NEW ISSUE—Book-Entry-Only **RATING†*:** Standard & Poor's Ratings Services: AA-
Michigan School Bond Qualification and Loan Program

In the opinion of Miller, Canfield, Paddock and Stone, P.L.C., Bond Counsel, under existing law, assuming compliance with certain covenants by the School District, the interest on the Bonds is not excluded from gross income for federal income tax purposes. See "TAX MATTERS" and APPENDIX E "Form of Approving Opinion" herein.

$19,290,000
DEXTER COMMUNITY SCHOOLS
COUNTIES OF WASHTENAW AND LIVINGSTON, STATE OF MICHIGAN
2012 REFUNDING BONDS, SERIES B
(Unlimited Tax General Obligation)
(Federally Taxable)

Dated: September 20, 2012 **Due:** May 1 as shown below

The 2012 Refunding Bonds, Series B (Unlimited Tax General Obligation) (Federally Taxable) (the "Bonds") in the amount of $19,290,000 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 May 21, 2012 (the "Resolution") and are being issued for the purpose of refunding certain outstanding indebtedness of the School District to the State of Michigan under the State of Michigan School Bond Qualification and Loan Program. The Bonds will pledge the full faith and credit of the School District for payment of the principal and interest thereon and will be payable from ad valorem taxes, which may be levied on all taxable property in the School District without limitation as to rate or amount.

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

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

Principal of and interest on the Bonds will be paid by the corporate trust office of The Huntington National Bank, Grand Rapids, Michigan (the "Transfer Agent"). So long as DTC or its nominee, Cede & Co., is the Bondholder, such payments will be made directly to such Bondholder. Disbursement of such payments to DTC's Direct Participants is the responsibility of DTC and disbursement of such payments to the Beneficial Owners is the responsibility of DTC's Direct Participants and Indirect Participants, as more fully described herein. Interest will be payable semiannually on May 1 and November 1, commencing May 1, 2013, to the Bondholders of record as of the applicable record dates herein described.

(Base CUSIP§: 252255)

Maturity	Amount	Interest Rate	Price	CUSIP§
2013	$4,825,000	0.58%	100.00%	LE2
2014	4,825,000	0.77	100.00	LF9
2015	4,820,000	1.00	100.00	LG7
2016	4,820,000	1.27	100.00	LH5

THE BONDS ARE NOT SUBJECT TO REDEMPTION PRIOR TO MATURITY. See "THE BONDS — No Redemption of the Bonds" herein.

The Bonds will be offered when, as and if issued by the School District and accepted by the Underwriter subject to the approving legal opinion of Miller, Canfield, Paddock and Stone, P.L.C., Detroit, Michigan, Bond Counsel. Certain legal matters will be passed upon for the Underwriter by Clark Hill PLC, Birmingham, Michigan. It is expected that the Bonds will be available for delivery through DTC on or about September 20, 2012.

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

STIFEL NICOLAUS

The date of this Official Statement is August 29, 2012.

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

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

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

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

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

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

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OFFICIAL STATEMENT
relating to

$19,290,000
DEXTER COMMUNITY SCHOOLS
COUNTIES OF WASHTENAW AND LIVINGSTON, STATE OF MICHIGAN
2012 REFUNDING BONDS, SERIES B
(Unlimited Tax General Obligation)
(Federally Taxable)

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 2012 Refunding Bonds, Series B (Unlimited Tax General Obligation) (Federally Taxable) (the "Bonds") in the amount of $19,290,000.

PURPOSE AND SECURITY

The Bonds in the amount of $19,290,000 are being issued for the purpose of refunding certain outstanding indebtedness of the School District to the State of Michigan under the State of Michigan School Bond Qualification and Loan Program and to pay the costs of issuing the Bonds. See "SCHOOL BOND QUALIFICATION AND LOAN PROGRAM" in APPENDIX B for more information regarding the School District's borrowing balance with the State of Michigan before and after the issuance of the Bonds.

The Bonds, as authorized for issuance by a resolution of the Board of Education of the School District adopted on May 21, 2012 (the "Resolution"), are a full faith and credit unlimited tax general obligation of the School District. The principal of and interest on the Bonds are payable from the proceeds of ad valorem taxes levied on all taxable property in the School District which may be levied without limitation as to rate or amount. As of the date of delivery, the Bonds will be fully qualified for participation in the State of Michigan School Bond Qualification and Loan Program. See "QUALIFICATION BY THE STATE OF MICHIGAN" and APPENDIX A, "State Qualification," in this Official Statement.

PLAN OF REFUNDING

The proceeds of the Bonds will be used to refund a portion of certain outstanding indebtedness of the School District to the State of Michigan under the State of Michigan School Bond Qualification and Loan Program as shown below and to pay the costs of issuing the Bonds.

Refunding of Indebtedness to State of Michigan[1]

Date	Principal	Interest	Total
09/19/2012	$15,210,925.00	$3,893,491.49	$19,104,416.49

[1] Estimated

ESTIMATED SOURCES AND USES OF FUNDS

SOURCES	
Par Amount of the Bonds	$19,290,000.00
Total Sources	$19,290,000.00
USES	
Payment of a portion of SBQLP Balance of Indebtedness	$19,104,416.49
Underwriter's Discount	106,095.00
Estimated Costs of Issuance	79,488.51
Total Uses	$19,290,000.00

THE BONDS

Description and Form of the Bonds

The Bonds will be issued in book-entry-only form as one fully registered Bond per maturity, without coupons, in the aggregate principal amount for each maturity set forth on the cover page hereof and may be purchased in denominations of $5,000 or any integral multiple thereof. The Bonds will be dated as of, and bear interest from, the date of issuance. Interest on the Bonds shall be payable semiannually each May 1 and November 1 to maturity, commencing May 1, 2013. Interest on the Bonds shall be computed using a 360-day year with twelve 30-day months, and the Bonds will mature on the dates and in the principal amounts and will bear interest at the rates as set forth on the cover of this Official Statement.

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

Book-Entry-Only System

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

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

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to the provisions of Section 17A of the

Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC System is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

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

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

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

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

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

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

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

Transfer Outside Book-Entry-Only System

In the event that the book-entry-only system is discontinued, the following provisions would apply to the Bonds. The Transfer Agent shall keep the registration books for the Bonds (the "Bond Register") at its corporate trust office. Subject to the further conditions contained in the Resolution, the Bonds may be transferred or exchanged for one or more Bonds in different authorized denominations upon surrender thereof at the corporate trust office of the Transfer Agent by the registered owners or their duly authorized attorneys; upon surrender of any Bonds to be transferred or exchanged, the Transfer Agent shall record the transfer or exchange in the Bond Register and shall authenticate replacement bonds in authorized denominations; the School District and the Transfer Agent shall be entitled to treat the registered owners of the Bonds, as their names appear in the Bond Register as of the appropriate dates, as the owners of such Bonds for all purposes under the Resolution. No transfer or exchange made other than as described above and in the Resolution shall be valid or effective for any purposes under the Resolution.

No Redemption of the Bonds

The Bonds are not subject to redemption prior to maturity.

QUALIFICATION BY THE STATE OF MICHIGAN

The Bonds will be fully qualified as of the date of delivery pursuant to Act 92 of the Public Acts of Michigan, 2005, as amended ("Act 92"), enacted pursuant to Article IX, Section 16, of the Michigan Constitution of 1963. Under the terms of said constitutional and statutory provisions, if for any reason the School District will be or is unable to pay the principal and interest on the Bonds when due, the School

District shall borrow and the State of Michigan (the "State") shall lend to it from the School Loan Revolving Fund (the "School Loan Revolving Fund") established by the State, an amount sufficient to enable the School District to make the payment. Article IX, Section 16 of the State Constitution as implemented by Act 112 of the Public Acts of Michigan, 1961, as amended, authorizes the State, without approval of its electors, to borrow from time to time such amounts as shall be required, pledge the State's full faith and credit and issue its notes or bonds therefor, for the purpose of making loans to school districts as provided under such section. Loans to school districts for such purposes are made from the proceeds of such State borrowing. See APPENDIX A, "State Qualification," in this Official Statement.

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

TAX PROCEDURES

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

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

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

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

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

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

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

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

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

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

SOURCES OF SCHOOL OPERATING REVENUE

On March 15, 1994, the electors of the State of Michigan approved a ballot proposition to amend the State Constitution of 1963, in part, to increase the State sales tax from 4% to 6% as part of a complex plan to restructure the source of funding of public education (K-12) in order to reduce reliance on local property taxes for school operating purposes and to reduce the per pupil finance resource disparities among school districts. The State aid package passed by the Legislature as part of the school finance reform legislation instituted a per pupil foundation allowance beginning in fiscal year 1994/95. The Legislature appropriated funds to establish a base foundation allowance in 2012/13 ranging from $6,966 to $8,019 per pupil, depending upon the district's 1993/94 revenue. In the future, the foundation allowance may be adjusted annually by an index based upon the change in revenues to the State school aid fund and change in the total number of pupils statewide and the spread between the high and low per pupil allowance is reduced. The foundation allowance is funded by locally raised property taxes plus State aid. The revenues for the State's contribution to the foundation allowance are derived from a mix of taxing sources, including, but not limited to, a statewide property tax of 6 mills on all taxable property[1], 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[2] in order for the school district to receive its per pupil foundation allowance. An intermediate school district may seek voter approval for three enhancement mills for distribution to local constituent school districts on a per pupil basis. Proceeds of the enhancement mills are not counted toward the foundation allowance. Furthermore, school districts whose per pupil foundation allowance in 2012/13 calculate to an amount in excess of $8,019 are authorized to levy additional millage to obtain the foundation allowance, first by levying such amount of the 18 mills against homestead property[3] as is necessary to hold themselves harmless and, if the 18 mills is insufficient, to then levy such additional mills against all property uniformly as is necessary to obtain the foundation allowance. The School District's per pupil foundation allowance does not exceed $8,019 and the School District does not levy such additional millage.

State aid appropriations and the payment schedule for state aid may be changed by the Legislature at any time. See "STATE AID PAYMENTS" in APPENDIX B. Due to State budget constraints, the State School Aid Act, as amended, reduced categorical state school aid by $372 per pupil for 2008/09. The $372 per pupil reduction in 2008/09 was offset by Federal stimulus money received by the State of Michigan pursuant to the American Recovery and Reinvestment Act. In 2009/10, the State of Michigan again experienced reduced revenue in the State School Aid Fund resulting in an additional reduction of $71 per pupil (for a total of $443). Out of the total reduction of State school aid, approximately $278 per pupil was offset by Federal stimulus money in 2009/10, leaving a net reduction in 2009/10 of $165 per pupil from what was received in 2008/09 (taking into consideration the Federal stimulus money in both fiscal years). In July, 2010, the Legislature restored $11 in state aid per pupil for 2009/10 and on December 3, 2010, restored another $6 per pupil, together with federal Education Jobs Fund dollars of $148 per pupil for 2009/10. For 2010/11, the state aid component of the foundation allowance has been reduced by $170 per pupil. On December 3, 2010, the Governor signed HB 5887 (designated Public Act 217 of 2010) which appropriates one-time federal dollars to each school district in a range of $111 to $222 per pupil. The School District received a restoration of $188 per pupil. In addition, the State appropriated $16 per pupil in 2010/11 to pay school district expenses associated with a previously unfunded mandate after the Michigan Supreme Court ruled in favor of school district plaintiffs in *Adair v. State of Michigan*.

Public Act 62 of 2011 ("Act 62") amended the State School Aid Act and reduced the School District's foundation allowance for the 2011/12 fiscal year to $7,468 a $470 per pupil reduction from the 2010/11 fiscal year. Act 62 also included a one-time payment of approximately $114 per pupil to the School District to partially offset increases in the retirement plan contribution rate of 24.46% for the period October 1, 2011 to September 30, 2012. Act 62 also included grant funding equal to $100 per pupil for

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

[2] "Non-homestead property" includes all taxable property other than principal residence, qualified agricultural property, qualified forestry property and industrial personal property. Commercial personal property is exempt from the first 12 mills of not more than 18 mills levied by school districts.

