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, (ii) the interest on the Bonds is excluded from gross income for federal income tax purposes to the extent and subject to the conditions described therein, and (iii) interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. See "TAX MATTERS."

NEW ISSUE - Book-Entry-Only

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

$66,735,000
L'ANSE CREUSE PUBLIC SCHOOLS
County of Macomb, State of Michigan
2005 SCHOOL BUILDING AND SITE BONDS
(General Obligation - Unlimited Tax)

Dated: June 23, 2005 **Due:** May 1, as shown below

On May 3, 2005 the qualified electors of L'Anse Creuse Public Schools, County of Macomb, State of Michigan (the "School District") approved a proposal authorizing the School District to issue bonds in the sum of not to exceed $210,585,000 for school building and site purposes as further described in this Official Statement. Proceeds of the 2005 School Building and Site Bonds (the "Bonds"), which is the first series of bonds issued pursuant to the bond authorization, will be used for the first phase of such building and site purposes and for paying the costs of issuing the Bonds. The Bonds were authorized by the Board of Education of the School District by resolutions adopted on May 16, 2005 and expected to be adopted on June 20, 2005 (collectively, the "Resolution"). The Bonds will pledge the full faith and credit of the School District for payment of the principal and interest thereon and will be payable from ad valorem taxes, which may be levied on all taxable property in the School District without limitation as to rate or amount.

The Bonds will be fully qualified as of their date of delivery for the Michigan School Bond Loan Fund Program pursuant to Act 108, Public Acts of Michigan, 1961, as amended, enacted pursuant to Article IX, Section 16 of the Michigan Constitution of 1963. Under the terms of these constitutional and statutory provisions if for any reason the School District will be or is unable to pay the principal of and interest on the Bonds when due, then the School District shall borrow and the State of Michigan shall lend to it an amount sufficient to enable the School District to make the payment. See "QUALIFICATION BY THE STATE OF MICHIGAN."

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

Principal and interest on the Bonds will be paid by Standard Federal – Corporate and Institutional Trust, a division of LaSalle Bank National Association, Troy, 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 DTC Participants is the responsibility of DTC and disbursement of such payments to the Beneficial Owners is the responsibility of the DTC Participants and Indirect Participants, as more fully described in this Official Statement. Interest will be payable semi-annually on May 1 and November 1 commencing November 1, 2005 to the Bondholders of record as of the applicable record dates.

The scheduled payment of the principal of and interest on the Bonds when due will be insured by a municipal bond insurance policy (see "BOND INSURANCE" and Appendix F – "Specimen Bond Insurance Policy") to be issued simultaneously with the delivery of the Bonds by Financial Security Assurance Inc.

FSA®

MATURITY SCHEDULE

Maturity May 1	Amount	Interest Rate	Yield	Maturity May 1	Amount	Interest Rate	Yield
2006	$1,010,000	3.00%	2.67%	2017	$1,775,000	5.00%	3.86%**
2007	1,200,000	3.00	2.84	2018	1,850,000	4.05	4.06
2008	2,450,000	3.125	2.94	2019	1,925,000	5.00	3.97**
2009	1,275,000	3.25	3.07	2020	2,000,000	5.00	4.02**
2010	1,350,000	3.25	3.18	2021	2,100,000	5.00	4.07**
2011	1,400,000	5.00	3.32	2022	2,225,000	5.00	4.10**
2012	1,400,000	5.00	3.45	2023	2,325,000	5.00	4.13**
2013	1,475,000	5.00	3.56	2024	2,425,000	5.00	4.15**
2014	1,550,000	5.00	3.66	2025	2,525,000	5.00	4.18**
2015	1,625,000	5.00	3.73	2026	2,650,000	5.00	4.21**
2016	1,700,000	5.00	3.79**				

** Yield to May 1, 2015 call date.

$28,500,000 Term Bonds Due May 1, 2035 – Price 105.734%

THE BONDS MATURING ON OR AFTER MAY 1, 2016 ARE SUBJECT TO OPTIONAL REDEMPTION BEGINNING MAY 1, 2015 IN THE MANNER AND AT THE TIMES DESCRIBED IN THIS OFFICIAL STATEMENT. See "THE BONDS -- Optional Redemption." TERM BONDS MATURING ON MAY 1, 2035 ARE SUBJECT TO MANDATORY REDEMPTION AS FURTHER SET FORTH IN THIS OFFICIAL STATEMENT. See "THE BONDS -- Mandatory Redemption of Term Bonds."

The Bonds will be offered when, as and if issued by the School District and accepted by the Underwriters subject to receipt of the approving legal opinion of Thrun Law Firm, P.C., Lansing, Michigan, Bond Counsel, and certain other conditions. Certain legal matters will be passed upon for the Underwriters by Butzel Long, Lansing, Michigan. It is expected that the Bonds will be available for delivery through DTC on or about June 23, 2005.

UBS Financial Services Inc.

A.G. Edwards & Sons, Inc.

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

Standard Capital Markets
a division of ABN AMRO Financial Services, Inc.

The date of this Official Statement is May 26, 2005

+ See "RATINGS" herein.
* As of date of delivery.

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

Information in this Official Statement has been obtained from the School District and other sources believed to be reliable. Information under the section captioned "UNDERWRITING" was obtained from the Underwriters.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information (except for information under the section captioned "UNDERWRITING").

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

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

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

L'ANSE CREUSE PUBLIC SCHOOLS
County of Macomb, State of Michigan
36727 Jefferson Avenue
Harrison Township, Michigan 48045-2917
(586) 783-6300
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SUPERINTENDENT
Dr. DiAnne M. Pellerin

ASSISTANT SUPERINTENDENT FOR BUSINESS
Robert D. Randlett

DIRECTOR FOR FINANCE
Anita Monte

PROFESSIONAL SERVICES

SENIOR UNDERWRITER .... UBS Financial Services Inc.
BOND COUNSEL .... Thrun Law Firm, P.C.
FINANCIAL CONSULTANT .... Stauder, BARCH & ASSOCIATES, Inc.

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OFFICIAL STATEMENT
relating to

$66,735,000
L'ANSE CREUSE PUBLIC SCHOOLS
County of Macomb, State of Michigan
2005 SCHOOL BUILDING AND SITE BONDS
(General Obligation - Unlimited Tax)

INTRODUCTION

The purpose of this Official Statement, which includes the cover page and Appendices, is to furnish information in connection with the issuance and sale by L'Anse Creuse Public Schools, County of Macomb, State of Michigan (the "School District") of its 2005 School Building and Site Bonds (General Obligation - Unlimited Tax) (the "Bonds").

PURPOSE AND SECURITY

The Bonds are being issued for the purpose of (i) paying the costs of the first phase of erecting, furnishing and equipping additions to and remodeling, refurnishing and re-equipping existing school district buildings; erecting, furnishing and equipping two new elementary school buildings and an adult education building to replace existing buildings; acquiring and installing educational technology improvements; acquiring school buses; acquiring additional land and developing and improving playgrounds, play fields, athletic fields and facilities and sites; and (ii) paying the costs of issuing the Bonds.

The Bonds will be issued by the School District pursuant to the provisions of Act 34, Public Acts of Michigan 2001, as amended, Act 451, Public Acts of Michigan, 1976, as amended, and resolutions adopted by the Board of Education of the School District on May 16, 2005 and expected to be adopted on June 20, 2005 (collectively, the "Resolution").

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

ESTIMATED SOURCES AND USES OF FUNDS

ESTIMATED SOURCES	
Par amount of Bonds	$66,735,000.00
Less original issue discount	(1,924.00)
Plus original issue premium	4,018,857.00
Total Sources:	$70,751,933.00
ESTIMATED USES	
Deposit to Capital Projects Fund	$70,134,109.01
Costs of issuance*	617,823.99
Total Uses:	$70,751,933.00

*Includes Underwriters' discount and bond insurance premium.

THE BONDS

Description and Form of the Bonds

The Bonds will be issued in book-entry-only form as one fully registered Bond per maturity, without coupons, in the aggregate principal amount for each maturity set forth on the cover page of this Official Statement and may be purchased in denominations of $5,000 or any integral multiple of $5,000. The Bonds will be dated and bear interest from June 23, 2005. Interest on the Bonds will be payable semi-annually on May 1 and November 1 prior to maturity or redemption commencing November 1, 2005. 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.

Standard Federal – Corporate and Institutional Trust, a division of LaSalle Bank National Association, Troy, 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-only form. For a description of payment of principal and interest, transfers and exchanges and notice of redemption on the Bonds which are held in the book-entry-only system, see "Book-Entry-Only System" below. In the event the Bonds cease to be held in the book entry-only system, then interest on the Bonds shall be payable when due by check or draft mailed by the Paying Agent to the person or entity who or which is, as of the 15th day of the month preceding each interest payment date, the registered owner of record, at the owner's registered address. See "Transfer Outside Book-Entry-Only System" below.

