHOOL BUILDING AND SITE BONDS
On April 20, 1998, Dexter Community Schools issued School Building and Site Bonds, in the amount of $69,600,000, bearing interest at rates varying from 4.70% to 6.25% per annum. The balance of the bonds as of June 30, 2007 was $54,030,000.

B) 2003 REFUNDING BONDS
On March 26, 2003, Dexter Community Schools issued School Building and Site Bonds, in the amount of $30,210,000, bearing interest at rates varying from 2.50% to 5.00% per annum. The balance of the bonds as of June 30, 2007 was $20,680,000.

C) DURANT RESOLUTION PACKAGE BONDS
Dexter Community Schools issued Durant Resolution Bonds on November 24, 1998 in the amount of $481,417 at the interest rate of 4.7613%. The bonds are a legal obligation of the school district but the annual State of Michigan appropriation is the only revenue source for making the annual debt service payments on the bonds. If the legislature fails to appropriate the bonds, the district is under no obligation for payment. The balance at June 30, 2007 was $284,260.

D) MICHIGAN SCHOOL BOND LOAN FUND
The School District has entered into a loan agreement with the Michigan School Bond Loan Fund to borrow monies over a period of years sufficient to extinguish the interest and principal requirements as they become due. The School is required to begin repaying the debt at the point where the School District's State Equalized Valuation times its levy will be in excess of its interest and principal requirements. The loan shall bear interest at the average interest rate computed to the nearest one-eighth of one percent, paid by the State on obligations issued pursuant to Section 16 of Article IX of the State Constitution of 1983. Interest of $794,333 has been assessed for the year ended June 30, 2007, and is included in the amount owing the State at that date. The balance payable at June 30, 2007 was $15,886,862.

E) Debt service requirements at June 30, 2007, were as follows:

| YEAR ENDED JUNE 30, | BONDS | INTEREST | TOTAL |
|---|---|---|---|
| 2008 | $3,865,000 | $3,627,860 | $7,492,860 |
| 2009 | 4,246,792 | 3,441,350 | 7,688,142 |
| 2010 | 4,408,067 | 3,265,224 | 7,673,291 |
| 2011 | 4,439,404 | 3,076,788 | 7,516,192 |
| 2012 | 4,557,728 | 2,931,997 | 7,489,725 |
| 2013-2017 | 20,992,269 | 11,316,861 | 32,309,130 |
| 2018-2022 | 16,735,000 | 6,227,270 | 22,962,270 |
| 2023-2027 | 13,125,000 | 2,674,875 | 15,799,875 |
| 2028 | 2,625,000 | 133,875 | 2,758,875 |
| TOTAL | $74,994,260 | $36,696,100 | $111,690,360 |

10) LONG-TERM LIABILITIES (Continued)

F) CHANGES IN LONG-TERM LIABILITIES

| Governmental Activities: | Balance July 1, 2006 | Additions | Deductions | Balance June 30, 2007 | Amount Due in One Year |
|---|---|---|---|---|---|
| School Bond Loan Fund | $16,794,937 | $794,333 | $1,702,408 | $15,886,862 | $0 |
| Deferred Amount on Refunding | (1,320,655) | 102,000 | 0 | (1,218,655) | (102,000) |
| Unamortized Premium | 1,078,873 | 0 | 83,000 | 995,873 | 83,000 |
| Building & Site Bonds | 79,434,260 | 0 | 4,440,000 | 74,994,260 | 3,865,000 |
| Compensated Absences | 1,233,799 | 18,480 | 0 | 1,252,279 | 0 |
| Total Governmental Activities | $97,221,214 | $914,813 | $6,225,408 | $91,910,619 | $3,846,000 |

The payment dates of sick days payable are undeterminable. The interest expenditures on long-term obligations for the year were $3,817,285.