[3] "Homestead property", in this context, means principal residence, qualified agricultural property, qualified forestry property, industrial personal property and commercial personal property.

school districts if they satisfy 4 out of 5 "financial best practices" relating to health and other benefit coverage, service consolidation plans, competitive bidding for certain vendor services and transparency in reporting certain educational and financial data to its residents and community members. The Board and Administration have satisfied the best practices requirements and the School District received its first payment beginning October, 2011, which has been included in their 2011/12 Amended General Fund Budget. On June 26, 2012, the governor signed amendments to the State School Aid Act. The School District's foundation allowance will remain at $7,468 per pupil for the 2012/13 fiscal year. The amendments also include grant funding equal to $52 per pupil (reduced from $100 per pupil in 2011/12) for school districts if they satisfy the 7 out of the 8 "best practices" relating to health and other benefits coverage, competitive bidding for certain vendor services, schools of choice, pupil academic growth monitoring and technology infrastructure to monitor and assess public academic growth, post-secondary academic credit opportunities, postsecondary enrollment and career and technical preparation, college level equivalent courses, and middle college participation.

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

LITIGATION

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

TAX MATTERS

In the opinion of Miller, Canfield, Paddock and Stone, P.L.C., Bond Counsel, interest on the Bonds is not excluded from gross income for federal income tax purposes under the Code. Bond Counsel expresses no opinion regarding any other federal or state tax consequences relating to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds.

The following is a summary of certain of the United States federal income tax consequences of the ownership of the Bonds as of the date hereof. Each prospective investor should consult with its own tax advisor regarding the application of United States federal income tax laws, as well as any state, local, foreign or other tax laws, to its particular situation.

This summary is based on the Code, as well as the Treasury Regulations and administrative and judicial rulings and practice. Legislative, judicial and administrative changes may occur, possibly with retroactive effect, that could alter or modify the continued validity of the statements and conclusions set forth herein. This summary is intended as a general explanatory discussion of the consequences of holding the Bonds generally and does not purport to furnish information in the level of detail or with the investor's specific tax circumstances that would be provided by an investor's own tax advisor. For example, it generally is addressed only to original purchasers of the Bonds that are "U.S. holders" (as defined below), deals only with those Bonds held as capital assets within the meaning of Section 1221 of the Code and does not address tax consequences to holders that may be relevant to investors subject to special rules, such as individuals, trusts, estates, tax-exempt investors, foreign investors, cash method taxpayers, dealers in securities, currencies or commodities, banks, thrifts, insurance companies, electing large partnerships, mutual funds, regulated investment companies, real estate investment trusts, FASITs, S corporations, persons that hold the Bonds as part of a straddle, hedge, integrated or conversion transaction, and persons whose “functional currency” is not the U.S. dollar. In addition, this summary does not address alternative minimum tax issues or the indirect consequences to a holder of an equity interest in a holder of the Bonds.

As used herein, a “U.S. holder” is a “U.S. person” that is a beneficial owner of a Bond. A “non U.S. holder” is a holder (or beneficial owner) of a Bond that is not a U.S. person. For these purposes, a “U.S. person” is a citizen or resident of the United States, a corporation or partnership created or organized in or under the laws of the United States or any political subdivision thereof (except, in the case of a partnership, to the extent otherwise provided in the Treasury Regulations), an estate the income of which is subject to United States federal income taxation regardless of its source or a trust if (i) a United States court is able to exercise primary supervision over the trust’s administration and (ii) one or more United States persons have the authority to control all of the trust’s substantial decisions.

The Bonds will be treated, for federal income tax purposes as a debt instrument. Accordingly, interest will be included in the income of a holder as it is paid (or, if the holder is an accrual method taxpayer. as it is accrued) as interest.

Bondholders that have a basis in the Bonds that is greater than the principal amount of the Bonds should consult their own tax advisors with respect to whether or not they should elect to amortize such premium under Section 171 of the Code.

If a Bondholder purchases the Bonds for an amount that is less than the adjusted issue price of the Bonds, and such difference is not considered to be de minimis, then such discount will represent market discount. Absent an election to accrue market discount currently, upon a sale or exchange of a Bond, a portion of any gain will be ordinary income to the extent it represents the amount of any such market discount that was accrued through the date of sale. In addition, absent an election to accrue market discount currently, the portion of any interest expense incurred or continued to carry a market discount bond that does not exceed the accrued market discount for any taxable year, will be deferred.

Although the Bonds are expected to trade “flat,” that is, without a specific allocation to accrued interest, for federal income tax purposes, a portion of the amount realized on sale attributed to the Bonds will be treated as accrued interest and thus will be taxed as ordinary income to the seller (and will not be subject to tax in the hands of the buyer).

The Bonds may be issued with original issue discount (“OID”). Accordingly, Bondholders will be required to include OID in gross income as it accrues under a constant yield method, based on the original yield to maturity of the Bond. Thus, Bondholders will be required to include OID in income as it accrues, prior to the receipt of cash attributable to such income. U.S. holders, however, would be entitled to claim a loss upon maturity or other disposition of such notes with respect to interest amounts accrued and included in gross income for which cash is not received. Such a loss generally would be a capital loss. Bondholders that purchase a Bond for less than its adjusted issue price (generally its accreted value) will have purchased such Bond with market discount unless such difference is considered to be de minimis. Absent an election to accrue market discount currently, upon sale or exchange of a Bond, a portion of any gain will be ordinary income to the extent it represents the amount of any such market discount that was accrued through the date of sale. In addition, absent an election to accrue market discount currently, the portion of any interest expense incurred or continued to carry a market discount bond that does not exceed the accrued market discount for any taxable year will be deferred. A Bondholder that has a basis in the Bond that is greater that its adjusted issue price (generally its accreted value), but that is less than or equal to its principal amount, will be considered to have purchased the Bond with “acquisition premium.” The amount of OID that such Bondholder must include in gross income with respect to such Bonds will be reduced in proportion that such excess bears to the OID remaining to be accrued as of the acquisition of the Bond. A Bondholder may have a basis in its pro rata share of the Bonds that is greater that the principal amount of such Bonds.

Bondholders should consult their own tax advisors with respect to whether or not they should elect to amortize such premium, if any, with respect to such Bonds under Section 171 of the Code.

Upon a sale, exchange or retirement of a Bond, a holder generally will recognize taxable gain or loss on such Bond equal to the difference between the amount realized on the sale, exchange or retirement (less any accrued qualified stated interest which will be taxable as such) and the Bondholder's adjusted tax basis in such Bond. Defeasance of the Bonds may result in a reissuance thereof, in which event an owner will also recognize taxable gain or loss as described in the preceding sentence. Such gain or loss generally will be capital gain (although any gain attributable to accrued market discount of the Bond not yet taken into income will be ordinary). The adjusted basis of the holder in a Bond will (in general) equal its original purchase price and decreased by any principal payments received on the Bond. In general, if the Bond is held for longer than one year, any gain or loss would be long term capital gain or loss, and capital losses are subject to certain limitations.

Payments on the Bonds to a non-U.S. holder that has no connection with the United States other than holding its Bond generally will be made free of withholding tax, as long as that holder has complied with certain tax identification and certification requirements.

Circular 230

Investors are urged to obtain independent tax advice based upon their particular circumstances. The tax discussion above was not intended or written to be used, and cannot be used, for the purposes of avoiding taxpayer penalties. The advice was written to support the promotion or marketing of the Bonds.

CERTAIN LEGAL MATTERS

Certain legal matters will be passed upon for the Underwriter by its counsel, Clark Hill PLC, Birmingham, Michigan. Miller, Canfield, Paddock and Stone, P.L.C., is currently representing Stifel, Nicolaus & Company, Incorporated in certain matters unrelated to the issuance of the Bonds. Both the School District and Stifel, Nicolaus & Company, Incorporated have consented to these unrelated representations.

APPROVAL BY MICHIGAN DEPARTMENT OF TREASURY

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

RATINGS

Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. ("S&P"), will assign, as of the date of delivery of the Bonds, its municipal bond rating of "AA-" to the Bonds based upon the fact that each Bond will be fully qualified for participation in the Michigan School Bond Qualification and Loan Program as of its date of delivery. See "QUALIFICATION BY THE STATE OF MICHIGAN," "LEVY AND COLLECTION OF TAXES FOR PAYMENT OF THE BONDS AND BONDHOLDERS' REMEDIES" and APPENDIX A, "State Qualification," herein.

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

No application has been made to any other ratings service for a rating on the Bonds. The School District furnished to S&P certain materials and information in addition to that provided herein. Generally, rating agencies base their ratings on such information and materials, and on investigations, studies and assumptions. There is no assurance that such ratings will prevail for any given period of time or that they will not be revised downward or withdrawn entirely by S&P if, in its judgment, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse affect on the market price of the Bonds. Any ratings assigned represent only the views of S&P. Further information is available upon request from Standard & Poor's Ratings Services, 55 Water Street, New York, NY 10014, (212) 438-1000.

UNDERWRITING

Stifel, Nicolaus & Company, Incorporated (the "Underwriter"), has agreed, subject to the terms of the Bond Purchase Agreement, to purchase the Bonds from the School District. The Bond Purchase Agreement provides, in part, that the Underwriter, subject to certain conditions, will purchase from the School District the aggregate principal amount of Bonds for a purchase price as set forth therein. The Underwriter has further agreed to offer the Bonds to the public at the approximate initial offering prices as set forth on the cover hereto. The Underwriter may offer and sell the Bonds to certain dealers and others at prices lower than the offering prices stated on the cover hereto. The offering prices may be changed from time to time by the Underwriter. The aggregate underwriting fee equals 0.550 percent of the original principal amount of the Bonds.

The Bond Purchase Agreement provides that the obligations of the Underwriter are subject to certain conditions, including, among other things, that (i) no event has occurred which impairs or threatens to impair the validity of the Bonds and (ii) proceedings relating to the Bonds are not pending or threatened by the Securities and Exchange Commission. The Bond Purchase Agreement further provides that the School District will provide to the Underwriter, within seven business days of the date of the Bond Purchase Agreement, sufficient copies of the Official Statement to enable the Underwriter to comply with the requirements of Rule 15c2-12(b)(4) under the Securities Exchange Act of 1934, as amended.

FINANCIAL ADVISOR'S OBLIGATION

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

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

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

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

CONTINUING DISCLOSURE

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

A failure by the School District to comply with the Undertaking will not constitute an event of default under the Resolution and Bondholders are limited to the remedies described in the Undertaking.

The School District has not failed to comply with the requirements as described in section (b)(5) of the Rule of any undertaking made by the School District in the last five years.

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

OTHER MATTERS

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

DEXTER COMMUNITY SCHOOLS
COUNTIES OF WASHTENAW AND LIVINGSTON
STATE OF MICHIGAN

By: /s/ Mary Marshall
Its: Superintendent of Schools

APPENDIX A
STATE QUALIFICATION

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

State loans to school districts.

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

Amount of loans.

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

Qualified bonds.

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

Repayment of loans, tax levy by school district.

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

Bonds, state loans, repayment.

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

Power to tax unlimited.

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

Rights and obligations to remain unimpaired.

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

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

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

The People of the State of Michigan enact:

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

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

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

Sec. 3. As used in this act:

(a) "Computed millage" means the number of mills in any year, not less than 7 mills and not more than 13 mills, determined on the date of issuance of the order qualifying the bonds or on a later date if requested by the school district and approved by the state treasurer, that, if levied by the school district, will generate sufficient annual proceeds to pay principal and interest on all the school district's qualified bonds plus principal and interest on all loans related to those qualified bonds no later than the date specified in the note and repayment agreement entered into by the school district under this act.

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

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

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

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

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

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

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

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

(2) Except with regard to qualification of new bonds, nothing in this act shall be construed to alter the terms and conditions applicable to outstanding qualified bonds issued in accordance with 1961 PA 108, MCL 388.951 to 388.963, and the loans associated with those qualified bonds. Unless otherwise amended as permitted by this act, outstanding qualified loans incurred in association with outstanding qualified bonds described in this subsection shall continue to bear interest and be due and payable as provided in the repayment agreements entered into between the school district and the state before the effective date of this act.

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

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

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

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

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

(c) A pro forma debt service projection showing the estimated mills the school district will levy to provide revenue the school district will use to pay the qualified bonds. For the purpose of the pro forma debt service projection, the school district may assume for the first 5 years following the date of the application the average growth in taxable value for the 5 years preceding the date of the application and the lesser of that average growth rate or 3% for the remaining term of the proposed bonds.

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

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

(f) Evidence that the school district will repay all outstanding qualified loans at the times described in section 9.

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

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

(i) The taxable value per pupil.

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

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

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

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

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

(a) The issuance of additional qualified bonds will not prevent the school district from repaying its outstanding qualified loans on the earlier of the dates described in section 9.

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

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

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

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

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

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

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

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

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

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

(4) If a school district does not issue its qualified bonds within 180 days after the date of the order qualifying bonds, the school district may reapply for qualification by filing an application and information necessary to update the contents of the original application for prequalification or qualification.