Book-Entry-Only System

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

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

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2.2 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, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, FICC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC System is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

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

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the 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 any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the School District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distribution, and dividend payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participant's accounts upon DTC's receipt of funds and corresponding detail information from the Paying Agent, on payable dates in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the School District or the Paying Agent, subject to any statutory or regulatory requirements as may be in effect from time to time. Payments of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the 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 the 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 transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

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

Transfer Outside Book-Entry-Only System

In the event that the book-entry-only system is discontinued, the following provisions would apply to the Bonds. The 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 Resolution, the Bonds may be transferred or exchanged for one or more Bonds in different authorized denominations upon surrender thereof at the corporate trust office of the 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 15 days immediately preceding the date of mailing (the "Record Date") of any notice of redemption or any time following the mailing of any notice of redemption, the 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 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 Resolution. No transfer or exchange made other than as described above and in the Resolution shall be valid or effective for any purposes under the Resolution.

Optional Redemption

The Bonds or portions of Bonds in multiples of $5,000, maturing on or after May 1, 2016, are subject to redemption prior to maturity at the option of the School District in such order as the School District may determine, by lot within any maturity, on any date occurring on or after May 1, 2015, at par and accrued interest to the date fixed for redemption.

Mandatory Redemption of Term Bonds

The Bonds maturing on May 1, 2035 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 of such Bonds, without premium, together with interest on such Bonds 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, 2035

Redemption Dates	Principal Amounts
May 1, 2027	$2,750,000
May 1, 2028	2,875,000
May 1, 2029	2,975,000
May 1, 2030	3,075,000
May 1, 2031	3,175,000
May 1, 2032	3,275,000
May 1, 2033	3,375,000
May 1, 2034	3,475,000
May 1, 2035 (maturity)	3,525,000

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 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.

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

QUALIFICATION BY THE STATE OF MICHIGAN

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

Complete financial statements of all of the State's funds as included in the State's Comprehensive Annual Financial Report ("CAFR") prepared by the State's Department of Management and Budget are available upon request from the Department of Management and Budget, Office of Financial Management, P.O. Box 30026, Lansing, Michigan 48909, telephone (517) 373-1011. The State has agreed to file its CAFR with the Nationally Recognized Municipal Securities Information Repositories and the State Information Depository (as described in Rule 15c2-12(b)(5) of the Securities and Exchange Commission) annually, so long as any bonds qualified for participation in the School Bond Loan Fund remain outstanding.

TAX PROCEDURES

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

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

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

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

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

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

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

The Resolution and State law obligate the School District to levy a tax in an amount sufficient so that the estimated collections from such taxes, together with amounts, if any, to be borrowed from the School Bond Loan Fund for the Bonds, will be sufficient to pay promptly when due the principal of and interest on the Bonds becoming due prior to the time of the next tax levy. The tax levy shall not be subject to limitation as to rate or amount. Taxes for the payment of the principal of or interest on the Bonds are certified for collection each year with the school tax levies. In the event of the failure of the proper officials to certify taxes for the payment of the principal and interest requirements, a timely action in the nature of mandamus could compel certification and collection of adequate taxes for the next year or, for the Bonds, could compel the School District to make application to borrow the necessary funds from the School Bond Loan Fund and thus prevent a default. However, in the event that the principal of or interest on any Bond is not paid when due or upon proper presentation of the Bond to the agent or officer charged with making payment of such principal and interest (irrespective of whether an application by the School District to the State for a loan to pay such principal or interest has been made or approved), the State Treasurer shall promptly pay such principal or interest upon presentation of the Bond to him. If sufficient funds for full payment of debt service on the Bonds do not reach the Paying Agent five business days prior to the debt service payment due date, the Paying Agent will notify the School District of the amount of insufficient funds four business days prior to the due date. In the event that the School District does not immediately resolve the insufficient funds situation, the Paying Agent will notify the Michigan Department of Treasury of the deficiency three business days before the payment due date and the State Treasurer shall make the payment. Any amount so paid by the State Treasurer shall be deemed a loan made to the School District pursuant to the requirements of Article IX, Section 16, of the State Constitution. Registered owners of the Bonds may attempt to obtain a money judgment against the School District for the principal amount of the Bonds or interest not paid when due and may periodically attempt to enforce the collection of the money judgment by requiring the tax assessing officers for the School District to place the amount of such judgment on the next tax rolls of the School District. The rights of the owners of the Bonds and the enforceability of the Bonds are subject to bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and other similar laws affecting creditors' rights now existing or later enacted and their enforcement also may be subject to the exercise of judicial discretion in appropriate cases. See also Appendix A – “State Qualification" for the excerpt from the State Constitution and for the statute creating the School Bond Loan Fund and the related opinions of the Attorney General of the State of Michigan.

SOURCES OF SCHOOL OPERATING REVENUE

On March 15, 1994, the electors of the State of Michigan approved a ballot proposition to amend the State Constitution of 1963, in part, to increase the state sales tax from 4% to 6% as part of a complex plan to restructure the source of funding of public education (K-12) in order to reduce reliance on local property taxes for school operating purposes and to equalize the per pupil finance resource disparities among school districts. The state aid package passed by the Legislature as part of the school finance reform legislation instituted a per pupil foundation allowance beginning in fiscal year 1994/1995. The Legislature has appropriated funds to establish a foundation allowance in 2004/2005 ranging from $6,700 to $8,000 per pupil, depending upon the district's 1993/1994 revenue. In following years the foundation allowance may be adjusted by an index based upon the change in revenues to the state school aid fund and change in the total number of pupils statewide and the spread between the high and low pupil allowance will be reduced. The foundation allowance consists of the locally raised property taxes plus state aid. The source of revenues for the state's contribution to the foundation allowance is derived from a mix of taxing sources, including but not limited to, a statewide property tax of six mills on all property (homestead and non-homestead), a state sales and use tax, a real estate transfer tax and a cigarette tax.

School districts are required to levy a local property tax of not more than 18 mills or the number of mills levied in 1993 for school operating purposes, whichever is less, on non-homestead properties in order for the district to receive its per pupil foundation allowance. An intermediate school district may seek voter approval for three enhancement mills for distribution to local constituent school districts on a per pupil basis. The enhancement mills are not counted towards the foundation allowance. Furthermore, districts whose per pupil effective foundation allowance in 2004/2005 calculates to an amount in excess of $8,000 are authorized to levy a supplemental property tax in excess of the 18 mills necessary to hold themselves harmless and to obtain the foundation allowance. The supplemental millage is levied first on homestead property until millage levied on all property is 18 mills and then levied on all property uniformly. The

School District's foundation allowance does not exceed $8,000 and the School District does not levy such supplemental millage.

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

LITIGATION

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

TAX MATTERS

State

In the opinion of Thrun Law Firm, P.C., Lansing, Michigan ("Bond Counsel"), based on its examination of the documents described in its opinion, under existing State of Michigan statutes, regulations, rulings 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; it should be noted, however, that certain corporations must take into account interest on the Bonds in determining adjusted net current earnings for purposes 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 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. The School District 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. Bond Counsel will express no opinion regarding other federal tax consequences with respect to the Bonds.

There are additional federal tax consequences relative to the Bonds and the interest on the Bonds. 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, (vi) holders of the Bonds may not deduct interest on indebtedness incurred or continued to purchase or carry the Bonds and (vii) commercial banks, thrift institutions and other financial institutions may not deduct their costs of carrying certain obligations such as the 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.

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 (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.

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 TREATMENT OF ORIGINAL ISSUE DISCOUNT AND ORIGINAL ISSUE PREMIUM.

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

Certain legal matters will be passed upon for the Underwriters by their counsel, Butzel Long, Lansing, Michigan.

BOND INSURANCE

Bond Insurance Policy

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

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

Financial Security Assurance Inc.

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

At March 31, 2005, Financial Security's total policyholders' surplus and contingency reserves were approximately $2,321,918,000 and its total unearned premium reserve was approximately $1,672,672,000 in accordance with statutory accounting principles. At March 31, 2005, Financial Security's total shareholder's equity was approximately $2,726,667,000 and its total net unearned premium reserve was approximately $1,356,678,000 in accordance with generally accepted accounting principles.

The financial statements included as exhibits to the annual and quarterly reports filed by Holdings with the Securities and Exchange Commission are hereby incorporated herein by reference. Also incorporated herein by reference are any such financial statements so filed from the date of this Official Statement until the termination of the offering of the Bonds. Copies of materials incorporated by reference will be provided upon request to Financial Security Assurance Inc.: 350 Park Avenue, New York, New York 10022, Attention: Communications Department (telephone (212) 826-0100).

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

RATINGS

The School District has been advised by Moody's Investors Service, Inc. ("Moody's") and Standard & Poor's Ratings Services ("S&P") that they will assign, as of the date of delivery of the Bonds, their municipal bond ratings as shown on the cover of this Official Statement with the understanding that, concurrently with the issuance of the Bonds, Financial Security will issue the Policy insuring the Bonds. See "BOND INSURANCE" and Appendix F – "Specimen Bond Insurance Policy."

