

In the opinion of Miller, Canfield, Paddock and Stone, P.L.C., Bond Counsel, under existing law as presently interpreted (i) the Bonds and the interest thereon are exempt from all taxation in the State of Michigan, except inheritance and estate taxes and taxes on gains realized from the sale, payment or other disposition thereof, (ii) the interest on the Bonds is excluded from gross income for federal income tax purposes to the extent and subject to the conditions described therein, and (iii) interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. See "TAX MATTERS."

NEW ISSUE - Book-Entry-Only

RATINGS:†* S&P: AAA
Moody's: Aaa
BONDS QUALIFIED FOR MICHIGAN
SCHOOL BOND LOAN FUND*

\$30,210,000
DEXTER COMMUNITY SCHOOLS
Counties of Washtenaw and Livingston, State of Michigan
2003 REFUNDING BONDS
(Unlimited Tax General Obligation)

Dated: Date of delivery

Due: May 1, as shown below

The 2003 Refunding Bonds (the "Bonds") were authorized by the Board of Education of Dexter Community Schools, Counties of Washtenaw and Livingston, State of Michigan (the "School District") by a resolution adopted on December 2, 2002 (the "Resolution") for the purpose of refunding portions of two prior bond issues of the School District. 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 their date of delivery for the Michigan School Bond Loan Fund Program pursuant to Act 108, Public Acts of Michigan, 1961, as amended, enacted pursuant to Article IX, Section 16 of the Michigan Constitution of 1963. Under the terms of these 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, then 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."

The Bonds are issuable 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 multiple of \$5,000. Purchasers of beneficial interests in the Bonds (the "Beneficial Owners") will not receive certificates representing their beneficial interest in Bonds purchased. So long as the Bonds are registered in the name of Cede & Co., as nominee of DTC, references in this Official Statement to the Bondholders or registered owners shall mean Cede & Co. and shall not mean the Beneficial Owners of the Bonds. See "THE BONDS -- Book-Entry-Only System."

Principal and interest on the Bonds will be paid by National City Bank of Michigan/Illinois, Troy, 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 the DTC Participants is the responsibility of DTC and disbursement of such payments to the Beneficial Owners is the responsibility of the DTC Participants and Indirect Participants, as more fully described in this Official Statement. Interest will be payable semi-annually on November 1 and May 1 commencing November 1, 2003 to the Bondholders of record as of the applicable record dates.

MATURITY SCHEDULE

Maturity		Interest		Maturity		Interest	
<u>May 1</u>	<u>Amount</u>	<u>Rate</u>	<u>Yield</u>	<u>May 1</u>	<u>Amount</u>	<u>Rate</u>	<u>Yield</u>
2004	\$2,005,000	3.00 %	1.15 %	2013	\$1,885,000	5.00 %	3.70 %
2005	2,355,000	2.25	1.33	2014	780,000	4.00	3.82**
2006	2,460,000	2.50	1.69	2015	1,770,000	5.00	3.94**
2007	2,710,000	3.00	2.10	2016	1,840,000	5.00	4.05**
2008	2,135,000	4.00	2.51	2017	1,000,000	5.00	4.14**
2009	1,620,000	3.25	2.87	2017	660,000	4.00	4.17
2010	1,780,000	3.50	3.20	2018	1,955,000	5.00	4.23**
2011	1,810,000	4.00	3.44	2019	1,000,000	5.00	4.32**
2012	1,790,000	4.00	3.58	2019	655,000	4.20	4.35

** Yield to May 1, 2013 call date

THE BONDS MATURING ON OR AFTER MAY 1, 2014 ARE SUBJECT TO OPTIONAL REDEMPTION BEGINNING MAY 1, 2013 IN THE MANNER AND AT THE TIMES DESCRIBED IN THIS OFFICIAL STATEMENT. See "THE BONDS -- Optional Redemption."

The Bonds will be offered when, as and if issued by the School District and accepted by the Underwriters subject to receipt of the approving legal opinion of Miller, Canfield, Paddock and Stone, P.L.C., Detroit, Michigan, Bond Counsel, and certain other conditions.

Certain legal matters will be passed upon for the Underwriters by Howard & Howard Attorneys, P.C., Lansing, Michigan.

It is expected that the Bonds will be available for delivery through DTC on or about March 26, 2003.

UBS PaineWebber Inc.

A.G. Edwards & Sons, Inc.

Edward D. Jones & Co., L.P.

The date of this Official Statement is March 10, 2003

† See "RATINGS" herein.

* As of date of delivery.

No dealer, broker, salesman 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 in this Official Statement are subject to completion and amendment. These securities may not be sold nor may an offer to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this 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 in this Official Statement has been obtained from the School District and other sources believed to be reliable. Information under the section captioned "UNDERWRITING" was obtained from the Underwriters.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities 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").

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

DEXTER COMMUNITY SCHOOLS
Counties of Washtenaw and Livingston, State of Michigan
7714 Ann Arbor St.
Dexter, Michigan 48130
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BOARD OF EDUCATION

PRESIDENT

Ron Miller
Term Expires 2004

VICE PRESIDENT

Jane Hoggard
Term Expires 2005

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Richard Lundy
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Term Expires 2004

Jean Christian
Term Expires 2003

Richard Darr
Term Expires 2006

SUPERINTENDENT

Bill L. Spargur

EXECUTIVE DIRECTOR OF FINANCE AND BUSINESS

Sharon Raschke

PROFESSIONAL SERVICES

SENIOR UNDERWRITER..... UBS PaineWebber Inc.
TRANSFER AGENT..... National City Bank of Michigan/Illinois
BOND COUNSEL..... Miller, Canfield, Paddock and Stone, P.L.C.
FINANCIAL CONSULTANT Erickson, Umbaugh & Associates, LLC

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OFFICIAL STATEMENT
relating to

\$30,210,000
DEXTER COMMUNITY SCHOOLS
Counties of Washtenaw and Livingston, State of Michigan
2003 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 2003 Refunding Bonds (Unlimited Tax General Obligation) (the "Bonds").

PURPOSE AND SECURITY

The Bonds are being issued for the purpose of (i) refunding the School District's 1992 Refunding Bonds dated August 20, 1992 which are due and payable on May 1 in the years 2004 and 2005 and the School District's 1993 School Building and Site and Refunding Bonds dated November 1, 1993 which are due and payable on May 1 in the years 2004 through 2008, inclusive, 2014, 2017 and 2019 (collectively, the "Prior Bonds") and (ii) paying the costs of issuing the Bonds.

The Bonds will be issued by the School District pursuant to the provisions of Act 34, Public Acts of Michigan 2001, as amended, Act 451, Public Acts of Michigan, 1976, as amended, and a resolution adopted by the Board of Education of the School District on December 2, 2002 (the "Resolution").

The Bonds are a full faith and credit unlimited tax general obligation of the School District and the principal thereof and interest thereon will be payable from the proceeds of ad valorem taxes levied on all taxable property in the School District without limitation as to rate or amount. On the date of delivery, the Bonds will be fully qualified for participation in the State of Michigan School Bond Loan Fund. See "QUALIFICATION BY THE STATE OF MICHIGAN" and "APPENDIX A - State Qualification" in this Official Statement.

REFUNDING PLAN

A portion of the Bond proceeds, together with other available funds, will be used to establish an Escrow Fund to provide for payment of principal of and interest and redemption

premiums on the Prior Bonds (the "Escrow Fund"). The Escrow Fund will consist 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 "Government Obligations"). The Escrow Fund will be held by an escrow agent pursuant to an Escrow Agreement which irrevocably directs the escrow agent to make all payments of the principal of and interest and redemption premiums on the Prior Bonds on May 1, 2003, their first call date. The Escrow Fund will be established so that any cash and the principal and interest payments received on the Government Obligations will be sufficient, without reinvestment (except as provided in the Escrow Agreement), to pay the principal of and interest and redemption premiums on the Prior Bonds on May 1, 2003.

VERIFICATION OF ARITHMETICAL AND MATHEMATICAL COMPUTATIONS

The arithmetical computations of the adequacy of the principal of and interest on the obligations to be purchased with the proceeds of the Bonds and other available funds to pay the principal of and interest and redemption premiums on the Prior Bonds payable on May 1, 2003 have been verified by McGladrey & Pullen, LLP, Kansas City, Missouri, based upon information supplied by the School District and UBS PaineWebber Inc.

ESTIMATED SOURCES AND USES OF FUNDS

ESTIMATED SOURCES

Par amount of Bonds	\$30,210,000.00
Less original issue discount	(23,205.05)
Plus original issue premium	1,351,078.10
Contributions from Prior Bonds Debt Retirement Funds	<u>838,781.25</u>
Total Sources:	\$32,376,654.30

ESTIMATED USES

Deposit to Escrow Fund	\$32,158,385.71
Costs of issuance*	<u>218,268.59</u>
Total Uses:	\$32,376,654.30

* Includes Underwriters' discount.

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 of this Official Statement and may be purchased in denominations of \$5,000 or any integral multiple of \$5,000. The Bonds will be dated and bear interest from their date of delivery. Interest on the Bonds will be payable semi-annually on November 1 and May 1 prior to maturity

or redemption commencing November 1, 2003. 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.

National City Bank of Michigan/Illinois, Troy, Michigan or its successor will serve as the transfer agent (the "Transfer Agent") and also as bond registrar and paying agent. 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 mailed by the Transfer Agent to the person or entity who or which is, as of the 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 of this Official Statement. 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 DTC Participants, Indirect Participants (both as defined below) or the persons for which they act as nominees with respect to the Bonds, or for payment of any principal of or interest on the Bonds.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered bonds 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 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 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, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, GSCC, MBSCC, 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.

Purchases of the 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 interest 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 DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the 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 security 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 an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to 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).

Redemption proceeds, distribution, and dividend payments 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 Participant's accounts upon DTC's receipt of funds and corresponding detail information from the Transfer Agent, on payable dates 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, the School District or the Transfer Agent, subject to any statutory or regulatory requirements as may be in effect from time to time. Payments of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the 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 the 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 transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered.

The information in this section concerning DTC and DTC's book-entry system has been obtained from DTC, and the School District takes no responsibility for the accuracy thereof.

Transfer Outside Book-Entry-Only System

In the event that the book-entry-only system is discontinued, the following provisions would apply to the Bonds. The Transfer Agent shall keep the registration books for the Bonds (the "Bond Register") at its corporate trust office. Subject to the further conditions contained in the Resolution, the Bonds may be transferred or exchanged for one or more Bonds in different authorized denominations upon surrender thereof at the corporate trust office of the Transfer Agent by the registered owners or their duly authorized attorneys; upon surrender of any Bonds to be transferred or exchanged, the Transfer Agent shall record the transfer or exchange in the Bond Register and shall authenticate replacement bonds in authorized denominations; during the 15 days immediately preceding the date of mailing (the "Record Date") of any notice of redemption or any time following the mailing of any notice of redemption, the Transfer Agent shall not be required to effect or register any transfer or exchange of any Bond which has been selected for such redemption, except the Bonds properly surrendered for partial redemption may

be exchanged for new Bonds in authorized denominations equal in the aggregate to the unredeemed portion; the School District and 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 Bonds in multiples of \$5,000, maturing on or after May 1, 2014, are subject to redemption prior to maturity at the option of the School District in such order as the School District may determine, by lot within any maturity, on any date occurring on or after May 1, 2013, at par and accrued interest to the date fixed for redemption.

Notice of Redemption and Manner of Selection

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

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

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

QUALIFICATION BY THE STATE OF MICHIGAN

The Bonds will be fully qualified as of the date of delivery pursuant to Act 108 of the Public Acts of Michigan, 1961, as amended, enacted pursuant to Article IX, Section 16, of the Michigan Constitution of 1963. Under the terms of such 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 Bond Loan Fund (the "School Bond Loan Fund") established by the State, an amount sufficient to enable the School District to make the payment. Article IX, Section 16 of the State Constitution as implemented by Act 112 of the Public Acts of Michigan, 1961, as amended, authorizes the State, without approval of its electors, to borrow from time to time such amounts as shall be required, to pledge the State's full faith and credit and to issue its notes or bonds, for the purpose of making loans to school districts as provided under such section. Loans to school districts for such purposes are made from the proceeds of such State borrowing. See also "APPENDIX A - State Qualification."

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 Department of Management and Budget are available upon request from the Department of Management and Budget, Office of Financial Management, P.O. Box 30026, Lansing, Michigan 48909, telephone (517) 373-1011. 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 School Bond Loan Fund 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%. The Michigan Legislature by statute has provided that property shall be assessed at 50% of its true cash value. 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 1994, 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, multiplied by the lesser of the net percentage change in the property's SEV, or 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.

This constitutional amendment and the implementing legislation base the Taxable Value of existing property for the year 1995 on the SEV of that property in 1994 and for the years 1996 and thereafter on the Taxable Value of the property in the preceding year. 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, the local board of review and ultimately to the Michigan Tax Tribunal.

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

Property that is exempt from property taxes, e.g., churches, government property, and public schools, is not included in the SEV and Taxable Value data in this Official Statement. Property granted tax abatements under either Act 198, Public Acts of Michigan, 1974, as amended ("Act 198"), or Act 255, Public Acts of Michigan, 1978, as amended ("Act 255"), is recorded on separate tax rolls while subject to tax abatement. The valuation of tax abated property is based upon SEV but is not included in either the SEV or Taxable Value data in the Official Statement except as noted.

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

The Resolution and State law obligate the School District to levy a tax in an amount sufficient so that the estimated collections from such taxes, together with amounts, if any, to be borrowed from the School Bond Loan 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 for the next year or, for the Bonds, could compel the School District to make application to borrow the necessary funds from the School Bond Loan Fund and thus prevent a default. However, in the event that the principal of or interest on any Bond is not paid when due or upon proper presentation of the Bond to the agent or officer charged with making payment of such principal and interest (irrespective of whether an application by the School District to the State for a loan to pay such principal or interest has been made or approved), the State Treasurer shall promptly pay such principal or interest upon presentation of the Bond to him. 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 so paid by the State Treasurer shall be deemed a loan made to the School District pursuant to the requirements of 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 owners of the Bonds and the enforceability of the Bonds are subject to bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and other similar laws affecting creditors' rights now existing or later enacted and their enforcement also may be subject to the exercise of judicial discretion in appropriate cases. See also "APPENDIX A - State Qualification" for the excerpt from the State Constitution and for the statute creating the School Bond Loan Fund and the related opinions of the Attorney General of the State of Michigan.

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 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 2002/2003 ranging from \$6,700 to \$8,000 per pupil, depending 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) (reduced to five mills in 2003 only), 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 in order for the district to receive its per pupil foundation grant. 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 towards the foundation allowance. Furthermore, districts whose per pupil effective foundation allowance in 2002/2003 calculates to an amount in excess of \$8,000 are authorized to levy a supplemental property tax in excess of the 18 mills necessary to hold themselves harmless and to obtain the foundation allowance. The supplemental millage is levied first on homestead property until millage levied on all property is 18 mills and then levied on all property uniformly. The School District's foundation allowance does not exceed \$8,000 and the School District does not levy such supplemental millage.

Due to insufficient funds to support the enacted State School Aid budget, the State Budget Director has notified the State Legislature and school districts that for the remainder of fiscal year 2003 state aid payments to school districts will be reduced pro-rata beginning with the March 2003 payment, unless the State Legislature appropriates additional funds to avert the reduction. The School District's pro-rata reduction is estimated to be \$176,663 or \$52.33 per

pupil. The State Budget Director has also indicated that projected state aid payments for fiscal year 2004 may be reduced based on current revenue forecasts.

THE SOURCES OF SCHOOL DISTRICTS' OPERATING REVENUE DO NOT IMPACT THE TAXING AUTHORITY OF A 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 BY THIS OFFICIAL STATEMENT.