(5) The state treasurer shall qualify refunding bonds issued to refund qualified bonds if the state treasurer finds that the refunding bonds comply with the provisions of the revised municipal finance act, 2001 PA 34, MCL 141.2101 to 141.2821.

Sec. 8. A ballot submitted to the school electors of a school district after November 8, 2005 requesting authorization to issue unlimited tax general obligations that will be guaranteed by this state in accordance with section 16 of article IX of the state constitution of 1963 shall inform the electors that if the school district borrows from this state to pay debt service on the bonds, the school district may be required to continue to levy mills beyond the term of the bonds to repay this state.

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

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

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

(4) Except with regard to qualified loans described in subsection (2), each loan made or considered made to a school district under this act shall be for debt service on only a specific qualified bond issue. The state treasurer shall maintain separate accounts for each school district on the books and accounts of this state noting the qualified bond, the related qualified loans, the final payment date of the bonds, the final payment date of the qualified loans, and the interest rate accrued on the loans.

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

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

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

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

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

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

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

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

(8) Except as otherwise provided in this act, qualified loans shall bear interest at 1 of the following rates:

(a) The greater of 3% or the average annual cost of funds computed by the state treasurer not less often than annually on the basis of 1 of the following:

(i) All notes or bonds issued by the Michigan municipal bond authority to fund qualified loans or refinance those notes or bonds plus 0.125%.

(ii) If no bonds or notes issued by the Michigan municipal bond authority are outstanding, all bonds or notes issued by this state under sections 15 and 16 of article IX of the state constitution of 1963 plus 0.125%.

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

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

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

Sec. 12. If a school district does not apply for prequalification or qualification or approval of a bond issue before the issuance of those bonds, the state treasurer shall not approve or qualify those bonds as qualified bonds under this act.

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

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

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

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

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

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

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

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

(5) When a school district's computed millage is sufficient to pay principal and interest on its qualified bonds, a school district shall file a loan activity statement with the state treasurer no later than 30 days before the date set for payment of the qualified bonds setting forth all of the following:

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

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

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

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

(6) Within 30 days after receipt of the loan activity statement under subsection (5), the state treasurer shall send an invoice to the school district for the amount of repayment the school district owes on its outstanding qualified loans, which shall be the difference between the debt service payable or paid to bondholders and the funds on hand at the school district, less a reasonable amount of funds on hand, as determined by the state treasurer, to cover minimum balance requirements or potential tax disputes. The school district shall remit the amount specified in the invoice within 30 days after the dated date of the invoice.

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

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

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

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

Sec. 16. The state treasurer shall deposit all fees collected under this act into a separate fund established within the state treasury, and shall use the proceeds of the fees solely for the purpose of administering and enforcing this act. The unexpended and unobligated balance of this fund at the end of each state fiscal year shall be carried forward over to the succeeding state fiscal year and shall not lapse to the general fund but shall be available for reappropriation for the next state fiscal year.

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

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

(a) To pay for enhancements to the projects approved by the school electors as described in the ballot proposing the qualified bonds.

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

(c) To repay this state.

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

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

CONSTITUTIONAL LAW:
SCHOOL BONDS:
MUNICIPAL FINANCE COMMISSION:

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

No. 4422 March 12, 1965.

Hon. Sanford A. Brown
State Treasurer
Lansing, Michigan

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

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

> "The state * * * may borrow from time to time such amounts as shall be required, pledge its faith and credit and issue its notes or bonds therefor, for the purpose of making loans to school districts as provided in this section.
>
> "If the minimum amount which would otherwise be necessary for a school district to levy in any year to pay principal and interest on its qualified bonds, including any necessary allowances for estimated tax delinquencies, exceeds 13 mills on each dollar of its assessed valuation as finally equalized, or such lower millage as the legislature may prescribe, then the school district may elect to borrow all or any part of the excess from the state. In that event the state shall lend the excess amount to the school district for payment of principal and interest. If for any reason any school district will be or is unable to pay the principal and interest on its qualified bonds when due, then the school district shall borrow and the state shall lend to it an amount sufficient to enable the school district to make the payment.
>
> "The term 'qualified bonds' means general obligation bonds of school districts issued for capital expenditures, including refunding bonds, issued prior to May 4, 1955, or issued thereafter and qualified as provided by law pursuant to Section 27 or Section 28 of Article X of the Constitution of 1908 or pursuant to this section."

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

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

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

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

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

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

FRANK J. KELLEY,
Attorney General

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

BONDS: Qualified bonds of school districts.
CONSTITUTION OF 1963: School Bond Loan Fund.
SCHOOLS: Bond Loans.
STATE TREASURER: Payment of principal and interest on qualified school district bonds.

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

No. 4508 Hon. Allison Green August 29, 1966.
State Treasurer
Capitol Building
Lansing, Michigan

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

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

> "If the minimum amount which would otherwise be necessary for a school district to levy in any year to pay principal and interest on its qualified bonds, including any necessary allowances for estimated tax delinquencies, exceeds 13 mills on each dollar of its assessed valuation as finally equalized, or such lower millage as the legislature may prescribe, then the school district may elect to borrow all or any part of the excess from the state. In that event the state shall lend the excess amount to the school district for the payment of principal and interest. If for any reason any school district will be or is unable to pay the principal and interest on its qualified bonds when due, then the school district shall borrow and the state shall lend to it an amount sufficient to enable the school district to make the payment.
>
> "The term 'qualified bonds' means general obligation bonds of school districts issued for capital expenditures, including refunding bonds, issued prior to May 4, 1955, or issued thereafter and qualified as provided by law pursuant to Section 27 or Section 28 of Article X of the Constitution of 1908 or pursuant to this section."

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

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

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[1]In your letter of request you stated that you were familiar with Opinion No. 4422 issued by me on March 12, 1965, in which it was ruled that Article IX, Section 16, Constitution of 1963, requires school districts to borrow and the state to lend sufficient sums to cover debt service payments on qualified bonds of school districts but that this requirement is not a pledge of the full faith and credit of the state; the Municipal Finance Commission however may and must enforce the duty of the school district to borrow and have the state to lend the necessary amounts.
[2]Act 108, P.A. 1961, in its present amended form appears in M.S.A. 1965 Cum. Supp. § S 3.424(111) et seq.

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

Under amended Section 6 of the act, in any school district where the amount necessary to be levied in any year for principal and interest on qualified bonds exceeds 7 mills on each dollar of the assessed valuation of the school district as last equalized by the state, such school district on or before 60 days prior to the time of certification of its tax levy to the assessing officer shall file with the superintendent of public instruction[3] a preliminary application for a loan from the state in the amount of any part of such excess over 7 mills which the school district does not propose to levy in such year.[4] Amended Section 6 specifies the information to be supplied in the application. The superintendent of public instruction if he finds the application in proper form shall approve or deny the application in whole or in part and notify the school district of his action. Amended Section 7 of the act provides that if a loan from the state shall become necessary for the payment of principal and interest on qualified bonds in accordance with an approved preliminary application to the superintendent of public instruction or by virtue of a supplemental application, it shall be the duty of the superintendent of public instruction after audit to forward to the state treasurer a statement setting forth the amount to be loaned to the school district for the payment of principal and interest and the date on or before which loan shall be made.[5] The superintendent shall prepare a voucher as a basis for the issuance of a warrant and upon receipt of such statement and warrant, it shall be the duty of the state treasurer to loan to the school district from the school bond loan fund the amount set forth in the statement of the superintendent of public instruction on or before the date specified therein. The state treasurer upon making such loan shall obtain from the school district a receipt for the amount so loaned which receipt shall specify the terms of repayment in accordance with the provisions of Section 16 of Article IX, Constitution of 1963 and the act. The school district treasurer upon receipt of the loan is required to deposit the same in the debt retirement fund to be used solely for the payment of principal and interest on qualified bonds.

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

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

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

a. Ascertaining from the superintendent of public instruction or from the records in your own office that the bonds involved are duly qualified bonds as defined and described in amended Section 3 of the act;

b. Requiring proof reasonably satisfactory to you that the bond or bonds or the interest coupons have been properly presented for payment to the paying agent or officer charged with the responsibility for making payment thereof and that payment has been refused because sufficient monies had not been deposited by the school district for that purpose; such proof of nonpayment may be furnished you in the form of a certificate from the paying agent.

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

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

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

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

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

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

FRANK J. KELLEY,
Attorney General

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APPENDIX B[1]
SCHOOL DISTRICT DATA

Location and Area

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

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

Population[2]

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

2012 (estimate)	19,600
2010	19,591
2000	16,155
1990	12,488
1980	9,975

The following is a record of the 2000 and 2010 populations for the municipal units that comprise the School District, without regard to the School District boundaries.

	2000	2010	% Change
Washtenaw County	322,770	344,791	6.8
Dexter Township	5,267	6,042	14.7
Freedom Township	1,573	1,428	(9.2)
Lima Township	2,482	3,307	33.2
Lodi Township	5,710	6,058	6.1
Northfield Township	8,252	8,245	(0.1)
Scio Township	15,687	20,081	28.0
Webster Township	5,198	6,784	30.5
Livingston County	156,951	180,967	15.3
Hamburg Township	20,627	21,165	2.6

[1] Unless otherwise noted, the information contained in Appendix B was provided by the School District.
[2] Sources: School District figures: 1980 - Wayne State University, Michigan Metropolitan Information Center, 1990 – Michigan Department of Management and Budget, 2000 and 2010 – U.S. Census of Population, 2012 – School District. Municipal unit figures: U.S. Census of Population.

School Administration

Mary C. Marshall, Superintendent of Schools

Ms. Marshall is responsible for the day-to-day administration of the School District. She has served as Superintendent of Schools since July 2010. Prior to this appointment, she served the School District as Assistant Superintendent from 2007 to 2010, as Principal of Wylie and Creekside Intermediate Schools from 1998 to 2007, as a teacher from 1993 to 1994 and 1995 to 1998 and as an Assistant High School Principal from 1994 to 1995. She served Ypsilanti Public Schools as a teacher from 1990 to 1993.

Ms. Marshall received a Bachelor of Science Degree in Literature, Language and Theater Arts and a Master of Arts Degree in Educational Leadership from Eastern Michigan University. She is currently pursuing her Doctorate Degree from Walden University in Minneapolis, Minnesota. She is a member of several professional organizations including the Michigan Association of School Administrators, the American Association of School Administrators, the Association for Supervision and Curriculum Development, the Dexter Chamber of Commerce and the Rotary Club of Dexter.

Sharon Raschke, Ed.D., Chief Financial Officer

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

Dr. Raschke received a Bachelor of Science Degree in Industrial and Operations Engineering from the University of Michigan, a Masters Degree in Business Administration and a Doctor of Education Degree from Eastern Michigan University. She is a member of several professional organizations including the Association of School Business Officials International, Michigan School Business Officials, the M.A.I.S.L. Joint Risk Management Trust Executive Board and the Washtenaw/Livingston School Business Officials.

Board of Education

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

Enrollments

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

Enrollment History

2011/12	3,595	2006/07	3,614
2010/11	3,624	2005/06	3,534
2009/10	3,647	2004/05	3,489
2008/09	3,641	2003/04	3,481
2007/08	3,642	2002/03	3,349

Projected K-12 enrollment for 2015/2016 is 3,565 as estimated by the School District.

2011/12 Enrollment by Grade

PreK	36	7th	266
Kindergarten	228	8th	286
1st	237	9th	299
2nd	271	10th	278
3rd	267	11th	289
4th	263	12th	319
5th	261	Special Education	38
6th	257	Total	3,595

School District Facilities

	Grades Served	Year Constructed	Additions/ Remodeling	2011/12 Building Enrollment
Bates Elementary	PreK-2	1952	1967, 1988, 1995, 2001	356
Cornerstone Elementary	PreK-2	1995		425
Wylie Elementary	3-4	1965	1967, 1972, 1988, 1995, 2002	532
Creekside Intermediate	5-6	1956	1973, 1988, 1995, 2000, 2010, 2011	520
Mill Creek Middle School	7-8	1995	2000, 2009	558
Dexter High School	9-12	2002	2009	1,204
Copeland Administration Bldg.		1936	1951, 1980, 1988, 1995, 2001, 2002	
Athletic Services Bldg.		1979	2002	
Transportation Facility		1988	2002, 2011, 2012	
Swimming Pool Facility		1992	2011	
Dalton House Facility		1948		
Proctor House Facility		1950	2001, 2002	
Total				3,595

Other Schools[1]

There is one non-public school located within the School District's boundaries: Daycroft Montessori School, serving grades PreK-6, with 127 students.