No application has been made to any other ratings service for a rating on the Bonds. The School District furnished to Moody's and S&P certain materials and information in addition to that provided here. Generally, rating agencies base their ratings on such information and materials, and on investigations, studies and assumptions by the rating agencies. There is no assurance that such ratings will prevail for any given period of time or that they will not be revised downward or withdrawn entirely by Moody's and/or S&P if, in their judgment, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Bonds. Any ratings assigned represent only the views of Moody's or S&P, respectively.

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

Moody's Investors Service, Inc.

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

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

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

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

Standard & Poor's Ratings Services

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

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

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

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

CONTINUING DISCLOSURE

Prior to delivery of the Bonds the School District will execute a Continuing Disclosure 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 Exchange Act of 1934. The information to be provided on an annual basis, the events which will be noticed on an occurrence basis and the other terms of the Agreement, are set forth in Appendix E – "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 "PROPERTY VALUATIONS - Historical Valuation," "MAJOR TAXPAYERS," "TAX RATES (Per $1,000 of Valuation) – L'Anse Creuse Public Schools," "STATE AID PAYMENTS," "TAX LEVIES AND COLLECTIONS," "LABOR FORCE," "PENSION FUND," "DEBT STATEMENT - DIRECT DEBT," "SCHOOL BOND LOAN FUND (SBLF) PROGRAM" (as it relates to the School District's borrowing balance, if any) and "SCHOOL ENROLLMENT - Historical Enrollment" in Appendix B and the General Fund Budget Summary in Appendix C to this Official Statement.

A failure by the School District to comply with the Agreement will not constitute an event of default under the Resolution authorizing issuance of the Bonds and holders of the Bonds or Beneficial Owners are limited to the remedies described in the 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 not failed to comply, in any material respects, with any previous continuing disclosure agreement under the Rule.

UNDERWRITING

UBS Financial Services Inc. and the other securities firm listed on the cover hereof (the "Underwriters") have agreed, subject to the terms of the Bond Purchase Agreement, to purchase the Bonds from the School District. The Bond Purchase Agreement provides, in part, that the Underwriters, subject to certain conditions, will purchase from the School District the aggregate principal amount of the Bonds for the purchase price as set forth in such Bond Purchase Agreement. The aggregate underwriting discount equals 0.425% of the original principal amount of the Bonds. The offering prices or yields may be changed from time to time by the Underwriters.

The Bond Purchase Agreement provides that the obligations of the Underwriters are subject to certain conditions, including, among other things, that (i) no event has occurred which impairs or threatens to impair (a) the status of the Bonds or the interest on the Bonds as exempt from taxation in the State of Michigan (except estate and inheritance taxes and taxes on gains realized from the sale, payment or other disposition of the Bonds) or (b) the exclusion of interest on the Bonds from gross income for federal income tax purposes and (ii) proceedings relating to the Bonds are not pending or threatened by the Securities and Exchange Commission. The Bond Purchase Agreement further provides that the School District will provide to the Underwriters within seven business days of the date of the Bond Purchase Agreement sufficient copies of the Official Statement to enable the Underwriters to comply with the requirements of Rule 15c2-12(b)(4) under the Securities Exchange Act of 1934, as amended.

FINANCIAL ADVISOR'S OBLIGATION

Stauder, BARCH & ASSOCIATES, Inc., Ann Arbor, Michigan (the "Financial Advisor") has been retained by the School District to provide certain financial advisory services. The information contained in the Official Statement was prepared in part by the Financial Advisor and is based on information supplied by various officials from records, statements and reports required by various local, county or state agencies of the State of Michigan in accordance with constitutional or statutory requirements.

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

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

FURTHER INFORMATION

Further information concerning the Bonds may be secured from Stauder, BARCH & ASSOCIATES, Inc., 3989 Research Park Drive, Ann Arbor, Michigan 48108, telephone (734) 668-6688, Financial Advisor to the School District, or from the office of the School District's Assistant Superintendent for Business, 36727 Jefferson Avenue, Harrison Township, Michigan 48045-2917, telephone (586) 783-6300.

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.

L'ANSE CREUSE PUBLIC SCHOOLS
County of Macomb
State of Michigan

By: /s/ Dr. DiAnne M. Pellerin

Its: Superintendent

UBS/L'Anse Creuse SBS 05/os/59060v2

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APPENDIX A
STATE QUALIFICATION

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

State loans to school districts.

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

Amount of loans.

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

Qualified bonds.

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

Repayment of loans, tax levy by school district.

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

Bonds, state loans, repayment.

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

Power to tax unlimited.

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

Rights and obligations to remain unimpaired.

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

ACT 108, PUBLIC ACTS OF MICHIGAN, 1961, AS AMENDED
State Loans to School Districts
Act 108, 1961, as amended*

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

The People of the State of Michigan enact:

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* See Executive Reorganization Order 1993-10 on page A-9 below which, among other things, transferred the authorities, powers, duties, functions and responsibilities of the Department of Education under Act 108 to the Department of Treasury.

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

Sec. 2. (1) If the minimum amount which it would otherwise be necessary for a school district to levy in any year to pay principal and interest on its qualified bonds, including any necessary allowances for estimated tax delinquencies, exceeds 13 mills or the computed millage under subsection (2), whichever is less, on each dollar of its assessed valuation as last equalized by the state, then the school district may elect to borrow all or any part of the excess from the state. In that event the state shall loan the excess amount to the school district for the payment of principal and interest. For bond issues sold before October 1, 1991 or bond issues sold exclusively to refund qualified bond issues sold before October 1, 1991, schools shall be allowed to borrow at least the percentage over 7 mills allowed them in the 1990-91 fiscal year. The school district shall levy not less than 12 mills or its equivalent for operating purposes.

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

(a) An assumed interest rate on loans made under this act equal to the average interest rate on school bond loan fund notes and bonds over the immediately preceding 5-year period.

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

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

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

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

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

(d) The waiver will not reduce the millage levied by the school district to pay principal and interest on qualified bonds under subsection (1) to less than 7 mills.

(e) The school board, by resolution, has agreed to comply with all conditions that the superintendent of public instruction and the state treasurer consider are necessary.

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

(a) Before May 4, 1955.

(b) On or after May 4, 1955 but before January 1, 1964, only if, and to the extent that, the bonds have been qualified pursuant to section 27 or 28 of article X of the state constitution of 1908 and implementing acts.

(c) On or after January 1, 1964, if the bonds are qualified pursuant to section 16 of article IX of the state constitution of 1963 and this act.

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

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

Sec.3a. For the purposes of this act, interest on qualified bonds includes the amount required for the payment of a school district's net interest obligation under an interest rate exchange or swap, hedge, or other agreement entered into pursuant to the revised municipal finance act, 2001 PA 34, MCL 141.2101 to 141.2821.

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

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

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

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

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

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

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

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

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

(g) If the bonds are issued for a purpose described in section 1274a of Act No. 451 of the Public Acts of 1976, and if the bonds have not been approved by a majority of the school electors voting on the question, that the school district has demonstrated and the state treasurer has approved the method of payment for, and the ability to pay, the bonds.

(2) For refunding bonds issued to refund bonds issued before May 4, 1955, the superintendent of public instruction shall issue the certificate of qualification if the superintendent finds that the refunding bonds comply with the requirements set forth in subsection (1)(c). For refunding bonds issued to refund bonds issued on or after May 4, 1955, or issued to refund loans from the state made under the authority of this act, the superintendent shall issue the certificate of qualification if

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

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

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

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

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

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

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

Sec. 6. In any school district where the amount necessary to be levied in any year for principal and interest on qualified bonds, including any necessary allowance for estimated tax delinquencies but excluding any funds pledged to and available for the payment of the principal and interest, exceeds that amount stipulated in section 2, the school district, on or before 60 days prior to the time of the certification of its tax levy to the assessing officer, shall file with the superintendent of public instruction and the municipal finance commission or its successor agency a preliminary application for a loan from the state in the amount of any part of such excess over that amount stipulated in section 2 which it does not propose to levy in such year. If the excess over that amount stipulated in section 2 is reached or increased by reason of bonds authorized by resolution of the board of education of the school district within the 60-day period, an original or amended application shall be filed within that period. An application shall set forth the amount of the last state equalized valuation of the school district and, for each of the 5 years immediately preceding the application, the amount of principal and interest on qualified bonds necessary to be levied upon the tax roll of that year, the amount of any moneys on hand pledged to and available for the payment of the principal and interest, the probable delinquency in tax collections at the times the principal and interest will become due, the estimated amount of the loan which will be required from the state, and any other pertinent facts which may be required to be included in the application by the superintendent of public instruction. The superintendent of public instruction shall examine the application and shall request the state treasurer to compute the computed millage under section 2(2); if applicable, as soon as possible and notify the school district of any erroneous statements or assumptions in the application and within the 60-day period shall approve or deny the preliminary application in whole or in part and shall notify the school district of his or her action. The school district shall include in its tax levy any amount otherwise required to be levied for the payment of principal and interest on qualified bonds for which it does not secure approval for a state loan as aforesaid.