LITIGATION

To the knowledge of the appropriate officials of the School District, no litigation or administrative action or proceeding is pending or threatened restraining or enjoining, or seeking to restrain or enjoin, the issuance and delivery of the Bonds, or questioning or contesting the validity of the Bonds or the proceedings or authorities under which they are authorized to be issued, sold, executed and delivered. A certificate to such effect will be delivered to the 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, based on its examination of the documents described in its opinion, under existing law as presently interpreted, the interest on the Bonds (a) is excluded 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), such 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 is subject to the condition that the School District comply with all requirements of the Internal Revenue Code of 1986, as amended, and all rules and regulations promulgated thereafter (the "Code"), that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be (or continue to be) excluded from gross income for federal income tax purposes. These requirements may include rebating certain earnings to the United States. Failure to comply with any of such requirements could cause the interest on the Bonds to be so included in gross income retroactive to the date of issuance of the Bonds. The School District has covenanted to comply with all such requirements. Bond Counsel will express no opinion regarding other federal tax consequences arising with respect to the Bonds and interest thereon.

Bond Counsel is further of the opinion that under existing law as presently interpreted, the Bonds and the interest thereon are exempt from all taxation provided by the laws of the State of Michigan except inheritance and estate taxes and taxes on gains realized from the sale, payment or other disposition thereof.

Additional federal tax consequences relative to the Bonds and interest thereon include the following matters. The following is a general description of some of these consequences, but is

not intended to be complete or exhaustive, and investors should consult their tax advisors with respect to these matters. For federal income tax purposes: (a) tax-exempt interest, including interest on the Bonds, is included in the calculation of modified adjusted gross income required to determine the taxability of social security or railroad retirement benefits; (b) the receipt of tax-exempt interest, including interest on the Bonds, by life insurance companies may affect the federal income tax liabilities of such companies; (c) the amount of certain loss deductions otherwise allowable to property and casualty insurance companies will be reduced (in certain instances below zero) by 15% of, among other things, tax-exempt interest, including interest on the Bonds; (d) interest incurred or continued to purchase or carry the Bonds may not be deducted in determining federal income tax; (e) commercial banks, thrift institutions and other financial institutions may not deduct their costs of carrying certain obligations (except “qualified tax-exempt obligations”); (f) interest on the Bonds will be included in effectively connected earnings and profits for purposes of computing the branch profits tax on certain foreign corporations doing business in the United States; (g) passive investment income, including interest on the Bonds, may be subject to federal income taxation for Subchapter S Corporations that have Subchapter C earnings and profits at the close of the taxable year if greater than 25% of the gross receipts of such Subchapter S Corporation is passive investment income; and (h) the receipt or accrual of interest on the Bonds may cause disallowance of the earned income credit under Section 32 of the Code. The Bonds are not “qualified tax-exempt obligations” for purposes of (e) above.

Amortizable Bond Premium

For federal income tax purposes, if the initial offering price of a Bond as shown on the cover of this Official Statement is greater than the stated redemption price at maturity, or if the yield shown on the cover is less than the coupon rate shown (such Bonds are hereinafter referred to as “Premium Bonds”), then the difference between a purchaser’s cost basis of the Premium Bonds and the amounts payable on the Premium Bonds (other than the payment of the stated interest thereon) constitutes an amortizable bond premium. Such amortizable bond premium is not deductible from gross income, but is treated for federal income tax purposes as an offset to the amount of stated tax-exempt interest paid on the Premium Bonds, and is taken into account by certain corporations in determining adjusted current earnings for the purpose of computing the alternative minimum tax, which may also affect liability for the branch profits tax imposed by Section 884 of the Code.

In general, the amount of amortizable bond premium allocated to each “accrual period” is the excess of the stated interest on a Premium Bond allocable to such accrual period over the product of the bond purchaser’s adjusted acquisition price at the beginning of the accrual period multiplied by the discount rate that, when used in computing the present value of all remaining payments to be made on such Premium Bond (including stated interest) produces an amount equal to the holder’s basis in the Premium Bonds. For purposes of this calculation, the adjusted acquisition price at the beginning of any accrual period is equal to the purchaser’s original basis in the Premium Bond decreased by (i) the amount of bond premium amortized in prior accrual periods and (ii) the amount of any payments previously made on the Premium Bond other than payments of stated interest on such Premium Bond.

The amount of amortizable bond premium allocable to each taxable year is deducted from the bond purchaser's adjusted basis on such Premium Bonds to determine taxable gain upon disposition (including sale, redemption or payment at maturity) of such bonds.

Original Issue Discount

If the initial public offering price of a Bond is less than the stated redemption price at maturity (hereinafter referred to as an "OID Bond"), then in the opinion of Bond Counsel, under existing law as presently interpreted, for United States federal income tax purposes, each OID Bond will be considered to have an "original issue discount" equal to the difference between its original issue price and the amount payable upon its maturity. The original issue price of each OID Bond will be the initial offering price to the public at which a substantial amount of OID Bonds are sold, and the issue date will be the date on which an OID Bond is first issued to the public.

In the opinion of Bond Counsel, under existing law as presently interpreted, the original issue discount on an OID Bond accrued in the hands of a registered owner is treated for federal income tax purposes as tax-exempt interest as described below. The registered owner's basis for determining gain or loss on a sale, maturity or other disposition of an OID Bond generally will equal the registered owner's cost, increased by any original issue discount that accrued while the owner held the OID Bond as described below. Generally, any gain or loss incurred by a U.S. registered owner on the sale, exchange or payment at maturity of an OID Bond (based on the registered owner's basis) would be taxable as capital gain or loss (assuming the OID Bond is held as a capital asset), which would be long-term or short-term depending on whether the OID Bond was held for more than the applicable period for treatment of long-term capital gain.

Subject to the modification described in the next paragraph for certain subsequent registered owners, the original issue discount accrued in each "accrual period" will equal the original issue price of the OID Bond (increased by the amount of the original issue discount accrued in all prior accrual periods without regard to the modifications discussed in the next paragraph) multiplied by the yield to the maturity of the OID Bond (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) less the interest payable on such OID Bond during such accrual period. For purposes of this paragraph "accrual period" means a six-month period (or shorter period from the date of original issue of the OID Bond) which ends on a day in the calendar year corresponding to the maturity date of the OID Bond or the date six months before such maturity date. The original issue discount so accrued in a particular accrual period will then be considered to accrue ratably on each day of the accrual period.

A modification of the foregoing rules will generally apply to a registered owner who acquired an OID Bond by "purchase" if the cost of the OID Bond to that purchaser exceeds the sum of (a) the original issue price of the OID Bond and (b) the total original issue discount accrued under the rules of the preceding paragraph during the entire period prior to the registered owner's purchase of the OID Bond. In that case, the amount of the original issue discount considered to accrue in an accrual period will equal (i) the amount determined under the rules of the preceding paragraph reduced by (ii) the portion of such excess purchase price allocable to the days beginning on the date of such purchase and ending on the stated maturity date of the OID Bond. Such excess would be allocated so as to equal a constant percentage of the original issue

discount accrued on each such day in the remaining period to maturity as described above. For this purpose, a "purchase" is any acquisition of an OID Bond other than one in which the registered owner's basis in such OID Bond is determined by reference to the basis of the OID Bond in the hands of the person from whom acquired (such as a gift).

Market Discount

Pursuant to amendments made to the Code by the Omnibus Budget Reconciliation Act of 1993, 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.

Future Developments

NO ASSURANCE CAN BE GIVEN THAT ANY FUTURE LEGISLATION OR CLARIFICATIONS OR AMENDMENTS TO THE CODE, IF ENACTED INTO LAW, WILL NOT CONTAIN PROPOSALS WHICH COULD CAUSE THE INTEREST ON THE BONDS TO BE SUBJECT DIRECTLY OR INDIRECTLY TO FEDERAL OR STATE OF MICHIGAN INCOME TAXATION, ADVERSELY AFFECT THE MARKET PRICE OR MARKETABILITY OF THE BONDS, OR OTHERWISE PREVENT BONDHOLDERS FROM REALIZING THE FULL CURRENT BENEFIT OF THE STATUS OF THE INTEREST THEREON. 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.

APPROVAL OF LEGAL PROCEEDINGS

Legal matters incident to the authorization, issuance and sale by the School District of the Bonds and with regard to the tax-exempt status of the Bonds are subject to the approving opinion of Miller, Canfield, Paddock and Stone, P.L.C., Detroit, Michigan, Bond Counsel. 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.

Certain legal matters will be passed upon for the Underwriters by their counsel, Howard & Howard Attorneys, P.C., Lansing, Michigan.

RATINGS

The School District has been advised by Moody's Investors Service, Inc. ("Moody's") and Standard & Poor's Ratings Services ("S&P") that they will assign, as of the date of delivery of the Bonds, their municipal bond ratings as shown on the cover of this Official Statement with the understanding that the Bonds, when issued, will be qualified by the State of Michigan for participation in the School Bond Loan Fund (see "QUALIFICATION BY THE STATE OF MICHIGAN" herein).

Moody's and S&P will also assign, as of the date of delivery, their underlying municipal bond ratings of "A3" and "A-," respectively, to the Bonds without regard to qualification for the School Bond Loan Fund.

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 here. Generally, rating agencies base their ratings on such information and materials, and on investigations, studies and assumptions by the rating agencies. 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/or S&P if, in their judgment, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Bonds. Any ratings assigned represent only the views of Moody's or S&P, respectively.

A brief description of the Moody's and S&P rating definitions reads as follows:

Moody's Investors Service, Inc.

Bonds which are rated "Aaa" are judged to be of the best quality. They carry the smallest degree of investment risk and are generally referred to as "gilt edge." Interest payments are protected by a large or by an exceptionally stable margin and principal is secure. While the various protective elements are likely to change, such changes as can be visualized are most unlikely to impair the fundamentally strong position of such issues.

Bonds which are rated "Aa" are judged to be of a high quality by all standards. Together with the "Aaa" group, they comprise what are generally known as high grade bonds. They are rated lower than the best bonds because margins of protection may not be as large as in "Aaa" securities or fluctuation of protective elements may be of great amplitude or there may be other elements present which make the long-term risks appear somewhat larger than in the "Aaa" securities.

Bonds which are rated "A" possess many favorable investment attributes and are to be considered as upper medium grade obligations. Factors giving security to principal and interest are considered adequate, but elements may be present which suggest a susceptibility to impairment some time in the future.

General Note: Those bonds in the "Aa" and "A" groups which Moody's believes possess the strongest investment attributes are designated by the symbols "Aa1" and "A1." Under the expanded rating scale adopted by Moody's on January 7, 1997, the numerical rating modifiers 2 and 3 have been added for long-term debt. The numerical modifier 2 indicates that the security is in the mid-range of its category, while the modifier 3 indicates that the issue is in the lower end of its generic category. A triple-A (Aaa) rating will have no numerical modifier; it remains Moody's highest bond rating.

Standard & Poor's Ratings Services

Bonds rated "AAA" have the highest rating assigned. Capacity to pay interest and repay principal is extremely strong.

Bonds rated "AA" qualify as high quality debt obligations. Capacity to pay principal and interest is very strong, and in the majority of instances they differ from "AAA" issues only in a small degree.

Bonds rated "A" have a strong capacity to pay principal and interest, although they are somewhat more susceptible to the adverse effects of change in circumstances and economic conditions.

Plus (+) or Minus (-): To provide more detailed indications of credit quality, the ratings from "AA" to "A" may be modified by the addition of a plus or minus sign to show relative standing within the major rating categories.

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 Beneficial Owners 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 E - FORM OF CONTINUING DISCLOSURE UNDERTAKING." In addition to the annual audited financial statements of the School District, the financial information and operating data will include updates to (and be substantially in the same form as) the tables (and such of the other information as the School District deems relevant) contained under the headings "Enrollments," "Labor Relations," "Retirement Plan," "Property Valuations – History of State Equalized Valuations and Taxable Valuations," "Tax Levies and Collections," "School District Tax Rates (per \$1,000 of Valuation)," "State Aid Payments," "Largest Taxpayers" and "Debt Statements as of Date of Sale – DIRECT DEBT" in Appendix B and the General Fund Budget Summary in Appendix C 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 authorizing issuance of the Bonds and holders of the Bonds or Beneficial Owners are limited to the remedies described in the Undertaking. A failure by the School District to comply with the Undertaking must be reported in accordance with the Rule

and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Bonds and their market price. The School District has not, in the previous five years, failed to comply, in any material respect, with any previous continuing disclosure undertaking under the Rule.

UNDERWRITING

UBS PaineWebber Inc. and the other securities firms listed on the cover hereof (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 the Bonds for the purchase price as set forth in such Bond Purchase Agreement. The aggregate underwriting discount equals 0.349% of the original principal amount of the Bonds. The offering prices or yields may be changed from time to time by the Underwriters.

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 (a) the status of the Bonds or the interest on the Bonds as exempt from taxation in the State of Michigan (except estate and inheritance taxes and taxes on gains realized from the sale, payment or other disposition of the Bonds) or (b) the exclusion of interest on the Bonds 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

Erickson, Umbaugh & Associates, LLC, Lansing, Michigan (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

Further information concerning the Bonds may be secured from Erickson, Umbaugh & Associates, LLC, 4710 West Saginaw Highway, Suite 1, Lansing, Michigan 48917, telephone (517) 321-0110, Financial Advisor to the School District, or from the office of the School District's Executive Director of Finance and Business, 7714 Ann Arbor St., Dexter, Michigan 48130, telephone (734) 424-4100.

OTHER MATTERS

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

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

DEXTER COMMUNITY SCHOOLS
Counties of Washtenaw and Livingston
State of Michigan

By: /s/ Bill L. Spargur

Its: Superintendent

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**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 108, PUBLIC ACTS OF MICHIGAN, 1961, AS AMENDED
State Loans to School Districts
Act 108, 1961, as amended
(and revised to reflect Executive Order 1993-10)**

AN ACT to provide for loans by the state of Michigan to school districts for the payment of principal and interest upon school bonds; to prescribe the terms and conditions of the loans and the conditions upon which levies for bond principal and interest shall be included in computing the amount to be so loaned by the state; to prescribe the powers and duties of the superintendent of public instruction and the state treasurer in relation to such loans; to provide for the repayment of such loans; to provide incentives for repayment of such loans; to provide for other matters in respect to such loans; and to make an appropriation.

The People of the State of Michigan enact:

Sec. 1. The purpose of this act is to implement section 16 of article 9 of the 1963 Michigan constitution, hereinafter referred to as section 16.

Sec. 2. (1) If the minimum amount which it 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 or the computed millage under subsection (2), whichever is less, on each dollar of its assessed valuation as last equalized by the state, then the school district may elect to borrow all or any part of the excess from the state. In that event the state shall loan the excess amount to the school district for the payment of principal and interest. For bond issues sold before October 1, 1991 or bond issues sold exclusively to refund qualified bond issues sold before October 1, 1991, schools shall be allowed to borrow at least the percentage over 7 mills allowed them in the 1990-91 fiscal year. The school district shall levy not less than 12 mills or its equivalent for operating purposes.

(2) The computed millage referred to in subsection (1) is the number of mills as computed by the state treasurer that the school district would have to levy in the year the computation is made and each succeeding year to be able to pay the principal and interest on all of its qualified bonds and loans made to the school district under this act, taking into account loans made to the school district under this act for debt service, by not later than 60 months after the final maturity date of all of its qualified bonds outstanding as of the date of the computation, but shall be not less than 7 mills. The state treasurer shall make the computation based on the following assumptions:

- (a) An assumed interest rate on loans made under this act equal to the average interest rate on school bond loan fund notes and bonds over the immediately preceding 5-year period.
- (b) A projected total state equalized valuation for the school district that assumes a state equalized valuation growth rate or decline rate equal to the school district's average yearly state equalized valuation growth rate or decline rate over the immediately preceding 5-year period.