1 Sources: 2012 Michigan Education Directory and School District.

Labor Relations

Class	Number	Affiliation	Contract Expires
Superintendent	1	Non-affiliated	June 30, 2013
Chief Financial Officer	1	Non-affiliated	June 30, 2013
Administrators	11	Dexter Administrators Association	June 30, 2013
Teachers	233	DEA/MEA/NEA	June 30, 2013
Para-Professionals, Secretarial, Technology, Maintenance, Custodial and Food Service	121	Dexter Educational Support Personnel Association/MEA/NEA	June 30, 2013
Bus Drivers and Bus Monitors	34	Operating Engineers	June 30, 2013
Other Non-Affiliated Personnel	24	Non-affiliated	N/A
Total	425		

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

Retirement Plan

For the period October 1 through September 30 (except for the 2010/2011 year as noted below), the School District paid an amount equal to a percentage of its employees' wages to the Michigan Public School Employees Retirement System ("MPSERS"), which is administered by the State of Michigan. These contributions are required by law and are calculated by using the contribution rates and periods provided in the table below of the employees' wages. The employer contribution rate for employees who first worked July 1, 2010 or later (Pension Plus members) for the time period July 1, 2010 to September 30, 2010 was 15.44%. For other employees, the rate was 16.94% through September 30, 2010. Effective October 1, 2010, the employer contribution rate for all employees, except Pension Plus members, increased to 19.41%. For Pension Plus members, the employer contribution rate was 17.91%.

In 2010, the Michigan Court of Claims issued an injunction in response to a challenge to the authority of the State to require school districts to withhold 3% of reportable employee wages for remittance as employer contributions to MPSERS. In March 2011, the Court of Claims granted the plaintiffs' motions for summary disposition, finding that the mandatory 3% contribution violated both the U.S. and Michigan constitutions. The State appealed the ruling to the Michigan Court of Appeals. On August 16, 2012, the Court of Appeals issued its decision affirming the decision of the Court of Claims, holding that the mandatory 3% contribution is unconstitutional. It is unknown at this time whether the State will appeal this decision to the Michigan Supreme Court.

On August 15, 2012, the Michigan legislature passed a bill to reform MPSERS. The bill, which has been sent to Governor Snyder for his signature, will make changes to employee contributions to their pensions and retiree health benefits, shifting the 3% pension contribution to retiree health benefits. The legislation will increase the amount retirees contribute to their health insurance, and employees will be required to choose to increase contributions to their pension plan, maintain current contribution rates and freeze existing benefits, or freeze existing pension benefits and move into a defined contribution plan. In addition, the legislation will end retiree health benefits for new hires. The ultimate impact of the Court of Appeals decision, above, and, if appealed, any decision of the Michigan Supreme Court, on the implementation of this legislation is unknown at this time.

The School District's estimated contribution to MPSERS for 2012/13 and the contributions for the previous four years are shown below.

Contribution Period	Contribution Rate	Pension Plus
October 1, 2011 – September 30, 2012	24.46%	23.23%
November 1, 2010 – September 30, 2011	20.66	19.16
October 1, 2010 – October 30, 2010	19.41	17.91
October 1, 2009 – September 30, 2010	16.94	N/A
October 1, 2008 – September 30, 2009	16.54	N/A

Fiscal Year Ending June 30,	Contribution to MPSERS[1]
2013	$5,634,000 (estimate)
2012	4,911,000
2011	4,065,000
2010	3,760,000
2009	3,596,000

Other Post-Employment Benefits

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

GENERAL FINANCIAL INFORMATION

Assessed Valuations

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

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

The following tables show a history of assessed valuations for the School District and an analysis of the 2012 taxable value by class and by municipal unit.

[1] Sources: Audited Financial Statements and School District.

History of Valuations – State Equalized Valuation and Taxable Valuation[1, 2]

	State Equalized Valuation	Taxable Valuation
2012	$1,195,068,757	$1,092,947,510
2011	1,204,027,843	1,088,178,418
2010	1,244,205,710	1,098,712,770
2009	1,323,950,351	1,139,135,553
2008	1,421,982,225	1,162,638,417

2012 Taxable Value by Class[1]

	Taxable Value	% of Total Taxable Value
Agricultural	$ 29,989,232	2.74%
Commercial	49,853,854	4.56
Industrial	53,642,355	4.91
Developmental	4,115,498	0.38
Commercial Personal	11,745,789	1.07
Industrial Personal	33,728,537	3.09
Utility Personal	32,792,715	3.00
Residential	877,079,530	80.25
Total	$1,092,947,510	100.00%

2012 Taxable Valuation by Municipal Unit[1]

Name of Unit	Homestead[3]	Non-Homestead[3]	Total Taxable Valuation	% of Total Valuation
Washtenaw County				
Dexter Township	$135,050,814	$ 37,277,278	$ 172,328,092	15.77%
Freedom Township	287,945	240,292	528,237	0.05
Lima Township	61,741,238	7,672,811	69,414,049	6.35
Lodi Township	6,724,922	421,956	7,146,878	0.65
Northfield Township	1,379,559	413,834	1,793,393	0.16
Scio Township	306,715,505	127,337,994	434,053,499	39.72
Webster Township	307,118,584	48,132,487	355,251,071	32.50
Livingston County				
Hamburg Township	44,900,056	7,532,235	52,432,291	4.80
Total	$863,918,623	$229,028,887	$1,092,947,510	100.00%

Industrial Facilities Tax (IFT) Valuation[4]

Under the provisions of Act 198 of the Public Acts of Michigan, 1974, as amended ("Act 198"), plant rehabilitation districts and/or industrial development districts may be established. Businesses in these districts are offered certain property tax incentives to encourage restoration or replacement of obsolete facilities and to attract new facilities to the area. An industrial facilities tax ("IFT") is paid, at a

[1] Sources: County Equalization Departments.
[2] The School District's debt millage is levied on the taxable valuation plus the IFT equivalent taxable valuation.
[3] Until 2008 all personal property was included in non-homestead valuations. Beginning in 2008, all industrial personal property is included in the homestead tax base. While commercial personal property continues to be included in the non-homestead tax base, it is exempt from 12 mills of the 18 operating mills levied by the School District on non-homestead property only.
[4] Sources: Washtenaw County Equalization Department, Village of Dexter, Scio Township and Webster Township.

lesser effective rate and in lieu of ad valorem property taxes, on such facilities for a period of up to 12 years. Qualifying facilities are issued abatement certificates for specific periods.

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

The 2012 Taxable Value for the properties which have been granted IFT abatements within the School District's boundaries is $6,984,900, which is taxed at one-half rate of the total IFT valuations.

Department of Natural Resources Property Valuation[1]

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

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

The DNR properties are maintained on a separate tax roll. The 2012 taxable valuation of DNR properties in the School District is $5,884,600. Pursuant to Act 451, the School District will not receive payment in lieu of taxes for operating purposes, but will receive payment in lieu of taxes for a portion of its debt millage. The exact amount to be received is not known at this time.

Tax Increment Authorities[2]

Act 450 of the Public Acts of Michigan, 1980, as amended (the "TIFA Act"), Act 197 of the Public Acts of Michigan, 1975, as amended (the "DDA Act") and Act 291 of the Public Acts of Michigan, 1986 (the "LDFA Act") and, together with the TIFA Act and DDA Act, (the "TIF Acts"), authorize the designation of specific districts known as Tax Increment Finance Authority ("TIFA") Districts, Downtown Development Authority ("DDA") Districts, Local Development Finance Authority ("LDFA"), or Brownfield Redevelopment District Authority ("BRDA"). TIFA, DDA, LDFA and BRDA Districts are authorized to formulate tax increment financing plans for public improvements, economic development, neighborhood revitalization and historic preservation within such areas. Tax increment financing permits the TIFA, DDA, LDFA or BRDA District to capture tax revenues attributable to increases in value ("TIF Captured Value") of real and personal property located within an approved development area while any tax increment financing plans by an established District are in place. These captured revenues are used by the District and are not passed on to the local taxing jurisdictions. The Village of Dexter established a DDA District in 1986 within the School District's boundaries. The Village of Dexter DDA does not capture the School District's millage. Scio Township established a DDA District in 1988. A portion of this DDA is within the School District's boundaries. The captured valuation of the portion of the Scio Township DDA District that is within the School District's boundaries

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

in 2011 was $6,790,089. The 2012 captured valuation is not yet available. The Scio Township DDA captures 50% of the School District's operating millage, but does not capture the School District's debt millage.

Tax Levies and Collections

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

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

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

School Year	Total Tax Levy	Collections To March 1, Each Year		Collections to June 30 Fiscal Year End		Collections Including Tax Payment Fund[1]	
2012/13	$13,368,674	In process of collection		Not applicable		Not applicable	
2011/12	13,337,791	$12,331,879	92.46%	$12,767,112	95.72%	$13,179,016	98.81%
2010/11	13,418,137	12,119,172	90.32	12,623,081	94.07	13,274,254	98.93
2009/10	14,030,764	12,292,635	87.61	12,941,303	92.24	14,028,372	99.98
2008/09	14,301,239	12,278,857	85.86	12,869,839	89.99	14,150,903	98.95
2007/08	14,668,464	13,033,768	88.86	14,109,033	96.19	14,569,734	99.33

State Aid Payments

The School District's primary source of funding for operating costs is the State aid foundation allowance per pupil. The foundation allowance for all school districts in the State of Michigan is from $6,966 to $8,019 per pupil for the fiscal year 2012/13. In future years, this allowance may be adjusted by an index based upon the change in revenues to the State school aid fund and the change in the total number of pupils statewide. See "SOURCES OF SCHOOL OPERATING REVENUE" herein for additional information.

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

[1] Some payments from the Washtenaw County Tax Payment Fund are received after June 30. In 2009/10, payments from Northfield Township and Scio Township were received in August 2010 and September 2010, respectively.

Year	Blended Pupil Count	Foundation Allowance Per Pupil	Total State Aid Payments[1]
2012/13	3,573 (estimated)	$7,468	$25,464,483 (estimated)
2011/12	3,595	7,468	25,628,779
2010/11	3,629	7,938	25,461,834
2009/10	3,645	7,938	24,871,502
2008/09	3,635	7,938	25,066,162

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

	2012	2011	2010	2009	2008
Operating – Extra Voted[2]	18.0000	18.0000	18.0000	18.0000	18.0000
Debt	8.5000	8.5000	8.5000	8.5000	8.5000
Total Homestead	8.5000	8.5000	8.5000	8.5000	8.5000
Total Non-Homestead	26.5000	26.5000	26.5000	26.5000	26.5000

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

	2012	2011	2010	2009	2008
State Education Tax	6.0000	6.0000	6.0000	6.0000	6.0000
Washtenaw County	4.5493[4]	5.7518	5.7448	5.7418	5.7018
Village of Dexter	13.5562	13.5562	13.5562	13.5562	13.5562
Dexter Township	NA	3.9944	3.7800	3.7800	3.2944
Freedom Township	NA	1.2476	1.2476	0.9976	0.9976
Lima Township	NA	0.8191	0.8191	0.8191	0.8191
Lodi Township	NA	1.6595	1.6595	1.6595	1.6595
Northfield Township	NA	8.0013	7.9230	7.0259	9.4523
Scio Township	NA	1.4460	1.4460	1.4460	1.4460
Webster Township	NA	2.7721	2.7721	3.6097	3.6097
Livingston County	3.3897[4]	3.9543	3.9488	3.9488	3.8842
Hamburg Township	NA	4.4292	4.4292	4.9451	4.0969
Dexter District Library	NA	1.6286	1.6586	1.6186	1.6186
Washtenaw Community College	NA	3.7176	3.6856	3.6856	3.6858
Washtenaw ISD	NA	3.9745	3.9745	3.9745	3.9745

1 Total State Aid Payments above do not include additional funding the District received from the Federal American Recovery and Reinvestment Act of 2009 (ARRA) stabilization funds in the amounts of $1,351,675 in 2008/09, $1,019,273 in 2009/10 and $423,308 in 2010/11 and additional funding from the Federal Education Jobs Funding grant in the amount of $682,037 in 2010/11. The School District received the ARRA funds to offset a portion of the reduction in State aid in those years due to the State's budget constraints.