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

Sec. 8. If for any reason any school district will be or is unable to pay the principal and interest on its qualified bonds when due, then the school district shall borrow and the state shall loan to it an amount sufficient to enable the school district to make the payment. Any school district which finds that it will be or is unable to pay such principal or interest when due shall forthwith make application for the necessary loan and the state shall, in time to prevent default in such payment, make such loan and obtain a receipt therefor as provided in section 7 of this act. In the event that the principal or interest on any qualified bond is not paid when due upon proper presentation of the bond or interest coupon to the agent or officer charged with making payment thereof (irrespective of whether an application for a loan to pay such principal or interest has been made or approved), the state treasurer shall forthwith pay such principal or interest upon presentation of the bond or coupon to him. Any amount so paid by the state treasurer shall be deemed a loan made to the school district pursuant to the requirements of said section 16 of article IX of the 1963 constitution and this act and the school district shall give a receipt therefor and repay such loan in the same manner as hereinbefore provided with respect to other loans: Provided, That any funds of the school district which are or become available in its hands or in the hands of the paying agent or officer for payment of the principal or interest which has been paid by the state treasurer shall forthwith be remitted to the state treasurer and applied toward repayment of said loan.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Sec. 9c. (1) Notwithstanding any other section of this act, if a school district repays all or a portion of the total amount of the outstanding balance on all loans made to the school district under this act on the settlement date described in subsection (3), the state treasurer shall reduce the total loan amount due from the school district by an amount equal to the reasonable cost to the school district of obtaining the money to make this repayment, as determined by the state treasurer in his or her discretion. This amount shall not exceed 10% of the total amount of the outstanding balance being repaid by the school district, calculated as of the settlement date without the reduction under this section.

(2) A school district that issues its obligations to obtain the money to use for the repayment under subsection (1) shall sell those obligations only to the Michigan municipal bond authority created in the shared credit rating act, 1985 PA 227, MCL 141.1051 to 141.1076, on terms and conditions as are required by the Michigan municipal bond authority.

(3) The state treasurer shall determine a settlement date for the purposes of this section. The settlement date shall be the earliest practical date on which school districts will be able to make repayments under subsection (1) but not later than September 30, 2004.

(4) Notwithstanding any other section of this act, the state treasurer shall issue a certificate of qualification for a school district that issues an obligation described in subsection (2).

(5) Notwithstanding any other section of this act, for the purposes of section 4 the state treasurer shall consider an obligation described in subsection (2) that is issued by a school district to be a loan made to the school district under this act, and for the purposes of calculating a school district's computed millage under section 2 the state treasurer shall disregard the obligation if inclusion of the obligation would otherwise result in an increase in the school district's computed millage.

(6) The state treasurer shall deposit the proceeds of repayments made under subsection (1) into the general fund in accordance with section 4 of 1961 PA 112, MCL 388.984.

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

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

(a) The school board of the school district has applied to the department of education for permission to levy less than the millage required to be levied pursuant to section 9(1).

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

(c) The school board, by resolution, has agreed to transfer from available identified funds of the school district to the school debt retirement fund an amount equal to the amount that would have been raised by the levy of the millage requested to be waived.

(d) The school board, by resolution, has agreed that the funds to be transferred to the school debt retirement fund shall be earmarked for the payment of state loans to the school district and for debt retirement purposes for qualified bonds before taxes are certified for the year the school board is requesting permission to levy less than the millage required to be levied pursuant to section 9(1).

(e) The school board, by resolution, has agreed to comply with all conditions that the superintendent of public instruction and the state treasurer consider are necessary.

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

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

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

EXECUTIVE REORGANIZATION ORDER

Caption editorially supplied

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

CONSTITUTIONAL LAW:
SCHOOL BONDS:
MUNICIPAL FINANCE COMMISSION:

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

No. 4422 March 12, 1965.

Hon. Sanford A. Brown
State Treasurer
Lansing, Michigan

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

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

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

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

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

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

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

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

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

FRANK J. KELLEY,
Attorney General

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

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

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

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

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

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

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

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

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

[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.

stated that the act's purpose was to implement Section 16 of Article IX of the Constitution of 1963. Subsequent amendment has been made to Sections 2, 4, 6, 9 and 10 of Act 108, P.A. 1961, by Act 169, P.A. 1964, which act also added a new Section 4a.[2].

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

Under amended Section 6 of the act, in any school district where the amount necessary to be levied in any year for principal and interest on qualified bonds exceeds 7 mills on each dollar of the assessed valuation of the school district as last equalized by the state, such school district on or before 60 days prior to the time of certification of its tax levy to the assessing officer shall file with the superintendent of public 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:

---

[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.

[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.

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

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

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

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

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

FRANK J. KELLEY,
Attorney General

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APPENDIX B[1]

L'ANSE CREUSE PUBLIC SCHOOLS
GENERAL FINANCIAL INFORMATION

AREA

The areas encompassed by the School District and by the Township of Harrison are as follows:

	School District	Township of Harrison
Area in square miles	35.4	14.1

POPULATION

The estimated population for the School District and the U.S. Census reported for the Township of Harrison are as follows:

	School District	Township of Harrison
2004	80,597	25,400*
2000	80,636	25,105
1990	70,240	24,685
1980	66,728	23,464

* Southeast Michigan Council of Governments October 2004 population estimate

PROPERTY VALUATIONS

In accordance with Act No. 539, Public Acts of Michigan, 1982, and Article IX, Section 3 of the Michigan Constitution, the ad valorem State Equalized Valuation (SEV) represents 50% of true cash value. SEV does not include any value of tax exempt property (e.g. churches, governmental property) or property granted tax abatements under Act No. 198, Public Acts of Michigan, 1974, as amended. **As a result of Proposal A, ad valorem property taxes are assessed on the basis of taxable value, which is subject to assessment caps. SEV is used in the calculation of debt margin and true cash value.** See **"TAX PROCEDURES"** herein.

Taxable property in the School District is assessed by the local municipal assessor and is subject to review by the County Equalization Department.

Historical Valuation

Year	Homestead	Non-Homestead	Total Taxable Valuation
2004	$1,437,155,247	$868,227,688	$2,305,382,935*
2003	1,352,773,309	817,112,723	2,169,886,032
2002	1,279,088,098	792,509,046	2,071,597,144
2001	1,168,553,845	755,116,853	1,923,670,698
2000	1,057,205,714	705,782,077	1,762,987,791

* The 2004 State Equalized Valuation is $2,882,817,127.

2004 Taxable Valuation	$2,305,382,935
Plus: 2004 Equivalent IFT Taxable Valuation	82,215,917
Total Equivalent Valuation	$2,387,598,852

Source: Macomb County

[1] Information included in Appendix B of this Official Statement was obtained from the School District unless otherwise noted.

Per Capita Valuation

2004 Per Capita Taxable Valuation	$28,603.83
2004 Per Capita State Equalized Valuation	$35,768.29
2004 Per Capita Estimated True Cash Valuation	$71,536.59

Industrial Facilities Tax

Act 198 of the Public Acts of Michigan, 1974, as amended ("Act 198"), provides significant property tax incentives to industry to renovate and expand aging plants and to build new industrial facilities in Michigan. Under the provisions of Act 198, qualifying cities, villages and townships may establish districts in which industrial firms are offered certain property tax incentives to encourage restoration or replacement of obsolete industrial facilities and to attract new industrial facilities.

Property tax owners situated in such districts pay an Industrial Facilities Tax ("IFT") in lieu of ad valorem taxes on the facility and equipment for a period of up to 12 years. For rehabilitated plant and equipment, the IFT is determined by calculating the product of the state equalized valuation of the replacement facility in the year before the effective date of the abatement certificate multiplied by the total mills levied by all taxing units in the current year. New plants and equipment receiving their abatement certificate prior to January 1, 1994 are taxed at one-half the total mills levied by all taxing units, other than mills levied for local and intermediate school district operating purposes or under the State Education Tax Act, plus one-half of the number of mills levied for school operating purposes in 1993. For new facility abatements granted after 1993, new plants and equipment are taxed at one-half of the total mills levied as ad valorem property taxes by all taxing units except mills levied under the State Education Tax Act, plus the number of mills levied under the State Education Act. For new facility abatements granted after 1993, the State Treasurer may permit abatement of all, none or one-half of the mills levied under the State Education Tax Act. It must be emphasized, however, that ad valorem property taxes on land are not reduced in any way since land is specifically excluded under Act 198.

TAX BASE COMPOSITION

A breakdown of the School District's 2004 Taxable Valuation by municipality, class and use is as follows:

By Municipality	Homestead[1] Valuation	Non-Homestead[1] Valuation	Total Taxable Valuation	Percent of Total
Chesterfield Township	$ 468,394,901	$339,182,943	$807,577,844	35.03%
Clinton Township	178,657,371	230,178,296	408,835,667	17.73
Harrison Township	640,356,695	212,181,109	852,537,804	36.98
Macomb Township	147,906,480	57,625,140	205,531,620	8.92
City of Mt. Clemens	0	29,002,900	29,002,900	1.26
City of St. Clair Shores	1,839,800	57,300	1,897,100	0.08
TOTAL	$1,437,155,247	$868,227,688	$2,305,382,935	100.00%

[1] See "SOURCES OF SCHOOL OPERATING REVENUE" in this Official Statement, for further details.

