This Preliminary Official Statement and the information contained herein are subject to completion or amendment. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration, qualification or filing under the securities laws of any such jurisdiction.

PRELIMINARY OFFICIAL STATEMENT DATED JANUARY 23, 2014

NEW ISSUE - BOOK-ENTRY-ONLY
QUALIFIED TAX-EXEMPT OBLIGATION

RATING†*: Standard & Poor's Ratings Services: ___
Michigan School Bond Qualification and Loan Program

In the opinion of Thrun Law Firm, P.C., Bond Counsel, under existing law (i) the Bonds and the interest thereon are exempt from all taxation in the State of Michigan, except inheritance and estate taxes and taxes on gains realized from the sale, payment or other disposition thereof, and (ii) the interest on the Bonds is excluded from gross income for federal income tax purposes to the extent and subject to the conditions described therein. See "TAX MATTERS" herein.

$7,360,000*
MASON PUBLIC SCHOOLS
COUNTY OF INGHAM, STATE OF MICHIGAN
2014 REFUNDING BONDS
(GENERAL OBLIGATION - UNLIMITED TAX)

DATE OF SALE: February 10, 2014 **TIME: 11:00 A.M. E.T.**

DATE AND TIME OF AWARD: February 10, 2014, 7:00 P.M., E.T.
BIDS WILL BE RECEIVED AT:
Administrative Offices, 400 S. Cedar Street, Mason, MI 48854
ALTERNATIVE BID OPENING AT:
Municipal Advisory Council, Buhl Building, 535 Griswold Street, Suite 1850, Detroit, MI 48226

PURPOSE AND SECURITY: The 2014 Refunding Bonds (the "Bonds") were authorized by the Board of Education by resolution on January 13, 2014, for the purpose of refunding a portion of the outstanding 2004 School Building and Site and Refunding Bonds (the "Refunded Bonds") of the School District. The Bonds will pledge the full faith, credit and resources of the School District for the payment of principal and interest on the Bonds, and will be payable from ad valorem taxes, which may be levied without limitation as to rate or amount as provided by Article IX, Section 6, and Article IX, Section 16, of the Michigan Constitution of 1963.

TAX DESIGNATION: The Bonds have been designated by the School District as "qualified tax-exempt obligations" for purposes of deduction of interest expense by financial institutions pursuant to the Internal Revenue Code of 1986, as amended. See "QUALIFIED TAX-EXEMPT OBLIGATIONS" herein.

STATE QUALIFICATION: The Bonds are expected to 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.

BOOK-ENTRY-ONLY: The Bonds are issued only as fully registered bonds without coupons, and when issued, will be registered in the name of Cede & Co., as Bondholder and nominee for The Depository Trust Company, New York, New York ("DTC"). DTC will act as a securities depository for the Bonds. Purchasers 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.

PAYMENT OF BONDS: Interest on the bonds will be payable semiannually on May 1 and November 1 each year, commencing on November 1, 2014, to the Bondholders of record as of the applicable record dates herein described. The principal and interest shall be payable at the corporate trust office of The Bank of New York Mellon Trust Company, N.A., Detroit, Michigan (the "Paying Agent"). So long as DTC or its nominee, Cede & Co., is the Bondholder, such payments will be made directly to such Bondholder. Disbursement of such payments to the Beneficial Owners is the responsibility of the DTC Participants and Indirect Participants, as more fully described herein. Interest shall be paid by check or draft mailed to the registered owner as shown on the registration books as of the fifteenth day of the month preceding the payment date for each interest payment.

MATURITY SCHEDULE
(Base CUSIPs:_______)

Dated: Date of Delivery **Principal Due:** May 1 of each year, as shown below

Year	Amount	Interest Rate	Yield	CUSIP§	Year	Amount	Interest Rate	Yield	CUSIP§
2015	$1,920,000	%	%		2018	$1,325,000	%	%	
2016	1,885,000				2019	525,000			
2017	1,705,000								

PURCHASE PRICE: Not less than 99% nor greater than 106% of the par value.

MAXIMUM INTEREST RATE: 5%

MULTIPLES: 1/8th or 1/100th of 1%.

RESTRICTION: THE INTEREST RATE OF ANY ONE BOND SHALL BE AT ONE RATE ONLY AND ALL BONDS MATURING IN ANY ONE YEAR MUST CARRY THE SAME INTEREST RATE.

NO OPTIONAL REDEMPTION: The Bonds of this issue are not subject to redemption at the option of the School District prior to maturity.

TERM BONDS: Term bonds are permitted. See "TERM BONDS" herein.

ANTICIPATED DELIVERY DATE: The anticipated delivery date is March 5, 2014.

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

Additional information relative to this Bond Issue may be obtained from
H.J. Umbaugh & Associates, Certified Public Accountants, LLP
2150 Association Drive, Suite 100
Okemos, Michigan 48864
517-321-0110

The date of this Preliminary Official Statement is January 23, 2014.

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 and notice of sale to obtain information essential to the making of an informed investment decision.

* Preliminary, subject to change.
† For an explanation of the rating, see "RATINGS" herein.
§ CUSIP data herein is provided by Standard & Poor's CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. The School District shall not be responsible for the selection of CUSIP numbers, nor any representation made as to their correctness on the Bonds or as indicated above.

No dealer, broker, salesman or other person has been authorized by the Mason Public Schools, County of Ingham, State of Michigan, to give any information or to make any representation other than as contained in this Official Statement, and, if given or made, such other information or representation must not be relied upon as having been authorized by the School District.

The information set forth herein has been obtained from sources which are believed to be reliable, but is not guaranteed as to accuracy or completeness. This is not an offer to sell and the information and expressions of opinion herein are subject to change without notice and neither the delivery of the Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Mason Public Schools since the date of this Official Statement.

MASON PUBLIC SCHOOLS

400 S. Cedar Street
Mason, Michigan 48854
Phone: (517) 676-2484
Fax: (517) 676-6058

ADMINISTRATION

Mr. Mark Dillingham, Superintendent
Ms. Shelbi Frayer, Executive Director of Business and Finance

BOND COUNSEL

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

PAYING AGENT

The Bank of New York Mellon Trust Company, N.A.
Detroit, Michigan

FINANCIAL ADVISOR

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

TABLE OF CONTENTS
MASON PUBLIC SCHOOLS

	Page No.
SALE INFORMATION	1
INTRODUCTION	2
PURPOSE AND SECURITY	2
REFUNDING PLAN	2
VERIFICATION OF ARITHMETICAL AND MATHEMATICAL COMPUTATIONS	2
ESTIMATED SOURCES AND USES OF FUNDS	3
THE BONDS	3
Term Bonds	3
No Optional Redemption	3
Mandatory Redemption	3
Notice of Redemption and Manner of Selection	3
Description of the Bonds	4
Book-Entry-Only System	4
Transfer Outside the Book-Entry-Only System	6
QUALIFIED TAX-EXEMPT OBLIGATIONS	6
QUALIFIED BY THE MICHIGAN DEPARTMENT OF TREASURY	6
QUALIFICATION BY THE STATE OF MICHIGAN	7
TAX MATTERS	7
TAX PROCEDURES	9
SOURCES OF SCHOOL OPERATING REVENUE	10
POTENTIAL FUTURE CHANGES TO PERSONAL PROPERTY TAX CLASSIFICATIONS	11
LITIGATION	12
APPROVAL OF LEGAL PROCEEDINGS	12
RATINGS	12
FINANCIAL ADVISOR’S OBLIGATION	12
CONTINUING DISCLOSURE	13
FURTHER INFORMATION	13
OTHER MATTERS	13

APPENDIX A:	STATE QUALIFICATION
APPENDIX B:	SCHOOL DISTRICT DATA
APPENDIX C:	2013/14 GENERAL FUND BUDGET SUMMARY
APPENDIX D:	AUDITED FINANCIAL STATEMENTS AS OF December 31, 2013
APPENDIX E:	DRAFT LEGAL OPINION
APPENDIX F:	DRAFT NOTICE OF SALE
APPENDIX G:	FORM OF CONTINUING DISCLOSURE AGREEMENT
APPENDIX H:	OPTIONAL BID FORM

OFFICIAL STATEMENT

MASON PUBLIC SCHOOLS
COUNTY OF INGHAM, STATE OF MICHIGAN
$7,360,000*
2014 Refunding Bonds
(General Obligation - Unlimited Tax)
<u>SALE INFORMATION</u>

DATE OF SALE:	Monday, February 10, 2014		
TIME OF SALE:	11:00 AM, E.T.		
DATE AND TIME OF AWARD:	Monday, February 10, 2014 at 7:00 PM, E.T.		
LOCATION OF SALE:	Administrative Offices 400 S. Cedar Street Mason, Michigan 48854 Phone: (517) 676-2484 Fax: (517) 676-6058	or	Municipal Advisory Council Buhl Building 535 Griswold Street, Suite 1850 Detroit, Michigan 48826 Phone: (313) 963-0420 Fax: (313) 963-0943

BIDS MAY BE SUBMITTED ELECTRONICALLY VIA BIDCOMP/PARITY OR FAXED

DATED:	Date of Delivery	**MAXIMUM INTEREST RATE:**	5%
FIRST INTEREST:	November 1, 2014		
MULTIPLES:	1/8 or 1/100 of 1%		
DENOMINATIONS:	$5,000 or any integral multiple thereof not exceeding for each maturity the principal amount of such maturity.		
PURCHASE PRICE:	Not less than 99% nor greater than 106% of par.		
PAYING AGENT:	The Bank of New York Mellon Trust Company, N.A., Detroit, Michigan		
GOOD FAITH DEPOSIT:	$73,600* Cashier's or Certified Check or Wire Transfer. *See "APPENDIX F - DRAFT NOTICE OF SALE" for further information regarding this issue.*		
TAX DESIGNATION:	**QUALIFIED TAX-EXEMPT OBLIGATIONS.**		
RESTRICTION:	THE INTEREST OF ANY ONE BOND SHALL BE AT ONE RATE ONLY AND ALL BONDS MATURING IN ANY ONE YEAR MUST CARRY THE SAME INTEREST RATE.		
PRINCIPAL DUE:	May 1, annually, as shown on the inside cover.		
MATURITY ADJUSTMENT:	The aggregate principal amount of this issue is believed to be the amount necessary to provide, in part, adequate funds to retire the Refunded Bonds and transactional costs. The School District reserves the right to increase or decrease the aggregate principal amount of the Bonds by not more than $750,000 after receipt of the bids and prior to final award. Such adjustment, if necessary, will be made in increments of $5,000, will not exceed $150,000 per maturity and may be made in any maturity.		

* Preliminary, subject to change.

INTRODUCTION

The purpose of this Official Statement, which includes the cover page and Appendices, is to set forth information concerning the Mason Public Schools (the "School District"), and its proposed 2014 Refunding Bonds (General Obligation – Unlimited Tax) (the "Bonds"), in connection with the sale of the Bonds and for the information of those who may become holders of the Bonds.

PURPOSE AND SECURITY

The Bonds are being issued for the purpose of refunding a portion of the outstanding 2004 School Building and Site and Refunding Bonds, dated August 3, 2004 (the "Refunded Bonds"). The Bonds will pledge the full faith, credit and resources of the School District for payment of the principal and interest thereon, and will be payable from ad valorem taxes, which may be levied without limitation as to rate or amount as provided by Article IX, Section 6, and Article IX, Section 16, of the Michigan Constitution of 1963.

REFUNDING PLAN

A portion of the proceeds of the Bonds will be used to pay certain costs relating to the refunding of the Prior Bonds and, together with other available funds of the School District, to establish an escrow fund (the "Escrow Fund") composed of cash and/or non-callable direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America or other obligations the principal of and interest on which are fully secured by the foregoing. The Escrow Fund will be held by the corporate trust office of The Bank of New York Trust Company, N.A., Detroit, Michigan, as escrow agent (the "Escrow Agent") and will be used to pay when due the principal of and interest on the Prior Bonds when due or called for redemption. The Escrow Fund will be held by the Escrow Agent pursuant to an escrow agreement (the "Escrow Agreement"), which irrevocably directs the Escrow Agent to make the payment of principal of and interest on the Prior Bonds. The Escrow Fund will be such that the cash and the principal and interest payments received on the investments will be sufficient, without reinvestment, except as provided in the Escrow Agreement, to pay the principal of and interest on the Prior Bonds as they become due or are called for redemption, as set forth in the table below.

Date	Principal	Interest	Total
05/01/14	$7,215,000.00	$189,393.75	$7,404,393.75
Totals	$7,215,000.00	$189,393.75	$7,404,393.75

VERIFICATION OF ARITHMETICAL AND MATHEMATICAL COMPUTATIONS

The arithmetical computations of the (i) adequacy of the cash and principal of and interest on the obligations to be purchased with the proceeds of the Bonds and other available funds held in the Escrow Fund to pay the principal of and interest on the Prior Bonds when due or as called for optional redemption on May 1, 2014; and (ii) computations demonstrating that the yield on the Prior Bonds as originally issued is not less than the yield on the obligations held in the Escrow Fund that were purchased with proceeds of the Prior Bonds, have been verified by Robert Thomas CPA, LLC, Shawnee Mission, Kansas, based upon information supplied by the School District and H.J. Umbaugh & Associates.

ESTIMATED SOURCES AND USES OF FUNDS

ESTIMATED SOURCES*	
Par Amount of Bonds	$7,360,000.00
Funds on Hand	189,393.75
Total Sources:	$7,549,393.75
ESTIMATED USES*	
Deposit to Escrow Fund	$7,404,393.75
Cost of Issuance (includes underwriter's discount)	145,000.00
Total Uses:	$7,549,393.75

* Preliminary, subject to change.

THE BONDS

TERM BONDS

The Bonds are eligible for designation by the original purchaser as serial bonds or term bonds, or both. However, principal maturities designated as term bonds shall be subject to mandatory redemption, in part, by lot, at par and accrued interest in the year in which the Bonds are presently scheduled to mature. Each maturity of term bonds and serial bonds must carry the same interest rate. Any such designation must be made within twenty-four (24) hours from the time bids are submitted.

NO OPTIONAL REDEMPTION

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

MANDATORY REDEMPTION

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

Term Bonds due May 1, ____[1]

Redemption Dates[1]	Principal Amounts[1]
	$

NOTICE OF REDEMPTION AND MANNER OF SELECTION

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

[1] Subject to change.

be redeemed a new Bond or Bonds in an aggregate face amount equal to the unredeemed portion of the Bond surrendered shall be issued to the registered owner of such Bond.

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

DESCRIPTION OF THE BONDS

The Bonds will be issued in book-entry-only form as one fully registered Bond per maturity, without coupons, in the aggregate principal amount for each maturity set forth on the cover page of this Official Statement and may be purchased in denominations of $5,000 or any integral multiple thereof. The Bonds will be dated as of date of delivery and bear interest from their dated date. Interest on the Bonds shall be payable on November 1, 2014, and semiannually each May 1 and November 1 thereafter prior to maturity or prior redemption. 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 Bank of New York Mellon Trust Company, N.A., Detroit, Michigan, or its successor will serve as the paying agent (the "Paying Agent") and also as bond registrar and transfer agent if the Bonds cease to be held in book-entry form. 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 registered owner's registered address. For a description of payment of principal and interest, transfers and exchanges and notice of redemption on the Bonds, see "Book-Entry-Only System," "Transfer Outside the Book-Entry-Only System," and "Notice of Redemption and Manner of Selection" below.