2 The extra voted millage is levied on Non-Homestead property only and expires with the December 2013 tax levy.

3 Sources: County Equalization Departments.

4 Washtenaw County and Livingston County July 1 operating millage rates only.

Largest Taxpayers[1]

Shown below are the ten largest identifiable taxpayers in the School District based on their 2012 taxable valuations. The taxpayers listed below represent 7.22% of the School District's 2012 Taxable Valuation of $1,092,947,510.

Taxpayer	Product or Service	Taxable Value	Equivalent IFT[2]	Total Valuation Subject to Taxation
Dexter Fastener Technologies[3]	Engine fasteners	$24,582,357		$24,582,357
DTE Energy Company/Mich Con	Utility	21,612,396		21,612,396
Thomson-Shore Inc.	Publishing	3,321,641	$4,913,500	8,235,141
International Transmission Company	Utility	7,380,800		7,380,800
United Methodist Retirement Comm.[3]	Retirement dev'l.	4,753,317		4,753,317
Thetford Corporation	Plastic components	4,701,200		4,701,200
Creative Solutions	Computer software	3,676,200		3,676,200
Nagel Precision Inc.	Honing machines	3,353,300		3,353,300
Blackhawk Development Corp.	Mall/real estate dev'l.	3,227,866		3,227,866
Dapco Industries	Valves and fittings	2,323,600		2,323,600
TOTAL		$78,932,677	$4,913,500	$83,846,177

Debt History

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

Future Financing

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

Other Financing

For General Fund Obligations, see the School District's Audited Financial Statements.

School Loan Revolving Fund[4]

As of September 19, 2012, the School District expects to have an outstanding balance, including interest, of $19,105,416 in the School Bond Loan Fund and School Loan Revolving Fund, a portion of which is expected to be refinanced with the proceeds of the Bonds.

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

Direct Debt (as of date of sale)

06/01/98	1998 School Building and Site Bonds (UTQ)	$ 31,500,000
03/26/03	2003 Refunding Bonds (UTQ)	1,885,000
09/29/08	2008 School Building and Site and Refunding Bonds (UTQ)	44,155,000
05/24/12	2012 School Building and Site and Refunding Bonds (UTQ)	15,670,000
Direct Debt (as of date of sale)		$ 93,210,000
Plus:	The Bonds (UTQ)	19,290,000
NET DIRECT DEBT (as of date of delivery)		$112,500,000

Overlapping Debt as of August 28, 2012[1]

% Applicable	Municipality	Amount Outstanding	School District Share
56.78	Dexter Township	$ 3,117,250	$ 1,769,975
5.87	Hamburg Township	11,065,000	649,515
39.90	Lima Township	266,500	106,334
0.58	Northfield Township	7,870,000	45,646
33.40	Scio Township	18,227,210	6,087,888
94.42	Webster Township	845,790	798,595
100.00	Village of Dexter	11,305,000	11,305,000
0.68	Livingston County	17,176,500	116,800
7.36	Washtenaw County	89,713,088	6,602,883
7.53	Washtenaw Community College	23,270,000	1,752,231
100.00	Dexter District Library	6,075,000	6,075,000
Net overlapping debt in the School District			$35,309,867
NET DIRECT AND OVERLAPPING DEBT			$147,809,867

Debt Ratios

2012 State Equalized Valuation (SEV)	$1,195,068,757
2012 Taxable Valuation	$1,092,947,510
2012 Population Estimate	19,600
Direct Debt (Including New Issue)	$112,500,000
Direct/Overlapping Debt	$147,809,867
Direct Debt Per Capita	$5,740
Direct/Overlapping Debt Per Capita	$7,541
Per Capita 2012 SEV	$60,973
Ratio of Direct Debt to 2012 SEV	9.41%
Ratio of Direct/Overlapping Debt to 2012 SEV	12.37%
Per Capita 2012 Taxable Valuation	$55,763
Ratio of Direct Debt to 2012 Taxable Valuation	10.29%
Ratio of Direct/Overlapping Debt to 2012 Taxable Valuation	13.52%

[1] Source: Municipal Advisory Council of Michigan.

Legal Debt Margin (as of date of delivery)

2012 State Equalized Valuation		$1,195,068,757
Debt Limit (15% of 2012 State Equalized Valuation)		$179,260,314
Debt Outstanding (as of date of delivery)	$112,500,000	
Less bonds not subject to Debt Limit[1] (as of date of delivery)	(112,500,000)	
Total Subject to Debt Limit		0
Additional Debt Which Could Be Legally Incurred		$179,260,314

ECONOMIC PROFILE

Over 80% of the School District is residential properties with a small amount of commercial and industrial properties.

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

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

Major Employers[2]

Company	Product or service	Approximate # of employees
Within School District (75 or more)		
Dexter Community Schools	Education	425
ReCellular, Inc.	Cell phone recycling	300
Thomson-Shore Inc.	Publishing	220
Dapco Industries/Dexter Automatic Products Co.	Valves and fittings	200
Sweepster Attachments LLC	Industrial sweeping units	194
Dexter Fastener Technologies	Engine fasteners	188
Nagel Precision Inc.	Honing machines	95
Dexter Research Center, Inc.	Infrared detectors	80
Thetford Corporation	Metal sanitary ware	80
Variety Die & Stamping Company	Metal stampings	75

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

[2] Sources: 2012 Harris Michigan Industrial and Services Directories, 2012 Michigan Manufacturers Directory, Crain's Detroit Business 2012 Book of Lists, Ann Arbor SPARK, School District and individual employers.

Company	Product or service	Approximate # of employees
Washtenaw County (1,100 or more)		
University of Michigan	Higher education and healthcare	28,143
Trinity Health Corporation (St. Joseph Mercy Health System)	Healthcare	5,304
U.S. Government	Federal government	2,656
ACH Saline	Automotive components	2,300
Eastern Michigan University	Higher education	1,976
Ann Arbor Public Schools	Education	1,828
Thomson Reuters Inc.	IT software and information	1,785
State of Michigan	State government	1,481
Washtenaw Community College	Higher education	1,559
Washtenaw County	County government	1,339
Veterans Administration Medical Center	Medical center	1,230
Toyota Technical Center	Automotive Research	1,100
Livingston County (400 or more)		
Citizens Insurance Co. of America	Insurance	850
Howell Public Schools	Education	691
Trinity Health Corporation (St. Joseph Mercy Livingston Hospital)	Healthcare	651
Brighton Area Schools	Education	613
Meijer, Inc. (2 stores)	Retail	600
Wal-Mart Stores Inc. (2 stores)	Retail	600
Livingston Educational Service Agency	Education	589
Hartland Consolidated Schools	Education	549
State of Michigan	State government	523
Livingston County	County government	475
Pinckney School District	Education	424

Unemployment[1]

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

	Washtenaw County	Livingston County	State of Michigan
2012 (as of July)	6.8%	9.1%	10.3%
2011	6.6	9.5	10.3
2010	8.1	11.1	12.7
2009	8.3	11.8	13.4
2008	5.7	6.8	8.3
2007	4.8	5.6	7.1

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

Higher Education

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

Health Facilities[1]

Healthcare needs of residents of the School District are served primarily by the University of Michigan Hospitals and Health Centers with a total of 913 beds and the Veterans Medical Center with 105 beds. These medical facilities are located nearby in Ann Arbor. Area residents are also served by St. Joseph Mercy Hospital, located in Ypsilanti, with 514 beds and Chelsea Community Hospital, located in Chelsea, with 113 beds. Numerous specialized agencies are also located in the area and provide School District residents with all aspects of quality health care.

Transportation

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

Utilities

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

Banking[2]

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

Name of Bank	Main Office Location	Statewide Deposits
Michigan Commerce Bank	Ann Arbor, MI	$ 827,361,000
Bank of America, National Association	Charlotte, NC	N/A
Chelsea State Bank	Chelsea, MI	204,630,000
Citizens Bank	Flint, MI	7,505,519,000
Comerica Bank	Dallas, TX	N/A
Fifth Third Bank	Cincinnati, OH	N/A
JPMorgan Chase Bank, National Association	Columbus, OH	N/A
PNC Bank, National Association	Wilmington, DE	N/A
TCF National Bank	Sioux Falls, SD	N/A
United Bank & Trust	Ann Arbor, MI	744,065,000

[1] Sources: Individual hospital websites and American Hospital Directory.
[2] Source: Michigan Bankers Association 2012 Registry of Michigan Financial Institutions.

APPENDIX C

DEXTER COMMUNITY SCHOOLS

General Fund Budget Summaries
Fiscal Year Ended June 30, 2012 and Ending June 30, 2013

	Amended 06-18-12 2011/12	Adopted 06-18-12 2012/13
REVENUES		
Local Sources	$ 4,650,404	$ 4,346,760
Other Political Subdivisions	2,550	2,627
State Sources	25,261,015	25,167,133
Federal Sources	768,579	744,932
Transfers and Other Financing Sources	3,127,354	2,938,049
TOTAL REVENUES	$33,809,902	$33,199,501
EXPENDITURES		
Instruction		
Basic Programs	$ 17,453,531	$ 17,527,138
Added Needs	3,324,922	3,151,585
Support Services		
Pupil Support	3,862,462	3,676,700
Instruction Staff Support	1,854,559	1,820,037
General Administration	541,358	572,338
School Administration	2,072,912	2,092,223
Business Services	488,782	481,906
Operations and Maintenance	3,233,212	3,175,029
Transportation	1,704,424	1,616,970
Other Central Support	71,393	69,053
Community Services	206,073	15,475
Outgoing Transfers and Other Financing Uses	514,127	8,857
TOTAL EXPENDITURES	$35,327,755	$34,207,311
Revenues Over (Under) Expenditures	$(1,517,853)*	$(1,007,810)
Fund Balance - July 1	$ 7,750,690	$ 6,232,837
Estimated Fund Balance - June 30	$ 6,232,837*	$ 5,225,027

*Based on year-end unaudited results, the School District's 2011/12 General Fund projected Revenues Over Expenditures will be about $180,729 resulting in an estimated fund balance on June 30, 2012 of $7,931,419.

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DEXTER COMMUNITY SCHOOLS

DEXTER, MICHIGAN

FINANCIAL REPORT WITH
SUPPLEMENTAL INFORMATION

FOR THE YEAR ENDED JUNE 30, 2011

Lewis & Knopf
CPAs, PC

October 31, 2011

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of
Dexter Community Schools

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Dexter Community Schools, as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Dexter Community Schools' management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Dexter Community Schools as of June 30, 2011, and the respective changes in financial position, thereof and the respective budgetary comparison for the General Fund for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

As described in Note 2 to the financial statements, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report under separate cover dated October 31, 2011 on our consideration of the District's internal control over financial reporting and our tests of compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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www.lewis-knopf.com

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Dexter Community School's financial statements as a whole. The additional information on pages 20 - 30 are presented for purposes of additional analysis and are not a required part of the financial statements. This additional information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

LEWIS & KNOPF, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

As administration of Dexter Community Schools, Counties of Washtenaw and Livingston, State of Michigan, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2011.

Financial Highlights

* The assets of the District exceeded its liabilities at the close of the most recent fiscal year by $16,276,736 (net assets). Of this amount, $6,637,910 (unrestricted net assets) may be used to meet the District's ongoing obligations to taxpayers, students and creditors.

* The District's total net assets increased by $2,683,607. The increase was accomplished primarily by the repayment of bond principal.

* As of the close of the current fiscal year, the District's aggregated fund balance for the District's governmental funds was $21,659,021 or 37 percent of the total expenditures of these funds.

* The general fund had a net change in fund balance of $1,794,764. At the end of the year, unreserved fund balance for the general fund was $1,833,834 or 5 percent, of total general fund expenditures. Total fund balance for the general fund was $7,750,690.

Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand the District financially as a whole. The District-Wide Financial Statements provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. The financial statements then proceed to provide an increasingly detailed look at specific financial activities included in the fund financial statements. For governmental activities, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements provide information about the School District's most significant funds - the General Fund, 1998 Debt Fund, 2003 Debt Fund, 2008 Debt Fund and the Capital Projects Fund. All other funds are presented in one column as non-major funds.

Reporting the District as a Whole

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

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

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

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

Reporting the District's Most Significant Funds

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

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

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

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

Additional Information - The notes to financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to financial statements can be found on pages 7 - 19 of this report.