(3) Upon request made by a school district before June 1 of any year, the state treasurer annually may issue an order waiving all or a portion of the millage required to be levied by a school district to pay principal and interest on its qualified bonds pursuant to subsection (1) if they find all of the following:

- (a) The school board of the school district has applied to the department of treasury for permission to levy less than the millage required to be levied to pay the principal and interest on its qualified bonds pursuant to 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 the state or to 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 under subsection (1) to less than 7 mills.
- (e) The school board, by resolution, has agreed to comply with all conditions that the state treasurer considers are necessary.

Sec. 3. (1) As used in this act, "qualified bonds" means general obligation bonds of school districts issued for capital expenditures, including refunding bonds, issued as follows:

- (a) Before May 4, 1955.
- (b) On or after May 4, 1955 but before January 1, 1964, only if, and to the extent that, the bonds have been qualified pursuant to section 27 or 28 of article X of the state constitution of 1908 and implementing acts.
- (c) On or after January 1, 1964, if the bonds are qualified pursuant to section 16 of article IX of the state constitution of 1963 and this act.

(2) All actions heretofore taken by the superintendent of public instruction in qualifying bonds pursuant to sections 27 and 28 of article X of the state constitution of 1908 and implementing acts, are validated and all certificates of qualification heretofore or hereafter issued by the superintendent are conclusive as to the existence of facts entitling the bonds to be qualified as provided in the certificates and as to the qualification and shall not be subject to attack in any proceeding. Any certificate of qualification issued before January 1, 1964, qualifying bonds pursuant to section 28 of article X of the state constitution of 1908, and the act implementing that section, shall constitute qualification pursuant to section 16 of article IX of the state constitution of 1963 and this act, for any bonds sold or delivered to the purchaser of the bonds on or after January 1, 1964. Any bonds issued between May 4, 1955 and before January 1, 1964, that were partially qualified shall be considered to be 100% qualified bonds if they would be 100% qualifiable under this act.

(3) Bonds issued for a purpose described in section 1274a of the school code of 1976, Act No. 451 of the Public Acts of 1976, being section 380.1274a of the Michigan Compiled Laws, shall be considered general obligation bonds of school districts issued for capital expenditures.

Sec. 3a. For the purposes of this act, interest on qualified bonds includes the amount required for the 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.

Sec. 4. (1) The state treasurer shall issue his or her certificate qualifying an issue of bonds, upon application for a certificate being made by the school district, if the state treasurer finds the following:

(a) That the last maturity date of the issue of bonds is not less than 10 years from the issuance date appearing on the bonds subject to the following qualifications and exceptions:

(i) Except for bonds issued for a purpose described in section 1274a of the school code of 1976, Act No. 451 of the Public Acts of 1976, being section 380.1274a of the Michigan Compiled Laws, or as otherwise provided in this subparagraph, if the ratio of debt to valuation of the school district exceeds 4%, the last maturity date of the issue of bonds shall be not less than 15 years from the issuance date appearing on the bonds; if the ratio of debt to valuation of the school district exceeds 7%, the last maturity date of the issue of bonds shall be not less than 25 years from the issuance date appearing on the bonds; or if the ratio of debt to valuation of the school district exceeds 12%, the last maturity date of the issue of bonds shall be not less than 29 years from the issuance date appearing on the bonds. Regardless of the ratio of debt to valuation of a school district, the state treasurer may authorize the last maturity date of an issue of bonds of that school district to be not less than 10 years from the issuance date appearing on the bonds if the state treasurer determines it is financially beneficial to the state or to the school district. As used in this section, "ratio of debt to valuation" means that ratio arrived at by dividing the total tax supported bonded indebtedness of the school district outstanding as of the date of the filing of the application required by this act, including the bonds proposed to be qualified, by the assessed valuation of the school district as last equalized by the state. The refunding part of any proposed issue of bonds shall not be included in the total indebtedness of the school district for the purposes of this section.

(ii) If the bonds are issued for a purpose described in section 1274a of Act No. 451 of the Public Acts of 1976, the last maturity of the issue of bonds may be less than 10 years from the issuance date appearing on the bonds but not less than the number of years approved by the state treasurer in the certificate of qualification. The certificate of qualification of the state treasurer shall contain a certification and approval that the bonds are issued for such a purpose, which approval shall be final and conclusive and shall set forth the minimum number of years for the last maturity of the bonds.

(b) That the yearly principal maturity date is not less than 5 months after the major part of the taxes for the bonds becomes by law a lien upon the property assessed.

(c) Except as otherwise provided in this subdivision, that the amount of principal maturing in any calendar year is not less than the amount of principal maturing in any prior calendar year and, except for bonds issued for a purpose described in section 1274a of Act No. 451 of the Public Acts of 1976, if the ratio of debt to valuation of the school district exceeds 12%, that the first 10 principal maturities do not in the aggregate exceed 25% of the total principal amount of the bonds proposed to be qualified. Regardless of the amount of principal maturing in any calendar year and regardless of the ratio of debt to valuation of the school district, the state treasurer may authorize principal maturities in any amount if the state treasurer determines it is financially beneficial to the state or to the school district. At the request of the school district, the state treasurer may grant that authorization as part of the procedure of preliminary qualification under subdivision (f).

(d) That the cost of the project for which the bonds are to be issued is within reasonable standards of cost as established by the state board of education, which standards may vary as to different localities in accordance with any variance in construction costs between localities.

(e) Except for bonds issued for a purpose described in section 1274a of Act No. 451 of the Public Acts of 1976, that there exists a need for the project based upon current and probable future enrollment and that the project is designed to provide school facilities reasonably adequate to meet that need.

(f) Subject to subsection (3), if a bond issue requires an election, that a bond issue that a school district wishes to qualify has been given preliminary qualification prior to the official action of the board of education calling for the election on the bond issue.

(g) If the bonds are issued for a purpose described in section 1274a of Act No. 451 of the Public Acts of 1976, and if the bonds have not been approved by a majority of the school electors voting on the question, that the school district has demonstrated and the state treasurer has approved the method of payment for, and the ability to pay, the bonds and that the school district has received the prior approval of the department of treasury for the issuance of the bonds under the municipal finance act, Act No. 202 of the Public Acts of 1943, being sections 131.1 to 139.3 of the Michigan Compiled Laws.

(2) For refunding bonds issued to refund bonds issued before May 4, 1955, the state treasurer shall issue the certificate of qualification if the state treasurer finds that the refunding bonds comply with the requirements set forth in subsection (1)(c). For refunding bonds issued to refund bonds issued on or after May 4, 1955, or issued to refund loans from the state made under the authority of this act, the state treasurer shall issue the certificate of qualification if the state treasurer finds that the refunding bonds comply with the requirements set forth in subsection (1)(c) and also that the refunding bonds are being issued to refund loans from the state made under the authority of this act or that the bonds representing the original indebtedness either were qualified or satisfied the requirements for qualification set forth in subsection (1)(d) and (e) in effect when issued or would have satisfied the requirements set forth in subsection (1)(d) and (e) had those requirements been in effect when the bonds were issued. Refunding bonds issued to refund loans from the state made under the authority of this act shall be considered as refunding bonds for all purposes including section 16 of article IX of the state constitution of 1963.

(3) The requirement of subsection (1)(f) does not apply to a bond issue that is approved by the school district electors between December 31, 1990 and July 1, 1991 and that is in part ineligible for qualification. A series of bonds for such a bond issue may be qualified by the state treasurer if it is limited to either a project or projects eligible for qualification or refunding of obligations issued for a purpose described in section 1274a of Act No. 451 of the Public Acts of 1976, or both.

Sec. 4a. (1) Subject to subsection (2), an unexpended balance of the proceeds of sale of any school district bonds heretofore or hereafter issued, remaining after completion of the project, to the extent of 15% of the amount of the issue or for a fourth class school district located in a county with a population of not more than 27,000, to the extent of 40% of the amount of the issue, with the approval of the electors in the case of bonds issued before August 28, 1964, may be used for school construction, equipment and site acquisition and development if that use is approved by the state treasurer, and any remaining balance shall be paid immediately into the bond and interest redemption fund established for the bonds and shall be used either for the redemption of callable bonds, or, before the first call date only, for purchasing the bonds on the open market at not more than the fair market value or used to reduce the amount required to be levied to meet current principal and interest on the bonds as they become due. Any unexpended balance of the proceeds of sale of any school district bonds heretofore or hereafter issued, remaining after payment in full of the principal of and interest on the bonds, may be used to increase or continue expenditures for any of the projects or purposes for which the bonds were initially authorized and issued, even though all projects for which the bonds were initially authorized and issued have not been completed. This section shall apply unless allocations of specified amounts for stated projects or purposes were contained in the ballot question by which the bonds were initially authorized, in which case the use must be approved by the state treasurer.

(2) The state treasurer of public instruction shall not approve a use of the unexpended balance of the proceeds of any school district bonds as authorized under subsection (1) unless he or she finds that the school district seeking approval has demonstrated a compelling justification for not immediately paying all of the unexpended balance into the bond and interest redemption fund established for the bonds.

(3) As used in this section, "fourth class school district" means a school district organized as a school district of the fourth class under the school code of 1976, Act No. 451 of the Public Acts of 1976, being sections 380.1 to 380.1852 of the Michigan Compiled Laws.

Sec. 4b. Bonds issued after May 4, 1955 and prior to August 1, 1969 that were not qualified based on reorganization of the school district may be qualified upon a renewal application to the state treasurer.

Sec. 5. All certificates of qualification shall be kept in a permanent file in the office of the state treasurer and copies thereof shall be delivered to the school district and to the office of the municipal finance commission or its successor agency. Applications for such certificates shall be made on forms prepared and supplied by the state treasurer and he or she shall prescribe reasonable rules and regulations in respect thereto. If prior to the issuance of bonds, the school district does not secure such certificate of qualification from the state treasurer, it shall be deemed to have waived the right to have such bonds so qualified.

Sec. 6. In any school district where the amount necessary to be levied in any year for principal and interest on qualified bonds, including any necessary allowance for estimated tax delinquencies but excluding any funds pledged to and available for the payment of the principal and interest, exceeds that amount stipulated in section 2, the school district, on or before 60 days prior to the time of the certification of its tax levy to the assessing officer, shall file with the department of treasury and the municipal finance commission or its successor agency a preliminary application for a loan from the state in the amount of any part of such excess over that amount stipulated in section 2 which it does not propose to levy in such year. If the excess over that amount stipulated in section 2 is reached or increased by reason of bonds authorized by resolution of the board of education of the school district within the 60-day period, an original or amended application shall be filed within that period. An application shall set forth the amount of the last state equalized valuation of the school district and, for each of the 5 years immediately preceding the application, the amount of principal and interest on qualified bonds necessary to be levied upon the tax roll of that year, the amount of any moneys on hand pledged to and available for the payment of the principal and interest, the probable delinquency in tax collections at the times the principal and interest will become due, the estimated amount of the loan which will be required from the state, and any other pertinent facts which may be required to be included in the application by the department of treasury. The department of treasury shall examine the application and shall request the state treasurer to

compute the computed millage under section 2(2); if applicable, as soon as possible and notify the school district of any erroneous statements or assumptions in the application and within the 60-day period shall approve or deny the preliminary application in whole or in part and shall notify the school district of his or her action. The school district shall include in its tax levy any amount otherwise required to be levied for the payment of principal and interest on qualified bonds for which it does not secure approval for a state loan as aforesaid.

Sec. 7. If a loan from the state shall become necessary for the payment of principal and interest on qualified bonds in accordance with such approved preliminary application, or for any reason pursuant to said section 16 of article IX of the 1963 constitution and this act, then the school district shall file with the department of treasury a supplemental application (or an original application, if no preliminary application has been filed), setting forth the amount of the tax collections to the date of said application, an estimate of probable collections prior to the time when such principal and interest will become due and the amount of the loan necessary from the state. Such supplemental or original application shall be made not less than 30 days prior to the time when the proceeds of the loan will be necessary in order to pay maturing principal or interest or both. Upon receipt of such supplemental or original application, it shall be the duty of the department of treasury, after auditing the same, 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 such loan shall be made. It shall also prepare the proper voucher as a basis for the issuance of the necessary warrant in accordance with state accounting practices. 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 department of treasury on or before the date specified therein. The state treasurer upon the making of said 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 said section 16 of article IX of the 1963 constitution and this act. Upon receipt by any school district of such loan, it shall be the duty of the treasurer thereof to cause the same to be deposited in the debt retirement fund and used solely for the payment of principal and interest on qualified bonds.

Sec. 8. 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 loan to it an amount sufficient to enable the school district to make the payment. Any school district which finds that it will be or is unable to pay such principal or interest when due shall forthwith make application for the necessary loan and the state shall, in time to prevent default in such payment, make such loan and obtain a receipt therefor as provided in section 7 of this act. In the event that 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 (irrespective of whether an application for a loan to pay such principal or interest has been made or approved), 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 made to the school district pursuant to the requirements of said section 16 of article IX of the 1963 constitution and this act and the school district shall give a receipt therefor and repay such loan in the same manner as hereinbefore provided with respect to other loans: Provided, That any funds of the school district which are or become available in its hands or in the hands of the paying agent or officer for payment of the principal or interest which has been paid by the state treasurer shall forthwith be remitted to the state treasurer and applied toward repayment of said loan.

Sec. 9 (1) Except as provided in this section, section 2 and section 10a, any school district having received 1 or more loans from "the school bond loan funds" under sections 27 and 28 of article X of the state constitution of 1908 or section 16 of article IX of the state constitution of 1963 and implementing acts shall continue to levy on its tax rolls not less than 13 mills or the computed millage under section 2(2), whichever is less, on each dollar of its assessed valuation as last equalized by the state, exclusive of any levy for unqualified bonds or for school operating purposes, until all loans made to the school district by the state are repaid with interest at rates to be annually determined by the state treasurer. Except as provided in this section, these rates shall represent not more than the average interest rate paid by the state on obligations issued under sections 27 and 28 of article X of the state constitution of 1908 and section 16 of article IX of the state constitution of 1963 and implementing acts and, except to the extent required to maintain the tax-exempt status of bonds or notes issued by the state pursuant to this act and Act No. 112 of the Public Acts of 1961, being sections 388.981 to 388.985 of the Michigan Compiled Laws, not less than that average interest rate, computed to the nearest 1/8 of 1%. The state treasurer shall annually certify to the several borrowing districts the rate of interest to be currently collected. The proceeds of each such levy shall be used first for the payment of the minimum principal and interest requirements on the qualified bonds that shall become due before the next tax collection, and any balance shall be paid to the state until the principal and interest due the state are paid.

(2) Before the adoption of a resolution approving annexation and transfer of a school district to be divided pursuant to part 10a of the school code of 1976, Act No. 451 of the Public Acts of 1976, being sections 380.941 to 380.949 of the Michigan Compiled Laws, the state treasurer may issue an order determining that, upon division of a school district pursuant to part 10a of the school code of 1976, the divided district or any other school district affected by the division, or all, may cease levying on its tax rolls for all or a portion, as shall be determined in the order by the state treasurer, of the amount required by subsection (1) for repayment of all or a portion of the principal of or interest on, or both, the loans received before the issuance of the order from the school bond loan fund for a number of years to be determined in the order by the state treasurer, not to exceed 5 years, beginning with the first tax levy after the election approving the division or until the bonded indebtedness of the district for which loans have been received has been paid in full or provision for the payment has been made, whichever occurs first.