BOOK-ENTRY-ONLY SYSTEM

The information in this section has been furnished by The Depository Trust Company, New York, New York ("DTC"). No representation is made by the School District or the Paying Agent as to the completeness or accuracy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof. No attempt has been made by the School District, the Paying 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 Paying 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 affect 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 Paying Agent, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, Paying Agent, or 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 Paying 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 Paying 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 THE BOOK-ENTRY-ONLY SYSTEM

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

QUALIFIED TAX-EXEMPT OBLIGATIONS

The School District has designated the Bonds as Qualified Tax-Exempt Obligations for purposes of deduction of interest expense by financial institutions under Section 265(b)(3)(B) of the Internal Revenue Code of 1986, as amended.

QUALIFIED BY THE MICHIGAN DEPARTMENT OF TREASURY

The School District has received a letter from the Michigan Department of Treasury stating that the School District is in material compliance with the criteria of the Revised Municipal Finance Act No. 34, Public Acts of Michigan, 2001 (“Act 34”) for a municipality to be granted “qualified status” to issue municipal securities without further approval by the Michigan Department of Treasury.

QUALIFICATION BY THE STATE OF MICHIGAN

An application will be submitted to the Michigan Department of Treasury to obtain, and it is the School District’s expectation that the Bonds will receive, full qualification 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, for participation in the School Bond Qualification and Loan Program. 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, to pledge the State's full faith and credit and to issue its notes or bonds, for the purpose of making loans to school districts as provided under such section. Loans to school districts for such purposes are made from the proceeds of such State borrowing. See Appendix A - "State Qualification."

Complete financial statements of all of the State's funds as included in the State's Comprehensive Annual Financial Report ("CAFR") prepared by the State's Office of the State Budget are available upon request from the Budget website, 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 School Loan Revolving Fund remain outstanding.

TAX MATTERS

State of Michigan

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

Federal

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

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

Original Issue Premium*

For federal income tax purposes, the difference between the initial offering prices to the public (excluding bond houses and brokers) at which certain Bonds, as set forth on the cover page of this Official Statement, are sold and the amounts payable at maturity thereof that are greater than the stated redemption prices at maturity (the "Premium Bonds") constitutes for the original purchasers of the Premium Bonds an amortizable bond premium. Such amortizable bond premium is not deductible from gross income but is taken into account by certain corporations in determining adjusted current earnings for the purpose of computing the alternative minimum tax, which may also affect liability for the branch profits tax imposed by Section 884 of the Code. The amount of amortizable bond premium allocable to each taxable year is generally determined on the basis of a taxpayer's yield to maturity determined by using the taxpayer's basis (for purposes of determining loss on sale or exchange) of such Premium Bonds and compounding at the close of each six-month accrual period. The amount of amortizable bond premium allocable to each taxable year is deducted from the taxpayer's adjusted basis of such Premium Bonds to determine taxable gain upon disposition (including sale, redemption or payment on maturity) of such Premium Bonds.

Original Issue Discount*

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

*Preliminary, subject to change.

Future Developments

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

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

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

TAX PROCEDURES

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

On March 15, 1994, the electors of the State approved an amendment to the Michigan Constitution permitting the Legislature to authorize ad valorem taxes on a non-uniform basis. The legislation implementing this constitutional amendment added a new measure of property value known as "Taxable Value." Beginning in 1994, taxable property has two valuations - State Equalized Valuation ("SEV") and Taxable Value. Property taxes are levied on Taxable Value. Generally, Taxable Value of property is the lesser of (a) the Taxable Value of the property in the immediately preceding year, adjusted for losses, 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.

This constitutional amendment and the implementing legislation base the Taxable Value of existing property for the year 1995 on the SEV of that property in 1994 and for the years 1996 and thereafter on the Taxable Value of the property in the preceding year. When property is sold or transferred, Taxable Value is adjusted to the SEV, which under existing law is 50% of the current true cash value. The Taxable Value of new construction is equal to current SEV. Taxable Value and SEV of existing property are also adjusted annually for additions and losses.

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

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

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

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 2013/14 ranging from $7,026 to $8,049 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 2013/14 calculate to an amount in excess of $8,049 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 $8,049 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.

Public Act 201 of 2012 ("Act 201") amended the State School Aid Act for the 2012/13 fiscal year which maintained the School District's per pupil foundation allowance at $6,966 for the 2012/13 fiscal year. Act 201 included an additional payment to the School District to partially offset increases in the retirement plan contribution rate for the period October 1, 2012 to September 30, 2013. Act 201 also included 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, online instruction programs or blended learning opportunities, dashboard/report card of the

---

[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 District's financial management efforts, and physical education consistent with the Michigan State Board of Education's policy. The Board and Administration satisfied such "best practices" requirements and the School District included such grant funding in its 2012/13 General Fund Budget.

Public Act 60 of 2013 ("Act 60") amended the State School Aid Act for the 2013/14 fiscal year which increased the School District's per pupil foundation allowance to $7,026 or a $60 per pupil increase for the 2013/14 fiscal year. Act 60 included a one-time equity funding for the School District of $21 per pupil. Act 60 also included grant funding equal to $52 per pupil (identical to the per pupil amount in 2012/13) 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, online instruction programs or blended learning opportunities, a dashboard/report card of the School District's financial management efforts, and physical or health education. The Board and Administration expects to satisfy such "best practices" requirements and the School District has included such grant funding in its 2013/14 General Fund Budget.

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.

POTENTIAL FUTURE CHANGES TO PERSONAL PROPERTY TAX CLASSIFICATIONS

On December 20, 2012, the Governor of Michigan signed a series of bills designed to phase-out the levy of property taxes on industrial and commercial personal property over a number of years. Beginning December 31, 2013, a taxpayer whose combined commercial and industrial personal property has a true cash value under $80,000 in the given tax collecting unit would be eligible for an exemption on such property. Beginning December 31, 2015, any commercial or industrial personal property used more than 50% of the time in industrial processing or direct integrated support (defined as "eligible manufacturing personal property") would be exempt from the taxation if it was purchased on or after January 1, 2013. Beginning December 31, 2015, the bills would also phase-in exemptions for older property that qualifies as eligible manufacturing personal property if such property had been subject to, or exempt from, ad valorem taxation for the immediately preceding ten years.

The bills would hold school districts harmless for currently existing debt millage, basic operating millage, and State Education Tax revenue lost as a result of the exemptions. Appropriations from the state's use tax into the State Aid Fund would reimburse school districts and intermediate school districts for 100% of the lost revenue. It is currently estimated that the phase-out would not substantially affect school operating revenues.[1] However, the state would not reimburse school districts for any loss incurred for new debt millage after January 1, 2013.

The phase-out and reimbursement scheme will only take effect if a vote of the state-wide electorate approves the appropriations from the state's use tax by referendum in August 2014.

[1] Because the foregone revenue is deposited into the State Aid Fund from use taxes, the legislature may choose to appropriate the money differently in the future by altering the funding formulas in the State School Aid Act of 1979(Act 94).

LITIGATION

To the knowledge of the appropriate officials of the School District, after due inquiry, no litigation, administrative action or proceeding is pending or threatened, restraining or enjoining, or seeking to restrain or enjoin, the issuance and delivery of the Bonds, or questioning or contesting the validity of the Bonds or the proceedings or authorities under which they are authorized to be issued, sold, executed and delivered. A certificate to such effect will be delivered to the Purchaser at the time of the original delivery of the Bonds.

APPROVAL OF LEGAL PROCEEDINGS

Legal matters incident to the authorization, issuance and sale by the School District of the Bonds and with regard to the tax-exempt status of the Bonds are subject to the approving opinion of Thrun Law Firm, P.C., East Lansing, Michigan, Bond Counsel, and will be furnished without expense to the Purchaser, a copy of such opinion, the form of which is set forth in Appendix E, will be available at the time of the delivery of the Bonds.

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

RATINGS

The School District has applied for a rating of the Bonds from Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. ("S&P"). No application was made to any other agency.

S&P will assign, as of the date of delivery of the Bonds, its municipal bond rating of "___" 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 "___" 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.

FINANCIAL ADVISOR'S OBLIGATION

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

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

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

CONTINUING DISCLOSURE

Prior to delivery of the Bonds, the School District will execute a Continuing Disclosure Agreement (the "Agreement") for the benefit of the holders of the Bonds and Beneficial Owners to send certain information annually and to provide notice of certain events to certain information repositories pursuant to the requirements of Rule 15c2-12(b)(5) (the "Rule") adopted by the Securities and Exchange Commission under the Securities Act of 1934. The information to be provided on an annual basis, the events which will be noticed on an occurrence basis and the other terms of the Agreement, are set forth in "APPENDIX G - FORM OF CONTINUING DISCLOSURE AGREEMENT." In addition to the annual audited financial statements of the School District, the financial information and operating data will include updates to (and be substantially in the same form as) the tables (and such of the other information as the School District deems relevant) contained under the headings "Enrollment History," "Labor Relations," "Retirement Plan," "History of Valuations – State Equalized Valuation and Taxable Valuation," "Tax Levies and Collections," "State Aid Payments", "School District Tax Rates (Per $1,000 of Valuation)," "Largest Taxpayers," "School Bond Qualification and Loan Program," and "Direct Debt" in Appendix B.

A failure by the School District to comply with the Agreement will not constitute an event of default under the resolutions authorizing issuance of the Bonds and holders of the Bonds or Beneficial Owners are limited to the remedies described in the Agreement. A failure by the School District to comply with the Agreement must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Bonds and their market price. The School District has, in the previous five years, failed to comply, in some material respects, with prior continuing disclosure agreements executed by the School District pursuant to the Rule. The most recent filing with the School District complies, in all material respects, with any continuing disclosure agreements executed by the School District pursuant to the rule.

FURTHER INFORMATION

Further information concerning the Bonds may be secured from H.J. Umbaugh and Associates, Certified Public Accountants, LLP, 2150 Association Drive, Okemos, Michigan 48864, telephone 517-321-0110, Financial Advisor to the School District, or from the School District's administration offices, 400 S. Cedar Street, Mason, Michigan 48854, telephone (517) 676-2484.

OTHER MATTERS

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

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

MASON PUBLIC SCHOOLS
COUNTY OF INGHAM
STATE OF MICHIGAN

By: ______________________________
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.

SCHOOL BOND QUALIFICATION, APPROVAL, AND LOAN ACT
Act 92 of 2005

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

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

The People of the State of Michigan enact:

388.1921 Short title.

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

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

388.1922 Purpose of act.

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

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

388.1923 Definitions.

Sec. 3. As used in this act:

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

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

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

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

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

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

Reorganization Order No. 2010-2, MCL 12.194.

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

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

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

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

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

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

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

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

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

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

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

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

388.1925 Preliminary qualification; application.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

388.1926 Prequalification of bonds; determination by state treasurer.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

388.1928 Submission of ballot to electors; ballot.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

388.1930 Certificates of qualification or approval; file; delivery.

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

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

388.1931 Rules; bulletins.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

388.1935 Default; repayment.

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

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

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

388.1936 Charging and disposition of fees.

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

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

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

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

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

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

388.1938 Use of remaining proceeds.

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

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

(b) To repay this state.

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

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

388.1939 Actions by designee.

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

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

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

CONSTITUTIONAL LAW:
SCHOOL BONDS:
MUNICIPAL FINANCE COMMISSION:

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

No. 4422 March 12, 1965.

Hon. Sanford A. Brown
State Treasurer
Lansing, Michigan

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

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

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

Thus, the school district is <u>required</u> 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 <u>empowered</u> 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, <u>inter alia</u>, 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].

---

[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.

---

[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

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX B[1]
SCHOOL DISTRICT DATA

Location and Area

Mason Public Schools (the "School District") encompasses approximately 107.3 square miles in Ingham County. The School District is located in the south central portion of Michigan's lower peninsula. The School District includes all of the City of Mason, a small portion of the City of Lansing, and varying portions of Alaiedon, Aurelius, Delhi, Ingham, Leslie, Onondaga, Vevay and Wheatfield Townships.

Existing school facilities include three elementary schools, one middle school, one high school and one administration building.

Population[2]

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

1990	16,381
2000	17,918
2010	18,863

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
Ingham County	279,320	280,895	0.56
City of Mason	6,714	8,252	22.91
City of Lansing	114,321	109,563	-4.16
Alaiedon Township	3,489	2,894	-17.27
Aurelius Township	3,318	3,525	6.24
Delhi Township	22,569	25,877	14.66
Ingham Township	1,632	1,889	15.75
Leslie Township	2,327	2,389	2.66
Onondaga Township	2,958	3,158	6.76
Vevay Township	3,614	3,537	-2.13
Wheatfield Township	1,641	1,632	-0.55

Board of Education

The School District is governed by seven elected Board of Education members who serve staggered six-year terms. Board officers are elected by the Board and were most recently elected on January 14, 2013.

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

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

2013/14	3,114	2008/09	3,052
2012/13	3,055	2007/08	3,036
2011/12	3,002	2006/07	3,100
2010/11	2,935	2005/06	3,129
2009/10	3,026	2004/05	3,133

Projected K-12 enrollment for 2015/2016 is 2,832 as estimated by the School District.

2013/14 Enrollment by Grade

Kindergarten	215	8th	244
1st	236	9th	255
2nd	237	10th	255
3rd	209	11th	267
4th	241	12th	264
5th	226	Special Education	20
6th	213		
7th	232	Total	3,114

School District Facilities

	Grades Served	Year Constructed	Additions/ Remodeling
Elementary Schools:			
Alaiedon	K-5	1964	1997
North Aurelius	K-5	1965	1997
Steel	K-5	1955	1998
Middle School:			
Mason	6-8	1968	1997
High School:			
Mason	9-12	1959	1997
Additional Facilities:			
Administration		1956	1997
Transportation		1976	1998
Other Facilities:			
James C. Harvey Education Center*		1953	1998

*Cedar Elementary was converted to the James C. Harvey Education Center.

Labor Relations

Class	Number	Affiliation	Contract Expires
Teachers	181	MEA	08/15/2013*
Instructional Assistants	50	MEA	08/15/2014
Administrators	10	Local	06/30/2015
Custodial	22	Operating Engineers	06/30/2014
Bus Drivers	16	Teamsters	06/30/2014
Food Service	23	Local	06/30/2015
Secretaries	15	Operating Engineers	07/31/2014
Other Support Personnel	130	N/A	
Total	447		

*Currently in negotiations.

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%.