SUMMARY OF NET ASSETS:
The following summarizes the net assets at the fiscal years ended June 30, 2011 and 2010:

NET ASSETS SUMMARY

	2011	2010
ASSETS		
Current Assets	$28,406,982	$39,195,098
Non-Current Assets	107,559,931	99,699,373
TOTAL ASSETS	$135,966,913	$138,894,471
LIABILITIES		
Current Liabilities	$13,626,349	$13,912,484
Long-Term Liabilities	106,063,828	111,388,858
Total Liabilities	$119,690,177	$125,301,342
NET ASSETS		
Invested in Capital Assets - Net of Related Debt	8,374,630	7,375,429
Restricted - Capital Projects and Debt Retirement	1,264,196	1,859,433
Unrestricted	6,637,910	4,358,267
Total Net Assets	$16,276,736	$13,593,129
TOTAL LIABILITIES AND NET ASSETS	$135,966,913	$138,894,471

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

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

An additional portion of the District's net assets, $1,264,196, represents resources that are subject to external restrictions on how they may be used. In the case of the School District, these amounts are restricted for debt service and capital projects. Most of the debt will be repaid from voter-approved property taxes collected as the debt service comes due. The remaining balance of unrestricted net assets $6,637,910, may be used to meet the government's ongoing obligations to citizens and creditors.

The results of this year's operations for the School District as a whole are reported in the statement of activities (see table above), which shows the changes in net assets for fiscal year 2011.

RESULTS OF OPERATIONS:
For the fiscal years ended June 30, 2011 and 2010, the District wide results of operations were:

	2011	2010
REVENUES		
Revenues		
Program Revenues:		
Charges for Services	$2,897,397	$2,909,511
Operating Grants	6,518,774	6,363,164
General Revenues		
Property Taxes	13,617,128	13,101,961
Grants and State Aid	24,563,943	23,881,994
Other	672,805	559,329
Total Revenues	$48,270,047	$46,815,959
EXPENSES		
Instruction & Instructional Support	23,244,430	22,450,281
Support Services	13,795,580	14,711,276
Community Services	1,674,334	1,125,239
Food Service	1,524,841	1,556,302
Athletics	0	714,706
Interest on Long-Term Debt	5,347,255	5,578,561
Total Expenses	$45,586,440	$46,136,365
INCREASE IN NET ASSETS	$2,683,607	$679,594
BEGINNING NET ASSETS	13,593,129	12,913,535
ENDING NET ASSETS	$16,276,736	$13,593,129

The District's net assets increased by $2,683,607 during the current fiscal year. The increase in net assets differs from the change in fund balances and a reconciliation appears on page 4.

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

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DEXTER COMMUNITY SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

During the fiscal year ended June 30, 2011, the School District amended the budget of the General Fund twice. State law requires that the budget be amended to ensure that expenditures do not exceed appropriation. A schedule showing the School District's general fund original and final budget amounts compared with amounts actually paid and received is provided in required supplemental information of these financial statements.

The general fund actual revenue and other financing sources was $35,825,293. That amount is more than the amended budget estimate of $35,465,915. The variance was $359,378, or 1%.

The actual expenditures and other financing uses of the general fund were $34,030,529, which is below the amended budget estimate of $35,700,309. The variance was $1,669,780, or 5% favorable to the final amended budget. The variance was due to actual health benefit costs were below projected costs in the self-funded health benefits plan, special education services required were less than anticipated, energy savings were the result of a continuation of a District energy conservation initiative, and temporary vacancies in administration.

The general fund had total revenues of $35,825,293 and total expenditures of $34,030,529 with a net change in fund balance of $1,794,764 and an ending fund balance of $7,750,690.

Capital Asset and Debt Administration

A. Capital Assets
The district's net investment in capital assets increased by $7,884,824 during the fiscal year. This can be summarized as follows:

	Balance Beginning	Additions	Deductions	Balance Ending
Capital Assets	$137,234,768	$11,629,228	$410,456	$148,453,540
Less: Accumulated Depreciation	(37,535,395)	(3,756,537)	(398,323)	(40,893,609)
Net Investment Capital Outlay	$99,699,373	$7,872,691	$12,133	$107,559,931

Significant additions were the purchase of seven school buses, computer equipment, and architectural and construction costs for the remodel and construction to existing sites and school buildings. The current year additions were primarily funded with funds from the capital projects fund.

The District retired five school buses and some obsolete equipment.

Capital Asset and Debt Administration (Continued)

B. Debt, Principal Payments

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

	Principal Balance Beginning	Additions	Deductions	Principal Balance Ending
General Obligation Bonds	$99,634,401	$0	$5,879,404	$93,754,997
Unamortized Deferred Amount on Refunding	(1,469,025)	181,244	0	(1,287,781)
Unamortized Bond Premium	2,114,562	0	229,495	1,885,067
School Bond Loan Fund	15,791,999	1,343,425	0	17,135,424
Compensated Absences	1,244,576	0	97,476	1,147,100
Total Long-Term Debt	$117,316,513	$1,524,669	$6,206,375	$112,634,807

At June 30, 2011, the District had total bonded debt outstanding of $93,754,997, of which $199,997 is Durant Resolution Bonds, that are a legal obligation of the School District, but an annual State of Michigan appropriation is the only revenue source making the annual debt service payments on the bonds. If the legislature fails to appropriate the bonds, the District is under no obligation for payment.

The District's total long-term debt decreased by $4,681,706 during the current fiscal year.

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

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

Economic Factors and Next Year's Budgets and Rates

On March 15, 1994, the electors of the State of Michigan approved a ballot proposition to amend the State Constitution of 1963, in part, to increase the state sales tax from 4% to 6% as part of a complex plan to restructure the source of funding of public education (K-12) in order to reduce reliance on local property taxes for school operating purposes and to equalize the per pupil finance resource disparities among school districts. The State aid package passed by the Legislature as part of the school finance reform legislation instituted a per pupil foundation guarantee beginning in fiscal year 1994-1995. The Legislature has appropriated funds to establish a foundation guarantee in 2010-2011 of $7,938 per pupil for Dexter Community Schools, based upon the District's 1993-1994 revenue. In following years the foundation guarantee may be adjusted by an index based upon the change in revenues to the state school aid fund and change in the total number of pupils statewide and the spread between the high and low pupil guarantee will be reduced. The foundation guarantee consists of the locally raised property taxes plus State aid. The source of revenues for the State's contribution to the foundation allowance is derived from a mix of taxing sources, including but not limited to, a statewide property tax of six mills on all property (homestead and non-homestead), a real estate transfer tax, a state sales and use tax, an income tax, gambling revenue, and a tobacco/liquor tax. The funding status for education is volatile. The legislature prorated the $7,938 by $286 per pupil and a federal ARRA budget stabilization grant and federal Education Jobs Fund grant was authorized to replace $304 per pupil of the prorated funds.

Economic Factors and Next Year's Budgets and Rates (Continued)

The following factors were considered in preparing District's budgets for the 2011-2012 fiscal year:

* Foundation allowance of $ 7,468.
* Student enrollment decrease of 25 students.
* State aid membership count based on 90% September and 10% prior February blend.
* Staff salary increase of 0%.

Requests for Information

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

Sharon Raschke
Chief Financial Officer
Dexter Community Schools
7714 Ann Arbor St.
Dexter, Michigan 48130
Telephone (734) 424-4100
Fax (734) 424-4111
Email: raschkes@dexterschools.org

DEXTER COMMUNITY SCHOOLS - DEXTER, MICHIGAN
STATEMENT OF NET ASSETS
AS OF JUNE 30, 2011

	Governmental Activities
ASSETS	
CURRENT ASSETS	
Cash and Cash Equivalents	$9,733,009
Investments	12,760,161
Accounts Receivable	107,396
Taxes Receivable	611,026
Due from Internal Func	101
Due from Other Governmental Units	5,057,413
Inventory	66,646
Prepaid Expenditures	71,230
Total Current Assets	$28,406,982
NON-CURRENT ASSETS	
Land	4,953,064
Capital Assets	143,500,476
Less: Accumulated Depreciation	(40,893,609)
Total Noncurrent Assets	$107,559,931
TOTAL ASSETS	$135,966,913
LIABILITIES	
CURRENT LIABILITIES	
Accounts Payable	$730,454
Accrued Expenditures	2,144,537
Salaries Payable	2,226,751
Deferred Revenue	1,953,628
Current Portion of Long-Term Obligations	6,570,979
Total Current Liabilities	$13,626,349
NON-CURRENT LIABILITIES	
Noncurrent Portion of Long-Term Obligations	106,063,828
TOTAL LIABILITIES	$119,690,177
NET ASSETS	
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	8,374,630
Restricted for:	
Debt Retirement	1,264,196
Unrestricted	6,637,910
TOTAL NET ASSETS	$16,276,736
TOTAL LIABILITIES AND NET ASSETS	$135,966,913

See accompanying notes to the basic financial statements

DEXTER COMMUNITY SCHOOLS - DEXTER, MICHIGAN
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011

		Program Revenues		Net (Expense)
FUNCTIONS/PROGRAMS	Expenses	Charges For Services	Operating Grants and Contributions	Revenue & Change in Net Assets
Governmental Activities:				
Instruction	$23,244,430	$12,293	$3,019,550	($20,212,587)
Support Services	13,795,580	174,032	3,127,727	(10,493,821)
Community Services	1,674,334	1,348,782	30,600	(294,952)
Food Service	1,524,841	1,362,290	340,897	178,346
Interest - Long-Term Obligations	5,347,255	0	0	(5,347,255)
TOTALS	$45,586,440	$2,897,397	$6,518,774	($36,170,269)

General Revenues:	
Taxes:	
Property Taxes, Levied for General Purposes	13,617,128
State Sources - Unrestricted	23,458,598
Federal Sources - Unrestricted	1,105,345
Investment Earnings	24,955
Miscellaneous	647,850
Total General Revenues and Transfers	$38,853,876
Change in Net Assets	$2,683,607
Net Assets - Beginning	13,593,129
Net Assets - Ending	$16,276,736

See accompanying notes to the basic financial statements.

DEXTER COMMUNITY SCHOOLS - DEXTER, MICHIGAN
BALANCE SHEET
GOVERNMENTAL FUNDS
AS OF JUNE 30, 2011

	General Fund	1998 Debt Fund	2003 Debt Fund	2008 Debt Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
ASSETS							
Cash and Cash Equivalents	$8,400,026	$467,041	$293,547	$253,724	$0	$318,671	$9,733,009
Investments	90,331	0	0	0	12,669,830	0	12,760,161
Accounts Receivable	86,077	0	0	0	0	21,319	107,396
Taxes Receivable	359,348	34,998	65,821	150,859	0	0	611,026
Due from Other Funds	145	0	0	0	0	9,660	9,805
Due from Other Governmental Units	5,034,292	0	0	0	0	23,121	5,057,413
Inventory	0	0	0	0	0	66,646	66,646
Prepaid Expenditures	69,855	0	0	0	0	1,375	71,230
TOTAL ASSETS	$14,040,074	$502,039	$359,368	$404,583	$12,669,830	$440,792	$28,416,686
LIABILITIES							
Accounts Payable	$348,016	$274	$439	$1,081	$367,424	$13,220	$730,454
Due to Other Funds	9,704	0	0	0	0	0	9,704
Accrued Expenditures	1,413,051	0	0	0	0	1,421	1,414,472
Salaries Payable	2,222,580	0	0	0	0	4,171	2,226,751
Deferred Revenue	2,296,033	0	0	0	0	80,251	2,376,284
Total Liabilities	$6,289,384	$274	$439	$1,081	$367,424	$99,063	$6,757,665
FUND BALANCES							
Non-Spendable							
Inventory	0	0	0	0	0	66,646	66,646
Prepaid Expenditures	69,855	0	0	0	0	1,375	71,230
Restricted							
Capital Projects	0	0	0	0	12,302,406	0	12,302,406
Debt Retirement	0	501,765	358,929	403,502	0	0	1,264,196
School Service Funds	0	0	0	0	0	274,719	274,719
Committed	5,847,001	0	0	0	0	0	5,847,001
Assigned							
Community Service	0	0	0	0	0	(1,011)	(1,011)
Unassigned	1,833,834	0	0	0	0	0	1,833,834
Total Fund Balances	$7,750,690	$501,765	$358,929	$403,502	$12,302,406	$341,729	$21,659,021
TOTAL LIABILITIES AND FUND BALANCES	$14,040,074	$502,039	$359,368	$404,583	$12,669,830	$440,792	$28,416,686

See accompanying notes to the basic financial statements.