By Class	Taxable Valuation	Percent of Total
Real Property	$2,093,807,522	90.82%
Personal Property	211,575,413	9.18
TOTAL	$2,305,382,935	100.00%

By Use	Taxable Valuation	Percent of Total
Agricultural	$ 655,190	0.03%
Commercial	292,910,748	12.70
Industrial	221,135,118	9.59
Residential	1,577,311,613	68.42
Developmental	1,794,853	0.08
Personal	211,575,413	9.18
TOTAL	$2,305,382,935	100.00%

Source: Macomb County

PERSONAL PROPERTY TAX ASSESSMENTS AND APPEALS

Since the 1960's, Michigan personal property tax assessments have been based on the use of one or more of several different multiplier tables, formulated by the State Tax Commission, against taxpayer-reported original cost, depending upon the assessor's view of the average life of the personal property. The State Tax Commission has approved revisions to the State's personal property tax tables which became effective for the year 2000 and which may reduce overall personal property tax revenues in some jurisdictions. The State Tax Tribunal has informally indicated that it may allow the new multipliers to be applied retroactively in pending personal property tax appeals. In anticipation of the new multipliers, many personal property taxpayers filed appeals of their existing tax assessments. In an unpublished, non-precedential opinion, the Michigan Court of Appeals, in *Valassis Communications v. City of Livonia*, affirmed a decision of the State Tax Tribunal that the personal property multipliers, which became effective in 2000, could be retroactively applied and used to determine the true cash value of the subject property for the 1999 tax year. In its unpublished opinion, the court held that the controlling factor is whether the method used most accurately reflects the property's true cash value. The court in *Valassis* determined that based upon the facts of the case, the old multipliers (in effect for the 1999 tax year) did not accurately reflect the property's true cash value and that the 2000 multipliers more accurately reflected the property's true cash value. In January 2004, the Michigan Court of Appeals, in *County of Wayne v. Michigan State Tax Commission*, affirmed the use of at least one of the revised multiplier tables by the State Tax Tribunal in determining personal property tax appeals. The Court of Appeals upheld a recent Tax Tribunal ruling authorizing the use of the revised multiplier developed by the State Tax Commission to determine the true cash value of public-utility electric transmission and distribution property on the grounds that the multiplier tables, as finalized, did not violate the State constitutional requirements for personal property tax valuation.

MAJOR TAXPAYERS

The top ten taxpayers in the School District and their 2004 Taxable Valuation and Industrial Facilities Tax Valuation are as follows:

Taxpayer	Product/Service	Taxable Value	+	Equivalent IFT Value*	=	Total Equivalent Valuation
DTE Energy*	Utility	$33,099,030		$ 0		$33,099,030
Dupont	Paint	22,437,800		3,654,050		26,091,850
Tower Automotive	Automotive	1,215,600		16,941,100		18,156,700
Chesterfield Association	Commercial	13,091,864		0		13,091,864
Visteon/Ford Motor Company	Automotive	11,978,887		0		11,978,887
Chesterfield Farm Apt.	Apartments	11,223,994		0		11,223,994
Schaller Corporation	Manufacturing	8,022,755		2,342,897		10,365,652
U.S.M./Emhart	Plastic & metal fasteners	10,339,204		0		10,339,204
Paragon Properties	Property	8,279,600		0		8,279,600
Venture Ind. Corp.	Industrial	6,615,748		470,210		7,085,958
TOTAL		$126,304,482		$23,408,257		$149,712,739

The Taxable Valuations of the above taxpayers represent 5.48% of the School District's 2004 Taxable Valuation of $2,305,382,935.

* DTE Energy is contesting the multipliers used for assessing their personal property taxes with the State Tax Tribunal. See "PERSONAL PROPERTY TAX ASSESSMENTS AND APPEALS" above.
Source: Respective municipalities

CONSTITUTIONAL MILLAGE ROLLBACK

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

TAX RATES (Per $1,000 of Valuation)

Each school district, county, township, special authority and city has a geographical definition which constitutes a tax district. Since local school districts and the county overlap either a township or a city, and intermediate school districts overlap local school districts and county boundaries, the result is many different tax rate districts.

L'Anse Creuse Public Schools

	2004	2003	2002	2001	2000
Voted	18.0000	18.0000	18.0000	17.7174	17.8776
Debt	6.6900	6.6900	6.6900	6.1800	6.6900
TOTAL HOMESTEAD	6.6900	6.6900	6.6900	6.1800	6.6900
TOTAL NON-HOMESTEAD	24.6900	24.6900	24.6900	23.8974	24.5676

The School District's voted millage expires with the December 2007 levy.

Other Major Taxing Units	2004	2003
State Education Tax[1]	6.0000	5.0000
Macomb County - Operating	4.2000	4.2000
Macomb County - Drain	0.0058	0.0058
SMART	0.5949	6.6000
Huron-Clinton Metro Authority	0.2154	0.2170
Harrison Township	6.6173	6.9562
Macomb County I/S/D	2.9729	2.9863
Macomb Community College	1.5859	1.5859

[1] Pursuant to school finance reform legislation which became effective in March 1994, the State of Michigan levies 6.00 mills for school operating purposes on all homestead and non-homestead property located within the School District. The School District levies 18.0000 mills of voted operating millage on non-homestead property and authorized debt millage on all homestead and non-homestead property located within the School District. See "SOURCES OF SCHOOL OPERATING REVENUE" herein. Pursuant to 2002 Public Act 244 (the "Act"), for the year 2003 only, the 6 mill State Education tax levy was reduced to 5 mills and the levy has been permanently moved forward to July 1 from December 1.

Source: Macomb County

STATE AID PAYMENTS

The School District's primary source of funding for operating costs is the State aid foundation allowance per pupil. The foundation guarantee was set from $6,700 to $8,000 per pupil for the fiscal year 2004/05. 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 four year history and a current estimate of the School District's total state aid revenues, including categoricals and other amounts, and the per pupil state aid foundation allowance, which reflects the changes in sources of school operating revenue described herein:

Year	Total	State Amount Received per Pupil	Foundation Allowance per Pupil
2004/05 (Estimate)	$70,702,665	$5,882.76	$7,302.00
2003/04	71,540,289	6,254.26	7,228.00*
2002/03	71,762,932	6,326.26	7,245.00*
2001/02	65,869,528	5,939.31	7,102.00
2000/01	60,917,671	5,448.26	6,802.00

- As reduced by Executive Order

Source: Michigan Department of Education and School District

TAX LEVIES AND COLLECTIONS

The School District's fiscal year begins July 1 and ends June 30. School District property taxes are due July 1 of each fiscal year and are payable without interest on or before the following August 31 in the Cities and September 14 in the Townships. All unpaid taxes are due without penalty on or before the following February 14. All real property taxes remaining unpaid on March 1st of the year following the levy are turned over to the County Treasurer for collection. Macomb County (the "County") annually pays from its Tax Payment Fund delinquent taxes on real property to all taxing units in the County, including the School District, shortly after the date delinquent taxes are returned to the County Treasurer for collection.

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

Levy Year	Total Tax Levy	Collections to March 1 of Following Year		Collections Plus Funding To June 30 of Following Year	
2004	$31,051,110	$29,534,588	95.12%	N/A	
2003	29,224,566	27,537,547	94.23	$29,163,332	99.79%
2002	28,142,031	26,346,010	93.62	28,009,772	99.53
2001	25,157,288	23,296,542	92.60	24,972,304	99.26
2000	24,498,465	22,925,381	93.58	24,166,281	98.64
1999	22,616,717	21,415,790	94.69	22,545,285	99.68

The Tax Payment Fund is financed through the issuance of General Obligation Limited Tax Notes (GOLTNs) by the County. Although the School District anticipates the continuance of this program by the County, the ability of the County to issue such GOLTNs is subject to market conditions at the time of offering. In addition, Act 206 of 1893, as amended, provides in part that: "The primary obligation to pay to the county the amount of taxes and interest thereon shall rest with the local taxing units, and if the delinquent taxes which are due and payable to the county are not received by the county for any reason, the county has full right of recourse against the taxing unit to recover the amount thereof and interest thereon..." On the first Tuesday in May in each year, a tax sale is held by the County at which lands delinquent for taxes assessed in the third year preceding the sale, or in a prior year, are sold for the total of the unpaid taxes of those years.

LABOR FORCE

A breakdown of the number of employees of the School District and their affiliation with organized groups is as follows:

Employees	Number	Bargaining Unit	Contract Expiration
Administrators	91	Non-Affiliated	N/A
Teachers	666	MEA	8/31/06
Secretarial	97	MEA	6/30/06
Food service	63	AFSCME (AFL-CIO)[1]	6/30/06
Custodians	63	AFSCME (AFL-CIO)[1]	6/30/06
Bus Drivers	89	AFSCME (AFL-CIO)[1]	6/30/06
Mechanics/maintenance	19	AFSCME (AFL-CIO)[1]	6/30/06
Paraprofessional	335	AFSCME (AFL-CIO)	6/30/06
TOTAL STAFF	1,423		

[1] All under the same contract

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

PENSION FUND

For the period October 1 through September 30 the School District pays an amount equal to a percentage of its employees' wages to the Michigan Public School Employees Retirement System ("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 School District's estimated contribution to MPSERS for the 2004/05 fiscal year and the contributions for the previous four years are shown below.