On June 28, 2010, the Michigan Court of Claims issued an injunction in response to a challenge to the authority of the State to require employees who began working before July 1, 2010, to contribute 3% of reportable wages to the retired health care trust at MPSERS. As a result, the State has adjusted the contribution rate due on employees wages paid between November 1, 2010 and September 30, 2011 to 20.66% for members who first worked prior to July 1, 2010 and 19.16% for Pension Plus members. 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. In August 2012, the Court of Appeals affirmed the decision of the Court of Claims. The State has filed for leave to appeal with the Michigan Supreme Court. On September 4, 2012, the governor signed SB 1040 (H-3) designated Public Act 300 of 2012 to reform MSPERS. This act 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. On September 5, 2012, an Ingham County Circuit Court judge issued a temporary restraining order barring the State of Michigan from implementing Public Act 300 of 2012. The State of Michigan sought expedited review of the case with the Michigan Supreme Court, bypassing the Michigan Court of Appeals. On November 9, 2012, the Michigan Supreme Court denied the request for an expedited appeal and the case has been remanded to the Circuit Court for review. On November 29, 2012, the Circuit Court, on remand, ruled that the substantive provisions of Public Act 300 of 2012 were constitutional except for one particular provision relating to an "election window". The Legislature promptly adopted legislation which was signed into law by the Governor addressing the constitutional concerns of the election window raised by the Circuit Court. Two public school employee unions have filed a Leave to Appeal with the Court of Appeals. The ultimate impact of a decision by the Michigan Supreme Court, Court of Appeals or Ingham County Circuit Court on the implementation of this legislation is unknown at this time.

The School District's estimated contribution to MPSERS for 2013/14 and the contributions for the previous four years are shown below.

Fiscal Year Ending June 30,	Contribution to MPSERS[1]
2014	$4,535,779 (estimate)
2013	3,898,348
2012	3,692,104
2011	3,091,501
2010	2,778,917

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[2]

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 2013 taxable value by class and by municipal unit.

History of Valuations – State Equalized Valuation and Taxable Valuation[2, 3, 4]

	State Equalized Valuation	Total Taxable Valuation
2013	$750,683,303	$642,485,401
2012	733,723,866	631,814,568
2011	727,443,112	643,872,700
2010	745,224,267	640,833,895
2009	809,619,800	673,483,032

1 Sources: Audited Financial Statements and School District.
2 See "POTENTIAL FUTURE CHANGES TO PERSONAL PROPERTY TAX CLASSIFICATIONS" herein for information regarding potential changes to certain tax classifications which may take effect in the 2014 and 2016 tax years.
3 Source: County Equalization Department.
4 The School District's debt millage is levied on the taxable valuation plus the IFT equivalent taxable valuation.

2013 Taxable Value by Class[1, 2]

	Taxable Value	% of Total Taxable Value
Agricultural	$ 41,867,225	6.52%
Commercial	70,811,905	11.02%
Industrial	37,718,305	5.87%
Developmental	56,500	0.01%
Commercial Personal	14,464,950	2.25%
Industrial Personal	29,117,030	4.53%
Utility Personal	16,897,250	2.63%
Residential	431,552,236	67.17%
Total	$642,485,401	100.00%

2013 Taxable Valuation by Municipal Unit[1 2 3]

Name of Unit	Homestead[1]	Non-Homestead[1]	Total Taxable Valuation	% of Total Valuation
Alaiedon Township	$ 86,774,340	$ 35,287,723	$122,062,063	19.00%
Aurelius Township	99,231,861	9,998,566	109,230,427	17.00%
Delhi Township	49,024,342	14,561,187	63,585,529	9.90%
Ingham Township	7,624		7,624	0.01%
Leslie Township	4,038,830	348,070	4,386,900	0.68%
Onondaga Township	3,460,404	770,320	4,230,724	0.66%
Vevay Township	96,140,088	25,728,627	121,868,715	18.96%
Wheatfield Township	2,718,301	426,363	3,144,664	0.49%
City of Lansing	663,600		663,600	0.10%
City of Mason	132,237,319	81,067,836	213,305,155	33.20%
Total	$474,296,709	$168,188,692	$642,485,401	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 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 2013 Taxable Value for the properties which have been granted IFT

---

1 See "POTENTIAL FUTURE CHANGES TO PERSONAL PROPERTY TAX CLASSIFICATIONS" herein for information regarding potential changes to certain tax classifications which may take effect in the 2014 and 2016 tax years.

2 Source: County Equalization Department.

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 on non-homestead property only.

4 Source: City of Mason Assessor

abatements within the School District's boundaries is $19,406,635, which is taxed at one-half rate of the total IFT valuations.

As part of the phase-out of Michigan's property tax on personal property, if a facility and personal property within that facility is subject to an industrial facilities exemption on December 31, 2013, that property would continue to be subject to the industrial facilities tax until the expiration of said tax at which time the property tax exemption would remain intact until the "eligible personal property" is exempt under the new law. See "POTENTIAL FUTURE CHANGES TO PERSONAL PROPERTY TAX CLASSIFICATIONS" above.

Tax Levies and Collections

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

Ingham County (the "County"), to date, has purchased and paid from its Tax Payment Fund the delinquent taxes on all real property of all taxing units in the County. The decision to make such payments is determined on an annual basis by the County. There is no guarantee that the payments will continue in future years. If the delinquent taxes which are due and payable to the County are not received by the County for any reason, the County has full 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 County by the School District.

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

School Year	Operating Tax Levy	Collections To March 1, Each Year		Collections to June 30 Fiscal Year End	
2013/14	$3,076,614	In process of collection		Not applicable	
2012/13	3,055,175	$2,755,768	90.20%	$3,047,231	99.74%
2011/12	3,062,652	2,689,188	87.81	3,047,226	99.50
2010/11	2,967,973	2,696,821	90.86	2,958,959	99.70
2009/10	3,055,213	2,806,035	91.84	3,055,457	100.01

State Aid Payments

The School District's primary source of funding for operating costs is the State aid foundation allowance per pupil. The foundation allowance for all school districts in the State of Michigan is from $7,026 to $8,049 per pupil for the fiscal year 2013/14. In future years, this allowance may be adjusted by an index based upon the change in revenues to the State school aid fund and the change in the total number of pupils statewide. See "SOURCES OF SCHOOL OPERATING REVENUE" herein for additional information.

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

Year	State Aid Membership	State Amount Received per Pupil	Foundation Allowance Per Pupil	Total State Aid Payments
2013/14	$3,106	$6,014	$7,026	$20,779,272 (estimate)
2012/13	3,048	5,937	6,966	19,992,592
2011/12	2,996	5,865	6,918	19,337,179
2010/11	2,952	6,354	7,388	18,956,028
2009/10	3,030	6,341	7,388	18,941,568

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

	2013	2012	2011	2010	2009
Operating – Extra Voted[1]	18.0000	18.0000	18.0000	18.0000	17.9856
Sinking Fund[2]	1.0000	1.0000	1.0000	1.0000	1.0000
Debt	3.8700	3.8500	3.9000	3.8000	3.7000
Total Homestead	4.8700	4.8500	4.9000	4.8000	4.7000
Total Non-Homestead	22.8700	22.8500	22.9000	22.8000	22.6856

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

	2013	2012
State Education Tax	6.0000	6.0000
Ingham County	6.3512	6.3512
Indigent Veterans Relief Fund	0.0330	0.0230
Special Transportation	0.4800	0.4800
Public Transportation	0.1200	0.1200
Emergency 911	0.8431	0.8431
Airport Authority	0.6990	0.6990
Juvenile Justice	0.6000	0.6000
City of Mason	13.2500	13.2500
Vevay Township	0.9161	0.9161
Ingham County ISD	5.9881	5.9881
Lansing Community College	3.8072	3.8072
Capital Area District Library	1.5600	1.5600

[1] The operating millage is levied on Non-Homestead property only and expires with the 2020 Levy.
[2] The sinking fund millage expires with the 2016 Levy.
[3] Source: County Equalization Department

Constitutional Millage Rollback

Article IX, Section 31 of the Michigan Constitution requires that if the total value of existing taxable property in a local taxing unit, exclusive of new construction and improvements, increases faster than the U.S. Consumer Price Index from one year to the next, the maximum authorized tax rate for that local taxing unit must be permanently reduced through a Millage Reduction Fraction unless the levy of new millage is authorized by a vote of the electorate of the local taxing unit. The School District is not subject to such a rollback at this time.

Largest Taxpayers[1]

Shown below are the ten largest identifiable taxpayers in the School District based on their 2013 taxable valuations. The taxpayers listed below represent 13.11% of the School District's 2013 Taxable Valuation of $641,457,528.

Taxpayer	Product or Service	Taxable Value	Adjusted IFT	Total Valuation Subject to Taxation
Gestamp Mason, LLC	Mfg. steel auto parts	$12,642,520	$16,780,415	$ 29,422,935
Dart Container	Mfg. food containers	26,222,105		26,222,105
Consumers Energy Co.	Utility	14,812,606		14,812,606
Michigan Packaging	Mfg. corrugated cardboard	8,044,390	2,491,420	10,535,810
Meijer	Retail	5,344,990		5,344,990
Parker Hannifan	Mfg. hose fittings	5,033,800		5,033,800
Sycamore Partnership	Apartment complex	4,474,046		4,474,046
Proassurance Casualty	Insurance	3,089,100		3,089,100
Lear Corporation	Mfg. automotive seating	2,461,880	134,800	2,596,680
Sun Communities	Mobile home complex	1,994,050		1,994,050
TOTAL		$84,119,487	$19,406,635	$103,526,122

Debt History

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

Future Capital Financing

The School District is not currently in the process of considering additional capital financing in the next twelve months.

Other Financing

For General Fund Obligations, see the School District's audited financial statements.

School Loan Revolving Fund[2]

The School District does not have an outstanding balance in the School Loan Revolving Fund.

---

[1] Source: The Townships of the School District, City of Lansing and the City of Mason.
[2] Source: Michigan Department of Treasury.

Direct Debt (as of date of sale) [1]

08/03/04	2004 Building and Site and Refunding Bonds (UTQ)	$8,940,000
09/01/04	2004 School Improvement Bonds (LTNQ)	350,000
07/26/12	2012 Refunding Bonds (UTQ)	8,230,000
Direct Debt (as of date of sale)		$17,520,000
Less:	Prior Bonds (UTQ)	(7,215,000)
Plus:	2014 Refunding Bonds (UTQ)	7,360,000
NET DIRECT DEBT (as of date of delivery)		$17,665,000

Overlapping Debt as of January 1, 2014 [2]

% Applicable	Municipality	Amount Outstanding	School District Share
0.03	City of Lansing	$109,065,221	$ 32,720
100.00	City of Mason	10,705,000	10,705,000
60.17	Alaiedon Township	1,708,698	1,028,124
82.51	Aurelius Township	73,132	60,341
9.28	Delhi Township	23,834,592	2,211,850
5.85	Leslie Township	15,040	880
5.26	Onondaga Township	188,752	9,928
97.00	Vevay Township	24,252	23,524
4.61	Wheatfield Township	52,119	2,403
93.0	Ingham County	36,973,046	3,438,493
7.84	Ingham I/S/D	2,168,000	169,971
6.43	Lansing Community College	82,565,000	5,308,930
Net overlapping debt in the School District			$22,992,164
NET DIRECT AND OVERLAPPING DEBT[1]			$40,657,164

Debt Ratios

2013 State Equalized Valuation (SEV)	$750,683,303
2013 Taxable Valuation	$642,485,401
2010 Population	18,863
Direct Debt (Including New Issue)	$17,665,000
Direct/Overlapping Debt	$40,657,164
Direct Debt Per Capita[3]	$936
Direct/Overlapping Debt Per Capita[3]	$2,155
Per Capita 2013 SEV[3]	$39,797
Ratio of Direct Debt to 2013 SEV	2.35
Ratio of Direct/Overlapping Debt to 2013 SEV	5.42
Per Capita 2013 Taxable Valuation[3]	$34,061
Ratio of Direct Debt to 2013 Taxable Valuation	2.75
Ratio of Direct/Overlapping Debt to 2013 Taxable Valuation	6.33

---

[1] Preliminary, subject to change.
[2] Source: Municipal Advisory Council of Michigan.
[3] Calculated using 2010 Census population data.

Legal Debt Margin (as of date of delivery) [1]

2013 State Equalized Valuation		$750,683,303
Debt Limit (15% of 2013 State Equalized Valuation)		$112,602,495
Debt Outstanding (as of date of delivery)	$17,665,000	
Less bonds not subject to Debt Limit[2] (as of date of delivery)	(17,315,000)	
Total Subject to Debt Limit		350,000
Additional Debt Which Could Be Legally Incurred		$112,252,495

ECONOMIC PROFILE

The School District is located in the south central portion of Michigan's lower peninsula. The School District is primarily residential and includes the City of Mason and a small portion of the City of Lansing. The School District's location allows for easy access to all of Ingham County.

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

15 miles south of Lansing
25 miles north of Jackson
59 miles northwest of Ann Arbor
85 miles northeast of Kalamazoo
88 miles northwest of Detroit

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

Major Employers[1]

Company	Product or service	Approximate # of employees
Within the School District		
Ingham County	Government	1,161
Gestamp Mason, LLC	Auto parts	500
Mason Public Schools	Education	447
Ingham I/S/D	Education	365
Dart Container (HQ)	Plastic foam containers	285
Meijer	Retail	240
Lear Corporation	Auto seating	150
Michigan Packaging Co.	Corrugated sheets	125
Efficienty Production Inc.	Trench safety boxes	100
Taylor Life Center/Consumer Services, Inc.	Counseling & therapy services	99
Ingham County		
State of Michigan	State Government	14,390
Michigan State University	Higher Education	11,400
Sparrow Health System	Health Care	7,000
General Motors Corp.	Automotive	5,800
Lansing Community College	Higher Education	3,144
McLaren Health	Health Care	3,000
Peckham, Inc.	Nonprofit Vocational Rehabilitation	2,510
Lansing School District	Education	1,601
Community Health Department	Government	1,400
Jackson National Life Insurance Co.	Insurance	1,300

Unemployment[2]

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

	Ingham County	State of Michigan
2013 (October)	7.8%	8.3%
2012	7.8	9.1
2011	8.5	10.4
2010	10.4	12.5
2009	11.1	13.3

---

1 Sources: 2013 Harris Michigan Industrial and Services Directories, 2013 Michigan Manufacturers Directory, School District, City of East Lansing Economic Development Corporation and Michigan Economic Development Corporation and individual employers.
2 Source: State of Michigan Office of Labor Market Information.