11) DEFERRED REVENUE

Governmental funds report deferred 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 approximately $1,864,740 in deferred revenue to offset the amounts passed to the District from various taxing authorities for excess capture of DDA and LDFA 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 deferred revenue are as follows:

| | Unavailable | Unearned | Total |
|---|---|---|---|
| Sec. 99C Middle School Math & Science | $31,748 | $0 | $31,748 |
| Sec. 31A At Risk | 11,478 | 0 | 11,478 |
| Due from DDA/TIFA Current Year | 213,267 | 0 | 213,267 |
| Due from State for DDA/TIFA | 195,076 | 0 | 195,076 |
| Future State Aid Adjustment for Prior Year DDA/TIFA Captures | 1,864,740 | 0 | 1,864,740 |
| Fees | 0 | 150,719 | 150,719 |
| TOTAL | $2,316,309 | $150,719 | $2,467,028 |

The District has also recognized $301,928 as a prior period revenue adjustment for the correction of the DDA/TIFA overcapture issue.

12) FUND BALANCE DESIGNATIONS

Portions of fund equity are designated for future specific uses as follows:

| | |
|---|---|
| Health Insurance Claims | $188,393 |
| Supply Carryover | 144,570 |
| Equipment Maintenance | 50,000 |
| Facilities | 700,000 |
| Instruction Equipment | 1,150,000 |
| Retirement/Severance | 660,000 |
| Transportation | 320,000 |
| Technology Equipment | 100,000 |
| TOTAL | $3,312,963 |



DEXTER COMMUNITY SCHOOLS - DEXTER, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

13) INTERFUND BALANCES

Interfund balances at June 30, 2007 consisted of the following:

| DUE TO | DUE FROM Food Service | Community Service | Total |
|---|---|---|---|
| General Fund | $1,181 | $2,858 | $4,039 |

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

14) INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2007, consisted of the following:

| TRANSFERS TO | TRANSFERS FROM General Fund | Food Service | Community Service | Total |
|---|---|---|---|---|
| General Fund | $0 | $141,030 | $76,147 | $217,177 |
| Athletics Fund | 562,593 | 0 | 0 | 562,593 |
| Community Service Fund | 232,177 | 0 | 0 | 232,177 |
| TOTAL | $794,770 | $141,030 | $76,147 | $1,011,947 |

Transfers are made to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

15) DEFINED BENEFIT PENSION PLAN

Plan Description

The School District participates in the Michigan Public School Employees' Retirement System (MPSERS), a statewide, cost-sharing, multiple-employer defined benefit public employee retirement system governed by the State of Michigan that covers substantially all employees of the School District. The MPSERS provides retirement, survivor and disability benefits to plan members and their beneficiaries. The MPSERS issues a publicly available financial report that includes financial statements and required supplementary information for the MPSERS. That report may be obtained by writing to the MPSERS at 7150 Harris Drive, PO Box 30673, Lansing, MI 48909-8103.

Funding Policy

Employer contributions to the MPSERS result from the implementing effects of the School Finance Reform Act. Under these procedures, each school district is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. The pension benefit rate totals 16.34 percent for the period July 1, 2006 through September 30, 2006 and 17.74 percent for the period October 1, 2006 through June 30, 2007 of the covered payroll to the plan. Basic plan members make no contributions, but contribute to a member investment plan (MIP) at rates ranging from 3 percent to 4.3 percent of gross wages. The School District's contributions to the MPSERS pension plan for the years ended June 30, 2007, 2006 and 2005 were approximately $3,677,454, $3,239,000, and $2,755,000, respectively.

15) DEFINED BENEFIT PENSION PLAN (Continued)

Postemployment Benefits

Under the MPSERS Act, all retirees participating in the MPSERS pension plan have the option of continuing health, dental and vision coverage. Retirees having these coverages contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent of the monthly premium amount for the health, dental and vision coverages. Required contributions for postemployment health care benefits are included as part of the School District's total contribution to the MPSERS pension plan discussed above.

16) RISK MANAGEMENT

The District is exposed to various risks of loss in conducting its operations, from property and casualty, theft, damage to various tort and liability claims and workman's compensation claims. The District limits its exposure to such claims through its participation in and payments of 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 pool 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.