Contribution Period	Contribution Rate
Oct. 1, 2004-Sept. 30, 2005	14.87%
Oct. 1, 2003-Sept. 30, 2004	12.99
Oct. 1, 2002-Sept. 30, 2003	12.99
Oct. 1, 2001-Sept. 30, 2002	12.17
Oct. 1, 2000-Sept. 30, 2001	12.16

Fiscal Year Ending June 30	Contributions to MPSERS
2005 (Estimate)	$7,771,124
2004	7,685,000
2003	7,712,000
2002	7,052,000
2001	6,551,000

Source: Audited financial statements

DEBT STATEMENT
(As of June 30, 2005 and including the Bonds described herein)

DIRECT DEBT

Dated Date	Purpose	Type	Interest Spread	Maturities	Amount Outstanding
07/01/1997	Building & Site & Refund	UTQ	5.00 - 5.50%	5/1/06-08	$11,840,000
08/09/2000	Building & Site	UTQ	5.00 - 5.63%	5/1/06-10	7,175,000
08/01/2002	Building & Site	UTQ	3.25 - 5.38%	5/1/06-22	11,125,000
03/18/2003	Building & Site & Refund	UTQ	2.25 - 5.00%	5/1/06-23	53,035,000
12/21/2004	Refunding	UTQ	3.90 - 5.00%	5/1/08-17	49,915,000
03/05/2005	Building & Site Refunding	UTQ	2.00 - 4.50%	5/1/06-23	7,825,000
06/23/05	Building & Site	UTQ	3.00 - 5.00%	5/1/06-35	67,735,000

NET DIRECT DEBT $208,650,000

OVERLAPPING DEBT

Percent	Municipality	Amount Outstanding	District Share
7.42%	Mount Clemens City	$28,875,000	$2,142,525
0.11%	St. Clair Shores	$41,755,330	$45,931
54.22%	Chesterfield Township	$12,350,880	$6,696,647
14.93%	Clinton Township	$37,700,000	$5,628,610
100.00%	Harrison Township	$1,720,000	$1,720,000
7.93%	Macomb Township	$40,960,000	$3,248,128
8.54%	Macomb County	$56,347,302	$4,812,060
8.37%	Macomb ISD	$3,000,000	$251,100
1.18%	Clinton-Macomb Public Library	$15,500,000	$1,829,000

NET OVERLAPPING DEBT 26,374,001

NET DIRECT AND OVERLAPPING DEBT $235,024,001

Source: Municipal Advisory Council of Michigan

DEBT RATIOS

Per Capita (80,597)

Net Direct Debt	$2,588.81
Net Direct and Overlapping Debt	$2,916.04

Ratio to 2004 Taxable Valuation ($2,305,382,935)	
Net Direct Debt	9.05%
Net Direct and Overlapping Debt	10.19%
Ratio to 2004 State Equalized Valuation ($2,882,817,127)	
Net Direct Debt	7.23%
Net Direct and Overlapping Debt	8.15%
Ratio to 2004 Estimated True Cash Valuation ($5,765,634,254)	
Net Direct Debt	3.62%
Net Direct and Overlapping Debt	4.08%

DEBT HISTORY

The School District has no record of default.

FUTURE FINANCING

The School District has been authorized by the electorate to issue a total of $210,585,000 in building and site bonds. The bonds will be sold in series through 2011. After the sale of Series I bonds totaling $70,335,000, $140,250,000 will remain to be sold.

OTHER BORROWING

The School District does not have other borrowing outstanding.

LEGAL DEBT MARGIN

2004 State Equalized Valuation		$2,882,817,127
Debt Limit (15% of 2004 State Equalized Valuation)		$432,422,569
Debt Outstanding, including Bonds described herein	$207,650,000	
Less Bonds not subject to Debt Limit**	207,650,000	
Total Subject to Debt Limit		0
Additional Debt Which Could Be Legally Incurred		$432,422,569

** Section 1351(3) of Act 451, Public Acts of Michigan, 1976, as amended, provides that the bonded indebtedness of a school district shall not exceed 15% of the total assessed valuation of the district. 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 as 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.

SCHOOL BOND LOAN FUND (SBLF) PROGRAM

The School District has not borrowed from the School Bond Loan Fund.

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

Source: State of Michigan Department of Treasury

GENERAL ECONOMIC INFORMATION

LOCATION AND AREA

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

17	miles northeast of downtown Detroit
25	miles east of Pontiac
39	miles southwest of Port Huron
50	miles northeast of Ann Arbor
90	miles east of Lansing

POPULATION BY AGE

The 2000 U.S. Census estimate of population by age for Macomb County is as follows:

	Number	Percent
Total Population	788,149	100.00%
0 through 18 years	207,737	26.36
18 through 64 years	472,461	59.94
65 years and over	107,951	13.70
Median age	36.9 years	

INCOME

The 2000 U.S. Census estimate of household income for Macomb County is as follows:

	Number	Percent
HOUSEHOLDS BY INCOME	309,502	100.00%
Less than $10,000	16,841	5.44
$10,000 to $14,999	14,229	4.60
$15,000 to $24,999	31,627	10.22
$25,000 to $34,999	35,120	11.35
$35,000 to $49,999	48,613	15.71
$50,000 to $74,999	70,908	22.91
$75,000 to $99,999	44,675	14.43
$100,000 to $149,999	35,966	11.62
$150,000 to $199,999	6,981	2.25
$200,000 or more	4,542	1.47
Median Household Income	$52,102	

HOUSING

A composite history of building permits in Harrison and Chesterfield Townships is as follows:

	2005*	2004**	2003	2002	2001
Number	121	699	588	754	580
Value	$23,137,339	$74,326,730	$69,374,407	$82,815,198	$69,374,407

* Through March 2005
** Through December 2004 as estimated by Bureau of the Census (not annual report)
Source: Bureau of the Census, Construction Statistics Division, Building Permits Branch

EMPLOYMENT CHARACTERISTICS

The following employers located in the School District and surrounding communities offer employment opportunities.

Employer	Product/Service	Number Employed
Harrison Township (200 or more employed)		
St. John Hospital	Health Care	3,506*
American Mold Technologies, Inc.	Plastic Injection Molds	300
Sine Systems Pyle Connectors	Electronic Interconnecting Systems	220
Eldon Tool Company	Tools, Dies, Jigs, Fixtures, Molds	200
J&R Manufacturing Co.	Automotive Metal Stampings	130
Technical Systems Inc.	Machine Tools	153
Cate Metal Products, Inc.	Material Handling Racks	100
Chesterfield Township (200 or more employed)		
Ford Motor Company	Automobile Manufacturer	9,288*
Motor City Stamping, Inc.	Automotive Parts	500
G&L Industries, Inc.	Automobile Trim	400
Lamb Techincon	Automotive Robots	225
Casco Plastic Tooling Co.	Plastic Trim Parts	200
Continental Plastics Co.	Plastic Injection Molding	200
Newcor Machine Tools Div.	Metal Cutting Machines	200
Reliant Mfg., Inc.	Automotive Exhaust Manifolds	200
Snyder Screw Products, Inc.	Screw Machine Products	200
Clinton Township (130 or more employed)		
Venture	Plastic Injection Molding	2,000
Norgren, Inc.	Automotive Parts	500
Tar Automotive	Metal Stampings	300
Thomas & Betts Corp.	Plastic Injection Molding	210
Kadee Metalfab, LLC	Automotive Parts	200
Morley Candy Makers	Candy	200
Temo, Inc.	Rebuilt Sunrooms & Spas	200
Macomb Township (130 or more employed)		
Nachi Machining Technology Co.	Broaching & Machining	250
ACR Industries, Inc.	Gear Boxes	170
Admore, Inc.	Presentation Binders	130
Falcon finishing Co.	Printer Supplies	130

City of Mount Clemens (200 or more employed)

Mt. Clemens General Hospital	Health Care	1,879*
Dupont Mt. Clemens Coating	Enamels, Primers, Etc.	1,000
Emhart Fastening Technologies, Automotive	Plastic Injection Molding	400
Powder Cote II, Inc.	Metal Powder	400
Johnson Controls, Inc.	Automotive Seats	250
AMP Industries, Inc.	Plastic Injection Molding	200
Independent Newspapers	Newspapers	200

City of St. Clair Shores (200 or more employed)

HSA II, Inc.	Automotive Stampings	250
American Model & Pattern, Inc.	Automotive Prototypes	300
Pine River Plastics	Plastic Moldings	300
Plastech Engineered Products	Plastic Products	250
Savair, Inc.	Welding Guns	200

* Employee listing is for all of Macomb County

Source: Crains Detroit Business, Book of Lists, 2004 edition, 2004 Michigan Manufacturers Directory, Macomb County Department of Planning and Economic Development.

Source: 2004 Michigan Manufacturers Directory and individual employers.