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX C

MASON PUBLIC SCHOOLS
General Fund Budget
For the Fiscal Year Ending June 30, 2014

	Adopted 2013/14
REVENUES	
Local Sources	$4,111,667
State Sources	20,018,784
Federal Sources	690,619
Transfers and Other Transactions	1,915,066
TOTAL REVENUES	$26,736,136
EXPENDITURES	
Instruction	
Basic Programs	$13,899,092
Added Needs	2,723,200
Support Services	
Pupil Services	1,809,424
Instructional Staff	1,166,178
General Administration	312,207
School Administration	1,401,752
Business Services	383,165
Operations & Maintenance	2,176,409
Transportation	1,037,396
Other Support Services	1,334,387
Community Services	357,331
Other Financing Uses	229,436
TOTAL EXPENDITURES	$26,829,977
Excess of Revenues Over (Under) Expenditures	$ (93,841)
Fund Balance - July 1, 2013	2,137,283
Estimated Fund Balance - June 30, 2014	$ 2,043,442

[THIS PAGE INTENTIONALLY LEFT BLANK]

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

Principals

Dale J. Abraham, CPA
Michael T. Gaffney, CPA
Steven R. Kirinovic, CPA
Aaron M. Stevens, CPA
Eric J. Glashouwer, CPA
Alan D. Panter, CPA
William I. Tucker IV, CPA

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

3511 Coolidge Road
Suite 100
East Lansing, MI 48823
(517) 351-6836
FAX: (517) 351-6837

INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Mason Public Schools
Mason, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Mason Public Schools as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of Mason Public Schools as of June 30, 2013, and the respective changes in financial position, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principles

As discussed in Note N, the District implemented GASB Statements No. 63 and No. 65, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position,* and *Items Previously Reported as Assets and Liabilities.* As a result of this implementation, the financial statements have been changed to reflect the new presentation under GASB Statements No. 63 and No. 65, as applicable. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information as identified in the table of contents, be presented to supplement the basic financial statements. Such information, 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not required part of the basic financial statements.

The combining nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, combining nonmajor fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 1, 2013 on our consideration of Mason Public Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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* in considering Mason Public Schools' internal control over financial reporting and compliance.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

November 1, 2013

This section of Mason Public Schools' (MPS) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2013.

FINANCIAL HIGHLIGHTS

- The District's financial situation remained stable. Total net position increased to $19.8 million over the course of the year.

- Total District revenues exceeded $32.2 million with spending around $32.1 million. Overall revenues for 2012-13 increased by approximately 4.9% while total district expenses increasing by approximately 5.2%

- Enrollment increased by 52 students from 2011-2012 to 2012-2013, bringing the student blended enrollment to 3,048. This represents an increase of approximately 1.7%.

- The Sinking Fund has a balance of $566,149 at June 30, 2013. The fund spent $447,549 on capital needs in the District during 2012-13.

- The District's total fund balances increased from $3.0 million at the end of fiscal year 2012 to about $3.3 million at the end of fiscal year 2013. The increase is due mostly to budgeted and planned increases in the General Fund.

- The General Fund's balance increased by $105,035 to about 2.1 million at June 30, 2013, which was an increase of about $897,295 over the amount originally budgeted.

- During the 2012-13 fiscal year, the District repaid $1,906,629 of principal from its long-term debt.

D-2

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts - Management's Discussion and Analysis (this section), the Basic Financial Statements, and Required Supplementary Information. The Basic Financial Statements include two kinds of statements that present different views of the District:

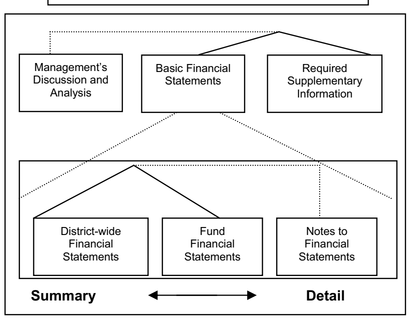
- The first two statements are *district-wide financial statements* that provide both short-term and long-term information about the District's *overall* financial status.

- The remaining statements are *fund financial statements* that focus on individual parts of the District, reporting the District's operations in more detail than the district-wide statements.

- The G*overnmental Funds* statements tell how basic services like general and special education were financed in the short-term as well as what remains for future spending.

- *Fiduciary Funds* statements provide information about the financial relationships in which the District acts solely as a *trustee or agent* for the benefit of others.

Figure A-1
Organization of Mason Public School's Annual Financial Report



The financial statements also include *notes* that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the financial statements with a comparison of the District's budget for the year. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

Figure A-2
Major Features of District-Wide and Fund Financial Statements

	District-wide Statements	Fund Financial Statements: Governmental Funds	Fund Financial Statements: Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance.	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	* Statement of net position * Statement of activities	* Balance sheet * Statement of revenues, expenditures and changes in fund balances	* Statement of fiduciary net position * Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both short-term and long-term, MPS's funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and the related liability is due and payable	All additions and deductions during the year, regardless of when cash is received or paid

DISTRICT-WIDE FINANCIAL STATEMENTS

The district-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies.

The Statement of Net Position includes all of the District's assets, deferred outflows, liabilities, and deferred inflows. As the name suggests, it reports the District's *net position* - the difference between the District's assets, deferred outflows, liabilities, and deferred inflows - and how they have changed from last year to this. Change in net position is just one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net position are indicators of whether its financial position is improving or deteriorating.

- To assess the overall health of the District, one needs to consider additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities, as well as the quality of the education provided and the safety of the schools. So again, the change in net position is only one indicator of a district's health.

The Statement of Activities shows all the current year's revenues and expenses regardless of when cash is received or paid. Most of the District's basic services are included here, such as regular and special education, transportation, buildings and grounds maintenance, and administration. Property taxes, State Aid, and state and federal grants finance most of these activities.

FUND FINANCIAL STATEMENTS

Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. The Fund Financial Statements provide more detailed information about these funds, focusing on the most significant or "major" ones, not the District as a whole.

- Some funds are required by State law and by bond covenants.

- The District establishes other funds to control and manage money for particular purposes, such as repaying its long-term debts, or to show that it is properly using certain revenues, such as school lunch.

The District has two kinds of funds:

- *Governmental funds* - Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out, and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed *short-term* view that helps one determine whether there are financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, we provide additional information with the governmental funds statements that explains the relationship (or differences) between them.

- *Fiduciary funds* - The District is the trustee, or *fiduciary*, for certain assets that belong to others, such as the scholarship fund and the student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. We exclude these activities from the district-wide financial statements because the District cannot use these assets to finance its operations.

Mason Public Schools

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2013

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net position - The District's net position increased from the previous year to $19,821,700. The District's financial position is the product of many factors, as seen in the tables below that show the District's net position as of June 30, 2012and June 30, 2013 as well as the change in net position for each year.

	June 30, 2012	June 30, 2013
Current and other assets	$ 6,402,083	$ 6,374,933
Capital assets	35,972,343	33,930,261
Total assets	42,374,426	40,305,194
Deferred charges on refunding	-	753,524
Current liabilities	5,379,788	5,110,128
Long-term debt outstanding	17,260,378	16,126,890
Total liabilities	22,640,166	21,237,018
Net position		
Net investment in capital assets	17,367,740	17,163,785
Restricted	833,862	1,020,690
Unrestricted	1,532,658	1,637,225
Total net position	$ 19,734,260	$ 19,821,700

Table A-4
Changes in Mason Public Schools' Net Position

	2011-2012	2012-2013
Revenues		
Program revenues		
Charges for services	$ 1,746,356	$ 1,781,717
Operating and capital grants	3,376,346	3,654,744
General revenues		
Property taxes	6,302,181	6,270,444
State aid - unrestricted	17,371,942	17,745,354
Other	1,933,179	2,769,394
Total revenues	30,730,004	32,221,653
Expenses		
Instruction	16,231,275	17,355,024
Support Services	9,406,486	9,234,497
Community services	356,309	356,807
Food services	1,360,082	1,422,186
Athletics	692,183	684,566
Interest on long-term debt	232,517	892,415
Unallocated depreciation	2,096,753	2,116,084
Total expenses	30,375,605	32,061,579
Change in net position	$ 354,399	$ 160,074

District Governmental Activities

The District's positive financial status is a result of the following actions:

- Several years ago, the Board of Education established the goal of maintaining 12% of expenditures as the District's General Fund balance. Though that goal has not been reachable in recent years, due to various economic factors, the Board continues in its commitment to financial soundness.

- The District implemented a Sinking Fund, approved by voters in 2007, to address on-going facility and grounds repair and improvement needs of the District on a proactive basis.

- The District's employees have been part of a total compensation method for determining wage and benefit packages. This has allowed the employees and administration to understand the various components to their compensation and work together to structure affordable packages.

- The District has wisely and consistently maintained quality offerings and programming while living within its means.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The strong financial performance of the District as a whole is reflected in its governmental funds balances. At year-end, its governmental funds reported combined fund balances of $3,275,691.

The District's General Fund revenues exceeded expenditures in 2013, thereby contributing to the increase in total fund balance. The Sinking Fund's revenues exceeded expenditures by $200,076. The 2004 Debt Retirement Fund had expenditures that were $5,638 above revenues. The Food Service Fund had revenues that were $35,990 under expenditures. The 2004 School Improvement Funds expenditures were less than revenue by $1. There was no change in the fund balance of the Durant Resolution Bonds. Also the 2012 Refunding Bond fund revenues exceeded expenditures by $4,445.

D-4

General Fund Budgetary Highlights

The District revised the annual operating budget in February 2013 to adjust for student counts, staff changes, and contract settlements and again in June 2013 to reflect the adjustments in expenditures throughout the year and the increase in funding from the Intermediate School District.

While the District's final budget for the General Fund projected that expenditures would exceed revenues by $574,698, the actual results for the year was revenues exceeded expenditures by $105,035, ending in a current-year gain.

Overall the change from the original Board adopted 2012-13 budget to the final amended budget to revenues that were $1,254,466 (4.8%) and expenditures that were $1,036,904 (3.9%) greater than the original budget. The significant changes in revenues were higher-than-anticipated Federal grants allocation.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By June 30, 2013, the District had invested over $33.9 million in a broad range of capital assets, including school buildings, athletic facilities, computer and audiovisual equipment, machinery and transportation equipment. This amount represents a net decrease of around $2.0 million from the last year. (More detailed information about capital assets can be found in Note C to the financial statements.) Total depreciation expense for the year was approximately $2.1 million.

Table A-5
Mason Public Schools' Capital Assets
(in millions)

	2012	2013
Land	$ 0.2	$ 0.2
Buildings and additions	56.1	56.1
Equipment and furniture	11.4	11.3
Vehicles	1.6	1.7
Other capital equipment	0.8	0.8
Subtotal	70.1	70.1
Accumulated depreciation	(34.2)	(36.2)
Net capital assets	$ 35.9	$ 33.9

Long-term Debt

At year-end the District had $17.5 million in general obligation bonds and other long-term debt outstanding - a decrease of 6.4 percent from last year. (More detailed information about the District's long-term liabilities is presented in Note D to the financial statements.)

The District made $1,937,027 in principal payments during 2012-13.

Table A-6
MPS's Outstanding Long-Term Debt
(in millions of dollars)

	2012	2013
General obligation debts (financed with property taxes)	$ 18.7	$ 17.5
Other	0.5	0.5
Total	$ 19.2	$ 18.0

FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of the following circumstances that could significantly affect its financial health in the future:

- Student enrollment is projected to increase by about 45 in 2013-14 (blended count). The fall pupil count on October 3, 2013, will determine the actual numbers; these directly impact State Aid. The 2013-14 General Fund budget was built on a fall count of 3,002.
- Fuel, utilities, and health insurance costs continue to be reviewed for cost-saving opportunities.
- The Affordable Care Act will impact the district significantly financially starting in the 2013-14 year.
- All employee group agreements have been settled for 2013-14.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional information, contact Shelbi Frayer, the Executive Director of Business and Finance, Mason Public Schools, 400 S. Cedar Street, Mason, Michigan 48854.

BASIC FINANCIAL STATEMENTS

Mason Public Schools

STATEMENT OF NET POSITION

June 30, 2013

	Governmental Activities
ASSETS	
Current assets	
Cash and cash equivalents	$ 1,901,228
Accounts receivable	16,900
Due from other governmental units	4,282,441
Inventory	15,892
Prepaids	158,472
Total current assets	6,374,933
Noncurrent assets	
Capital assets not being depreciated	175,551
Capital assets, net of accumulated depreciation	33,754,710
Total noncurrent assets	33,930,261
TOTAL ASSETS	40,305,194
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charges on refunding	753,524
LIABILITIES	
Current liabilities	
Accounts payable	186,818
Accrued payroll	1,640,415
Other accrued liabilities	1,178,677
Unearned revenue	93,332
Accrued interest payable	101,826
Current portion of severance pay	14,060
Current portion of long-term debt	1,895,000
Total current liabilities	5,110,128
Noncurrent liabilities	
Noncurrent portion of severance pay	501,890
Noncurrent portion of long-term debt	15,625,000
Total noncurrent liabilities	16,126,890
TOTAL LIABILITIES	21,237,018
NET POSITION	
Net investment in capital assets	17,163,785
Restricted for debt service	359,376
Restricted for food service	95,165
Restricted for sinking fund	566,149
Unrestricted	1,637,225
TOTAL NET POSITION	$ 19,821,700

See accompanying notes to financial statements.

[THIS PAGE INTENTIONALLY LEFT BLANK]

Mason Public Schools

STATEMENT OF ACTIVITIES

Year Ended June 30, 2013

Function/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenues and Changes in Net Position
Governmental activities					
Instruction	$ 17,355,024	$ 125,270	$ 2,919,459	$ 11,020	$ (14,299,275)
Supporting services	9,234,497	68,218	-	41,629	(9,124,650)
Community services	356,807	511,422	43,841	-	198,456
Food service	1,422,186	804,464	636,813	-	19,091
Athletics	684,566	272,343	-	-	(412,223)
Interest and costs on long-term debt	892,415	-	-	1,982	(890,433)
Unallocated depreciation	2,116,084	-	-	-	(2,116,084)
TOTAL	$ 32,061,579	$ 1,781,717	$ 3,600,113	$ 54,631	(26,625,118)
General revenues					
Property taxes levied for general purposes					3,138,016
Property taxes levied for sinking fund					646,559
Property taxes levied for debt service					2,485,869
State school aid - unrestricted					17,745,354
Investment earnings					5,195
Special education county allocation					1,942,810
Miscellaneous					821,389
TOTAL GENERAL REVENUES					26,785,192
CHANGE IN NET POSITION					160,074
Restated net position, beginning of year					19,661,626
Net position, end of year					$ 19,821,700

See accompanying notes to financial statements.