17) GOVERNMENTAL REGULATION

Substantially all of the school district's facilities are subject to federal, state and local provisions regulating the discharge of materials into the environment. Compliance with these provisions has not had, nor does the school district expect such compliance to have, any material effect upon the capital expenditures, net revenue in excess of expenditures or financial condition of the school district. Management believes that its current practices and procedures for the control and disposition of such wastes comply with applicable federal and state requirements.

18) CONTINGENCIES AND COMMITMENTS

The District participates in a number of federally assisted grant programs. These programs are subject to program compliance audits. The audits of these programs for and including the year ended June 30, 2007, have been conducted and have been reported in this audit report. However, the compliance audit reports have not yet been accepted by the grantors. 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, to be immaterial.

19) SUBSEQUENT EVENTS

The District borrowed $2,500,000 on a State Aid Anticipated note on August 20, 2007 from the Michigan Municipal Bond Authority at 3.68% interest. The note is due August 20, 2008.





# OTHER SUPPLEMENTAL

# INFORMATION

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DEXTER COMMUNITY SCHOOLS - DEXTER, MICHIGAN
COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
AS OF JUNE 30, 2007

| | Special Revenue Fund | 1998 Construction Fund | Total Other Governmental Funds |
|---|---|---|---|
| ASSETS | | | |
| Cash and Cash Equivalents | $307,923 | $0 | $307,923 |
| Accounts Receivable | 13,263 | 0 | 13,263 |
| Due from Other Funds | 4,039 | 0 | 4,039 |
| Due from Other Governmental Units | 24,864 | 0 | 24,864 |
| Inventory | 30,544 | 0 | 30,544 |
| Prepaid Expenses | 1,104 | 0 | 1,104 |
| TOTAL ASSETS | $381,737 | $0 | $381,737 |
| LIABILITIES | | | |
| Accounts Payable | $9,639 | $0 | $9,639 |
| Accrued Expenses | 1,106 | 0 | 1,106 |
| Salaries Payable | 4,352 | 0 | 4,352 |
| Deferred Revenue | 147,669 | 0 | 147,669 |
| Total Liabilities | $162,766 | $0 | $162,766 |
| FUND BALANCES | | | |
| Reserved For: | | | |
| Inventory | 30,544 | 0 | 30,544 |
| Prepaid Expenses | 1,104 | 0 | 1,104 |
| Unreserved: | | | |
| Undesignated, Reported In: | | | |
| School Service Fund | 187,323 | 0 | 187,323 |
| Total Fund Balances | $218,971 | $0 | $218,971 |
| TOTAL LIABILITIES AND FUND BALANCES | $381,737 | $0 | $381,737 |



DEXTER COMMUNITY SCHOOLS - DEXTER, MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
OTHER GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2007

| | Special Revenue Fund | 1998 Construction Fund | Total Other Governmental Funds |
|---|---|---|---|
| REVENUES | | | |
| Local Sources | $2,372,234 | $54 | $2,372,288 |
| State Sources | 43,689 | 0 | 43,689 |
| Federal Sources | 178,022 | 0 | 178,022 |
| Total Revenues | $2,593,945 | $54 | $2,593,999 |
| OTHER FINANCING SOURCES | | | |
| Transfers from General Fund | 577,593 | 0 | 577,593 |
| Prior Period Adjustments | 2,927 | 0 | 2,927 |
| Total Other Financing Sources | $580,520 | $0 | $580,520 |
| Total Revenues & Other Financing Sources | $3,174,465 | $54 | $3,174,519 |
| EXPENDITURES | | | |
| Special Revenue | 3,143,119 | 0 | 3,143,119 |
| Capital Outlay | 0 | 1,853 | 1,853 |
| Total Expenditures | $3,143,119 | $1,853 | $3,144,972 |
| Net Change in Fund Balance | $31,346 | ($1,799) | $29,547 |
| NET ASSETS - BEGINNING | 187,625 | 1,799 | 189,424 |
| NET ASSETS - ENDING | $218,971 | $0 | $218,971 |