EMPLOYMENT BREAKDOWN

The 2000 U. S. Census reports the occupational breakdown of persons 16 years and over for Macomb County as follows:

	Number	Percent
PERSONS BY OCCUPATION	390,791	100.00%
Management, professional, and related occupations	120,704	30.890
Service occupations	51,220	13.11
Sales and office occupations	110,480	28.27
Farming, fishing, and forestry occupations	430	0.11
Construction, extraction, and maintenance occupations	38,664	9.89
Production, transportation, material moving occup.	69,293	17.73

The breakdown by industry for persons 16 years and over in Macomb County is as follows:

	Number	Percent
PERSONS BY INDUSTRY	390,791	100.00%
Agriculture, forestry, fisheries, hunting, mining	762	0.19
Construction	26,072	6.67
Manufacturing,	102,034	26.11
Wholesale trade	14,639	3.75
Retail trade	49,112	12.57
Transportation , warehousing, and utilities	12,403	3.17
Information	8,006	2.05
Finance, insurance, real estate, rental and leasing	21,477	5.50
Prof., scientific, mgt.,admin., waste management svcs.	38,571	9.87
Educational, health and social services	60,974	15.60
Arts, entertainment, rec., accommodation, food svcs.	27,827	7.12
Other services (except public administration)	17,014	4.37
Public administration	11,900	3.05

UNEMPLOYMENT

The Michigan Employment Security Commission, Research and Statistical Division, reports unemployment averages for the County of Macomb County as compared to the State of Michigan as follows:

	County of Macomb	State of Michigan
2005 YTD Average (March)	7.7%	7.6%
2004 Annual Average	6.5	6.8
2003 Annual Average	6.6	7.3
2002 Annual Average	5.7	6.1
2001 Annual Average	4.7	5.0
2000 Annual Average	3.1	3.4

RETAIL SALES

A breakdown of retail sales (000's omitted) for Macomb County as compared to the State of Michigan, as reported in the 2005 Editor & Publishers Market Guide is as follows:

	NUMBER OF STORES		ESTIMATE OF SALES (000's omitted)	
Product/Service	County of Macomb	State of Michigan	County of Macomb	State of Michigan
Auto	295	4,126	$4,517,439	$42,559,473
Furniture	167	2,052	516,897	4,215,794
Electrical Appliance	95	1,455	304,840	3,899,556
Lumber & Hardware	251	3,541	1,511,310	14,597,669
Food	470	6,151	1,687,180	17,098,378
Drugs	241	2,869	975,785	8,770,964
Gasoline	287	4,315	662,623	9,374,034
Apparel	354	5,144	480,433	6,613,587
General Merchandise	87	1,214	2,396,091	25,501,528
TOTALS	2,247	30,867	$13,052,598	$132,630,983

BANKING

The following banks have branches located within the School District's boundaries. Deposits are as reported in the McFadden American Financial Directory, July - December 2004.

Bank	**Main Office**	**Total State-Wide Deposits**
Citizens Bank	Flint	$ 3,737,349,000
Comerica Bank	Detroit	42,059,867,000
Charter One Bank, FSB	Cleveland, Oh	N/A
The Huntington National Bank	Columbus, OH	N/A
Fifth Third Bank	Grand Rapids	28,232,130,000
Standard Federal Bank National Association	Troy	21,902,762,000

GENERAL SCHOOL INFORMATION

DESCRIPTION

The School District currently operates ten elementary schools, four middle schools, and three high schools. The School District's 2004/05 student enrollment is 11,582. A staff of 666 teachers, 91 administrators and 666 support personnel are employed by the School District.

BOARD OF EDUCATION

The Board of Education consists of seven members who are elected at large for four-year overlapping terms. The Board annually elects a President, Vice President, Treasurer and Secretary. The Board is responsible for the selection and appointment of the Superintendent of Schools. The Board meets as a single body to set or amend policy, develop long range educational goals and act upon recommendations of the Superintendent of Schools. The Board is also responsible for adopting and periodically amending the operating budget and evaluating school programs in accordance with governing laws.

ADMINISTRATIVE STAFF

Dr. DiAnne Pellerin, SUPERINTENDENT

Dr. Pellerin received her Bachelor's degree in Education from Michigan State University in 1971, a Master's degree in Teaching from Oakland University in 1977, and an Education Specialist degree in leadership in 1980 and a Doctorate degree in Curriculum and Instruction in 1999, both from Wayne State University.

Dr. Pellerin has been involved in education for more than three decades. She was appointed to the position of Superintendent of L'Anse Creuse Public Schools on September 1, 2002. She has been affiliated with the School District since 1990 and has served in the positions of Director for Elementary Education, and Principal of Chesterfield Elementary School. Prior to her association with L'Anse Creuse Public Schools she was an Elementary Principal and teacher in the Anchor Bay Public Schools.

In addition to Dr. Pellerin's teaching and administrative positions in public school education, she has taught both graduate and undergraduate courses for Macomb Community College, Oakland University, Saginaw Valley State University and Wayne State University. She has served on a number of committees at the county and state levels as well as making numerous presentations for such professional organizations as the National School Board Association, International Reading Association, National Council of Teachers of English and the Association of Teacher Educators.

Dr. Pellerin's professional affiliations include memberships in the American Association of School Administrators, Association for Supervision and Curriculum Development, International Reading Association and National Association for the Education of Young Children.

Robert D. Randlett, ASSISTANT SUPERINTENDENT FOR BUSINESS

Mr. Randlett has served as Assistant Superintendent for Business at L'Anse Creuse Public Schools since 1988. Prior to this position he spent eleven years with East Detroit Pubic Schools serving as Assistant Superintendent for Business. Mr. Randlett has 30 years experience in the field of education, prior to which he held the position of Department Head in Accounting with Macomb County and served as a staff member with the Warren Chamber of Commerce.

Mr. Randlett received a Bachelor's degree in Accounting from Walsh College and a Master's degree in Public Administration from Central Michigan University.

Mr. Randlett's professional affiliations include membership in Macomb County, St. Clair County, Michigan and International Associations of School Business Officials.

Anita Monte, DIRECTOR OF FINANCE

Mrs. Monte has served L'Anse Creuse Public Schools since 1987, the last 11 as the Director of Finance. Prior to this position, she held various supervisory positions in the Business Office.

Mrs. Monte received a Bachelor's degree from Wayne State University and a Master's degree in Finance from Walsh College.

Mrs. Monte's professional affiliations include immediate past president of the Macomb/St. Clair County School Business Officials, and membership in the Michigan and International Associations of School Business Officials.

SCHOOL ENROLLMENT

Historical Enrollment

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

School Year	Enrollment	School Year	Enrollment
2004/05	11,582	1999/00	10,600
2003/04	11,431	1998/99	10,311
2002/03	11,418	1997/98	9,990[1]
2001/02	11,125	1996/97	9,921[2]
2000/01	10,887	1995/96	10,178

[1] Enrollment reflects loss of students in Shared Time Program

[2] Enrollment reflects loss of students due to decrease in State funding for adult education

Enrollment by Grade

The enrollment by grade for the school year 2004/05 (Fall Pupil Count Day) is as follows:

Kindergarten	800	Ninth	932
First	822	Tenth	901
Second	831	Eleventh	829
Third	787	Twelfth	803
Fourth	810	*Sub Total*	*10,889*
Fifth	837	Special Ed.	353
Sixth	820	Alternative Ed.	340
Seventh	884		
Eighth	833	TOTAL	11,582

Projected Enrollment

The projected enrollment - (2009/10) is as follows:

K-5	5,016
6-8	2,806
9-12	3,533
Sub Total	*11,355*
Special Ed.	472
TOTAL	11,827

EXISTING SCHOOL FACILITIES

School	**Grades**	**Year Completed**	**Additions**	**Type of Construction**
Elementary				
Atwood	K-5	1956	1964/97/02	Masonry
Carkenerd	K-5	2001	--	Masonry
Chesterfield	K-5	1954	1972	Masonry
Graham	K-5	1964	--	Masonry
Green	K-5	1968	1972/97	Masonry
Higgins	K-5	1995	--	Masonry
Lobbestael	K-5	1972	--	Masonry
South River	K-5	1927	1945/72/97	Masonry
Tenniswood	K-5	1973	--	Masonry
Yacks	K-5	1976	--	Masonry
Middle School				
M.S. Central	6-8	1957	1997/02	Masonry
M.S. South	6-8	1973	2002	Masonry
M.S. North	6-8	1956	1972/97/02	Masonry
M.S. East	6-8	2000		Masonry
High School				
H.S. Central	9-12	1955	1965/90/97/00/02	Masonry
H.S. North	9-12	1972	1991/97/00/02	Masonry
Vocational Tech. Center	9-12	1974	1997	Masonry
Additional Facilities				
Administration	--	1927	1940	Masonry
Transportation & Maintenance	--	1975	1997	Masonry
Special Services	--	1991	--	Masonry
Burdi Child Care Center	--	1997	2000/02	Masonry

On May 3, 2005, voters in the L'Anse Creuse Public Schools overwhelmingly approved a $210,585,000 bond issue by a vote of 4,511 to 2,737. This bond program is a 10-year program. Overall the 2005 Bond Issue is designed to:

- Strengthen the safety and security of all buildings and grounds
- Maximize the use of existing buildings and sites
- Provide equitable facilities and opportunities for all L'Anse Creuse students
- Offer student and community-focused learning environments
- Present L'Anse Creuse Public Schools with a long-term plan

District improvements at all buildings that will be included in the 2005 bond program are security upgrades and additions, secured entrances for all schools, on-site generators for all district buildings, food service equipment and renovation, buses, technology, site work and mechanical upgrades. The bond includes construction of one new elementary school to replace South River Elementary School. Also included are separate gyms, cafeterias, additional classrooms, and renovations at three elementary schools; renovation of locker rooms and new fitness labs in two middle schools; additional lockers and more storage space at all four middle schools; new field surfaces at both high school buildings, and a new gym at one high school.