[THIS PAGE INTENTIONALLY LEFT BLANK]

Mason Public Schools

Governmental Funds

BALANCE SHEET

June 30, 2013

	General	Nonmajor Governmental Funds	Total
ASSETS			
Cash and cash equivalents	$ 687,169	$ 1,214,059	$ 1,901,228
Accounts receivable	16,900	-	16,900
Due from other funds	48,764	21,499	70,263
Due from other governmental units	4,273,445	8,996	4,282,441
Inventory	-	15,892	15,892
Prepaids	158,472	-	158,472
TOTAL ASSETS	$ 5,184,750	$ 1,260,446	$ 6,445,196
LIABILITIES			
Accounts payable	$ 148,273	$ 38,545	$ 186,818
Accrued payroll	1,640,415	-	1,640,415
Other accrued liabilities	1,178,671	6	1,178,677
Due to other funds	-	70,263	70,263
Unearned revenue	80,108	13,224	93,332
TOTAL LIABILITIES	3,047,467	122,038	3,169,505
FUND BALANCES			
Nonspendable			
Inventory	-	15,892	15,892
Prepaids	158,472	-	158,472
Restricted			
Debt service	-	461,202	461,202
Sinking fund	-	566,149	566,149
Food service	-	95,165	95,165
Assigned			
Subsequent year's expenditures	93,841	-	93,841
Unassigned	1,884,970	-	1,884,970
TOTAL FUND BALANCES	2,137,283	1,138,408	3,275,691
TOTAL LIABILITIES AND FUND BALANCES	$ 5,184,750	$ 1,260,446	$ 6,445,196

See accompanying notes to financial statements.

Mason Public Schools

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION

June 30, 2013

Total fund balances - governmental funds		$ 3,275,691
Amounts reported for the governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds.		
The cost of capital assets is	$ 70,096,390	
Accumulated depreciation is	(36,166,129)	
		33,930,261
Governmental funds report the difference between the carrying amount of the defeased debt and its reacquisition price when debt is first issued, whereas these amounts are deferred and amortized in the government-wide statement of net position. These amounts consist of:		
Deferred charges on refunding		753,524
Long-term liabilities 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	(17,520,000)	
Accrued interest payable	(101,826)	
Severance pay	(515,950)	
		(18,137,776)
Net position of governmental activities		$ 19,821,700

See accompanying notes to financial statements.

Mason Public Schools

Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended June 30, 2013

	General	Nonmajor Governmental Funds	Total
REVENUES			
Local sources	$ 4,949,227	$ 3,940,539	$ 8,889,766
State sources	19,985,008	85,289	20,070,297
Federal sources	723,645	595,135	1,318,780
TOTAL REVENUES	25,657,880	4,620,963	30,278,843
EXPENDITURES			
Current			
Instruction	17,045,453	-	17,045,453
Supporting services	9,919,491	-	9,919,491
Community services	356,822	-	356,822
Food service	-	1,422,186	1,422,186
Debt service	35,636	2,717,194	2,752,830
Capital outlay	9,393	447,549	456,942
TOTAL EXPENDITURES	27,366,795	4,586,929	31,953,724
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(1,708,915)	34,034	(1,674,881)
OTHER FINANCING SOURCES (USES)			
Transfers from other funds	55,283	220,052	275,335
County Special Education Allocation	1,942,810	-	1,942,810
Transfers to other funds	(184,143)	(91,192)	(275,335)
TOTAL OTHER FINANCING SOURCES (USES)	1,813,950	128,860	1,942,810
NET CHANGE IN FUND BALANCES	105,035	162,894	267,929
Fund balances, beginning of year	2,032,248	975,514	3,007,762
Fund balances, end of year	$ 2,137,283	$ 1,138,408	$ 3,275,691

See accompanying notes to financial statements.

Mason Public Schools

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended June 30, 2013

Net change in fund balances - total governmental funds		$ 267,929
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:		
Capital outlay	$ 146,636	
Depreciation expense	(2,116,084)	
Excess of depreciation expense over capital outlay		(1,969,448)
Items resulting from the repayment of long-term debt and borrowing of long-term debt is reported as expenditures, other financing uses, and other financing sources in governmental funds, but the repayment reduces long-term liabilities and the borrowings and other liabilities increase long-term liabilities in the statement of net position. In the current year, these amounts consist of:		
Amortization of defeased debt	(68,502)	
Debt principal retirement	1,906,629	
Excess of debt principal retirement over borrowing		1,838,127
Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:		
Decrease in accrued interest payable	22,288	
Decrease in severance pay	1,178	
		23,466
Change in net position of governmental activities		$ 160,074

See accompanying notes to financial statements.

Mason Public Schools

Fiduciary Funds

STATEMENT OF FIDUCIARY NET POSITION

June 30, 2013

	Private Purpose Trust Fund	Agency Fund
ASSETS		
Cash	$ 4,040	$ 295,927
Investments	35,000	-
TOTAL ASSETS	39,040	$ 295,927
LIABILITIES		
Accrued liabilities	-	$ 10,648
Due to individuals and agencies	-	285,279
TOTAL LIABILITIES	-0-	$ 295,927
NET POSITION		
Held in trust for private purposes	$ 39,040	

See accompanying notes to financial statements.

Mason Public Schools

Fiduciary Funds

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

Year Ended June 30, 2013

	Private Purpose Trust Fund
ADDITIONS	
Investment earnings	$ 14
DEDUCTIONS	
Scholarships awarded	1,098
CHANGE IN NET POSITION	(1,084)
Net position - beginning of year	40,124
Net position - end of year	$ 39,040

See accompanying notes to financial statements.

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

1. Reporting Entity

As required by accounting principles generally accepted in the United States of America; GASB Statement No. 14, *The Financial Reporting Entity* (as amended by GASB No. 39 and GASB Statement No. 61); and Michigan Committee on Governmental Accounting and Auditing Statement No. 4, these financial statements present the financial activities of Mason Public Schools. The District has no activities that would be classified as component units.

Based upon the application of these criteria, the financial statements contain all the funds controlled by the District.

2. Basis of Presentation

DISTRICT-WIDE FINANCIAL STATEMENTS

The statement of net position and the statement of activities (the district-wide statements) present information for the district as a whole. All nonfiduciary activities of the District are included (i.e., fiduciary fund activities are not included in the district-wide statements). Interfund activity has been eliminated in the preparation of the district-wide financial statements.

D-11

The statement of activities presents the direct functional expenses of the District and the program revenues that support them. Direct expenses are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues are associated with specific functions and include charges to recipients of goods or services and grants and contributions that are restricted to meeting the operational or capital requirements of that function. Revenues that are not required to be presented as program revenues are general revenues. This includes all taxes, interest, and unrestricted State aid payments and shows how governmental functions are either self-financing or supported by the general revenues of the District.

FUND FINANCIAL STATEMENTS

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. The District utilizes governmental and fiduciary funds.

The governmental fund financial statements present the District's individual major fund and aggregated nonmajor funds. A separate column is shown for the major fund on the balance sheet and statement of revenues, expenditures, and changes in fund balances. Nonmajor funds are combined and shown in a single column. The fiduciary funds are reported by type.

The major fund of the District is:

a. General Fund - The General Fund is used to account for money or other resources to support the educational programs and general operations of the District.

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

3. Measurement Focus

The district-wide and fiduciary private purpose trust fund financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, reconciliations to the district-wide statements are provided that explain the differences in detail.

All governmental funds are presented using the current financial resources measurement focus. With this measurement focus, only current assets, deferred outflows of resources, current liabilities, and deferred inflows of resources generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in fund balance.

There is no measurement focus for the fiduciary agency fund since assets equal liabilities.

4. Basis of Accounting

Basis of accounting refers to the timing under which transactions are recognized for financial reporting purposes. Governmental fund financial statements use the modified accrual basis of accounting. The district-wide and fiduciary fund financial statements are prepared using the accrual basis of accounting.

Under the accrual basis of accounting, revenue is recorded in the period in which it is earned and expenses are recorded when incurred, regardless of the timing of related cash flows. Property tax revenue is recognized in the fiscal year for which it is levied. Revenues for grants, entitlements, and donations are recognized when all eligibility requirements imposed by the provider have been met. Unearned revenue is recorded when resources are received by the District before it has legal claim to them, such as when grant monies are received prior to the incurrence of qualified expenditures.

Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current period. Revenues susceptible to accrual include property taxes, state and federal aid, and interest revenue. Other revenues are not susceptible to accrual because generally they are not measurable until received in cash. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt which are recorded when due.

The District reports unearned or unavailable revenue on its governmental funds balance sheet. Unavailable revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Resources are considered available if they are collected during the current fiscal year or soon enough afterward to be used in payment of current year liabilities - defined as expected to be received within sixty days of year-end. Unearned revenues arise when the District receives resources before it has a legal claim to them. In subsequent periods, when both revenue recognition criteria are met, the unearned or unavailable revenue is removed from the balance sheet and revenue is recognized.

If/when both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

D-12

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

5. Budgets and Budgetary Accounting

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for all required governmental fund types.

The District does not maintain a formalized encumbrance accounting system. All annual appropriations lapse at fiscal year end. The District follows these procedures in establishing the budgetary data reflected in the financial statements:

a. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means for financing them.

b. Public hearings are conducted to obtain taxpayer comments.

c. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amounts appropriated.

d. The budgets are legally adopted to the functional level; however, they are maintained at the object level for control purposes. Any revisions that alter the total expenditures at the functional level must be approved by the School Board.

e. The Superintendent is authorized to transfer budgeted amounts for purposes of meeting emergency needs of the District; however, these transfers must be approved subsequently by the Board of Education.

f. Formal budgetary integration is employed as a management control device during the year for the General fund and all Special Revenue funds.

g. The budget, as presented, has been amended in a legally permissible manner. Two (2) supplementary appropriations were made during the year with the last approved June 10, 2013.

6. Cash, Cash Equivalents, and Investments

Cash and cash equivalents consist of checking, savings, and money market accounts, pooled investment funds, and imprest cash with an original maturity of 90 days or less. Cash equivalents are recorded at market value.

Investments consist of certificates of deposit with average maturities of greater than 90 days. Investments are recorded at market value.

7. Short-term Interfund Receivables/Payables

During the course of operations, transactions did occur between individual funds for goods provided or services rendered. These receivables and payables are classified as “due from other funds” and “due to other funds” on the governmental funds balance sheet.

8. Inventories

Inventories are stated at cost on a first in/first out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. The Food Service Fund inventory consists of food and paper goods. Inventory amounts are equally offset by nonspendable fund balance to indicate that they do not constitute “available spendable resources” even though they are a component of fund balance.

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

9. Due From Other Governmental Units

Due from other governmental units consists of various amounts owed to the District for grant programs and State Aid payments. The State of Michigan’s funding stream of State Aid payments results in the final two (2) payments for the fiscal year ended June 30, 2013 to be paid in July and August 2013. Of the total amount of $4,282,441 due from other governmental units, $3,859,644 consists of State Aid and the remaining $422,797 is from other governmental grants.

10. Capital Assets

Capital assets include land, construction in progress, buildings and additions, equipment and furniture, vehicles, and other capital equipment and are recorded (net of accumulated depreciation, if applicable) in the district-wide financial statements. Capital assets are those with an initial individual cost of $5,000 or more and an estimated useful life of more than one year. Capital assets are not recorded in the governmental funds. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the district-wide financial statements. All purchased fixed assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation is computed using the straight-line method over the following useful lives:

Buildings and additions	20 - 50 years
Equipment and furniture	5 - 20 years
Vehicles	8 years
Other capital equipment	10 - 40 years

11. Severance Pay

Based on the requirements of GASB Statement No. 16, *Accounting for Compensated Absences*, the District has recorded all liabilities associated with compensated absences. Accumulated vested severance amounts and nonvested severance amounts that are probable to vest and be paid at termination are considered payable from future resources and are recorded along with the related payroll taxes as a long-term liability in the district-wide financial statements.

12. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position and the balance sheet, when applicable, will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position/fund balance that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of net position and the balance sheet, when applicable, will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position/fund balance that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

The District only has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the government-wide financial statement of net position. A deferred charge on refunding results from difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

13. Unearned Revenues

The unexpended balance of various federal and/or state categorical and local grants is carried forward as unearned revenue until the period in which eligible expenditures are incurred. Other monies collected in advance, such as summer school, community education programs, summer school lunch, recreational programs, and industrial facilities taxes are also deferred. These same amounts have been shown as “unearned revenue” on the Governmental Funds Balance Sheet and Statement of Net Position to indicate that the revenue has not been recognized because it has not been earned.

14. Long-term Obligations

Long-term debt is recognized as a liability in the district-wide statements when incurred. The portion of those liabilities expected to be paid within the next year is a current liability with the remaining amounts shown as long-term.

Long-term debt is recognized as a liability of a governmental fund when due or when resources have been accumulated in a Debt Service Fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund.

15. Property Taxes

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The taxes are levied as of December 1 and are due upon receipt of the billing by the taxpayer. The actual due date is February 15, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity. School District property tax revenues are recognized when levied to the extent that they result in current revenue (collected as of year-end). Amounts received subsequent to June 30 are recognized as revenue when collected.

D-13

The District levies taxes of $18.00 per $1,000 of taxable valuation on most non-primary residency exempt property and $6.00 per $1,000 of taxable value on commercial personal property for general governmental services and $1.00 and $3.85 per $1,000 of taxable valuation on the total applicable taxable valuation of all property within the District for sinking fund and debt service, respectively. The District is also permitted to levy additional amounts for enhancement and/or debt service if voter approval is obtained. These levies generated a total of $6,084,487 in the General Fund, Sinking Fund, and Debt Service funds. Total 2012 taxable value of the District, which was used for the basis of the tax revenue for the General and applicable Debt Service Funds, was $645,107,346.

16. State Foundation Revenue

Beginning with the fiscal year ended June 30, 1995, the State of Michigan adopted a foundation grant approach, which provides for a specific annual amount of revenue per student based on a statewide formula. Prior to the fiscal year ended June 30, 1995 the State utilized a district power equalizing approach. The foundation is funded from State and local sources. Revenues from State sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of State funds to school districts based on information supplied by the districts. For the year ended June 30, 2013, the foundation allowance was based on the average of pupil membership counts taken in September 2012 and February 2012. The average calculation was weighted 90% for the September 2012 count and 10% for the February 2012 count.

The State portion of the foundation is provided primarily by a State education property tax millage of 6 mills and an allocated portion of State sales and other taxes. The local portion of the foundation is funded primarily by nonhomestead property taxes, which may be levied at a rate of up to 18 mills. The State revenue is recognized during the foundation period (currently the fiscal year) and is funded through nine (9) payments made during the fiscal year and two (2) payments made subsequent to year-end. The local revenue is recognized as outlined above under Property Taxes.

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

17. State Categorical Revenue

The District also receives revenue from the State to administer certain categorical education programs. State rules require that revenue earmarked for these programs be expended for its specific purpose. Categorical funds received which are not expended by the close of the fiscal year are recorded as unearned revenue.

18. County Special Education Revenue Allocation

The millage is collected by Ingham Intermediate School District (IISD) and the payments to the District were based on the most recent IISD budget at the time of allocation of excess revenues, after all IISD costs have been reimbursed. The allocation is paid pro-rata based upon the K-12 pupil enrollment, including Special Education students enrolled at IISD, of the District compared to the total County wide enrollment. The K-12 enrollment for the District is defined as the blended official count for the State foundation grant.

19. Interfund Transactions

Interfund transactions are reported as either loans, services provided, reimbursements, or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers in the governmental fund financial statements. Transfers are netted as part of the reconciliation to the district-wide financial statements.

20. Restrictions of Net Position

Restrictions of net position shown in the district-wide financial statements indicate that restrictions imposed by the funding source or some other outside source which precludes their use for unrestricted purposes.