DEXTER COMMUNITY SCHOOLS - DEXTER, MICHIGAN
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
AS OF JUNE 30, 2011

Total Governmental Fund Balances:		$21,659,021
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is $148,453,540 and the accumulated depreciation is $40,893,609		107,559,931
Other long-term assets not available to pay current period expenditures; therefore deferred in the funds		422,656
Accrued Interest on Long-Term Debt		(730,065)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:		
Bonds Payable	$93,754,997	
Deferred Amount on Refunding	(1,287,781)	
Unamortized Premium	1,885,067	
School Bond Loan Fund	17,135,424	
Compensated Absences Payable	1,147,100	
Total Long-Term Liabilities		(112,634,807)
TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES		$16,276,736

DEXTER COMMUNITY SCHOOLS - DEXTER, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	General Fund	1998 Debt Fund	2003 Debt Fund	2008 Debt Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
REVENUES							
Local Sources	$4,464,120	$1,301,152	$2,442,718	$5,592,521	$18,579	$2,461,253	$16,280,343
State Sources	25,315,039	0	0	0	0	128,507	25,443,546
Federal Sources	2,346,725	0	0	0	0	276,797	2,623,522
Total Revenues	$32,125,884	$1,301,152	$2,442,718	$5,592,521	$18,579	$2,866,557	$44,347,411
EXPENDITURES							
Current:							
Instruction	20,625,894	0	0	0	0	0	20,625,894
Student Services	3,320,754	0	0	0	0	0	3,320,754
Instructional Support	1,876,157	0	0	0	0	0	1,876,157
General Administration	383,222	0	0	0	0	0	383,222
School Administration	1,907,194	0	0	0	0	0	1,907,194
Business Administration	455,001	0	0	0	0	0	455,001
Operation & Maintenance of Plant	2,986,497	0	0	0	0	0	2,986,497
Transportation	1,900,033	0	0	0	0	0	1,900,033
Other Support Services	101,597	0	0	0	0	0	101,597
Community Services	135,053	0	0	0	0	0	135,053
Special Revenue	0	0	0	0	0	3,064,122	3,064,122
Debt Service							
Principal	0	0	1,810,000	4,040,000	0	29,404	5,879,404
Interest	0	1,593,375	701,610	2,289,107	0	4,403	4,588,495
Other	0	1,977	2,638	5,629	0	0	10,244
Capital Outlay	0	0	0	0	11,484,166	0	11,484,166
Total Expenditures	$33,691,402	$1,595,352	$2,514,248	$6,334,736	$11,484,166	$3,097,929	$58,717,833
Excess (Deficiency) of Revenues (Under) Expenditures	($1,565,518)	($294,200)	($71,530)	($742,215)	($11,465,587)	($231,372)	($14,370,422)
OTHER FINANCING SOURCES (USES)							
Transfers from (to) Other Funds	(186,643)	0	0	0	0	186,643	0
Bond Proceeds	0	470,517	0	42,191	0	0	512,708
Transfers from Other Govt. Units	3,015,649	0	0	0	0	24,758	3,040,407
Other Transfers	531,276	0	0	0	0	0	531,276
Total Other Financing Sources (Uses)	$3,360,282	$470,517	$0	$42,191	$0	$211,401	$4,084,391
Net Change in Fund Balance	$1,794,764	$176,317	($71,530)	($700,024)	($11,465,587)	($19,971)	($10,286,031)
FUND BALANCE - BEGINNING	5,955,926	325,448	430,459	1,103,526	23,767,993	361,700	31,945,052
FUND BALANCE - ENDING	$7,750,690	$501,765	$358,929	$403,502	$12,302,406	$341,729	$21,659,021

See accompanying notes to the basic financial statements.

DEXTER COMMUNITY SCHOOLS - DEXTER, MICHIGAN
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011

Total net change in fund balances - governmental funds	($10,286,031)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation in the current period exceeded capital outlay.	7,860,558
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount of repayments reported as expenditures in the governmental funds.	5,879,404
Net Change - Deferred Amount of Refunding	(181,244)
Net Change - Unamortized Premiums	229,495
Net Change - Michigan School Bond Loan	(1,343,425)
Decrease in Compensated Absences	97,476
Change in accrued interest on long-term liabilities	33,950
Decrease in taxes and other receivables is recorded in the Statement of Activities when incurred; it is not reported in governmental funds until paid.	350,953
Decrease in Accrued self-funded health insurance is recorded in the Statement of Activities when incurred; it is not reported in governmental funds until paid.	42,471
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	$2,683,607

DEXTER COMMUNITY SCHOOLS - DEXTER, MICHIGAN
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
AS OF JUNE 30, 2011

ASSETS	
Cash and Cash Equivalents	$722,158
LIABILITIES	
Due to General Fund	$39
Due to Community Services Fund	62
Due to Student Groups	722,157
TOTAL LIABILITIES	$722,258

See accompanying notes to the basic financial statements.

DEXTER COMMUNITY SCHOOLS - DEXTER, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2011

	Budgeted Amounts			
	Original	Final	Actual	Variance With Final Budget
REVENUES				
Local Sources	$4,850,757	$4,590,778	$4,464,120	($126,658)
State Sources	24,720,728	25,368,773	25,315,039	(53,734)
Federal Sources	1,164,346	2,293,122	2,346,725	53,603
Total Revenues	$30,735,831	$32,252,673	$32,125,884	($126,789)
EXPENDITURES				
Current:				
Instruction	20,302,158	21,182,276	20,625,894	556,382
Student Services	3,957,535	3,388,223	3,320,754	67,469
Instructional Support	2,078,077	2,077,081	1,876,157	200,924
General Administration	618,379	595,968	383,222	212,746
School Administration	1,928,493	1,973,690	1,907,194	66,496
Business Administration	490,477	501,962	455,001	46,961
Operation & Maintenance of Plant	3,504,812	3,435,864	2,986,497	449,367
Transportation	1,779,814	1,969,960	1,900,033	69,927
Other Support Services	66,988	84,608	101,597	(16,989)
Community Services	266,713	151,550	135,053	16,497
Total Expenditures	$34,993,446	$35,361,182	$33,691,402	$1,669,780
Excess of Revenues Over Expenditures	($4,257,615)	($3,108,509)	($1,565,518)	$1,542,991
OTHER FINANCING SOURCES (USES)	3,130,445	2,874,115	3,360,282	486,167
Net Change in Fund Balance	($1,127,170)	($234,394)	$1,794,764	$2,029,158
FUND BALANCE - BEGINNING			5,955,926	
FUND BALANCE - ENDING			$7,750,690	

See accompanying notes to the basic financial statements.

1) REPORTING ENTITY

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

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

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

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

A) BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE STATEMENTS

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

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

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

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A) BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE STATEMENTS (Continued)

The government-wide financial statements present major funds as required by generally accepted governmental accounting principles. By definition the General Fund is always presented as a major fund. Other governmental funds are shown as major funds if their assets, liabilities, revenue or expenditures are 10% or more of those totals across all governmental funds. For June 30, 2011, the District's 1998 Debt Fund, 2003 Debt Fund, 2008 Debt Fund and Capital Projects Fund are presented as major funds.

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

B) BASIC FINANCIAL STATEMENTS - FUND FINANCIAL STATEMENTS

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

Governmental Funds

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

General Fund

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

Special Revenue Funds

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

Debt Retirement Fund

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

Capital Projects Fund

Capital Project Funds are used to record bond proceeds or other revenue and the disbursement of monies specifically designated for acquiring new school sites, buildings, equipment, and for remodeling and repairs. The Capital Projects Fund includes capital project activities funded with bonds issued September 29, 2008. For this capital project, the school district has compiled with the applicable provision of § 1351a of the Revised School Code.

Fiduciary Funds

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

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C) BASIS OF ACCOUNTING/MEASUREMENT FOCUS

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

Accrual

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

Modified Accrual

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

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

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

D) CASH AND CASH EQUIVALENTS

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

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

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

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E) PREPAID ASSETS

Payments made to vendors for services that will benefit periods beyond June 30, 2011, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

F) INVENTORY

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

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

G) CAPITAL ASSETS

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

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

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

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

H) INTERFUND BALANCES

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

I) COMPENSATED ABSENCES

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

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

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

J) ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS
All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

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

K) FUND BALANCE
Beginning with fiscal year 2011, the District implemented, Statement No. 54*, Fund Balance Reporting and Governmental Fund Type Definitions*.

Fund balances for each of the District's governmental funds (General Fund, special revenue funds, capital projects funds, and debt service funds) are displayed in the following classifications depicting the relative strength of the spending constraints placed on the purposes for which resources can be used:

* Nonspendable fund balance - amounts that cannot be spent because they are either not in a spendable form (such as inventories and prepaid amounts) or are legally or contractually required to be maintained intact.

* Restricted fund balance - amounts that can be spent only for specific purposes because of constraints imposed by external providers (such as grantors, bondholders, and higher levels of government), or imposed by constitutional provisions or enabling legislation. The District's Capital Projects Fund, Debt Service Fund and Food Service balances are considered restricted.

* Committed fund balance - amounts that can be spent only for specific purposes determined by a formal action resolution of the District's highest level of decision-making authority, the Board of Education.

* Assigned fund balance - amounts the District intends to use for specific purposes that do not meet the criteria to be classified as restricted or committed. The intent is expressed by the Board of Education.

* Unassigned fund balance - amounts that are available for any purpose; these amounts can be reported only in the District's General Fund.

The District would typically use restricted fund balance first, followed by committed resources, and then assigned resources as appropriate opportunities arise, but reserve the right to selectively spend unassigned resources first to defer the use of these classified funds.

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

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

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

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

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

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

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

During the year ended June 30, 2011, the School District incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated.

4) DEPOSITS AND INVESTMENTS

As of June 30, 2011, the District had the following investments.

Investment Type	Fair value	Weighted Average Maturity (Years)	Standard & Poor's Rating	%
MILAF External Investment Pool - MICMS	$18	N/A	AAAm	0.00%
MILAF External Investment Pool - MIMAX	12,760,143	N/A	AAAm	100.00%
Total fair value	$ 12,760,161			100.00%

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

Credit risk. State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs). As of June 30, 2011, the District's investment in the investment pool was rated AAA by Standards & Poor's and AAA by Moody's Investors Service.

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

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2011, $8,851,280 of the District's bank balance of $10,530,403 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name.

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

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

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

The above amounts as previously report in Note 4:

Deposits – Including Fiduciary Funds of $722,158	$ 10,454,792
Petty Cash	375
Investments	12,760,161
TOTAL	$ 23,215,328

4) DEPOSITS AND INVESTMENTS (Continued)

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

Cash Agency Fund	$ 722,158
Cash – District Wide	9,733,009
Investments – District Wide	12,760,161
TOTAL	$ 23,215,328

5) PROPERTY TAXES

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

For the year ended June 30, 2011, the District levied the following amounts per $1,000 of assessed valuation:

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

6) RECEIVABLES

Receivables at June 30, 2011, consist of taxes, accounts (fees), intergovernmental grants and interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

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

GOVERNMENTAL ACTIVITIES	AMOUNT
State Aid	$ 4,619,360
Federal Grants	189,661
Grants Other	60,022
DDA/ TIFA Recapture Receivable	188,370
TOTAL GOVERNMENTAL ACTIVITIES	$ 5,057,413

7) UNEMPLOYMENT COMPENSATION

The District is subject to the Michigan Employment Security Act and has elected the reimbursement method of financing. Under this method, the District must reimburse the Employment Commission for all benefits charged against the District for the year. As of June 30, 2011, the School District had $23,889 in estimated claims in conjunction with the program.

8) SHORT-TERM DEBT

The District has various options for short-term financing including tax anticipation notes, state aid anticipation notes and lines of credit. The District entered into no short-term financing arrangements during the fiscal year ended June 30, 2011.

9) CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2011, was as follows:

	Balance Beginning	Additions	Deductions	Balance Ending
GOVERNMENTAL ACTIVITIES				
Land	$4,953,064	$0	$0	$4,953,064
Buildings and Improvements	123,870,344	10,880,971	0	134,751,315
Equipment and Furniture	5,242,955	242,553	41,055	5,444,453
Vehicles	3,168,405	505,704	369,401	3,304,708
Totals at Historical Cost	$137,234,768	$11,629,228	$410,456	$148,453,540
Less: Accumulated Depreciation				
Buildings and Improvements	(34,514,718)	(2,661,762)	0	(37,176,480)
Equipment and Furniture	(1,789,567)	(790,302)	(41,055)	(2,538,814)
Vehicles	(1,231,110)	(304,473)	(357,268)	(1,178,315)
Total Accumulated Depreciation	($37,535,395)	($3,756,537)	($398,323)	($40,893,609)
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS - NET	$99,699,373	$7,872,691	$12,133	$107,559,931

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

Instruction	$ 2,661,007
Support Services	1,095,530
TOTAL DEPRECIATION EXPENSE	$ 3,756,537

10) LONG-TERM LIABILITIES

A) 1998 SCHOOL BUILDING AND SITE BONDS

On April 20, 1998, Dexter Community Schools issued School Building and Site Bonds, in the amount of $69,600,000, bearing interest at rates varying from 5.00% to 5.1% per annum. The balance of the bonds as of June 30, 2011 was $31,500,000. Payments on this debt are recorded in the District's 1998 Debt Retirement Fund.