During the period in which the levy is waived pursuant to this subsection, the school district payments due to the state pursuant to subsection (1) from that waived levy shall be waived. After expiration of the period of waiver, each school district shall levy each year for repayment of loans an amount designated in the order of the state treasurer, which amount, when added to the amount required for debt service, shall not be more than the amount required by subsection (1) until all loans to the school district by the state are repaid with interest at rates to be determined annually by the state treasurer. A school district determining not to levy for loan repayment during the following year shall notify before December 15 of each year the state treasurer of its determination not to levy and shall supply the state treasurer with any additional related information the state treasurer shall require.

(3) During any year in which a school district levy is waived, an amount equal to the annual interest for that year on the amount owed by the school district to the school bond loan fund shall be added to the amount of loans to the school district by the state.

(4) Any repayment of principal or interest that was waived pursuant to subsection (2) shall be transferred to the general fund if general fund revenue supplements were required to pay obligations issued under sections 27 and 28 of article X of the state constitution of 1908 or section 16 of article IX of the state constitution of 1963 during the period of the waiver.

Sec. 9a. (1) Notwithstanding any other section of this act, if a school district agrees to repay the outstanding balance on a loan made under this act not later than September 30, 1991 or, for a school district that has covenanted not to issue additional obligations during calendar year 1991, not later than March 31, 1992, and if the school district submits to the state treasurer not later than August 1, 1991 a board-adopted resolution indicating that the school district intends to repay an outstanding balance in accordance with this section, the state treasurer shall reduce the total loan amount due from the school district as provided in subsection (2) and shall calculate and pay to the school district a general fund incentive payment as provided in subsection (3). There are hereby appropriated sufficient funds to pay the general fund incentive payments under subsection (3).

(2) The amount of the loan repayment reduction to be made by the state treasurer for the purposes of subsection (1) shall be an amount equal to the sum of the amounts described in subdivisions (a) and (b) as follows, but shall not exceed 10% of the total outstanding balance on the loan as calculated without reduction on the settlement date:

(a) The cost to the school district of obtaining the funds to use for the repayment of the outstanding balance of the loan.

(b) The amount by which the school district's payments of principal and interest on the obligations issued by the school district to obtain the funds to use for the repayment of the outstanding balance of the loan exceed the projected payments of principal and interest the school district otherwise would have paid to repay the loan based on the following assumptions:

(i) An assumed interest rate equal to the average interest rate on school bond loan fund notes and bonds over the immediately preceding 5-year period.

(ii) A projected total state equalized valuation for the school district that assumes a state equalized valuation growth rate equal to the school district's average yearly state equalized valuation growth rate over the immediately preceding 5-year period.

(3) The amount of the general fund incentive payment to be made by the state treasurer for the purposes of subsection (1) shall equal the lesser of either 5% of the reduced loan amount after the reduction made under subsection (2) or an amount calculated by subtracting the amount of the reduction made under subsection (2) from an amount equal to 10% of the school district's total outstanding balance on the loan as calculated without reduction on the settlement date. The state treasurer shall pay the general fund incentive payment to the school district on the settlement date. To receive a general fund incentive payment, a school district shall agree to use the general fund incentive payment only for capital expenditures.

(4) A school district that issues its obligations to obtain the funds to use for the repayment under this section of the outstanding balance of a loan under this act shall sell those obligations only to the Michigan municipal bond authority created in the shared credit rating act, Act No. 227 of the Public Acts of 1985, being sections 141.1051 to 141.1078 of the Michigan Compiled Laws, unless the Michigan municipal bond authority notifies the school district and the state treasurer in writing that the authority is unwilling or unable to purchase those obligations.

(5) As used in this section, "settlement date" means the date on which a school district repays the outstanding balance of a loan made under this act, as reduced under this section.

Sec. 9b. To receive a loan under this act or a general fund incentive payment under Section 9a, a school district shall agree to take actions and to refrain from taking actions as necessary to maintain the tax-exempt status of bonds or notes issued by the state pursuant to this act and Act No. 112 of the Public Acts of 1961, being sections 388.981 to 388.985 of the Michigan Compiled Laws. The state treasurer shall take the actions permitted by law that are necessary to maintain the tax-exempt status of obligations issued by school districts to provide the funds to repay a loan made under this act.

Sec. 10. Except as provided in section 10a, if a school district that has 1 or more loans pursuant to either this act or Act No. 151 of the Public Acts of 1955, as amended, being sections 388.931 to 388.938 of the Michigan Compiled Laws, or both, fails to levy at least the amount specified in section 2 or section 9, as applicable, upon its state equalized valuation for debt retirement purposes for qualified bonds and for repayment of a state loan made under this act while any part of the loan is unpaid, or defaults in its agreement to repay a loan or any installment of a loan, money shall not be distributed to the school district out of the state school aid fund until satisfactory arrangements have been made with the superintendent of public instruction for the payment of the amount in default.

Sec. 10a. Upon request made by a school district before June 1 of any year, the state treasurer annually may issue an order waiving all or a portion of the millage required to be levied by a school district pursuant to section 9(1) if he or she finds all of the following:

- (a) The school board of the school district has applied to the department of treasury for permission to levy less than the millage required to be levied pursuant to section 9(1).
- (b) The application specifies the number of mills the school district requests permission to levy.
- (c) The school board, by resolution, has agreed to transfer from available identified funds of the school district to the school debt retirement fund an amount equal to the amount that would have been raised by the levy of the millage requested to be waived.
- (d) The school board, by resolution, has agreed that the funds to be transferred to the school debt retirement fund shall be earmarked for the payment of state loans to the school district and for debt retirement purposes for qualified bonds before taxes are certified for the year the school board is requesting permission to levy less than the millage required to be levied pursuant to section 9(1).
- (e) The school board, by resolution, has agreed to comply with all conditions that the state treasurer considers are necessary.

Sec. 11. Any school district applying for preliminary qualification of bonds or final qualification of refunding bonds under this act shall pay a fee for the preliminary qualification of bonds or final qualification of refunding bonds, which fee shall be used toward defraying the administrative expenses in connection with this act and Act No. 151 of the Public Acts of 1955, as amended, being sections 388.931 to 388.938 of the Michigan Compiled Laws. The fee shall be paid to the state treasurer within 30 days after the money obtained through the sale of the preliminarily qualified bonds or finally qualified refunding bonds has been received by the treasurer of the board of education of the school district. The superintendent of public instruction shall promulgate necessary rules in accordance with the administrative procedures act of 1969, Act No. 306 of the Public Acts of 1969, being sections 24.201 to 24.328 of the Michigan Compiled Laws. The amount of the fee to be charged to the school district shall be determined by the state treasurer. The amount of the fee shall vary according to the amount of the bond issue, except that it shall not be less than \$100.00, and the total amount to be charged to all school districts in any 1 fiscal year shall be approximately equal to the estimated administrative expenses in connection with this act for the same fiscal year. Upon failure of any school district to pay the preliminary qualification fee or final qualification of refunding bonds fee within the time specified, the superintendent of public instruction may withhold the amount of the fee from the payment of state school aid money next due the district.

Sec. 12. Any person who shall knowingly make any false statement or conceal any material information for the purpose of obtaining a loan under the provisions of this act, or use the proceeds of a loan or any portion thereof for any purpose not authorized by this act shall be guilty of a felony.

Sec. 13. This act does not repeal Act No. 151 of the Public Acts of 1955, as amended, but supersedes said act insofar as concerns that portion of a school district's principal and interest requirements on qualified bonds which may be borrowed from the state and insofar as concerns the tax levy which a school district is required to maintain until its state loans have been repaid.

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

CONSTITUTIONAL LAW:
SCHOOL BONDS:
MUNICIPAL FINANCE COMMISSION:

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

No. 4422

March 12, 1965.

Hon. Sanford A. Brown
State Treasurer
Lansing, Michigan

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

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

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

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

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

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

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

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

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

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

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

FRANK J. KELLEY,
Attorney General

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

BONDS: Qualified bonds of school districts.

CONSTITUTION OF 1963: School Bond Loan Fund.

SCHOOLS: Bond Loans.

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

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

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

August 29, 1966.

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

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

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

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

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

Section 28, Article X, Constitution of 1908, was implemented by the legislature by the enactment of Act 108, P.A. 1961, which took effect September 8, 1961. The first section of Act 108, P.A. 1961, stated that the purpose of the act was to implement Section 28 of Article X of the Constitution of 1908. The Constitution of 1963 took effect on January 1, 1964. In anticipation of the effectiveness of that Constitution, the legislature passed Act 33, P.A. 1963, Second Extra Session, such act to take effect on January 1, 1964. Act 33, P.A. 1963, Second Extra Session, amended Sections 1, 3, 8 and 9 of Act 108, P.A. 1961, and further amended section 7 of Act 108, P.A. 1961, as amended by Act 131, P.A. 1962. The first section of amendatory Act 33

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

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.

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

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

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

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

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

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

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

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

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

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.

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

EXECUTIVE REORGANIZATION ORDER

Caption editorially supplied

E.R.O. No. 1993-10, Eff. Jan. 1, 1994

388.990. School bond loan administration; transfer of powers and duties to the department of treasury

WHEREAS, Article V, Section 2, of the Constitution of the State of Michigan of 1963 empowers the Governor to make changes in the organization of the Executive Branch or in the assignment of functions among its units which he considers necessary for efficient administration; and

WHEREAS, it is necessary in the interests of efficient administration and effective government to effect changes in the organization of the Executive Branch of government; and

WHEREAS, the Department of Education performs administrative functions and receives fees from school districts for expenses related to the qualification of school bonds under Act No. 108 of the Public Acts of 1961, as amended, being Section 388.951 et seq. of the Michigan Compiled Laws; and

WHEREAS, the Department of Treasury is responsible for the School Bond Loan Fund established under Act No. 74 of the Public Acts of 1955, as amended, being Section 388.921 et seq. of the Michigan Compiled Laws, and Act No. 112 of the Public Acts of 1961, as amended, being Section 388.981 et seq. of the Michigan Compiled Laws, and continued under Article IX, Section 16 of the Constitution of the State of Michigan of 1963; and

WHEREAS, the Department of Treasury is responsible for the School Loan Bond Redemption Fund established under Act No. 74 of the Public Acts of 1955, as amended, being Section 388.921 et seq. of the Michigan Compiled Laws, to account for debt service on general obligation bonds issued to finance loans to school districts; and

WHEREAS, state activities related to bond qualification and state borrowing functions for the provision of loans by the State of Michigan to school districts can be performed more efficiently by one agency; and

WHEREAS, the functions, duties and responsibilities related to school bonds can be more effectively organized and carried out under the supervision and direction of the State Treasurer as the head of the Department of Treasury.

NOW, THEREFORE, I, John Engler, Governor of the State of Michigan, pursuant to the powers vested in me by the Constitution of the State of Michigan of 1963 and the laws of the State of Michigan, do hereby order the following:

1. All authority, powers, duties, functions and responsibilities of the Department of Education under Act No. 108 of the Public Acts of 1961, as amended, being Section 388.951 et seq. of the Michigan Compiled Laws, Act No. 74 of the Public Acts of 1955, as amended, being Section 388.921 et seq. of the Michigan Compiled Laws, Act No. 112 of the Public Acts of 1961, as amended, being Section 388.981 et seq. of the Michigan Compiled Laws, and Act No. 151 of the Public Acts of 1955, as amended, being Section 388.931 et seq. of the Michigan Compiled Laws, are hereby transferred to the Department of Treasury by a Type II transfer, as defined by Section 3 of Act No. 380 of the Public Acts of 1965, as amended, being Section 16.103 of the Michigan Compiled Laws.

2. The State Treasurer shall provide executive direction and supervision for the implementation of the transfer. The assigned functions shall be administered under the direction and supervision of the State Treasurer.

3. The State Treasurer shall administer the assigned functions in such a way as to promote efficient administration and shall make internal organizational changes as may be administratively necessary to complete the realignment of responsibilities prescribed by this Order.

4. All records, personnel, property, and unexpended balances of appropriations, allocations and other funds used, held, employed, available or to be made available to the Department of Education for the functions transferred to the Department of Treasury by this Order are hereby transferred to the Department of Treasury.

5. The State Treasurer and the Superintendent of Public Instruction shall immediately initiate coordination to facilitate the transfer and develop a memorandum of record identifying any pending settlements, issues of compliance with applicable federal and state laws and regulations, or other obligations to be resolved by the Department of Education.

6. All rules, orders, contracts and agreements relating to the assigned functions lawfully adopted prior to the effective date of this Order shall continue to be effective until revised, amended or repealed.

7. Any suit, action or other proceeding lawfully commenced by, against or before any entity affected by this Order shall not abate by reason of the taking effect of this Order. Any suit, action or other proceeding may be maintained by, against or before the appropriate successor of any entity affected by this Order.

In fulfillment of the requirement of Article V, Section 2, of the Constitution of the State of Michigan of 1963, the provisions of this Executive Order shall become effective January 1, 1994.

Executive Reorganization Order No. 1993-10, Effective January 1, 1994.

APPENDIX B¹
DEXTER COMMUNITY SCHOOLS
GENERAL SCHOOL INFORMATION

Description

Dexter Community Schools (the "School District") occupies an 85.1 square mile area that includes all of the Village of Dexter. The School District also includes portions of Dexter, Freedom, Lima, Lodi, Northfield, Scio and Webster Townships in Washtenaw County and Hamburg Township in Livingston County.

School Administration

Bill L. Spargur, Superintendent

Mr. Spargur joined Dexter Community Schools as Superintendent in May 1998. Prior to this appointment, he served as Superintendent of Rossford Public Schools in Ohio from 1990 to 1998. While at Rossford he received the BASA Exemplary Leadership Award. He served as Superintendent of Rittman Public Schools in Ohio from 1988 to 1990 and as their High School Principal from 1984 to 1988. Mr. Spargur also served in the capacities of high school unit principal, junior high assistant principal, art education teacher and coach over a period of seventeen years at Cuyahoga Falls Public Schools in Ohio.

Mr. Spargur received his Bachelors Degree from Bowling Green State University and his Masters Degree from the University of Akron. He completed additional post graduate course work at Kent State University and Ashland University.

Mr. Spargur is active in several community and professional organizations including the American Association of School Administrators and the Michigan Association of School Administrators.

Sharon Raschke, Executive Director of Finance and Business

Mrs. Raschke has served Dexter Community Schools as Executive Director of Finance and Business since 2002 and as the Financial Director from 1998 to 2002. Prior to serving at the School District, she served in the capacities of Vice President of Sales and Marketing from 1993 to 1998 and as Manager of Cost Accounting from 1992 to 1993 at Precision Color, Inc. She has also held other operations positions in private business.

Mrs. Raschke received her Bachelors Degree from the University of Michigan and her Masters Degree from Eastern Michigan University. She is currently a doctoral candidate in Educational Leadership at Eastern Michigan University. Mrs. Raschke also has Chief Financial Officer Certification from Michigan School Business Officials.

¹ Unless otherwise noted, information contained in Appendix B has been furnished by the School District.

Mrs. Raschke is active in several community and professional organizations including the International Association of School Business Officials and the Michigan School Business Officials. Mrs. Raschke also serves as the Secretary/Treasurer of the Washtenaw/Livingston School Business Officials. She is also active in the Huron Valley Council of Girl Scouts.

Board of Education

The School District is governed by seven elected Board of Education members. The Board is responsible for the selection and appointment of the Superintendent. The Board meets as a single body to set or amend policy, develop long range educational goals and act upon recommendations of the Superintendent. The Board is also responsible for adopting and periodically amending the operating budget and evaluating school programs in accordance with governing laws. Board members serve staggered four-year terms. Board members and the expiration of their terms are as follows:

<u>Board Members</u>	<u>Term Expires June 30</u>
Ron Miller, President	2004
Jane Hoggard, Vice President	2005
Mary Fradette, Secretary	2005
Richard Lundy, Treasurer	2003
Dan Chapman, Trustee	2004
Jean Christian, Trustee	2003
Richard Darr, Trustee	2006

Enrollments

The following tables show a history of total pupil enrollments (fall pupil count) at the School District and the fall 2002/03 enrollment by grade.