21. Federal Programs

Federal programs are accounted for in the specific governmental funds to which they relate. The District has not integrated its Single Audit reports and financial data as part of the financial statements. The Single Audit reports and financial data will be issued under separate cover as supplementary information to the financial statements.

22. Comparative Data

Comparative data for the prior year has not been presented in the basic financial statements since their inclusion would make the statements unduly complex and difficult to read.

NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS

In accordance with Michigan Public Act 451 of 1976, Section 1223(1), as amended, the District is authorized to invest its surplus funds in the following types of investments:

1. Bonds, bills, or notes of the United States; obligations, the principal and interest of which are fully guaranteed by the United States; or obligations of the State.

2. Certificates of deposit issued by a State or National bank, savings accounts of a State or Federal savings and loan association, or certificates of deposit or share certificates of a State or Federal credit union organized and authorized to operate in this State.

D-14

NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED

3. Commercial paper rated prime at the time of purchase and maturing not more than 270 days after the date of purchase.
4. Securities issued or guaranteed by agencies or instrumentalities of the United States government.
5. United States government or Federal agency obligation repurchase agreements.
6. Bankers' acceptances issued by a bank that is a member of the Federal Depository Insurance Corporation.
7. Mutual funds composed entirely of investment vehicles that are legal for direct investment by a School District.
8. Investment pools, as authorized by the Surplus Funds Investment Pool Act, Act No. 367 of the Public Acts of 1982, being sections 129.111 to 129.118 of the Michigan Compiled Laws, composed entirely of instruments that are legal for direct investment by a School District.

Michigan Public Acts authorize school districts in Michigan to deposit in the accounts of federally insured banks, credit unions, and savings and loan associations. Deposits of the District are at federally insured banks and credit unions in the State of Michigan in the name of the School District.

Deposits

There is custodial credit risk as it relates to 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, 2013, the carrying amount of the District's deposits was $2,227,329 and the bank balance was $2,475,072 of which $753,025 was covered by Federal depository insurance. The balance of $1,722,047 was uninsured and uncollateralized.

Investments

As of June 30, 2013, the carrying amounts and market values for each type of investment as reported in the cash, cash equivalents, and investments captions on the combined balance sheet are as follows:

INVESTMENT TYPE	Carrying Amount	Market Value	Weighted Average Maturity
Uncategorized pooled investment funds MBIA - Michigan Class	$ 7,685	$ 7,685	49 days

Credit risk

State law limits investments in certain types of investments to a prime or better rating issued by nationally recognized statistical rating organizations (NRSRO's). As of June 30, 2013, the District's investment which is the MBIA - Michigan Class is rated AAAm according to Standard & Poor's.

Interest rate risk

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.

NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED

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.

Custodial credit risk

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 authorized by the Board and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the District will do business in accordance with Board approved policy.

As of June 30, 2013, the District's deposits and investments were reported in the financial statements in the following categories:

	Governmental Activities	Fiduciary Funds	Total
Cash and cash equivalents	$ 1,901,228	$ 299,967	$ 2,201,195
Certificates of deposit	-	35,000	35,000
	$ 1,901,228	$ 334,967	$ 2,236,195

The District had $1,181 of cash on hand.

Due to significantly higher cash flow at certain periods during the year, the amount the District held as cash, cash equivalents, and investments increased significantly. As a result, the amount of uninsured and uncollateralized cash, cash equivalents, and investments were substantially higher at these peak periods than at year-end.

NOTE C: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2013 was as follows:

	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013
Capital assets not being depreciated				
Land	$ 175,551	$ -	$ -	$ 175,551
Construction in progress	15,155	57,217	(72,372)	-0-
Total capital assets not being depreciated	190,706	57,217	(72,372)	175,551
Capital assets being depreciated				
Buildings and additions	56,102,386	-	-	56,102,386
Equipment and furniture	11,252,591	69,846	-	11,322,437
Vehicles	1,583,906	86,350	-	1,670,256
Other capital equipment	820,165	5,595	-	825,760
Subtotal capital assets being depreciated	69,759,048	161,791	-0-	69,920,839

NOTE C: CAPITAL ASSETS - CONTINUED

	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013
Less accumulated depreciation for:				
Buildings and additions	$(22,724,250)	$ (1,498,062)	$ -	$(24,222,312)
Equipment and furniture	(9,250,427)	(525,177)	-	(9,775,604)
Vehicles	(1,326,094)	(86,161)	-	(1,412,255)
Other capital equipment	(749,274)	(6,684)	-	(755,958)
Subtotal	(34,050,045)	(2,116,084)	-0-	(36,166,129)
Net capital assets being depreciated	35,709,003	(1,954,293)	-0-	33,754,710
Capital assets, net	$ 35,899,709	$ (1,897,076)	$ (72,372)	$ 33,930,261

Total depreciation expense of $2,116,084 was not allocated to governmental functions. It appears on the statement of activities as "unallocated".

NOTE D: LONG-TERM DEBT

The following is a summary of changes in long-term debt obligations of the District for the year ended June 30, 2013.

	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013	Amount Due Within One Year
1998 Durant Resolution Bonds	$ 41,629	$ -	$ (41,629)	$ -0-	$ -
2004 Refunding and General Obligation Bonds	10,640,000	-	(1,700,000)	8,940,000	1,725,000
2004 School Improvement Bonds	515,000	-	(165,000)	350,000	170,000
2012 Refunding Bond	8,230,000	-	-	8,230,000	-
Severance pay	517,128	29,220	(30,398)	515,950	14,060
	$ 19,943,757	$ 29,220	$ (1,937,027)	$ 18,035,950	$ 1,909,060

Significant details regarding outstanding long-term debt (including current portions) are presented below:

Advance Refunding - Prior

In 2004, the District defeased a portion of the 1995 School Building and Site General Obligation Bonds, which were due and payable May 1, 2006 through May 1, 2021. This was accomplished by establishing an irrevocable trust with an escrow agent composed of cash and U.S. government securities sufficient to meet the applicable principal and interest payments. The District issued 2004 Refunding and General Obligation Bonds in the amount of $29,555,000 to fund escrow amounts, pay the cost of issuance of the refunding bonds, and to pay the remaining balances of the 1995 School Building and Site General Obligation Bonds. Accordingly, the trust account assets and liabilities for the defeased bond are not included in the District's financial statements. At June 30, 2012, bonds due and payable through May 1, 2021 for the 1995 School Building and Site General Obligation Bonds in the amount of $9,675,000 are considered defeased.

NOTE D: LONG-TERM DEBT - CONTINUED

Advance Refunding - Prior - continued

On June 26, 2012, the District defeased a portion of the 2004 Refunding and General Obligation Bonds which were due and payable May 1, 2017 through May 1, 2024. This was accomplished by establishing an irrevocable trust with an escrow agent composed U.S. government securities sufficient to meet the applicable principal and interest obligations. The District issued 2012 General Obligation Refunding Bonds in the amount of $8,230,000 to provide resources to fund the escrow amounts and pay the cost of issuance of the refunding bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the District's financial statements. At June 30, 2012, bonds due and payable May 1, 2017 through May 1, 2024 for the 2004 Refunding and General Obligation Bonds in the amount of $8,230,000 are considered defeased.

General Obligation Bonds - The District has issued bonds to finance the acquisition, new construction, and remodeling of existing school facilities. The following summarizes significant details of the bonds payable outstanding at June 30, 2013:

$29,555,000 Refunding and General Obligation Bonds dated August 3, 2004, due in annual principal installments ranging from $595,000 to $1,800,000 through May 1, 2017 with interest ranging from 4.00 to 5.25 percent, payable semi-annually.	$ 8,940,000
$1,500,000 School Improvement Bonds dated September 1, 2004, due in annual principal installments ranging from $170,000 to $180,000 through May 1, 2015 with interest ranging from 3.65 to 3.80 percent, payable semi-annually.	350,000
$8,230,000 Refunding and General Obligation Bonds dated July 26, 2012, due in annual principal installments ranging from $175,000 to $2,000,000 through May 1, 2024 with interest ranging from 3.00 to 5.00 percent, payable semi-annually.	8,230,000
	$ 17,520,000

Annual Requirements for Bonded Debt

The annual requirements to pay the debt principal and interest outstanding for the Long-Term Debt are as follows:

Year Ending June 30,	General Obligation Bonds Principal	Interest
2014	$ 1,895,000	$ 761,083
2015	1,955,000	685,878
2016	1,800,000	585,850
2017	1,860,000	491,350
2018	1,895,000	397,638
2019-2023	7,365,000	814,238
2024	750,000	22,498
	$ 17,520,000	$ 3,758,535

NOTE D: LONG-TERM DEBT - CONTINUED

Severance Pay

In recognition of services to the District, a severance payment is made to eligible employees with at least five (5) or ten (10) years of service according to their respective employment contracts.

A summary of the calculated amounts of accrued severance pay and related payroll taxes as of June 30, 2013, which has been recorded in the District-wide financial statements, is as follows:

Severance pay	$ 499,487
Payroll taxes	16,463
	$ 515,950

NOTE E: INTERFUND RECEIVABLES AND PAYABLES

The amount of interfund receivables and payables at June 30, 2013 are as follows:

Due to General Fund from:	
Nonmajor governmental funds	$ 48,764
Due to nonmajor governmental funds from:	
Nonmajor governmental funds	$ 21,499

Amounts appearing as interfund payables and receivables arise from two types of transactions. One type of transaction is where a fund will pay for a good or service that at least a portion of the benefit belongs to another fund. The second type of transaction is where one fund provides a good or service to another fund. Balances at the end of the year are for transfers that have not cleared as of the balance sheet date.

NOTE F: INTERFUND TRANSFERS

Permanent reallocation of resources between funds of the reporting entity is classified as interfund transfers. For the purpose of the statement of activities, all interfund transfers between individual governmental funds have been eliminated.

Transfers to General Fund from:	
Nonmajor governmental funds	$ 55,283
Transfers to nonmajor governmental funds from:	
General Fund	$ 184,143
Nonmajor governmental funds	35,909
	$ 220,052

The transfer from the nonmajor governmental (Food Service) fund to the General Fund was to offset a portion of indirect costs. The transfer from the General Fund to the nonmajor governmental (2004 School Improvement) fund was to cover debt payments related to past bond projects. The transfer between nonmajor governmental funds was to cover current debt service payments.

NOTE G: EMPLOYEE PENSION AND OTHER POSTEMPLOYMENT BENEFITS

Plan Description

All of the District's employees, except students, are eligible to participate in the State wide Michigan Public School Employees' Retirement System (MPSERS), a multiple-employer, cost-sharing, State wide public employee retirement system. The MPSERS issues a publicly available financial report that includes financial statements and required supplementary information for the Plan. The report for the fiscal year-end September 30, 2012, the last year available, may be obtained by contacting the State of Michigan Department of Management and Budget.

Funding Policy

Employer contributions to the pension system result from implementing effects of the School Finance Reform Act. Member contribution rates vary based on date of hire and certain voluntary elections. Employees who selected MIP on or before December 31, 1989, contributed 4% from January 1, 1987 to December 31, 1989 and 3.9% thereafter. Employees first hired on or after January 1, 1990 through June 30, 2008 are required to contribute based on a graduated rate: 3% of the first $5,000 (up to $150); $150 plus 3.6% of %5,001 through $15,000 (up to $510 total); $510 plus 6.4% of all wages over $15,000. Employees first hired on or after July 1, 2008 are required to contribute based on a graduated rate: 3% of the first $5,000 (up to $150); $150 plus 3.6% of $5,001 through $15,000 (up to $510 total); $510 plus 6.4% of all wages over $15,000. In addition, employees first hired on or after July 1, 2010 are required to enroll in the Pension Plus Plan, which includes a defined contribution component of 3% of all wages to retire health care fund and 2% to a hybrid defined contribution plan.

Pension Benefits

Each school district is required to contribute the full actuarial funding contribution amount to fund pension benefits.

Other 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 10.0 percent of the monthly premium amount for the health, dental, and vision coverage at the time of receiving the benefits. 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.

Contribution rates for the year ended June 30, 2013, are as follows:

	Pension Contribution Rate		Health Contribution Rate	
	Basic/MIP	Pension Plus	Basic/MIP	Pension Plus
July 1, 2012-September 30, 2012	15.96%	14.73%	8.50%	8.50%
October 1, 2012-January 31, 2013	16.25%	12.78-15.02%	9.11%	8.18%-9.11%
February 1, 2013-June 30, 2013	12.78-15.21%	12.78-15.02%	9.11%	8.18%-9.11%

NOTE G: EMPLOYEE PENSION AND OTHER POSTEMPLOYMENT BENEFITS - CONTINUED

The District's required and actual contributions to the various plans for the last three fiscal years are as follows:

	Defined Benefit Plan		Defined Contribution Plan	
Fiscal year ending June 30,	Employer Retirement Contributions	Employer Health Contributions	Employer Contributions	Employee Contributions
2013	$ 2,460,660	$ 1,422,094	$ 15,594	$ 20,104
2012	2,462,376	1,229,728	Not available	Not available
2011	1,838,871	1,252,630	Not available	Not available

NOTE H: FLEXIBLE BENEFITS PLAN

The District offers to its employees the option to participate in a flexible benefits cafeteria plan established under Section 125 of the Internal Revenue Code. The Plan, available to all employees, permits them to receive cash in lieu of medical benefits. The Plan provides employees with the opportunity to choose among benefits consisting of cash or benefits. The Plan is administered by a third party administrator.

NOTE I: RISK MANAGEMENT

The District participates in a pool, the MASB-SEG Property and Casualty Pool with other school districts for property, fleet, liability, in-land marine, equipment breakdown, builder's risk, employee dishonesty, crime, and errors and omissions. The pool is organized under Public Act 138 of 1982, as amended as a governmental group property and casualty self insurance pool. In the event the pool's claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The District has not been informed of any special assessments being required.

The District also participates in a pool, the SEG Self-Insurer Workers' Disability Compensation Fund, with other school districts for workers' compensation losses. The pool is organized under Public Act 317 of 1969, as amended. In the event the pool's claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The District has not been informed of any special assessments being required.

NOTE J: SPECIAL EDUCATION UNDERFUNDING SETTLEMENT

Prior to the current year the Durant vs. State of Michigan case was settled and the State was required to reimburse each plaintiff and nonplaintiff District an agreed upon amount for past underfunding of special education. Mason Public Schools, a nonplaintiff District, was awarded $1,242,162 in the settlement. The funds are being paid as follows:

a. One-half was paid over ten (10) years, which began November 15, 1998. The restrictions on use of these funds are detailed within State School Aid Act, Section 11F(6). These funds were recorded within the General Fund as categorical State Aid. The year ended June 30, 2008 was the final year of these payments.