DEXTER COMMUNITY SCHOOLS - DEXTER, MICHIGAN
COMBINING BALANCE SHEET
SPECIAL REVENUE FUND
AS OF JUNE 30, 2007

| | Food Services Fund | Athletic Fund | Community Service Fund | Total |
|---|---|---|---|---|
| ASSETS | | | | |
| Cash and Cash Equivalents | $93,136 | $1,075 | $213,712 | $307,923 |
| Accounts Receivable | 2,640 | 0 | 10,623 | 13,263 |
| Due from Other Funds | 1,181 | 0 | 2,858 | 4,039 |
| Due from Other Governmental Units | 21,262 | 0 | 3,602 | 24,864 |
| Inventory | 30,544 | 0 | 0 | 30,544 |
| Prepaid Expenses | 980 | 0 | 124 | 1,104 |
| TOTAL ASSETS | $149,743 | $1,075 | $230,919 | $381,737 |
| LIABILITIES | | | | |
| Accounts Payable | $398 | $0 | $9,241 | $9,639 |
| Accrued Expenses | 517 | 218 | 371 | 1,106 |
| Salaries Payable | 2,035 | 857 | 1,460 | 4,352 |
| Deferred Revenue | 28,359 | 0 | 119,310 | 147,669 |
| Total Liabilities | $31,309 | $1,075 | $130,382 | $162,766 |
| FUND BALANCES | | | | |
| Fund Balance - Reserved for Inventory | 30,544 | 0 | 0 | 30,544 |
| Fund Balance - Unreserved and Undesignated | 87,890 | 0 | 100,537 | 188,427 |
| Total Fund Balance | $118,434 | $0 | $100,537 | $218,971 |
| TOTAL LIABILITIES AND FUND BALANCES | $149,743 | $1,075 | $230,919 | $381,737 |





DEXTER COMMUNITY SCHOOLS - DEXTER, MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2007

| | Food Services Fund | Athletic Fund | Community Service Fund | Total |
|---|---|---|---|---|
| REVENUES | | | | |
| Local Sources | | | | |
| Cafeteria Sales | $1,386,156 | $0 | $0 | $1,386,156 |
| Athletic Activities | 0 | 155,165 | 0 | 155,165 |
| Earnings on Investments and Deposits | 7,063 | 0 | 9,011 | 16,074 |
| Other Local Revenues | 5,434 | 16,404 | 793,001 | 814,839 |
| Total Local Sources | $1,398,653 | $171,569 | $802,012 | $2,372,234 |
| State Sources | | | | |
| State Reimbursements | 20,494 | 0 | 23,195 | 43,689 |
| Federal Sources | | | | |
| Federal Reimbursements | 129,978 | 0 | 0 | 129,978 |
| Commodities | 48,044 | 0 | 0 | 48,044 |
| Total Federal Sources | $178,022 | $0 | $0 | $178,022 |
| Total Revenues | $1,597,169 | $171,569 | $825,207 | $2,593,945 |
| OTHER FINANCING SOURCES | | | | |
| Transfers from General Fund | 0 | 562,593 | 232,177 | 794,770 |
| Prior Period Adjustments | 0 | 0 | 2,927 | 2,927 |
| Total Other Financing Sources | $0 | $562,593 | $235,104 | $797,697 |
| Total Revenues & Other Financing Sources | $1,597,169 | $734,162 | $1,060,311 | $3,391,642 |
| EXPENDITURES | | | | |
| Salaries - Professional | 96,155 | 86,604 | 198,470 | 381,229 |
| Salaries - Non-Professional | 369,068 | 290,822 | 250,163 | 910,053 |
| Insurances | 90,809 | 29,133 | 47,957 | 167,899 |
| Fica, Retirement, Etc. | 116,203 | 95,319 | 106,287 | 317,809 |
| Other Benefits | 474 | 0 | 0 | 474 |
| Purchased Services | 27,642 | 161,945 | 242,642 | 432,229 |
| Supplies and Materials | 689,953 | 58,710 | 147,100 | 895,763 |
| Capital Outlay | 19,407 | 0 | 1,689 | 21,096 |
| Other | 47 | 11,629 | 4,891 | 16,567 |
| Total Expenditures | $1,409,758 | $734,162 | $999,199 | $3,143,119 |
| OTHER FINANCING USES | | | | |
| Transfers to Other Funds | 141,030 | 0 | 76,147 | 217,177 |
| Total Expenditures and Other Financing Uses | $1,550,788 | $734,162 | $1,075,346 | $3,360,296 |
| EXCESS REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES | $46,381 | $0 | ($15,035) | $31,346 |
| FUND BALANCE - BEGINNING OF YEAR | 72,053 | 0 | 115,572 | 187,625 |
| FUND BALANCE - END OF YEAR | $118,434 | $0 | $100,537 | $218,971 |