Enrollment History

1998/99	2,878
1999/00	2,993
2000/01	3,090
2001/02	3,187
2002/03	3,349

Projected 2006/2007 enrollment is estimated at 3,774 students.

2002/03 Enrollments by Grade

Kindergarten	274	5th	273	10th	252
1st	226	6th	241	11th	247
2nd	250	7th	267	12th	232
3rd	259	8th	250	Special Ed.	39
4th	268	9th	271	TOTAL	3,349

Existing School Facilities

The School District owns and operates the following facilities:

	<u>Grades Served</u>	<u>Year Completed</u>	<u>Additions/ Remodeling</u>	<u>Type of Construction</u>
<u>Elementary</u>				
Cornerstone	K-2	1995		Brick/Block
Bates	K-2	1952	1967, 1988, 1995, 2001	Brick/Block
Wylie	3-4	1965	1967, 1988, 1995, 2002	Brick/Block
<u>Intermediate</u>				
Creekside	5-6	1956	1974, 1988, 1994, 2000	Brick/Block
<u>Middle</u>				
Mill Creek	7-8	1995	2000	Brick/Block
<u>High</u>				
Dexter	9-12	2002		Brick/Block
<u>Other Facilities</u>				
Copeland Administration Bldg.		1936	1951, 1980, 1988, 1995, 2001, 2002	Brick/Block
Athletic Service Bldg.		1980	2002	Brick/Block
Transportation Facility		1988	2002	Brick/Block
Swimming Pool Facility		1992		Brick/Block
Proctor House Facility		1950	2001, 2002	Brick/Block

Other Schools

There is one parochial school located within the School District's boundaries: Salem Lutheran School, serving grades K-8, with approximately 33 students.

Source: 2003 Michigan Education Directory.

Labor Relations

Class	No.	Affiliation	Contract Exp.
Teachers	211	Michigan Ed. Assoc./National Ed. Assoc.	June, 2004
Administrators	13	Dexter Administrator's Association	June, 2003
Para-Professionals, Secretarial, Technology, Maintenance, Custodial & Food Services	144	Michigan Education Support Personnel Association (MESPA)	June, 2004
Bus Drivers	30	Operating Engineers	June, 2004
Superintendent	1	Non-Affiliated	June, 2004
Asst. Superintendent	1	Non-Affiliated	June, 2003
Supervisors	18	Non-Affiliated	June, 2003
Child Care	<u>16</u>	Non-Affiliated	No Contract
TOTAL	434		

Within 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, 2002 through September 30, 2003, the School District will pay an amount of approximately 12.99% of its employees wages to the Michigan Public Schools Employees Retirement System ("MPERS") which is administered by the State of Michigan. For the periods of October 1, 1994 through September 30, 2002, the School District paid amounts ranging from 10.77% to 15.17% of its employees' wages. These contributions were and are required by law. The School District's historical contributions are shown below.

<u>Fiscal Year</u> <u>Ending June 30</u>	<u>Contribution</u> <u>to MPERS</u>
1999	\$1,323,000
2000	1,670,000
2001	1,741,000
2002	2,103,000
2003	2,358,000 (estimate)

Effective January 1, 1987, members of MPERS may irrevocably elect to contribute a percentage of their gross wages on a tax deferred basis to a "member investment plan" ("MIP"), which qualifies them for additional benefits. The current contribution of 3.9% became effective January 1, 1990, representing a change from the previous contribution rate of 4%. This option to review and adjust the contribution rate is available to MPERS, if necessary, every three years. All employees hired after January 1, 1990, will contribute to the plan at a graduated rate of their gross wages. If a member leaves MPERS service before a retirement benefit has vested, the member's accumulated contributions to MIP, plus interest, if any, are refundable.

GENERAL FINANCIAL INFORMATION

Population

The School District's 1990, 2000 and estimated 2003 populations within its boundaries are as follows:

1990	12,488
2000	16,155
2003	18,800

Sources: 1990 figure - Michigan Department of Management and Budget.

2000 figure - SEMCOG.

2003 figure - School District.

Property Valuations

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 represents 50 percent of true cash value ("TCV"). State equalized valuation does not include any value of tax exempt property (e.g. churches, governmental property) or property granted tax abatements under Act 198, Public Acts of Michigan, 1974, as amended. The assessed value of Industrial Facilities Tax ("IFT") is maintained on a separate tax roll; taxes for these properties are levied as described later in this section. Beginning in 1994, ad valorem property taxes are levied on the basis of taxable value which is subject, in some cases, to assessment caps. See "TAX PROCEDURES" herein.

Taxable property in the School District is assessed by the respective municipal assessors and is subject to review by the County Equalization Departments.

The following table shows the history of state equalized valuations and taxable valuations for the years 1998 and thereafter. Also shown is an analysis of the 2002 taxable value by homestead/non-homestead, property use and municipal unit.

History of State Equalized Valuations and Taxable Valuations

	<u>State Equalized Valuation</u>	<u>Taxable Valuation</u>
1998	\$579,835,026	\$513,889,901
1999	675,851,630	572,950,304
2000	758,976,970	624,691,805
2001	845,979,900	689,520,254
2002	970,342,350	760,627,821

Sources: Washtenaw County and Livingston County Equalization Departments.

2002 Taxable Valuation by Class

	<u>Taxable Valuation</u>	<u>Percentage of Total Taxable Valuation</u>
Agricultural	\$ 25,641,391	3.37%
Commercial	31,786,691	4.18
Industrial	40,169,727	5.28
Residential	602,982,249	79.27
Developmental	4,397,063	.58
Personal	<u>55,650,700</u>	<u>7.32</u>
TOTAL	\$760,627,821	100.00%

Sources: Washtenaw County and Livingston County Equalization Departments.

2002 Taxable Valuation by Municipal Unit

<u>Name of Unit</u>	<u>Homestead</u>	<u>Non-Homestead</u>	<u>Total Taxable Value</u>	<u>% of Total Value</u>
<i>Washtenaw County</i>				
Dexter Township	\$ 91,284,320	\$24,466,519	\$115,750,839	15.22%
Freedom Township	228,172	149,800	377,972	.05
Lima Township	26,399,435	5,561,095	31,960,530	4.20
Lodi Township	5,395,155	358,797	5,753,952	.76
Northfield Township	1,013,485	283,566	1,297,051	.17
Scio Township	196,537,086	129,740,384	326,277,470	42.89
Webster Township	203,546,171	40,249,436	243,795,607	32.05
<i>Livingston County</i>				
Hamburg Township	<u>30,443,200</u>	<u>4,971,200</u>	<u>35,414,400</u>	<u>4.66</u>
Total	\$554,847,024	\$205,780,797	\$760,627,821	100.00%

Sources: Washtenaw County and Livingston County Equalization Departments.

Industrial Facilities Tax

Act 198 of the 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 Industrial Facilities Tax ("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. New plants and equipment that received their abatement certificates prior to January 1, 1994, are taxed at one-half the total mills levied by all taxing units, other than mills levied for local and intermediate school district operating purposes or under the State Education Tax Act, plus one-half of the number of mills levied for school operating purposes in 1993.

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 Tax 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 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.

Total 2002 valuations of IFT abatements in the School District are as follows:

<u>Certificate Holder</u>	<u>Total Valuation</u>	<u>Certificate(s) Expire 12/30</u>
Ann Arbor Fabrications Inc.	\$ 749,800	2007
Complete Design & Automation	364,800	2006
Dapco Industries	254,700	2010
Dexter Fasteners Technologies	17,430,400	2002, 2003, 2006, 2007, 2011
Murray Properties, LLC	500,100	2005
Pilot Industries	1,580,500	2004, 2005, 2007
Protomatic, Inc.	939,500	2006
Thomson-Shore, Inc.	4,426,900	2002, 2009
Van Con Inc.	207,900	2006
Variety Die & Stamping Co.	496,100	2009
TOTAL	\$26,950,700	

Sources: Scio Township Assessor and Webster Township Assessor.

Village of Dexter Local Development Finance Authority

The local development finance authority ("LDFA") enabling legislation (Act 281, Public Acts of Michigan, 1986, as amended), and the tax increment finance authority ("TIFA") enabling legislation (Act 450 of the Public Acts of Michigan, 1980, as amended), enables these authorities to undertake a broad range of improvement activities which will contribute to the economic growth and the halting of deterioration of property values in designated districts.

In order to provide an authority with the means of financing the planning and implementation of development proposals, the statute affords the opportunity to undertake tax increment financing of development programs. These programs must be identified in a tax increment financing plan which has been approved by the governing body of a municipality.

Simply stated, tax increment financing permits an authority to capture tax revenues attributable to increases in value of real and personal property located within an approved development area. The increases in property value may be attributable to new construction, rehabilitation, remodeling, alterations, additions or to such other factors as the assessor may deem appropriate.

In 1987, the Village of Dexter created a LDFA district, comprised of non-homestead properties. The difference between the initial taxable value of the properties, \$862,600 and the annual taxable value is captured by the Authority. The 2002 LDFA taxable valuation of \$14,302,178 includes a captured value of \$13,439,578. The LDFA also captures \$22,317,100 of IFT valuations. The School District receives operating tax revenues based on the initial taxable value of these properties. The debt millage is not captured.

The Village of Dexter LDFA has issued the following bonds:

<u>Year of Issuance</u>	<u>Amount</u>	<u>Outstanding Balance</u>	<u>Final Maturity</u>
1981	\$2,070,000	\$1,865,000	April, 2006
1988	1,100,000	125,000	October, 2003
1999	2,075,000	1,515,000	April, 2006

Sources: Village of Dexter and Michigan Municipal Advisory Council.

Village of Dexter Downtown Development Authority

On March 11, 1986 the Village of Dexter created a Downtown Development Authority (the "DDA") district (Michigan Public Act 197 of 1975, as amended), which includes certain properties in the School District, for the purpose of funding improvement projects in the central business district by using tax increment financing. The difference between the initial assessed value of these properties (\$7,807,300 in 1986) and the annual assessed value is captured by the Authority. The 2002 valuation of \$16,300,565 includes a captured assessed value of \$8,493,265. The DDA also captures \$206,700 of IFT Valuations. The School District receives operating tax revenues based on the initial value of these properties. The debt millage is not captured.

The Village of Dexter has issued the following DDA bonds:

<u>Year of Issuance</u>	<u>Amount</u>	<u>Outstanding Balance</u>	<u>Final Maturity</u>
1994	\$255,000	\$195,000	2009
2001	900,000	890,000	2020

Sources: Village of Dexter and Michigan Municipal Advisory Council.

Scio Township Downtown Development Authority

In May 1988, Scio Township created a DDA for the purpose of funding improvement projects in the central business district by using tax increment financing. The difference between the initial assessed value of the properties (\$75,645,800, in 1988) and the annual assessed value is captured by the Authority. The 2002 valuation of \$261,615,620 includes a captured assessed value of \$185,969,820 for the entire DDA. The portion of the above that is in the School District had an initial assessed value of \$13,967,000 and has a 2002 valuation of \$50,353,314 which includes a captured value of \$36,386,314. The DDA returns taxes that they capture that are in excess of the DDA's eligible requirements. The School District receives operating tax revenues based on the initial value of these properties. The debt millage is not captured.

Scio Township has issued the following DDA bonds:

<u>Date of Issuance</u>	<u>Amount</u>	<u>Outstanding Balance</u>	<u>Final Maturity</u>
12/1/88	\$1,500,000	\$ 650,000	11/1/2008
6/1/90	2,775,000	1,350,000	11/1/2010
12/1/94	8,000,000	6,600,000	5/1/2014
3/1/02	7,000,000	7,000,000	4/1/2018

Sources: Scio Township Treasurer and Michigan Municipal Advisory Council.

Tax Levies and Collections

The School District fiscal year begins July 1 and ends June 30. School District property taxes are due December 1st of each fiscal year, and are payable without interest or penalty on or before the following February 14th. All real property taxes remaining unpaid on March 1st of the year following the levy are turned over to the County Treasurers for collection. Washtenaw and Livingston Counties (the "Counties") annually pay from their Tax Payment Funds delinquent taxes on real property to all taxing units in the Counties, including the School District, shortly after the delinquent taxes are returned to the County Treasurers for collection.

The following table shows a history of the School District's total tax levies and collections for each school year based upon taxable valuations.

<u>School Year</u>	<u>Total Tax Levy</u>	<u>Current Collections to March 1, Each Year</u>		<u>Collections to June 30 Fiscal Year End</u>		<u>Total Tax Collections Including Tax Payment Fund*</u>	
1998/99	\$6,406,907	\$5,654,723	88.26%	\$6,015,110	93.88%	\$6,165,438	96.23%
1999/00	7,337,181	6,699,141	91.30	6,841,733	93.25	7,191,901	98.02
2000/01	7,889,231	6,926,439	87.80	7,095,108	89.93	7,714,118	97.78
2001/02	8,455,167	7,686,628	90.91	7,885,394	93.26	8,416,471	99.54
2002/03	9,207,156	(In Process of Collection)					

*Note: Some payments from the Washtenaw County Tax Payment Fund are received after June 30.

The Tax Payment Funds of the Counties are financed through the issuance by the Counties of General Obligation Limited Tax Notes (GOLTNs). Although the School District anticipates the continuance of this program by the Counties, the ability of the Counties to issue such GOLTNs is subject to market conditions at the time of the offering. In addition, Act 206 of 1893, as amended, provides in part that: "The primary obligation to pay to the county the amount of taxes and interest thereon shall rest with the local taxing units, and if the delinquent taxes which are due and payable to the county are not received by the county for any reason, the county has full right of recourse against the taxing units to recover the amount thereof and interest thereon...". 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.

Constitutional Millage Rollback

Article IX, Section 31 of the Michigan Constitution (commonly known as the Headlee Amendment) requires that if the total value of existing taxable property in a local taxing unit, exclusive of new construction and improvements, increases faster than the U.S. Consumers Price Index from one year to the next, the maximum authorized tax rate for that local taxing unit must be permanently reduced through a Millage Reduction Fraction unless reversed by a vote of the electorate of the local taxing unit.

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

The following table shows a five-year history of total tax rates for property owners within the School District's boundaries.

	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
School District					
Operating Non-Homestead					
Voted*	17.45	18.00	18.00	18.00	18.00
Debt	<u>8.50</u>	<u>8.50</u>	<u>8.50</u>	<u>8.50</u>	<u>8.50</u>
TOTAL HOMESTEAD	8.50	8.50	8.50	8.50	8.50
TOTAL NON-HOMESTEAD	25.95	26.50	26.50	26.50	26.50

The School District levies 18.00 mills of voted operating millage on non-homestead property, and authorized debt millage on all homestead and non-homestead property located within the School District. The School District's voted millage expires with the 2013 levy.

The 1998 levy was reduced according to the Headlee Amendment. See "Constitutional Millage Rollback" above.