NOTE J: SPECIAL EDUCATION UNDERFUNDING SETTLEMENT - CONTINUED

b. One-half is being paid over the next fifteen (15) years, which began May 15, 1999. The District borrowed this portion of the settlement amount through the Michigan Municipal Bond Authority on November 15, 1998. These funds were recorded as bond proceeds in the Capital Projects Fund. The bond proceeds may be used for any purpose specified in Section 1351 (a) of the Revised School Code. The debt service payments for these bonds are to be made through an annual legislative appropriation. If the State of Michigan legislature fails to make the annual appropriation the District is under no obligation for the debt payments for that year. The District has pledged the annual State payments to the Michigan Municipal Bond Authority for payment of debt service. The year ended June 30, 2013 was the last year of payments of these funds.

NOTE K: SINKING FUND

The Capital Project Fund of the District is funded by a voted millage for the Sinking Fund as well as local appropriations from the General Fund, and other local dollars (i.e., interest, etc.). For these projects recorded within the Sinking Fund, the District has complied with the applicable provisions of Section 1212 (1) of the Revised School Code and the applicable section of the Revised Bulletin for School District Audits of Bonded Construction Funds and of Sinking Funds in Michigan.

NOTE L: SHORT-TERM NOTES

In August 2011, the District issued a short-term State School Aid Anticipation Note in the amount of $700,000 for the purpose of funding operating expenditures until the 2012 State Aid payments began. This short-term note, which had a net outstanding balance of $700,000 (principal and accrued interest payable) at June 30, 2012, was reported in the General Fund and in the government-wide financial statements under the caption short-term notes payable. The outstanding balance was paid in August 2012.

NOTE M: DETAILS OF FUND BALANCE CLASSIFICATIONS

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The following are the five classifications of fund balance under this standard:

Nonspendable - assets that are not available in a spendable form such as inventory, prepaid expenditures, and long-term receivables not expected to be converted to cash in the near term.

Restricted - amounts that are required by external parties to be used for a specific purpose. Constraints are externally imposed by creditors, grantors, contributors or laws, regulations or enabling legislation.

Committed - amounts constrained on use imposed by the government itself using its highest level of decision making authority (i.e. Board action).

Assigned - amounts intended to be used for specific purposes. This is determined by the governing body, the budget or finance committee or a delegated District official.

Unassigned - all other resources; the remaining fund balance after non-spendable, restrictions, commitments, and assignments. This class only occurs in the General Fund, except for cases of negative fund balances. Negative fund balances are always reported as unassigned, no matter which fund the deficit occurs in.

NOTE M: DETAILS OF FUND BALANCE CLASSIFICATIONS - CONTINUED

Fund Balance Classification Policies and Procedures

For committed fund balance, Mason Public Schools' highest level of decision-making authority is the Board of Education. The formal action that is required to be taken to establish a fund balance commitment has not been determined by Mason Public Schools.

For assigned fund balance, Mason Public Schools has not approved a policy indicating who is authorized to assign amounts to a specific purpose. As a result, this authority is retained by the Board of Education.

Mason Public Schools has not formally adopted a policy that defines the order of usage for fund balance amounts classified as restricted, committed, assigned or unassigned. In the absence of such a policy the District considers restricted amount to have been spent first when an expenditure is incurred for which both restricted and unrestricted fund balance is available.

NOTE N: CHANGES IN ACCOUNTING PRINCIPLES

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* were implemented during the current year. These statements incorporate deferred outflows of resources and deferred inflows of resources, as defined by GASB Concepts Statement No. 4, into the definitions of the required components of the residual measure of net position, formerly net assets and fund balance, when applicable.

NOTE O: UPCOMING ACCOUNTING PRONOUNCEMENT

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*. The statement requires governments providing defined benefit pensions to recognize their unfunded pension benefit obligation as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The statement also enhances accountability and transparency through revised note disclosures and required supplemental information (RSI). The District is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for financial statements for the District's 2014-2015 fiscal year.

NOTE P: RESTATEMENTS OF NET POSITION

Beginning net position of the government activities was restated by ($72,634) due to the implementation of GASB 65. This resulted in governmental activities net position being restated from $19,734,260 to $19,661,626 at the beginning of the year.

NOTE Q: SUBSEQUENT EVENTS

After the year ended June 30, 2013, the following subsequent event occurred:

On July 8, 2013, the District made a draw on a line of credit held with Dart Bank in the amount of $1,520,000 for the purpose of funding operating expenditures until the fiscal year 2014 State Aid payments begin. This short-term borrowing will be paid off when the District accumulates sufficient State Aid revenues at the end of next fiscal year. Future anticipated State Aid and other local funds are expected to be sufficient to cover this commitment.

REQUIRED SUPPLEMENTARY INFORMATION

D-19

Mason Public Schools

General Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2013

	Budgeted Amounts Original	Budgeted Amounts Final	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Local sources	$ 4,119,854	$ 4,222,917	$ 4,949,227	$ 726,310
State sources	19,010,390	19,684,720	19,985,008	300,288
Federal sources	733,288	693,247	723,645	30,398
TOTAL REVENUES	23,863,532	24,600,884	25,657,880	1,056,996
EXPENDITURES				
Current				
Instruction				
Basic programs	13,766,537	14,220,125	14,363,807	(143,682)
Added needs	2,468,873	2,768,340	2,681,646	86,694
Total instruction	16,235,410	16,988,465	17,045,453	(56,988)
Supporting services				
Student services	1,859,588	1,862,438	1,914,740	(52,302)
Instructional staff	1,075,845	1,087,426	1,100,102	(12,676)
General administration	341,700	326,362	323,856	2,506
School administration	1,383,830	1,416,293	1,423,084	(6,791)
Business and fiscal services	349,525	405,837	394,788	11,049
Operations and maintenance	2,291,301	2,351,625	2,333,682	17,943
Transportation	1,085,837	1,078,411	1,013,095	65,316
Other supporting services	1,276,696	1,400,343	1,416,144	(15,801)
Total supporting services	9,664,322	9,928,735	9,919,491	9,244
Community services	329,882	346,133	356,822	(10,689)
Debt service	35,636	35,636	35,636	-0-
Capital outlay	9,393	9,393	9,393	-0-
TOTAL EXPENDITURES	26,274,643	27,308,362	27,366,795	(58,433)
EXCESS OF REVENUES (UNDER) EXPENDITURES	(2,411,111)	(2,707,478)	(1,708,915)	998,563

Mason Public Schools

General Fund

BUDGETARY COMPARISON SCHEDULE - CONTINUED

Year Ended June 30, 2013

	Budgeted Amounts Original	Budgeted Amounts Final	Actual	Variance with Final Budget Positive (Negative)
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	$ 55,283	$ 55,283	$ 55,283	$ -0-
County special education allocation	1,744,790	2,261,904	1,942,810	(319,094)
Other financing uses	(181,222)	(184,407)	(184,143)	264
TOTAL OTHER FINANCING SOURCES (USES)	1,618,851	2,132,780	1,813,950	(318,830)
NET CHANGE IN FUND BALANCE	(792,260)	(574,698)	105,035	679,733
Fund balance, beginning of year	2,032,248	2,032,248	2,032,248	-0-
Fund balance, end of year	$ 1,239,988	$ 1,457,550	$ 2,137,283	$ 679,733

Mason Public Schools

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30, 2013

NOTE A: EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Michigan Public Act 621 of 1978, Section 18 and 19, as amended, provides that a local governmental unit not incur expenditures in excess of the amount appropriated.

During the year ended June 30, 2013, the District incurred expenditures in excess of the amounts appropriated as follows:

	Amounts Appropriated	Amounts Expended	Variance
General Fund			
Current			
Instruction			
Basic programs	$ 14,220,125	$ 14,363,807	$ (143,682)
Supporting services			
Student services	1,862,438	1,914,740	(52,302)
Instructional staff	1,087,426	1,100,102	(12,676)
School administration	1,416,293	1,423,084	(6,791)
Other operating services	1,400,343	1,416,144	(15,801)
Community services	346,133	356,822	(10,689)

[THIS PAGE INTENTIONALLY LEFT BLANK]

THRUN
LAW FIRM, P.C.

U.S. Mail Address
P.O. Box 2575
East Lansing, MI 48826-2575
Phone: (517) 484-8000
Fax: (517) 484-0041
Fax: (517) 484-0081

All Other Shipping
2900 West Road, Suite 400
East Lansing, MI 48823-1391

DRAFT LEGAL OPINION

Mason Public Schools
County of Ingham
State of Michigan

We have acted as legal counsel in connection with the issuance by Mason Public Schools, County of Ingham, State of Michigan (the "Issuer"), of bonds in the aggregate principal amount of $_______________ designated 2014 Refunding Bonds (General Obligation-Unlimited Tax) (the "Bonds").

The Bonds are in fully registered form and issued without coupons.

The Bonds are dated the date of delivery, are not subject to redemption prior to maturity at the option of the Issuer, are of $5,000 denomination or any integral multiple thereof, mature serially on May 1 of each year, bearing interest payable on November 1, 2014, and semiannually thereafter on May 1 and November 1 of each year in the amounts and rates as follows:

Year	Amount	Rate

The Bonds maturing on May 1, ______, are term Bonds subject to mandatory redemption in part, by lot, on the redemption dates and at the redemption price equal to par as provided in the Bonds.

We have examined the documents which we deem authentic and pertinent to the validity of the Bonds, including the certified record evidencing the authorization of the Bonds by the board of education of the Issuer, a copy of the approval of the Department of Treasury of the State of Michigan to issue the Bonds, a certified copy of the certificate of the Treasurer of the State of Michigan qualifying the Bonds for purposes of Article IX, Section 16, of the Michigan Constitution, and a specimen of the Bond certificates.

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

(1) the Bonds have been lawfully authorized and issued and are enforceable obligations of the Issuer in accordance with their terms;

(2) the Bonds are the general obligation of the Issuer for which its full faith, credit and resources have been irrevocably pledged;

(3) the Issuer has the power, and is obligated, to levy taxes on all taxable property now situated within the corporate boundaries of the Issuer, without limitation as to rate or amount, sufficient to pay the principal of and interest on the Bonds;

(4) the Bonds have been fully qualified 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 Issuer will be or is unable to pay the principal and interest on the Bonds when due, then the Issuer shall borrow, and the State of Michigan shall lend to it, an amount sufficient to enable the Issuer to make the payment;

(5) the Issuer has designated the Bonds as "qualified tax-exempt obligations" within the meaning of the Internal Revenue Code of 1986, as amended;

(6) the Bonds and the interest thereon are exempt from all taxation in the State of Michigan, except inheritance and estate taxes and taxes on gains realized from the sale, payment or other disposition thereof; and

(7) the interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; it should be noted, however, that certain corporations must take into account interest on the Bonds in determining adjusted net current earnings for the purpose of computing the alternative minimum tax imposed on such corporations. The opinions set forth in the preceding sentence are subject to the condition that the Issuer comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The Issuer has covenanted to comply with such requirements. Failure to comply with certain of such requirements may cause the inclusion of interest on the Bonds in gross income for federal income tax purposes to be retroactive to the date of issuance of the Bonds. We express no opinion regarding other federal tax consequences arising with respect to the Bonds.

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

THRUN LAW FIRM, P.C.

BOOK-ENTRY-ONLY

OFFICIAL NOTICE OF SALE
$7,360,000
MASON PUBLIC SCHOOLS
COUNTY OF INGHAM
STATE OF MICHIGAN
2014 REFUNDING BONDS
(GENERAL OBLIGATION - UNLIMITED TAX)

BIDS for the purchase of the above 2014 Refunding Bonds (the "Bond" or "Bonds") will be received by Mason Public Schools, Ingham County, Michigan (the "Issuer") at 400 South Cedar Street, Mason, Michigan 48854, on Monday, the 10th day of February, 2014, until 11:00 o'clock in the morning, prevailing Eastern Time, at which time and place said bids will be publicly opened and read. BIDS will also be received on the same date and the same hour by an agent of the undersigned at the offices of the Municipal Advisory Council, Buhl Building, 535 Griswold, Suite 1850, Detroit, MI 48226, where the bids will simultaneously be opened and read. Bidders may choose either location to present bids and good faith checks but not at both locations. Award of the bids will be considered by the Board of Education of the Issuer at 7:00 o'clock in the evening, prevailing Eastern Time, on that date.

FAXED BIDS: Bidders may submit signed bids via facsimile transmission to the Issuer at (517) 676-6058 or the Municipal Advisory Council at (313) 963-0943 provided that the faxed bids are received prior to the time and date fixed for receipt of bids. Bidders submitting faxed bids bear the full risk of failed or untimely transmission of their bids. Bidders are encouraged to confirm the timely receipt of their full and complete bids by telephoning the Issuer at (517) 676-2484 or the Municipal Advisory Council at (313) 963-0420. Bidders submitting bids by fax must satisfy the requirements of the Good Faith Deposit obligations described herein.

ELECTRONIC BIDS may be presented via *PARITY* on the dates and at the times shown above provided that such bidders must also comply with the good faith deposit requirements provided herein. To the extent any instructions or directions set forth in *PARITY* conflict with this Notice, the terms of this Notice shall control. For further information about *PARITY*, potential bidders may contact H.J. Umbaugh & Associates at (517) 321-0110 or *PARITY* at (212) 849-5021.

PURPOSE AND SECURITY: The Bonds are being issued for the purpose of refunding certain prior outstanding obligations of the Issuer (the "Refunded Bonds"). The Bonds will pledge the full faith, credit and resources of the Issuer for payment of the principal and interest thereon, and will be payable from ad valorem taxes, which may be levied without limitation as to rate or amount as provided by Article IX, Section 6, and Article IX, Section 16, of the Michigan Constitution of 1963.

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

BOND DETAILS: Said Bonds will be fully registered Bonds, of the denomination of $5,000 each or multiples thereof up to the amount of a single maturity, dated the date of delivery, numbered in order of issue from 1 upwards and will bear interest from their dated date payable on November 1, 2014, and semiannually thereafter.

The Bonds will mature on May 1 as follows:

Year	Amount
2015	$1,920,000
2016	1,885,000
2017	1,705,000
2018	1,325,000
2019	525,000

TERM BOND OPTION: Bidders shall have the option of designating Bonds as serial bonds or term bonds, or both. The bidder must designate whether each of the principal amounts shown above represent a serial maturity or a mandatory redemption requirement for a term bond maturity. There may be more than one term bond maturity. In any event, the above principal amount schedule shall be represented by either serial bond maturities or mandatory redemption requirements, or a combination of both. Any such designation must be made within twenty-four (24) hours of the Bond sale.

MATURITY ADJUSTMENT: The aggregate principal amount of this issue is believed to be the amount necessary to provide, in part, adequate funds to retire the Refunded Bonds and transactional costs. The Issuer reserves the right to increase or decrease the aggregate principal amount of the Bonds by not more than $750,000 after receipt of the bids and prior to final award. Such adjustment, if necessary, will be made in increments of $5,000, will not exceed $150,000 per maturity and may be made in any maturity.

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

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

PRIOR REDEMPTION:

A. Mandatory Redemption.

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

B. Optional Redemption.

Bonds of this issue are not subject to redemption at the option of the Issuer prior to maturity.