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Founded in 1852
by Sidney Davy Miller

MILLER CANFIELD

**Miller, Canfield, Paddock and Stone, P.L.C.**
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September 29, 2008

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 $59,780,000, designated 2008 School Building and Site and Refunding 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 September 29, 2008, payable as to principal and interest as provided in the Bonds, subject to redemption prior to maturity in the manner, at the times and at the prices specified in the Bonds.

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 imposed on individuals and corporations. It should be noted, however, that with respect to corporations (as defined for federal income tax purposes), the interest is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on such corporations. The opinion set forth in clause (a) above is subject to the condition that the Issuer comply with all requirements of the Internal Revenue Code of 1986, as amended (the "Code"), 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 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 and the interest thereon are exempt from all taxation in the State of Michigan except inheritance and estate taxes, taxes on gains realized from the sale, payment or other disposition thereof and, with respect to certain taxpayers, portions of the Michigan Business Tax.

5. 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 paragraphs 3 and 4 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:____________________________________________

Amanda Van Dusen

## FORM OF CONTINUING DISCLOSURE UNDERTAKING

This Continuing Disclosure Undertaking (the "Undertaking") is executed and delivered by the Dexter Community Schools, Counties of Washtenaw and Livingston, State of Michigan (the "School District"), in connection with the issuance of its 2008 School Building and Site and Refunding Bonds (Unlimited Tax General Obligation) (the "Bonds"). The School District 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 School District 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.

"Disclosure Representative" means the Executive Director of Business and Finance of the School District or his or her designee, or such other officer, employee, or agent as the School District shall designate from time to time in writing.

"DisclosureUSA" means the internet-based electronic filing system at www.disclosureusa.org operated by the Municipal Advisory Council of Texas or its successor.

"MSRB" means the Municipal Securities Rulemaking Board.

"NRMSIR" means each nationally recognized municipal securities information repository as designated by the SEC in accordance with the Rule.

"Rule" means Rule 15c2-12 promulgated by the SEC pursuant to the Securities Exchange Act of 1934, as amended.

"SEC" means the United States Securities and Exchange Commission.

"SID" means the appropriate state information depository, if any, for the State of Michigan as designated by the SEC in accordance with the Rule.

(b) *Continuing Disclosure*. The School District hereby agrees, in accordance with the provisions of the Rule, to provide or cause to be provided to each NRMSIR and to the SID for the State of Michigan ("SID"), on or before the 180th day after the end of the fiscal year of the

School District, the following annual financial information and operating data, commencing with the fiscal year ended June 30, 2008:

(1) Updates of the numerical financial information and operating data included in the official statement of the School District relating to the Bonds (the "Official Statement") appearing in the Tables in the Official Statement contained in the headings as described below:

a. Enrollment History - Update for Current Year;
b. History of Valuations – State Equalized Valuation and Taxable Valuation – Update for Current Year;
c. Labor Relations;
d. Retirement Plan;
e. Tax Levies and Collections – Update for Current Year;
f. State Aid Payments - Update for Current Year;
g. School District Tax Rates – Update for Current Year;
h. Largest Taxpayers;
i. Legal Debt Margin;
j. Debt Statement;
k. Direct Debt; and
l. General Fund Budget Summary.

(2) Audited Financial Statements.

Such annual financial information and operating data described above are expected to be provided directly by the School District in the following documents to be filed with each NRMSIR and the SID: the Audited Financial Statements; materials containing the updates described in (b)(1) above; and in subsequent official statements of the School District filed with the MSRB.