Other Tax Rates Within School District Boundaries (per \$1,000 of valuation)

	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
State Education Tax*	6.0000	6.0000	6.0000	6.0000	6.0000
Washtenaw County	5.5000	5.5200	5.4759	5.6777	5.6186
Village of Dexter	15.0300	15.0000	15.7439	13.6633	14.4498
Dexter Township	1.2100	2.8200	1.8855	3.8855	3.7841
Freedom Township	1.0100	1.0500	1.0000	1.0000	1.0000
Lima Township	1.0600	2.3100	.9351	.9241	.9139
Lodi Township	2.1400	2.1300	1.0000	1.0000	1.4920
Northfield Township	8.5200	8.8000	8.6558	9.4545	9.5611
Scio Township	2.2700	2.2600	.9907	.9852	.9677
Webster Township	1.4700	1.4200	1.8807	1.8355	1.7894
Washtenaw I.S.D.	3.3168	3.1568	3.1311	3.1050	3.0738
Washtenaw Community College	4.1029	4.0319	3.9944	3.9721	3.8559
Livingston County	4.7300	4.4700	4.3787	4.2368	4.2215
Hamburg Township	3.3600	3.3700	3.7784	3.7426	3.8331

*Pursuant to legislation adopted in 1994, beginning with the December 1, 1994, tax levy, the State of Michigan levies 6.00 mills for school operating purposes on all homestead and non-homestead property. See "SOURCES OF SCHOOL OPERATING REVENUE" herein. Act 244, Public Acts of Michigan, 2002, provides that for the year 2003 only the 6 mills State Education tax levy will be reduced to 5 mills and permanently moved forward to July 1 from December 1.

Sources: State of Michigan Property Tax Division and Washtenaw and Livingston Counties Departments of Equalization.

State Aid Payments

The School District's primary source of funding for operating costs is the State aid foundation allowance per pupil. The foundation guarantee is from \$6,700 to \$8,000 per pupil for the fiscal year 2002/03. 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, including an anticipated reduction in state aid payments for fiscal year 2002/03.

The following table shows a history of the School District's Blended Pupil Count, Foundation Allowance per Pupil (consisting of state-aid payments and non-homestead property tax receipts) and Total State Aid Payments including categoricals:

<u>School Year</u>	<u>Blended Pupil Count</u>	<u>Foundation Allowance Per Pupil</u>	<u>Total State-Aid Payments</u>
1998/99	2,848	\$6,337.85	\$17,002,505.09
1999/00	2,971	6,575.85	17,956,345.80
2000/01	3,070	6,876.00	21,114,545.76
2001/02	3,167	7,176.00	22,728,975.36
2002/03*	3,278	7,376.00	24,176,905.00

*Estimated.

Sources: Michigan Department of Education and School District.

Personal Property Tax Assessments and Appeals

Since the 1960's, Michigan's personal property tax assessments have been based on the use of one or more of several different multiplier tables formulated by the State Tax Commission, against taxpayer reported original cost, depending on the assessor's view of the average life of the personal property. The State Tax Commission has approved revisions to the State's personal property tax tables which became effective for the year 2000 and which may reduce overall personal property tax revenues in some jurisdictions. The State Tax Tribunal has formally indicated that it may allow the new multipliers to be applied retroactively in pending personal property tax appeals. In anticipation of the new multipliers, many personal property taxpayers filed appeals of their existing tax assessments. In an unpublished, non-precedential opinion, the Michigan Court of Appeals, in *Valassis Communications v. City of Livonia*, recently affirmed a decision of the State Tax Tribunal that the personal property multipliers, which became effective in 2000, could be retroactively applied and used to determine the true cash value of the subject property for the 1999 tax year. In its unpublished opinion, the court held that the controlling factor is whether the method used most accurately reflects the property's true cash value. The court in *Valassis* determined that based upon the facts of the case, the old multipliers (in effect for the 1999 tax year) did not accurately reflect the property's true cash value and that the 2000 multipliers more accurately reflected the property's true cash value. The financial impact of the change in multipliers and any appeals, if successful, on the School District's general operating revenues is unknown.

Largest Taxpayers

Shown below are the ten largest identifiable taxpayers in the School District based on their 2002 taxable valuations:

<u>Taxpayer</u>	<u>Product or Service</u>	<u>Taxable Valuation</u>	<u>IFT Valuation</u>	<u>Total Valuation Subject to Taxation</u>
DTE Energy Co. ¹	Utility	\$18,860,216		\$18,860,216
Dexter Fastener Technologies	Engine fasteners	575,600	\$17,430,400	18,006,000
Thomson-Shore Inc.	Publishing	1,953,695	4,426,900	6,380,595
Pilot Industries	Plastic & metal tubing	4,745,783	1,580,500	6,326,283
Creative Solutions	Computer software development	4,967,100	-0-	4,967,100
Thetford Corporation	Plastic components	4,946,666	-0-	4,946,666
Blackhawk Development Corp.	Mall/real estate devel.	4,265,011	-0-	4,265,011
Sweepster Inc.	Runway sweepers	3,870,812	-0-	3,870,812
Nagel Precision Inc.	Manufacturing	3,579,448	-0-	3,579,448
Dapco Industries	Valves, fittings	<u>2,736,451</u>	<u>254,700</u>	<u>2,991,151</u>
Total		\$50,500,782	\$23,692,500	\$74,193,282

% of School District's 2002
Taxable Valuation (\$760,627,821)

6.64%

¹DTE Energy Co. is contesting the multipliers used for assessing their taxes with the State Tax Tribunal. See "Personal Property Tax Assessments and Appeals" above.

Sources: Dexter, Hamburg, Lima, Lodi, Northfield, Scio and Webster Townships.

Legal Debt Margin as of Date of Sale

2002 State Equalized Valuation	\$970,342,350
Debt Limit (15% of 2002 State Equalized Valuation)	145,551,353
Debt Outstanding, including Bonds described herein	\$94,450,000
Less Qualified Bonds**	<u>94,450,000</u>
Total Subject to Debt Limit	<u>0</u>
Additional Debt which could be Legally Incurred	\$145,551,353

**Act 451, Public Acts of Michigan, 1976, provides debt limits as follows:

(a) Section 1351(3) - The bonded indebtedness of a school district shall not exceed 15 percent of all assessed valuation of the district. Bonds not included in the computation of the legal debt margin, according to Section 1351(3) are: (1) refunding bonds, (2) any bond qualified under Article IX, Section 16, of the 1963 Michigan Constitution, and (3) deficit budget bonds as authorized by Section 1356.

Debt History and Future Bonding

The School District has no record of default on any of its obligations and does not anticipate issuing additional bonds for capital purposes within the next six months.

School Bond Loan Fund (SBLF) Program

As of December 31, 2002, the School District had a School Bond Loan Fund borrowing balance of \$12, 719,105.

For more information on the School Bond Loan Fund, please see "QUALIFICATION BY THE STATE OF MICHIGAN" in Appendix A in this official statement.

Source: State of Michigan Department of Treasury.

Debt Statement as of Date of Sale

DIRECT DEBT

08/20/92	Refunding Bonds (UTQ)	\$ 2,450,000
11/01/93	School Building and Site and Refunding Bonds (UTQ)	29,860,000
06/01/98	School Building and Site Bonds (UTQ)	<u>62,680,000</u>
	DIRECT DEBT (date of sale)	\$94,990,000
	Less 1992 Refunded Bonds	(1,675,000)
	Less 1993 Refunded Bonds	(29,075,000)
	Plus 2003 Refunding Bonds (UTQ) (described herein)	<u>30,210,000</u>
	NET DIRECT DEBT (date of delivery)	\$94,450,000

OVERLAPPING DEBT AS OF 4/2/03

Percent		TOTAL OVERLAPPING DEBT	SHARE OF OVERLAPPING DEBT
4.71%	Hamburg Township (Livingston)	\$16,240,000	\$ 764,904
23.06	Lima Township (Washtenaw)	149,640	34,507
0.47	Northfield Township (Washtenaw)	14,025,000	65,918
32.96	Scio Township (Washtenaw)	16,175,000	5,331,280
100.00	Village of Dexter (Washtenaw)	6,180,000	6,180,000
0.58	Livingston County	22,916,863	132,918
6.39	Washtenaw County	37,622,574	2,404,082
6.55	Washtenaw Community College	<u>43,835,000</u>	<u>2,871,193</u>
	NET OVERLAPPING DEBT	\$157,144,077	\$17,784,802
	NET DIRECT AND OVERLAPPING DEBT		\$112,234,802

Source: Municipal Advisory Council of Michigan.

Short-Term Debt **

For Capital Lease Obligations, see Appendix C, Notes to Financial Statements.

State Aid Note dated August 21, 2002 for \$4,500,000 @ 1.4% due August 21, 2003.

**Not included in debt totals or debt ratios.

DEBT RATIOS

Per Capita (18,800)	
Per Capita Net Direct Debt	\$5,023.94
Per Capita Net Direct and Overlapping Debt	\$5,969.94
Ratio to 2002 Taxable Valuation (\$760,627,821)	
Net Direct Debt	12.42%
Net Direct and Overlapping Debt	14.76%
Ratio to 2002 State Equalized Valuation (\$970,342,350)	
Net Direct Debt	9.73%
Net Direct Debt and Overlapping Debt	11.57%
Ratio to 2002 True Cash Value (\$1,940,684,700)	
Net Direct Debt	4.87%
Net Direct and Overlapping Debt	5.78%

ECONOMIC PROFILE

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

10	miles west of Ann Arbor
40	miles west of Detroit
53	miles southeast of Lansing
71	miles southwest of Flint
126	miles southeast of Grand Rapids

Retail Sales

The data below shows estimated 2003 retail sales for the number of stores counted in 1997, the most recent count available for Livingston and Washtenaw Counties and for the State of Michigan.

	<u>Livingston County</u>		<u>Washtenaw County</u>		<u>Michigan</u>	
	<u>No. of</u>	<u>Total Retail</u>	<u>No. of</u>	<u>Total Retail</u>	<u>No. of</u>	<u>Total Retail</u>
	<u>Stores</u>	<u>Sales (000)</u>	<u>Stores</u>	<u>Sales (000)</u>	<u>Stores</u>	<u>Sales (000)</u>
1997 U. S. Census		\$1,308,354		\$3,371,945		\$ 93,706,078
2003 E & P Estimate	371	1,643,285	877	4,029,273	30,867	114,773,554
Motor Vehicle/Parts	47	\$676,837	92	\$1,561,839	4,126	\$40,628,833
Furniture	38	41,119	74	129,654	2,052	3,732,467
Electrical/Appliance	18	36,678	59	162,556	1,455	3,560,641
Building Material	66	184,438	94	408,713	3,541	12,498,405
Food/Beverage	55	195,098	162	461,266	6,151	14,186,604
Health/Personal Care	27	62,241	82	176,619	2,869	6,138,968
Gasoline	49	121,103	117	238,076	4,315	7,451,767
Clothing/Access.	57	45,699	173	227,373	5,144	5,646,612
General Merchandise	14	280,072	24	663,177	1,214	20,929,257

Source: 2003 Editor & Publisher Market Guide.

Major Employers

The following table shows the largest identifiable employers in the school district.

<u>Company</u>	<u>Product or Service</u>	<u>Approx. No. of Employees</u>
Borders Inc.	General warehousing facility	170
Colorbok Inc.	Stationery & note pads	120
Dapco Industries	Valves, fittings, screw machine, etc.	200
Dexter Community Schools	Education	434
Dexter Fastener Technologies	Engine fasteners	180
Pilot Industries (3 plants)	Plastic and metal tubing	300
Sweepster Inc.	Runway sweepers	184
Thetford Corp.	Plastic components	217
Thomson Financial Solutions (also called Creative Solutions)	Computer software development	420
Thomson-Shore Inc.	Publishing	330

Sources: School District, 2002 Michigan Harris Industrial and Services Directories, 2002 Michigan Manufacturers Directory and individual employers.

Other Major Employers in Washtenaw County (1,300 or more employees)

<u>Company</u>	<u>Product or Service</u>	<u>Approx. No. of Employees</u>
Ann Arbor Public Schools	Education	1,851
Eastern Michigan University	Higher education	2,071
Borders Inc.	Book and music retailer	1,800
General Motors Corporation: Powertrain Division	Automobile transmissions	6,132
Michigan, State of	State government	1,954
Michigan, University of	Higher education	21,302
Michigan, University of (Medical Center)	Healthcare, education and research	10,405
Pfizer Corp. (Also called Parke-Davis)	Pharmaceuticals, research & development	1,500
Proquest Co.	Microfilm & CD-ROM products	1,400
St. Joseph Mercy Health System	Healthcare	3,798
Trinity Health	Healthcare	4,405
United States Government	Federal government	2,549
Veteran's Health Administration	Medical center	1,750
Visteon Corp (3 facilities)	Automobile parts	5,300
Washtenaw County	County government	1,300

Sources: School District, 2002 Michigan Harris Industrial and Services Directories, 2002 Michigan Manufacturers Directory, Crain's List (January, 2002) and individual employers.

The following tables reflect the breakdown of employment by occupation, major industry groups and family income in Washtenaw County for persons 16 years and older as of the 2000 U. S. Census.

	<u>Washtenaw County</u>	
	<u>No. of</u>	<u>% of Total</u>
<u>Occupations</u>	<u>Workers</u>	<u>Workers</u>
Managerial, professional and related occupations	83,275	48.3%
Service occupations	23,115	13.4
Sales and office occupations	38,976	22.6
Farming, fishing, and forestry occupations	507	0.3
Construction, extraction, and maintenance occupations	9,702	5.6
Production, transportation and material moving occupations	<u>16,798</u>	<u>9.8</u>
TOTALS	172,373	100.0%

<u>Industries</u>		
Agriculture, forestry, fishing, hunting, and mining	1,047	0.6%
Construction	6,762	3.9
Manufacturing	26,637	15.5
Wholesale trade	3,361	1.9
Retail trade	17,284	10.0
Transportation and warehousing, and utilities	5,834	3.4
Information	5,385	3.1
Finance, insurance, real estate, and rental and leasing	7,682	4.5
Professional, scientific, management, admin. & waste mgmt.	18,707	10.9
Educational, health and social services	56,181	32.6
Arts, entertainment, recreation, accommodation and food services	13,276	7.7
Other services	5,833	3.4
Public administration	<u>4,384</u>	<u>2.5</u>
TOTALS	172,373	100.0%

	<u>Washtenaw County</u>	
	<u>No. of</u>	<u>% of Total</u>
<u>Family Income in 1999</u>	<u>Families</u>	<u>Families</u>
Less than \$10,000	2,548	3.4%
\$10,000 to \$14,999	1,751	2.4
\$15,000 to \$24,999	4,263	5.7
\$25,000 to \$34,999	5,873	7.9
\$35,000 to \$49,999	9,493	12.8
\$50,000 to \$74,999	16,048	21.6
\$75,000 to \$99,999	12,734	17.2
\$100,000 to \$149,000	13,714	18.5
\$150,000 to \$199,999	3,878	5.2
\$200,000 or more	<u>3,897</u>	<u>5.3</u>
TOTAL	74,199	100.0%

Median Family Income \$70,393

Source: 2000 U. S. Census of Population.

Unemployment

The following table shows a history of unemployment rates for Livingston and Washtenaw Counties and the State of Michigan.

	<u>Livingston County</u>	<u>Washtenaw County</u>	<u>State of Michigan</u>
1998	2.3%	1.9%	3.9%
1999	2.2	1.8	3.8
2000	2.0	1.6	3.6
2001	3.1	2.4	5.3
2002	3.9	2.9	6.1

Source: Michigan Department of Career Development.

Higher Education

Area residents wishing to further their education have the option of attending the following Washtenaw County higher education facilities:

<u>Higher Education Facility</u>	<u>Location</u>
Cleary College	Ypsilanti
Concordia University	Ann Arbor
Eastern Michigan University	Ypsilanti
University of Michigan	Ann Arbor
Washtenaw Community College	Ann Arbor

Medical Facilities

Area residents needing healthcare are serviced by two University of Michigan Hospitals with a total of 722 beds, both full service facilities; and Veterans Affairs Medical Center, a 133 bed facility, including 45 beds in a nursing home type of unit. All three medical facilities are located in nearby Ann Arbor. Area residents are also serviced by St. Joseph Mercy Health System a full service 487 bed facility located in nearby Ypsilanti.