B) 2003 REFUNDING BONDS

On March 26, 2003, Dexter Community Schools issued School Building and Site Bonds, in the amount of $30,210,000, bearing interest at rates varying from 2.50% to 5.00% per annum. The balance of the bonds as of June 30, 2011 was $13,335,000. Payments on this debt are recorded in the District's 2003 Debt Retirement Fund.

C) DURANT RESOLUTION PACKAGE BONDS

Dexter Community Schools issued Durant Resolution Bonds on November 24, 1998 in the amount of $481,417 at the interest rate of 4.7613%. The bonds are a legal obligation of the school district but the annual State of Michigan appropriation is the only revenue source for making the annual debt service payments on the bonds. If the legislature fails to appropriate the bonds, the district is under no obligation for payment. The balance at June 30, 2011 was $199,997. Payments on this debt are recorded in the District's Durant Debt Fund.

10) LONG-TERM LIABILITIES (Continued)

D) 2008 BUILDING AND SITE AND REFUNDING BONDS

On September 29, 2008, Dexter Community Schools issued $59,780,000 in General Obligation – Unlimited Tax Bonds with an average interest rates ranging from of 3.25% to 5% per annum. The balance of the bonds at June 30, 2011 was $48,720,000. Payments on this debt are recorded in the District's 2008 Debt Retirement Fund.

E) MICHIGAN SCHOOL BOND LOAN FUND

The School District has entered into a loan agreement with the Michigan School Bond Loan Fund to borrow monies over a period of years sufficient to extinguish the interest and principal requirements as they become due. The School is required to begin repaying the debt at the point where the School District's State Equalized Valuation times its levy will be in excess of its interest and principal requirements. The loan shall bear interest at the average interest rate computed to the nearest one-eighth of one percent, paid by the State on obligations issued pursuant to Section 16 of Article IX of the State Constitution of 1983. Interest of $830,717 has been assessed for the year ended June 30, 2011, and is included in the amount owing the State at that date. The balance payable at June 30, 2011 was $17,135,424.

F) Debt service requirements at June 30, 2011, were as follows:

YEAR ENDED JUNE 30,	BONDS	INTEREST	TOTAL
2012	$6,522,728	$4,439,803	$10,962,531
2013	6,437,269	4,161,965	10,599,234
2014	5,270,000	3,919,279	9,189,279
2015	6,250,000	3,663,579	9,913,579
2016	6,310,000	3,351,079	9,661,079
2017-2021	28,840,000	12,156,775	40,996,775
2022-2026	24,375,000	5,932,125	30,307,125
2027-2028	9,750,000	705,375	10,455,375
TOTAL	$93,754,997	$38,329,980	$132,084,977

G) CHANGES IN LONG-TERM LIABILITIES

Governmental Activities:	Balance Beginning	Additions	Deductions	Balance Ending	Amount Due in One Year
School Bond Loan Fund	$15,791,999	$1,343,425	$0	$17,135,424	$0
Deferred Amount on Refunding	(1,469,025)	0	(181,244)	(1,287,781)	(181,244)
Unamortized Premium	2,114,562	0	229,495	1,885,067	229,495
Building & Site Bonds	99,634,401	0	5,879,404	93,754,997	6,522,728
Compensated Absences	1,244,576	0	97,476	1,147,100	0
Total Governmental Activities	$117,316,513	$1,343,425	$6,025,131	$112,634,807	$6,570,979

The payment dates of sick days payable are undeterminable. The interest expenditures on long-term obligations for the year were $4,588,495.

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11) DEFERRED REVENUE

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

	Unavailable	Unearned	Total
Due from DDA/TIFA Current Year	$188,370	$0	$188,370
Future State Aid Adjustment for Prior Year DDA/TIFA Captures	2,104,080	0	2,104,080
Fees and Prepaid Student Lunches	0	83,834	83,834
TOTAL	$2,292,450	$83,834	$2,376,284

The District has also recognized $499,791 as a prior period revenue adjustment for the receipt of overcaptures that were due from the DDA/TIFA.

12) COMMITTED FUND BALANCE

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

Health Insurance Claims	$117,061
DEA Health Insurance	406,257
Supply Carryover	161,580
Equipment Maintenance	50,000
Facilities	950,000
Instruction Equipment	2,850,000
Retirement/Severance	765,000
Textbooks	47,103
Technology	500,000
TOTAL	$5,847,001

13) INTERFUND BALANCES

Interfund balances at June 30, 2011 consisted of the following:

DUE TO	DUE FROM General Fund	Food Service	Community Service	Total
General Fund	$0	$9,598	$0	$9,598
Trust & Agency	39	0	62	101
TOTAL	$39	$9,598	$62	$9,699

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

DEXTER COMMUNITY SCHOOLS - DEXTER, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

14) INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2011, consisted of the following:

TRANSFERS TO	TRANSFERS FROM General Fund	Food Service	Total
General Fund	$0	$152,484	$152,484
Community Service	339,127	0	339,127
TOTAL	$339,127	$152,484	$491,611

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

15) DEFINED BENEFIT PENSION PLAN

Plan Description

The School District participates in the Michigan Public School Employees' Retirement System (MPSERS), a statewide, cost-sharing, multiple-employer defined benefit public employee retirement system governed by the State of Michigan that covers substantially all employees of the School District. The MPSERS provides retirement, survivor and disability benefits to plan members and their beneficiaries. The system also provides postemployment health benefits to retirees and their beneficiaries who elect to receive those benefits.

The MPSERS issues a publicly available financial report that includes financial statements and required supplementary information for the pension and postemployment healthcare plans. That report may be obtained by writing to the MPSERS at 7150 Harris Drive, PO Box 30673, Lansing, MI 48909-8103 or on the web at http://www.michigan.gov/orsschools.

Funding Policy

Employer contributions to the MPSERS result from the implementing effects of the School Finance Reform Act. Under these procedures, each school district is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. The pension benefit rate totals 16.94 percent for the period July 1, 2010 through September 30, 2010, and a maximum 19.41 percent for the period October 1, 2010 to October 31, 2010, and a maximum 20.66 percent for the period November 1, 2010 through June 30, 2011 of the covered payroll to the plan. Basic plan members make no contributions. Member Investment Plan (MIP) members contribute at rates ranging from 3 percent to 4.3 percent of gross wages. Fixed MIP members contribute 3.9 percent of gross wages. MIP-Plus members contribute at rates ranging from 3 percent to 6.4 percent of gross wages. All members contribute either 1.5% or 3% to the health care fund. The School District's contributions to the MPSERS pension plan for the years ended June 30, 2011, 2010 and 2009 were approximately $4,065,386, $3,760,507 and $3,595,785, respectively.

Postemployment Benefits

Under the MPSERS Act, all retirees participating in the MPSERS pension plan have the option of continuing health, dental and vision coverage through MPSERS. Retirees electing this coverage 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 at the time of receiving the benefits. For members who first work after June 30, 2008, a graded premium health insurance subsidy has been put in place. The MPSERS board of trustees annually sets the employer contribution rate to fund the benefits on a pay-as-you-go basis. Participating employers are required to contribute at that rate. Required contributions for postemployment healthcare benefits are included as part of the School District's total contribution to the MPSERS plan discussed above.

16) RISK MANAGEMENT

The District is exposed to various risks of loss in conducting its operations, from property and casualty, theft, damage to various tort and liability claims and workman's compensation claims. The District limits its exposure to such claims through its participation in and payments of premiums to M.A.I.S.L. Joint Management Trust and SET-SEG, Inc. Insurance Trust. The pools maintain loss funds and are also required by the terms of the participation agreements to obtain insurance and reinsurance as necessary.

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

17) GOVERNMENTAL REGULATION

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

18) CONTINGENCIES AND COMMITMENTS

The District participates in a number of federally assisted grant programs. These programs are subject to program compliance audits. The audits of these programs for and including the year ended June 30, 2011, have been conducted and have been reported in this audit report. However, the compliance audit reports have not yet been accepted by the grantors. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time; although the District expects such amounts, if any, to be immaterial.

19) SUBSEQUENT EVENTS

Management has evaluated subsequent events through the date of the auditor’s opinion, the date on which the financial statements were available to be issued.

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Founded in 1852
by Sidney Davy Miller

MILLER CANFIELD

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FORM OF APPROVING OPINION

Dexter Community Schools
Counties of Washtenaw and Livingston
State of Michigan

We have acted as bond counsel to the Dexter Community Schools, Counties of Washtenaw and Livingston, State of Michigan (the "Issuer") in connection with the issuance by the Issuer of bonds in the aggregate principal sum of $19,290,000, designated 2012 Refunding Bonds, Series B (Unlimited Tax General Obligation)(Federally Taxable) (the "Bonds"). In such capacity, we have examined such law and the transcript of proceedings relating to the issuance of the Bonds and such other proceedings, certifications and documents as we have deemed necessary to render this opinion.

The Bonds are in fully-registered form in the denomination of $5,000 each or multiples thereof, numbered in order of registration, bearing original issue date of September 20, 2012, payable as to principal and interest as provided in the Bonds, without the option of redemption prior to maturity.

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

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

1. The Bonds have been duly authorized and executed by the Issuer and are valid and binding obligations of the Issuer.

2. All taxable property within the boundaries of the Issuer is subject to taxation for payment of the Bonds, without limitation as to rate or amount.

3. Interest on the Bonds is not excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended. We express no opinion regarding any other federal or state tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds. Investors are urged to obtain independent tax advice based upon their particular circumstances. The tax opinions herein were not intended to be used, and cannot be used, for the purpose of avoiding taxpayer penalties. These opinions were written to support the promotion or marketing of the Bonds.

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

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

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

Very truly yours,

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

FORM OF CONTINUING DISCLOSURE UNDERTAKING

This Continuing Disclosure Undertaking (the "Undertaking") is executed and delivered by Dexter Community Schools, Counties of Washtenaw and Livingston, State of Michigan (the "School District"), in connection with the issuance of its 2012 Refunding Bonds, Series B (Unlimited Tax General Obligation)(Federally Taxable) (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.

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

"MSRB" means the Municipal Securities Rulemaking Board.

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

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

(b) *Continuing Disclosure.* The School District hereby agrees, in accordance with the provisions of the Rule, to provide or cause to be provided to the MSRB through EMMA, on or before the last day of the 6th month 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, 2012, in an electronic format as prescribed by the MSRB:

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

a. Enrollments – Enrollment History;

b. Retirement Plan;
c. History of Valuations – State Equalized Valuation and Taxable Valuation;
d. Tax Levies and Collections;
e. State Aid Payments;
f. School District Tax Rates (per $1,000 of Valuation);
g. Largest Taxpayers;
h. Direct Debt;
i. Legal Debt Margin;
j. General Fund Budget Summaries; and

(2) The Audited Financial Statements. Provided, however, that if the Audited Financial Statements are not available by the date specified above, they shall be provided when available and unaudited financial statements will be filed by such date and the Audited Financial Statements will be filed as soon as available

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

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

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

(1) principal and interest payment delinquencies;
(2) non-payment related defaults, if material;
(3) unscheduled draws on debt service reserves reflecting financial difficulties;
(4) unscheduled draws on credit enhancements reflecting financial difficulties;
(5) substitution of credit or liquidity providers, or their failure to perform;
(6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or

determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;

(7) modifications to rights of holders of the Bonds, if material;

(8) bond calls, if material, and tender offers;

(9) defeasances;

(10) release, substitution, or sale of property securing repayment of the Bonds, if material;

(11) rating changes;

(12) bankruptcy, insolvency, receivership or similar event of the Issuer, which is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Issuer in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Issuer, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Issuer;

(13) the consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; or

(14) appointment of a successor or additional trustee or the change of name of a trustee, if material.

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

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

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

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

(j) *Municipal Advisory Council of the State of Michigan*. The School District shall also file by electronic or other means any information or notice required to be filed with the MSRB through EMMA pursuant to this Undertaking in a timely manner with the Municipal Advisory Council of the State of Michigan.

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 Chief Financial Officer

Dated: ______________, 2012

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