INTEREST RATE AND BIDDING DETAILS: The Bonds shall bear interest at a rate or rates not exceeding five percent (5%) per annum, to be fixed by the bids therefor, expressed in multiples of 1/8 or 1/100 of 1%, or both. The interest on any one Bond shall be at one rate only. All Bonds maturing in any one year must carry the same interest rate. THE PURCHASE PRICE OF THE BONDS SHALL BE NOT LESS THAN 99% NOR GREATER THAN 106% OF THE PAR VALUE. THE INTEREST RATE BORNE BY BONDS MATURING IN ANY YEAR SHALL NOT BE LESS THAN THE INTEREST RATE BORNE BY BONDS MATURING IN THE PRECEDING YEAR.

STATE QUALIFICATION: The Bonds are expected to be fully qualified 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 Issuer will be or is unable to pay the principal and interest on the Bonds when due, then the Issuer shall borrow, and the State of Michigan shall lend to it, an amount sufficient to enable the Issuer to make the payment.

GOOD FAITH: A cashier's check in the amount of one percent (1%) of the par amount of the Bonds may be submitted contemporaneously with the bid or, in the alternative, a deposit in the amount of one percent (1%) of the par amount of the Bonds shall be made by the winning bidder by federal wire transfer as directed by H.J. Umbaugh & Associates, Certified Public Accountants, LLP to be received by the Issuer not later than noon, prevailing Eastern Time, on the next business day following the award as a guarantee of good faith on the part of the bidder, to be forfeited as liquidated damages if such bid be accepted and the bidder fails to take up and pay for the Bonds. Any award made to the low bidder is conditional upon receipt of the good faith deposit. The good faith deposit will be applied to the purchase price of the Bonds. In the event the Purchaser fails to honor its accepted bid, the good faith deposit will be retained by the Issuer. No interest shall be allowed on the good faith deposit. Payment for the balance of the purchase price of the Bonds shall be made at the closing. Good faith checks of unsuccessful bidders will be returned by overnight delivery for next day receipt sent not later than the first business day following the sale.

AWARD OF BONDS: The Bonds will be awarded to the bidder whose bid produces the lowest true interest cost which is the rate that will discount all future cash payments so that the sum of the present value of all cash flows will equal the Bond proceeds computed from March 5, 2014.

LEGAL OPINION: Bids shall be conditioned upon the unqualified approving opinion of Thrun Law Firm, P.C., East Lansing, Michigan, bond counsel, the original of which will be furnished without expense to the Purchaser of the Bonds at the delivery thereof. The fees of Thrun Law Firm, P.C. for services rendered in connection with such approving opinion are expected to be paid from Bond proceeds. Except to the extent necessary to issue its approving opinion as to the validity of the above Bonds, Thrun Law Firm, P.C. has not been requested to examine or review, and has not examined or reviewed, any financial documents, statements or other materials that have been or may be furnished in connection with the authorization, marketing or issuance of the Bonds and, therefore, has not expressed and will not express an opinion with respect to the accuracy or completeness of any such financial documents, statements or materials.

TAX MATTERS: In the opinion of bond counsel, assuming continued compliance by the Issuer with certain requirements of the Internal Revenue Code of 1986, as amended (the "Code"), interest on the Bonds is excluded from gross income for federal income tax purposes, as described in the opinion, and the

Bonds and interest thereon are exempt from all taxation in the State of Michigan, except inheritance and estate taxes and taxes on gains realized from the sale, payment or other disposition thereof. The Issuer has designated the Bonds as **"QUALIFIED TAX-EXEMPT OBLIGATIONS"** within the meaning of the Code, and has covenanted to comply with those requirements of the Code necessary to continue the exclusion of interest on the Bonds from gross income for federal income tax purposes.

OFFICIAL STATEMENT: Upon the sale of the Bonds, the Issuer will publish an Official Statement in substantially the same form as the Preliminary Official Statement, subject to minor additions, deletions and revisions as required to complete the Preliminary Official Statement. Promptly after the sales date, but in no event later than seven (7) business days after such date, the Issuer will provide the successful bidder with a reasonable number of final Official Statements. Such final Official Statements may be obtained without cost to the successful bidder in a reasonable amount from the financial consultant as set forth herein. The successful bidder agrees to supply to the Issuer all necessary pricing information and any underwriter identification necessary to complete the Official Statement within twenty-four (24) hours after the award of Bonds. Additional copies of the final Official Statement may be obtained up to three months following the sale of the Bonds by a request and payment of costs to the financial consultant. The Issuer agrees to provide to the successful bidder at closing a certificate executed by appropriate officers of the Issuer acting in their official capacities, to the effect that as of the date of delivery the information contained in the Official Statement, and any supplement to the Official Statement, relating to the Issuer and the Bonds are true and correct in all material respects, and that the Official Statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

CONTINUING DISCLOSURE: As more particularly described in the Official Statement, the Issuer will agree in the bond resolution or sales resolution to provide or cause to be provided, in accordance with the requirements of Rule 15c2-12 (the "Rule") promulgated by the Securities and Exchange Commission, (i) on or prior to the 180th day after the end of the fiscal year of the Issuer, commencing with the fiscal year ended June 30, 2014, certain annual financial information and operating data, including audited financial statements for the preceding fiscal year, generally consistent with the information contained or cross-referenced in the Official Statement relating to the Bonds, (ii) timely notice of the occurrence of certain significant events with respect to the Bonds and (iii) timely notice of a failure by the Issuer to provide the required annual financial information on or before the date specified in (i) above.

CERTIFICATE REGARDING "ISSUE PRICE": The successful bidder will be required to furnish, prior to the delivery of the Bonds, a certificate in a form acceptable to bond counsel as to the "issue price" of the Bonds within the meaning of Section 1273 of the Internal Revenue Code of 1986, as amended. In addition, if the successful bidder will obtain a municipal bond insurance policy or other credit enhancement for the Bonds in connection with their original issuance, the successful bidder will be required, as a condition of delivery of the Bonds, to certify whether the premium therefor will be less than the present value of the interest expected to be saved as a result of such insurance or other credit enhancement. The form of an acceptable certificate will be provided by bond counsel.

DELIVERY OF BONDS: The Issuer will furnish Bonds ready for execution at its expense. Bonds will be delivered without expense to the Purchaser at a place to be mutually agreed upon with the Purchaser. The usual closing documents, including a certificate that no litigation is pending affecting the issuance of the Bonds, will be delivered at the time of the delivery of the Bonds. If the Bonds are not tendered for delivery by noon, prevailing Eastern Time, on the 45th day following the date of sale, or the first business day thereafter if the 45th day is not a business day, the successful bidder may on that day, or any time thereafter until delivery of the Bonds, withdraw the proposal by serving notice of cancellation in writing, on the undersigned, in which event the Issuer shall promptly return the good faith deposit. Accrued interest to the date of delivery of the Bonds shall be paid by the Purchaser at the time of delivery. Payment for the Bonds shall be made in federal reserve funds. Unless the Purchaser furnishes the Paying Agent with a list giving the denominations and names in which it wishes to have the certificates issued at least five (5) business days prior to delivery of the Bonds, the Bonds will be delivered in the form of a single certificate for each maturity registered in the name of the Purchaser.

CUSIP numbers will be imprinted on the Bonds at the expense of the Issuer. An improperly imprinted number or failure to print CUSIP numbers shall not constitute basis for the Purchaser to refuse to accept delivery of the Bonds. The Purchaser shall be responsible for requesting assignment of numbers and for the payment of any charges for the assignment of numbers. If the Purchaser requires CUSIP numbers on the Bonds, the Purchaser shall request assignment of CUSIP numbers for the Bonds and provide the numbers to H.J. Umbaugh & Associates and Thrun Law Firm, P.C., within forty-eight (48) hours of the bond sale.

FURTHER INFORMATION may be obtained from H.J. Umbaugh & Associates, Certified Public Accountants, LLP, 2150 Association Drive, Suite 100, Okemos, Michigan 48864. Telephone: (517) 321-0110.

THE RIGHT IS RESERVED TO REJECT ANY OR ALL BIDS.

ENVELOPES containing the bids should be plainly marked "Proposal for Mason Public Schools 2014 Refunding Bonds."

Laura Fenger
Secretary, Board of Education

[THIS PAGE INTENTIONALLY LEFT BLANK]

FORM OF
CONTINUING DISCLOSURE AGREEMENT

$__________________
MASON PUBLIC SCHOOLS
COUNTY OF INGHAM
STATE OF MICHIGAN
2014 REFUNDING BONDS
(GENERAL OBLIGATION - UNLIMITED TAX)

This Continuing Disclosure Agreement (the "Agreement") is executed and delivered by Mason Public Schools, County of Ingham, State of Michigan (the "Issuer"), in connection with the issuance of $________________ 2014 Refunding Bonds (General Obligation - Unlimited Tax) (the "Bonds"). The Bonds are being issued pursuant to resolutions adopted by the Board of Education of the Issuer on January 13, 2014, and ____________________, 2014 (the "Resolutions"). The Issuer covenants and agrees as follows:

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

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

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

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

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

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

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

"MSRB" shall mean the Municipal Securities Rulemaking Board.

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

"Official Statement" shall mean the final Official Statement for the Bonds dated __________, 2014.

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

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

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

"SEC" shall mean the Securities and Exchange Commission.

"State" shall mean the State of Michigan.

"State Repository" shall mean any public or private repository or entity designated by the State as a state repository for the purpose of the Rule and recognized as such by the SEC. Currently, the following is the State Repository:

Municipal Advisory Council of Michigan
Buhl Building
535 Griswold, Suite 1850
Detroit, Michigan 48226
Tel: (313) 963-0420
Fax: (313) 963-0943
E-Mail: mac@macmi.com

SECTION 3. Provision of Annual Reports.

(a) Each year, the Issuer shall provide, or shall cause the Dissemination Agent to provide, on or prior to the 180th day after the end of the fiscal year of the Issuer commencing with the fiscal year ending June 30, 2014, to EMMA and the State Repository an Annual Report for the preceding fiscal year which is consistent with the requirements of Section 4 of this Agreement. Currently, the Issuer's fiscal year ends on June 30. In each case, the Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by specific reference other information as provided in Section 4 of this Agreement; provided, however, that if the audited financial statements of the Issuer are not available by the deadline for filing the Annual Report, they shall be provided when and if available, and unaudited financial statements in a format similar to the financial statements contained in the Official Statement shall be included in the Annual Report.

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

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

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

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

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

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

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

SECTION 5. Reporting of Significant Events.

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

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

(11) rating changes;
(12) bankruptcy, insolvency, receivership or similar event of the obligated person;
(13) the consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
(14) appointment of a successor or additional trustee or the change of name of a trustee, if material.

(b) Whenever the Issuer obtains knowledge of the occurrence of a Listed Event, the Issuer shall as soon as possible determine if such event would constitute material information for the Bondholders, provided, that any event other than those listed under Section 5(a)(1), (3), (4), (5), (9), (11) (only with respect to any change in any rating on the Bonds) or (12) above will always be deemed to be material. Events listed under Section 5(a)(6) and (8) above will always be deemed to be material except with respect to that portion of those events which must be determined to be material.

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

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

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

SECTION 6. <u>Termination of Reporting Obligation</u>.

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

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

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

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

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

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

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

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

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

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

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

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

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

MASON PUBLIC SCHOOLS
COUNTY OF INGHAM
STATE OF MICHIGAN

By:____________________________
Its: Superintendent

Dated: ___________________, 2014

APPENDIX A

NOTICE TO THE MSRB AND TO THE STATE REPOSITORY
OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Mason Public Schools, Ingham County, Michigan

Name of Bond Issue: 2014 Refunding Bonds (General Obligation - Unlimited Tax)

Date of Bonds: __________________, 2014

NOTICE IS HEREBY GIVEN that the Issuer has not provided an Annual Report with respect to the above-named Bonds as required by Section 3 of its Continuing Disclosure Agreement with respect to the Bonds. The Issuer anticipates that the Annual Report will be filed by __________________.

MASON PUBLIC SCHOOLS
COUNTY OF INGHAM
STATE OF MICHIGAN

By:____________________________
Its: Superintendent

Dated: __________________________

APPENDIX B

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

Name of Issuer: Mason Public Schools, Ingham County, Michigan

Name of Bond Issue: 2014 Refunding Bonds (General Obligation - Unlimited Tax)

Date of Bonds: ____________________, 2014

NOTICE IS HEREBY GIVEN that the Issuer's fiscal year has changed. Previously, the Issuer's fiscal year ended on ________________. It now ends on ____________________.

MASON PUBLIC SCHOOLS
COUNTY OF INGHAM
STATE OF MICHIGAN

By:______________________________
Its: Superintendent

Dated: ____________________________

APPENDIX C

SIGNIFICANT EVENT NOTICE COVER SHEET

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

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

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

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

Number of pages of attached significant event notice: ______________________________

Description of Significant Events Notice (Check One):

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

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

Signature: ______________________________

Name: ______________________ Title: ______________________

Employer: ______________________________

Address: ______________________________

City, State, Zip Code: ______________________________

Voice Telephone Number (__________)______________________________

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

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX H
MASON PUBLIC SCHOOLS
COUNTY OF INGHAM,
STATE OF MICHIGAN
$7,360,000* 2014 REFUNDING BONDS
(GENERAL OBLIGATION - UNLIMITED TAX)

OPTIONAL BID FORM

Date: February 10, 2014 Time: 11:00 A.M. E.T.

Mason Public Schools
400 S. Cedar Street
Mason, Michigan 48854
Phone: (517) 676-2484
Fax: (517) 676-6058

Municipal Advisory Council, Buhl Building
535 Griswold Street, Suite 1850
Detroit, Michigan 48826
Phone: (313) 963-0420
Fax: (313) 963-0943

Reference is made to your "Official Notice of Sale" for the above stated bonds as printed in the Bond Buyer. For your legally issued bonds, as described in said notice, we will pay you par plus a premium of $__________ or less a discount of $__________ for bonds maturing and bearing interest rates as follows:

Maturity Date	Amount	Interest Rate
05/01/15	$1,920,000	________%
05/01/16	1,885,000	________%
05/01/17	1,705,000	________%
05/01/18	1,325,000	________%
05/01/19	525,000	________%

*Preliminary, subject to change.

The following maturities have been designated as term bonds:

Year	Mandatory Redemptions
_____	From _______ To _________
_____	From _______ To _________

THIS BID IS FOR ALL OR NONE OF THE BONDS.

Respectfully Submitted,

___________________________________ By: ____________________________

Please attach list of account members *Authorized Representative*

The following is a computation of the interest cost on the above bid.
This computation is not to be considered as a part of the bid and is subject to verification.

Gross Interest Cost	$___________	Premium / Discount	$___________
Net Interest Cost	$___________	Average Interest Rate	___________%
True Interest Cost	___________%	Net Interest Rate	___________%

Mixed Sources
Product group from well managed forests, controlled sources and recycled wood or fiber.

Printed by: ImageMaster, LLC
www.imagemaster.com