Source: American Hospital Directory.

Transportation

The School District is readily accessible by three main highways. To the north, I-96 connects with Detroit to the southeast and Lansing, Grand Rapids, and Lake Michigan to the northwest. Within a short drive south, residents may travel via I-94 east to Detroit and Port Huron or west to Chicago, Illinois. Nearby U.S. 23 provides a quick access to I-94 and I-96 and takes one north to the Straits of Mackinac or south to Toledo, Ohio. Wayne County's Detroit Metropolitan Airport is a 40 mile drive from the School District, providing national and international airline travel.

Utilities

SBC Communications Inc. provides telephone service and DTE Energy Co. provides electricity and natural gas service for School District residents. Water and sewer service is provided by the Village of Dexter for many School District residents and others use wells and septic systems.

Banking Facilities

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

<u>Bank</u>	<u>Main Office</u>	Total State-wide <u>Deposits</u>
Ann Arbor Commerce Bank	Ann Arbor	\$ 236,085,000
Bank One, Michigan	Detroit	16,551,719,000
Chelsea State Bank	Chelsea	140,064,000
Comerica Bank	Detroit	22,211,584,000
Fifth Third Bank	Grand Rapids	18,905,011,000
National City Bank of Michigan/Illinois	Bannockburn, IL	N/A
Republic Bank	Lansing	2,718,606,000
TCF National Bank	Minneapolis, MN	N/A
United Bank & Trust	Tecumseh	421,290,000

Source: American Financial Directory, January-June, 2003.

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APPENDIX C

DEXTER COMMUNITY SCHOOLS GENERAL FUND BUDGET 2002/03

	Amended <u>11/18/02</u>
REVENUE:	
Local Sources	\$ 3,319,218
State Sources	22,495,671
Federal Sources	554,418
Transfers & Other Transactions	<u>2,182,807</u>
TOTAL REVENUE	\$28,552,114
EXPENDITURES:	
Instruction:	
Cornerstone Elementary	\$2,842,068
Bates Elementary	1,856,954
Wylie Elementary	3,462,284
Creeside Elementary	3,091,394
Mill Creek Middle School	3,183,353
Dexter High School	5,897,851
Support Services:	
Instructional Support	1,144,837
General Administration	904,697
Personnel	118,465
Support Services	4,993,061
Business Services	274,036
Community Services	426,462
Outgoing Transfers & Other Transactions	<u>994,833</u>
TOTAL EXPENDITURES	\$29,190,295
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	\$(638,181) ¹
FUND BALANCE, JULY 1, 2002	\$2,003,465
ESTIMATED FUND BALANCE, JUNE 30, 2003	\$1,365,284

¹In planning for the new high school that opened in February 2002, the Board of Education anticipated a budget deficit for the years 2001/02, 2002/03 and 2003/04 to cover the additional costs of operating a new high school. The projected growth in student enrollment is expected to provide ample operational funding in the future.



INDEPENDENT AUDITORS' REPORT

Board of Education
Dexter Community Schools
Dexter, Michigan

We have audited the general purpose financial statements of Dexter Community Schools, Dexter, Michigan, as of and for the year ended June 30, 2002, as listed in the table of contents. These general purpose financial statements are the responsibility of Dexter Community Schools' management. Our responsibility is to express an opinion on these general purpose 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 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 opinion.

The general purpose financial statements referred to above do not include the General Fixed Asset Account Group, which should be included in order to conform with generally accepted accounting principles. The amount that should be recorded in the General Fixed Asset Account Group is not known.

In our opinion, except for the effects on the financial statements of the omission described in the preceding paragraph, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Dexter Community Schools as of June 30, 2002, and the results of its operations 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 a report dated August 8, 2002, on our consideration of the District's internal control over financial reporting and our test of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with the report in considering the results of our audit.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining, individual fund and individual account group financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of Dexter Community Schools. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

Willis & Jurasek, P.C.
Willis & Jurasek, P.C.

August 8, 2002

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DEXTER COMMUNITY SCHOOLS
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 2002

	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS
ASSETS				
Cash	\$ 1,673,578	\$ 100	\$ 1,473,973	\$ 8,317,123
Short-term Investments	1,388,588	20,992	123,960	957,125
Taxes Receivable	286,645	-	261,821	-
Accounts Receivable	97,237	9,266	-	-
Due From - Other Govern. Units	3,843,419	39,766	-	-
Inventory	-	19,039	-	-
Prepaid Expenditures	93,429	-	-	-
Available in Debt Retirement	-	-	-	-
To Be Provided-Bonds	-	-	-	-
To Be Provided-Comp. Leaves	-	-	-	-
To Be Provided-Bond Loan Fund	-	-	-	-
To Be Provided - Durant Bonds	-	-	-	-
TOTAL ASSETS	\$ 7,862,593	\$ 89,363	\$ 1,859,554	\$ 9,274,248
LIABILITIES AND FUND BALANCE				
LIABILITIES				
Accounts Payable	\$ 167,897	\$ 10,009	\$ -	\$ 1,420,214
Tax Notes & Loans Payable	3,795,460	-	-	-
Due To Student Groups	-	-	-	-
Accrued Expenditures	282,885	-	-	-
Salaries Payable	1,482,670	-	-	-
Deferred Revenue	130,516	-	-	-
Other Liabilities	-	16,867	-	-
Bonds Payable-Serial	-	-	-	-
School Bond Loan	-	-	-	-
Durant Bonds Payable	-	-	-	-
Compensated Leaves	-	-	-	-
TOTAL LIABILITIES	5,859,228	26,876	-	1,420,214
FUND BALANCE				
Reserve for Special Purposes	1,644,025	-	-	-
Reserve for Inventory	-	19,039	-	-
Reserve for Prepaids	93,429	-	-	-
Unreserved/Undesignated	266,011	43,448	1,859,554	7,854,034
TOTAL FUND BALANCE	2,003,465	62,487	1,859,554	7,854,034
TOTAL LIABILITIES AND FUND BALANCE	\$ 7,862,693	\$ 89,363	\$ 1,859,554	\$ 9,274,248

The accompanying notes to financial statements are an integral part of this statement.

TRUST AND AGENCY	GENERAL LONG-TERM DEBT	Memorandum Only Current Year
\$ -	\$ -	\$ 11,664,774
306,840	-	3,297,602
-	-	528,266
-	-	106,503
-	-	3,883,085
-	-	19,039
-	-	93,429
-	1,859,554	1,859,554
-	93,130,448	93,130,448
-	900,278	900,278
-	11,660,826	11,660,826
-	307,561	307,561
\$ 306,840	\$ 107,858,665	\$ 127,251,363
\$ -	\$ -	\$ 1,597,920
306,840	-	3,795,460
-	-	306,840
-	-	282,885
-	-	1,482,670
-	-	130,516
-	-	16,867
-	94,990,000	94,990,000
-	11,660,826	11,660,826
-	307,561	307,561
-	900,278	900,278
306,840	107,858,665	115,471,823
-	-	1,644,025
-	-	19,039
-	-	93,429
-	-	10,023,047
-	-	11,779,540
\$ 306,840	\$ 107,858,665	\$ 127,251,363

DEXTER COMMUNITY SCHOOLS
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ALL GOVERNMENTAL FUND TYPES
YEAR ENDED JUNE 30, 2002

	GENERAL	SPECIAL REVENUE	DEBT SERVICE
REVENUES			
REVENUE FROM LOCAL SOURCES	\$ 3,544,546	\$ 1,462,346	\$ 6,084,979
REVENUE FROM STATE SOURCES	21,353,645	34,175	60,141
REVENUE FROM FEDERAL SOURCES	461,209	101,327	
OTHER TRANSACTIONS	1,845,565		
TOTAL REVENUES	27,204,965	1,598,348	6,144,620
EXPENDITURES			
INSTRUCTION	15,150,853		
SUPPORT SERVICES	10,745,969		
ATHLETICS		595,435	
FOOD SERVICE		1,431,405	
COMMUNITY SERVICES	1,058,384		
CONSORTIUM	43,348		
OTHER TRANSACTIONS	384,175		
DEBT SERVICE			8,227,016
CAPITAL OUTLAY			
TOTAL EXPENDITURES	27,392,729	2,026,840	8,227,016
Excess (deficiency) of revenues over expenditures	(187,764)	(428,492)	(2,082,396)
OTHER FINANCING SOURCES (USES)			
Operating Transfers In	119,091	490,443	
Other Financing Sources			3,505,735
Operating Transfers Out	(534,934)	(74,600)	
TOTAL OTHER FINANCING SOURCES (USES)	(415,843)	415,843	3,505,735
Excess (deficiency) of revenues over expenditures and other sources (uses)	(603,607)	(12,649)	1,423,339
Fund Balances at beginning of year	2,607,072	75,136	436,215
Fund Balances at end of year	\$ 2,003,465	\$ 62,487	\$ 1,859,554

CAPITAL PROJECTS	Memorandum Only Current Year
\$ 861,678	\$ 11,953,549
	21,447,961
	562,536
	1,845,565
861,678	35,809,611
	25,160,853
	10,745,969
	595,435
	1,431,405
	1,058,384
	43,348
	384,175
	8,227,016
21,902,786	21,902,786
21,902,786	59,549,371
(21,241,108)	(21,739,760)
	609,534
	3,505,735
	(609,534)
	3,505,735
(21,941,108)	(20,234,025)
28,895,142	32,013,565
\$ 7,854,034	\$ 11,779,540

The accompanying notes to financial statements are an integral part of this statement.

DEXTER COMMUNITY SCHOOLS
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL AND DEBT SERVICE FUND
YEAR ENDED JUNE 30, 2002

	GENERAL		
	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
REVENUE FROM LOCAL SOURCES	\$ 9,644,687	\$ 9,544,546	\$ (100,141)
REVENUE FROM STATE SOURCES	20,841,981	21,353,645	511,664
REVENUE FROM FEDERAL SOURCES	405,429	461,209	55,780
OTHER TRANSACTIONS	1,758,479	1,843,565	85,086
TOTAL REVENUES	22,650,576	22,202,965	(447,611)
EXPENDITURES			
INSTRUCTION	14,756,217	15,160,853	(404,636)
SUPPORT SERVICES	10,223,853	10,745,969	(522,116)
ATHLETICS			
FOOD SERVICE			
COMMUNITY SERVICES	1,169,200	1,058,384	110,816
CONSORTIUM	43,586	43,548	38
OTHER TRANSACTIONS	505,074	384,175	120,899
DEBT SERVICE			
TOTAL EXPENDITURES	26,699,930	27,392,729	(692,799)
Excess (deficiency) of revenues over expenditures	350,646	(189,764)	(540,410)
OTHER FINANCING SOURCES (USES)			
Operating Transfers In	122,434	119,091	(3,343)
Other Financing Sources			
Operating Transfers Out	(539,889)	(534,034)	4,955
TOTAL OTHER FINANCING SOURCES (USES)	(417,455)	(415,843)	1,612
Excess (deficiency) of revenues over expenditures and other sources (uses)	(66,809)	(603,607)	(536,798)
Fund Balances at beginning of year	2,607,072	2,607,072	
Fund Balances at end of year	\$ 2,540,263	\$ 2,003,465	\$ (536,798)

The accompanying notes to financial statements are an integral part of this statement.

SPECIAL REVENUE			DEBT SERVICE		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
\$ 1,441,862	\$ 1,462,866	\$ 20,984	\$ 5,860,921	\$ 6,084,479	\$ 223,558
28,091	34,175	6,084	60,141	60,141	
108,800	101,327	(7,473)			
1,578,753	1,598,368	19,615	5,921,062	6,144,760	223,698
609,141	595,435	13,706			
1,447,648	1,431,405	16,243			
			8,226,139	8,227,016	(877)
2,056,789	2,026,840	29,949	8,226,139	8,227,016	(877)
(478,336)	(428,492)	49,844	(2,305,077)	(2,082,396)	222,681
490,443	490,443				
	(74,600)	(74,600)	2,722,599	3,505,735	783,136
490,443	415,843	(74,600)	2,722,599	3,505,735	783,136
12,107	(12,649)	(24,756)	417,522	1,423,339	1,005,817
75,136	75,136		436,215	436,215	
\$ 87,243	\$ 62,487	\$ (24,756)	\$ 853,737	\$ 1,859,554	\$ 1,005,817

**DEXTER COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Dexter Community School District was established under the provisions of the State of Michigan. The School District operates under an elected Board of Education and provides educational needs for grades K-12.

The accounting policies of the District conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies:

Reporting Entity

The accompanying general purpose financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board (GASB) for determining the various governmental organizations to be included in the reporting entity. The Dexter Community School District Board of Education (Board) is the primary government, which has oversight responsibility and control over all activities related to public school education in the Dexter Community School District. The Board receives funding from local, state and federal government sources and must comply with the concomitant requirements of these funding source entities. However, the Board is not included in any other governmental "reporting entity" as defined in the GASB pronouncements since the Board members are a publicly elected governing body that has separate legal standing and is fiscally independent of other governmental entities. As such, the Board has decision making authority, the authority to levy taxes and determine its budget, the power to designate management, the ability to significantly influence operations and primary accountability for fiscal matters. The Board does not include any other component within its general purpose financial statements.

Fund Accounting

The accounts of the District are organized on the basis of funds and account groups, 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 four generic fund types and two broad fund categories.

The fund and account groups maintained by the Dexter Community School District and the purpose of each are as follows:

Governmental Funds

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

**DEXTER COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Accounting (Continued)

Governmental Funds (Continued)

General Fund - The General Fund is used to record the general operations of the School District pertaining to education and those operations not provided for in other funds. Included are all transactions related to the approved current operating budget.

The expenditures are classified in accordance with the latest edition of the *Accounting Manual for Michigan School Districts*, issued by the Michigan Department of Education, as follows:

Instruction - Instruction includes the activities dealing directly with the teaching of pupils or the interaction between teacher and pupils. Teaching may be provided through some other approved medium, such as television, radio, telephone and correspondence. Included there are the activities of aides, assistance of any type, and supplies and machines, which assist directly in the instructional process.

Supporting Services - Supporting services are those services, which provide administrative, technical (such as guidance and health), and logistical support to facilitate and enhance instruction. Supporting services exist as adjuncts for the fulfillment of the objectives of instruction, rather than as entities within themselves.

Other Transactions - Other transactions consist of conduit-type (outgoing transfers) payments to other school districts or administrative units in the state or in another state not identified in the above classifications. Interfund transfers consist of transfers from one fund to another fund within the School District.

Special Revenue Funds - Special Revenue Funds are used to segregate the transactions of particular activities from regular revenue and expenditure accounts. The School District maintains full control of these funds. The District maintains two special revenue funds: the Food Service Fund and the Athletic Fund.

Debt Retirement Funds - The Debt Retirement Fund is used to record tax and interest revenue and the payment of general long-term debt principal, interest and related cost.

Capital Projects Fund - The Capital Projects Fund is used to account for resources for the acquisition or construction of capital facilities or equipment by the School District.

Educary Funds

Trust and Agency Funds - Trust and Agency Funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. These include Agency Funds, which are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

**DEXTER COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fixed Assets and Long-Term Liabilities

The accounting and reporting treatment applied to the fixed assets and long-term liabilities associated with a fund are determined by its measurement focus. All governmental funds are accounted for on a spending or "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of "available spendable resources". Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Capital expenditures for building improvements, furniture and equipment are recorded as expenditures when incurred.

Long-term liabilities expected to be financed from governmental funds are accounted for in the General Long-Term Debt Account Group, not in the governmental funds. Conditional sales contracts for the purchase of transportation vehicles and other assets are recorded on the cash basis with each installment being charged to expenditures in the year in which the payment is made.