If the fiscal year of the School District is changed, the School District shall send notices of such change to each NRMSIR or the MSRB, and to the SID, 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 School District agrees to provide or cause to be provided, in a timely manner, to (i) each NRMSIR or the MSRB and (ii) the SID, notice of a failure by the School District to provide the annual financial information with respect to the School District described in subsection (b) above on or prior to the dates set forth in subsection (b) above.

(d) *Occurrence of Events.* The School District agrees to provide or cause to be provided in a timely manner to (i) each NRMSIR or the MSRB and (ii) the SID, if any, notice of the occurrence of any of the following events listed in (b)(5)(i)(C) of the Rule with respect to the Bonds, if applicable, if material:

(1) principal and interest payment delinquencies
(2) non-payment related defaults
(3) unscheduled draws on debt service reserves reflecting financial difficulties
(4) unscheduled draws on credit enhancements reflecting financial difficulties

(5) substitution of credit or liquidity providers, or their failure to perform
(6) adverse tax opinions or events affecting the tax-exempt status of the security
(7) modifications to rights of security holders
(8) bond calls
(9) defeasances
(10) release, substitution, or sale of property securing repayment of the securities
(11) rating changes

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

(f) *Central Post Office Filing*. Any filing with each NRMSIR and the SID under sections (b), (c), (d) or (i) of this undertaking may be made by transmitting such filing to DisclosureUSA as provided at www.disclosureusa.org unless the SEC withdraws the interpretive advice contained in its letter to the Municipal Advisory Council of Texas dated September 7, 2004.

(g) *Termination of Reporting Obligation*. The obligation of the School District to provide annual financial information and notices of material events, as set forth above, shall be terminated if and when the School District no longer remains an "obligated person" with respect to the Bonds within the meaning of the Rule, including upon legal defeasance of all Bonds.

(h) *Benefit of Bondholders*. The School District agrees that its undertaking pursuant to the Rule set forth in this Section 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 School District's obligations hereunder and any failure by the School District 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 School District, provided that the School District 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 School District 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 School District (such as independent legal counsel), but such interpretations may be changed in the future. If the accounting principles to be followed by the School District 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 School District to meet its obligations. A notice of the change in accounting principles shall be sent (i) to each NRMSIR or the MSRB and (ii) the SID.

IN WITNESS WHEREOF, the School District has caused this Undertaking to be executed by its authorized officer.

DEXTER COMMUNITY SCHOOLS
Counties of Washtenaw and Livingston
State of Michigan

By ___________________________________
Its:

Date: _____________, 2008

FINANCIAL SECURITY ASSURANCE®

# MUNICIPAL BOND INSURANCE POLICY

ISSUER: Policy No.: -N

BONDS: Effective Date:

Premium: $

FINANCIAL SECURITY ASSURANCE INC. ("Financial Security"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of Financial Security, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which Financial Security shall have received Notice of Nonpayment, Financial Security will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by Financial Security, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in Financial Security. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by Financial Security is incomplete, it shall be deemed not to have been received by Financial Security for purposes of the preceding sentence and Financial Security shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, Financial Security shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by Financial Security hereunder. Payment by Financial Security to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of Financial Security under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless Financial Security shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to Financial Security which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

Financial Security may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to Financial Security pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to Financial Security and shall not be deemed received until received by both and (b) all payments required to be made by Financial Security under this Policy may be made directly by Financial Security or by the Insurer's Fiscal Agent on behalf of Financial Security. The Insurer's Fiscal Agent is the agent of Financial Security only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of Financial Security to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, Financial Security agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to Financial Security to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of Financial Security, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, FINANCIAL SECURITY ASSURANCE INC. has caused this Policy to be executed on its behalf by its Authorized Officer.

| | |
|---|---|
| [Countersignature] | FINANCIAL SECURITY ASSURANCE INC. |
| By ______________________ | By ______________________ |
| | Authorized Officer |

A subsidiary of Financial Security Assurance Holdings Ltd. (212) 826-0100
31 West 52nd Street, New York, N.Y. 10019

Form 500NY (5/90)

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