This treatment as it relates to school buses is in accordance with Michigan Department of Education Bulletin 1022 (revised), which requires the recording of school buses as an expenditure. The District files its Annual School District Financial Report (Form B, revised) to the Department of Education in accordance with Bulletin 1022 (revised).

The account group is not a "fund". It is concerned only with the measurement of financial position and is not involved with measurement of results of operations.

Special reporting treatments are also applied to governmental fund inventories to indicate that they do not represent "available spendable resources", even though they are a component of net current assets. Such amounts are generally offset by fund balance reserve accounts.

Because of their spending measurement focus, expenditure recognition for governmental fund types is limited to exclude amounts represented by non-current liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities. They are instead reported as liabilities in the General Long-Term Debt Account Group.

Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

**DEXTER COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting (Continued)

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available as net current assets. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Exceptions to this general rule include principal and interest on general long-term debt which is recognized when due. Modifications in such method from the accrual basis are as follows:

- a. Property taxes and other revenue, that are both measurable and available for use to finance operations, are recorded as revenue when earned. Other revenue is recorded when received.

Properties are assessed as of December 31, and the related property taxes are levied and become a lien on December 1. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls.

- b. Principal and interest on general long-term debt is not recorded as an expenditure until its due date.

- c. The non-current portion of vested sick and accumulated vacation days is reflected in the General Long-Term Debt Group.

Inventory

Inventory is valued at the lower of cost (first-in, first-out) or market. Inventory in the Special Revenue Fund consists of expendable supplies held for consumption as well as USDA commodity inventory. The cost is recorded as an expenditure at the time individual inventory items are purchased. Reported inventories are equally offset by a fund balance reserve, which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets.

Reserves and Designations

Portions of fund equity are segregated for specific future use, and are, therefore, not available for general future appropriation or expenditure. Fund balance reserves represent those amounts, which are legally, contractually, or otherwise segregated for future use.

Designations of unreserved fund balances in governmental funds indicate the School District's tentative plans for use of financial resources in a future period.

Total Columns on Combined Statements

Total columns on combined statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

**DEXTER COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Compensated Absences

The District has various contracts with teachers, support staff and administrators, that calls for accumulated personal and sick days to be paid at agreed upon rates. The total estimated liability at June 30, 2002 is \$900,278 and is shown in the general long-term debt account group.

2. BUDGETS

The State of Michigan adopted a Uniform Budgeting and Accounting Act (Act) applicable to all local governmental entities in the State. The law requires appropriation acts to be adopted for General, Special Revenue and Debt Retirement Funds and an informational study for Capital Projects Funds of school districts prior to the expenditure of monies in a fiscal year.

The Board of Education adopts appropriations utilizing the modified-accrual basis of accounting for all governmental funds. The appropriation level adopted by the Board is the level of control authorized under the Act. The Act requires expenditures to be budgeted on a functional basis. A district is not considered to be in violation of the Act if reasonable procedures are in use by the district to detect violations.

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

- A. The District's Superintendent submits to the Board of Education a proposed budget by July 1 of each year. The budget includes proposed expenditures and the means of financing.
- B. A public hearing is conducted to obtain taxpayer comments.
- C. The Superintendent is authorized to transfer budgeted amounts within activity levels within any fund; however, any revisions that alter the total expenditures of any activity level must be approved by the Board of Education.
- D. Budgets for the General, Special Revenue, and Debt Service Funds are adopted on a basis consistent with generally accepted accounting principles.
- E. Budgeted amounts are as originally adopted, or as amended by the Board of Education throughout the year. Individual amendments were not material in relation to the original appropriations, which were amended.
- F. Appropriations lapse at year-end and therefore cancels all encumbrances. These appropriations are reestablished at the beginning of the following year.

3. SIGNIFICANT CONCENTRATIONS OF CREDIT RISK

Financial instruments, which potentially subject the District to concentration of credit risk, consist principally of cash and investments. Risk associated with cash and investments is disclosed in Note 4.

**DEXTER COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

4. CASH AND INVESTMENTS

The District reports its investments in accordance with GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools. Under these standards, certain investments are valued 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 valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the districts intend to hold the investment until maturity. The school district investments are categorized to give an indication of the level of risk assumed by the district at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agent, but not in the District's name.

Deposits are carried at cost. Deposits of the District are in the name of Dexter Community Schools. Michigan Compiled Laws, Section 129.91, authorizes the School to deposit and invest in the accounts of Federally insured banks, insured credit unions and savings and loan associations; bonds and other direct obligations of the United States, or an agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan. The School's deposits are in accordance with statutory authority.

The Balance Sheet caption, "Cash" includes imprest cash, demand accounts and certificates of deposit.

The Governmental Accounting Standards Board Statement No. 3 risk disclosures for the School's cash, deposits are as follows:

<u>Deposits</u>	<u>Carrying Amount</u>	<u>Bank Balance</u>
Insured (FDIC)	\$ 280,250	\$ 300,000
Uncollateralized and Uninsured	11,184,524	11,194,296
Total Deposits	\$11,464,774	\$11,494,296

The GASB Statement No. 3 risk disclosures for the School's investments are as follows:

	<u>Category</u>			<u>Carrying Value</u>	<u>Market Value</u>
<u>Investments</u>	1	2	3		
U.S. Government securities	\$ 0	\$957,125	\$ 0	\$ 957,125	\$ 957,125
Bank Municipal Investment Funds				2,339,772	2,339,772
Michigan Liquid Asset Funds				705	705
Total Investments				\$3,297,602	\$3,297,602

**DEXTER COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

5. DEFINED BENEFIT PENSION PLAN

Plan Description

Dexter Community Schools contributes to the statewide Michigan Public Schools Employees' Retirement System (MPERS), a cost-sharing multiple-employer defined benefit pension plan administered by MPERS. MPERS provides retirement and post-retirement benefits for health, dental and vision. MPERS was established by Public Act 136 of 1945 and operated under the provisions of Public Act 300 of 1960, as amended. The MPERS issues a publicly available financial report that includes financial statements and required supplementary information for MPERS. That report may be obtained by writing to Michigan Public School Employees Retirement System, P.O. Box 30026, Lansing, Michigan 48909 or by calling (517) 322-8060.

Funding Policy

Member Investment Plan (MIP) members enrolled prior to January 1, 1990 contribute a permanently fixed rate of 3.9% of gross wages. The MIP contribution rate was 4.0% from January 1, 1987, the effective date of the MIP, until January 1, 1990 when it was reduced to 3.9%. Members first hired January 1, 1990 or later and returning members who did not work between January 1, 1987 through December 31, 1989 contribute at the following graduated permanently fixed contribution rate: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; 4.3% of all wages over \$15,000.

Basic Plan members make no contributions. For a limited period ending December 31, 1992 an active Basic Plan member could enroll in the MIP by paying the contributions that would have been made had enrollment occurred initially on January 1, 1987 or on the date of hire, plus interest. MIP contributions at the rate of 3.9% of gross wages begin at enrollment. Market rate interest is posted to member accounts on July 1st on all MIP monies on deposit for 12 months. If a member leaves MPERS service and no pension is payable, the member's accumulated contribution plus interest, if any, are refundable.

The District is required to contribute the full actuarial funding contribution amount to fund pension benefits on a cash disbursement basis. The rates for the year ended June 30, 2002 were 12.16% of payroll through September 30, 2001 and 12.17% effective October 1, 2001. The contribution requirements of plan members and the District are established and amended by the MPERS for the years ended June 30, 2002, 2001, and 2000 were approximately, \$2,103,000, \$1,894,811 and \$1,670,000, respectively, equal to the required contribution for the year.

The District is not responsible for the payment of retirement benefits, which is the responsibility of the State of Michigan.

Other Post-Employment Benefits

Under the MPERS' Act, all retirees have the option of continuing health, dental and vision coverage. Retirees having these coverage's 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 coverage's. Required contributions for postemployment health care benefits are included as part of the School District's total contribution to the MPERS pension plan discussed above.

**DEXTER COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

6. LONG-TERM DEBT

Bonds

The following is a summary of the bond transactions of the District for the year ended June 30, 2002:

General obligation bonds payable at July 1, 2001	\$106,155,950
Bonds retired	(3,103,429)
Bonds issued	3,505,735
Interest accrued on School Bond Loan	<u>400,132</u>
General obligation bonds payable at June 30, 2002	<u>\$106,958,388</u>

Long-term debt payable consists of the following:

General obligation bonds:

\$6,860,000 1992 General Obligation School Bonds, due in annual installments of \$360,000 to \$860,000 through May 1, 2005, interest at 3.4% to 5.5% \$ 2,450,000

\$31,905,000 1994 General Obligation School Bonds, due in annual installments of \$205,000 to \$1,815,000 beginning May 1997 through May 2019, interest of 3.75% to 5.8% 29,860,000

\$69,600,000 1998 General Obligation School Bonds, due in annual installments of \$1,730,000 to \$2,625,000 beginning May 1999 through May 2028, interest of 3.8% to 6.25% 62,680,000

Total general obligation bonds 94,990,000

School Bond Loan Fund
interest at 4.125% to 5.125% 11,660,826

\$481,417 Durant Resolution bonds; due in annual installments of \$33,801 to \$80,234, beginning May 1999 through May 2013, interest at 4.7614% 307,562

Total bond payable \$106,958,388

The Durant bonds are a legal obligation of the School District, but the appropriations for these bonds debt service payments are made directly by the State of Michigan. The annual State of Michigan appropriation is the only revenue source for making the annual debt service payment on the bonds.

There are no annual installments due for the School Bond Loan of \$11,660,826. The loans are repaid as money becomes available to repay from the Debt Funds.

**DEXTER COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

6. LONG-TERM DEBT (CONTINUED)

Total annual requirements to amortize bonds outstanding as of June 30, 2002, including interest and principal payments of \$61,414,350 and \$95,297,562, respectively, on general obligation bonds are as follows:

<u>YEAR ENDING JUNE 30</u>	<u>GENERAL OBLIGATION BONDS</u>
2003	\$ 8,312,845
2004	8,423,814
2005	8,506,896
2006	8,400,796
2007	7,943,867
2008 and thereafter	<u>115,123,664</u>
	<u>\$156,711,912</u>

7. CONTINGENT LIABILITIES

The School District is a reimbursing employer to the Michigan Employment Security Commission and as such is responsible to pay the commission for those benefits paid and charged to its account. As of June 30, 2002 appropriate liabilities have been recorded for all claims paid by the Commission. However, no provision has been made for future payments that might result for claims in process or unfilled.

8. EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS

P.A. 821 of 1978, Section 18(1), as amended, provides that expenditures shall not be incurred in excess of the amount appropriated.

In the body of the financial statements, the School District's actual expenditures have been shown on a functional basis. The approved budget of the School District was adopted on the functional level.

During the year ended June 30, 2002, the School District incurred expenditures in certain budgetary funds, which were in excess of the appropriated amounts and are disclosed within the financial statements.

**DEXTER COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

9. CAPITAL PROJECTS FUND

The Capital Projects Funds include capital project activities funded with bonds issued after May 1, 1994. For these capital projects, the school district has complied with the applicable provisions of §1351a of the revised School Code.

10. RESERVED FUND BALANCE

Portions of fund equity are segregated for specific future use; and are, therefore, not available for future appropriation or expenditure. Fund balance reserves represent those amounts that are segregated for future use.

<u>General Fund</u>	
Reserved for health reserve	\$ 91,939
Reserved for supply	107,388
Reserved for instructional equipment	675,000
Reserved for facilities maintenance	325,000
Reserved for retirement severance	<u>445,000</u>
Total reserved for special purposes	<u>\$1,644,025</u>

11. RISK MANAGEMENT

The District is exposed to various risk of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. The District participates in two distinct pools of educational institutions within the State of Michigan for self-insuring property and casualty and workers' disability compensation. The pools are considered public entity risk pools. The District pays annual premiums to the pools for the respective insurance coverage.

In the event a pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The District has not been informed of any special assessments being required.

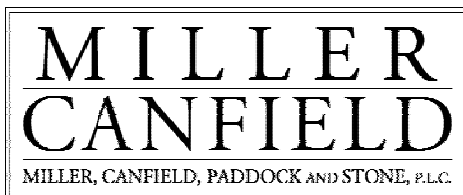
The District continues to carry commercial insurance for other risks of loss, including employee health and accident insurance.

12. PRIOR YEAR DEFEASANCE OF DEBT

In prior years, the District defeased certain general obligations and other bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. At June 30, 2002, \$5,375,000 of bonds outstanding are considered defeased.

13. FEDERAL AND STATE GRANTS

The District has received federal and state grants for specific purposes, which are subject to review and audit by grantor agencies. Although such audits could generate expenditure disallowance under terms of the grants, management believes that any required reimbursements would not be material.



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March 26, 2003

Dexter Community Schools
Counties of Washtenaw and Livingston
State of Michigan

We have examined the transcript of proceedings for the issue by the Dexter Community Schools, Counties of Washtenaw and Livingston, State of Michigan (the "School District"), of bonds in the aggregate principal sum of \$30,210,000, designated 2003 Refunding Bonds (Unlimited Tax General Obligation) (the "Bonds"), for the purpose described in the Bonds; the Bonds are in fully registered form in the denomination of \$5,000 each or multiples thereof, bearing original issue date of March 26, 2003, payable as to principal and interest as shown on the faces of the Bonds, with the option of redemption prior to maturity in the manner, at the times and at the prices specified on the faces of the Bonds.

We have also examined one Bond only as executed.

From such examination we are of opinion that the Bonds are valid and binding obligations of the School District and that all taxable property in the School District is subject to taxation for their payment without limitation as to rate or amount. 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.

The Bonds have been qualified by the State Treasurer under Article IX, Section 16 of the Michigan Constitution of 1963 and Act 108, Public Acts of Michigan, 1961, as amended. As a result of such qualification if for any reason the School District will be or is unable to pay the principal of and interest on the Bonds when due, then the School District shall borrow, and the State of Michigan shall loan to the School District, an amount sufficient to enable the School District to make the payment.

We are also of opinion that under existing law as presently interpreted, the interest on the Bonds (a) is excluded 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 School District comply with all requirements of the Internal Revenue Code of 1986, as amended, that

APPENDIX D

MICHIGAN: Ann Arbor
Detroit • Grand Rapids
Howell • Kalamazoo
Lansing • Monroe • Troy

New York, NY
Pensacola, FL
Washington, DC
CANADA: Windsor, ON

POLAND: Gdynia
Katowice • Warsaw

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

Dexter Community Schools

-2-

March 26, 2003

must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be (or continue to be) excluded from gross income for federal income tax purposes. Failure to comply with certain of such requirements could cause the interest on the Bonds to be included in gross income retroactive to the date of issuance of the Bonds. The School District has covenanted to comply with all such requirements. We express no opinion regarding other federal tax consequences arising with respect to the Bonds and the interest thereon.

We are also of the opinion that under existing law as presently interpreted, the Bonds and the interest thereon are exempt from all taxation in the State of Michigan except inheritance and estate taxes and taxes on gains realized from the sale, payment or other disposition thereof.

Very truly yours,

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

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 2003 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 Finance and Business 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.

“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, 2003:

(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. Enrollments;
- b. Labor Relations;
- c. Retirement Plan;
- d. History of State Equalized Valuations and Taxable Valuations;
- e. Tax Levies and Collections;
- f. School District Tax Rates (Per \$1,000 of Valuation);
- g. State Aid Payments;
- h. Largest Taxpayers;
- i. Debt Statement – Direct Debt;
- j. General Fund Budget Summary; and

(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) *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.

(g) *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.

(h) *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 Executive Director of Finance and Business

Dated: _____, 2003

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