OTHER SCHOOLS

There are no public school academies within the District. There is one parochial school within the School District's boundaries.

School	Grades Served	Approximate Enrollment
Trinity Lutheran School	Pre-K - 8	199

APPENDIX C

L'ANSE CREUSE PUBLIC SCHOOLS
General Fund Budget Summary
For Fiscal Year Ending June 30, 2005

	2004/05 Amended Budget
REVENUE	
Local Sources	$18,260,811
State Sources	71,518,199
Federal Sources	4,899,862
TOTAL REVENUE	94,678,872
Incoming Transfers & Other Transactions	2,692,558
TOTAL REVENUE	97,371,430
EXPENDITURES	
INSTRUCTION:	
Basic Programs	43,514,123
Added Needs	15,757,451
TOTAL INSTRUCTION	59,271,574
SUPPORTING SERVICES:	
Pupil services	5,201,415
Instructional	2,821,875
General administration	722,719
School administration	5,530,508
Business services	4,909,300
Operations/Maintenance	8,872,343
Transportation	4,305,397
Community Service L-K	4,215,090
Capital outlay	1,123,707
Debt Outlay	0
TOTAL SERVICES	37,702,354
TOTAL EXPENDITURES	96,973,928
Outgoing Transfers & Other Transactions	1,399,083
TOTAL EXPENDITURES	$98,373,011
REVENUE OVER (UNDER) EXPENDITURES *	(1,001,581)
BEGINNING FUND BALANCE, JULY 1	18,371,200
ESTIMATED ENDING FUND BALANCE, JUNE 30	$17,369,619

* General Fund to be reimbursed $1,443,922 with Bond Proceeds
as previously approved in a resolution passed on 9/15/2003

Plante & Moran, PLLC, Mt. Clemens, Michigan (“the Auditor”), has not provided its written consent to include the Audited Financial Statements and Notes to Financial Statement of the School District for the year ended June 30, 2004 (the "Audited Financial Statements"), in the Official Statement for the Bonds. Therefore, the Auditor has not conducted any subsequent review of the Audited Financial Statements.

C-3

L'Anse Creuse Public Schools
Harrison Township, Michigan

Comprehensive Annual Financial Report
with Supplemental Information
for the Fiscal Year Ended June 30, 2004

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Comprehensive Annual Financial Report

L'Anse Creuse Public Schools

36727 Jefferson Avenue
Harrison Township, MI 48045-2917

For the Fiscal Year Ended
June 30, 2004

Board of Education

President	Sally A. DeSchepper
Vice President	Edward J. March
Secretary	Derald V. Van Camp
Treasurer	Teresa R. Taggart
Trustee	John C. Hart
Trustee	Kenneth N. Hoover
Trustee	Mary E. Sanders

Superintendent of Schools

DiAnne M. Pellerin, Ed.D.

Cabinet Members

Superintendent	DiAnne M. Pellerin, Ed.D
Assistant Superintendent for Personnel and Operations	Anthony Catanese
Assistant Superintendent for Business	Robert D. Randlett
Assistant Superintendent for Instruction	Keith Wunderlich, Ed.D.
Executive Director for Special Services	Daniel A. Sapp
Executive Director for Support Services	Larry F. Brender
Director for Finance	Anita S. Monte

Report Prepared by Finance Division

Anita S. Monte, Director for Finance
Robert D. Burke, Controller
Tommy Whisman, Chief Accountant
Cathy Natzke, Accountant

August 13, 2004

To Citizens and Board Members:

This introductory section of L'Anse Creuse Public Schools' annual financial report presents an overview of the School District, major initiatives, and program highlights.

L'Anse Creuse Public Schools is a public school district operating under the laws of the State of Michigan to offer a free public education to all students within its boundaries. L'Anse Creuse Public Schools is located in the County of Macomb on Lake St. Clair. The School District has an area of 35.4 square miles and includes all of Harrison Township, parts of Chesterfield, Clinton, and Macomb Townships, and small portions of the cities of Mount Clemens and St. Clair Shores. The present School District resulted from the consolidation of five elementary school districts in 1954. Enrollment was then 1,600 students. Today, 641 teachers providing for an approximate teacher/student ratio of 18 to 1, teach more than 11,439 students. The School District is comprised of 10 elementary schools, four middle schools, and three high schools, including the Vocational Technical Center for Career Education, which offers comprehensive career and job training in business, health service, human service, trade, and industry. In addition, L'Anse Creuse Public Schools provides educational services to the Macomb County Youth Home and Adult Education to the Macomb County Jail year-round. The School District is governed by a Board of Education consisting of seven (7) publicly elected members.

The Comprehensive Annual Financial Report of L'Anse Creuse Public Schools for the fiscal year ended June 30, 2004 is submitted herewith. This report was prepared by the financial department and contains all activities under the control of the Board of Education. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the School District. We believe that the data, as presented, is accurate in all material respects and is presented in a manner designed to fairly set forth the financial position and results of operations of the School District as measured by the financial activity of its various funds with all disclosures necessary to enable the reader to gain the maximum understanding of the School District's financial affairs. In accordance with the Board of Education's commitment to communication, detailed financial information related to the fiscal operations of the School District has been presented for public review on a timely basis throughout the year at monthly Board of Education meetings.

Economic Condition and Outlook

L'Anse Creuse Public Schools is maintained by the taxpayers of four townships (Harrison, Clinton, Chesterfield, and Macomb Townships) and small portions of the cities of Mount Clemens and St. Clair Shores. The taxable valuations (TAVs) of these properties increased an average of 4.75 percent from the prior year. This increase in TAVs has a direct effect on the amount of revenue the School District will receive in State aid from the Michigan Department of Education. As the townships' TAVs continue to rise, the local portion of revenue increases, and the Michigan Department of Education's portion of the foundation allowance decreases.

On March 15, 1994, Michigan voters went to the polls to vote on school funding reform. The ballot proposal passed, amending the State of Michigan Constitution. State Aid Act 5123, Sec. 20, (1) provides basic foundation allowance and a formula for a supplemental allowance for 1994-95. Sec. 20, (2) is the language for the base allowance for 2003-2004. Sec. 147, (2) mandates the shifting of the employer's share for employee Social Security and State retirement costs previously paid by the State to the local district. The retirement rate remained at 12.99 percent for the 2003-2004 school year and will increase to 14.87 percent on October 1, 2004. All new costs must be examined with the assumption that there may not be any new revenue.

L'Anse Creuse Public Schools is primarily made up of residential communities. The major industries are industrial and retail. The four townships continue to grow. Chesterfield and Macomb Townships, on the north border, are expanding with multiple and single-family housing developments. During 2003-2004, new or expanded subdivisions in Chesterfield Township had plans for over 151 single-family lots in various stages of development. A total of 365 building permits were issued, with 47.6 percent for single-family homes. Macomb Township issued 1,102 single-family building permits, and 251 multiple-family permits. Harrison Township borders on the east of L'Anse Creuse Public Schools along Lake St. Clair. They issued 65 single-family permits in 2003, and 75 building permits for multiple-family units. Clinton Township issued 151 single-family permits in 2003, 78 building permits for multiple-family units, and is experiencing light industrial growth. As one can see, we continue looking forward to a very strong economic future with continued expansion and growth.

Major Initiatives

The L'Anse Creuse Board of Education is in the process of adapting a strategic plan for the School District. Throughout 2002-2003 and 2003-2004, a team consisting of board members, School District administrators, teachers, support staff, students, and parents met several times and developed a vision statement, a mission statement, and strategic goals. The School Districts' vision statement answers the question of, "what future does the L'Anse Creuse community create?" It is: "L'Anse Creuse… a community where all people work together so that everyone succeeds." The mission statement answers our reason for being. It is: "To create opportunities for all individuals to learn and grow socially, emotionally, and intellectually." The strategic goals outline what we are trying to accomplish. The five strategic goals are:

1. Increase performance and achievement for all

2. Develop capable, confident, and competent individuals

3. Provide an emotionally and physically safe environment

4. Articulate appreciation and respect for everyone's roles

5. Create partnerships with others in the community

We believe that a strategic plan results in a common purpose, common sense of direction, priorities for change, protection against overextending, goal-orientation, and longer-term effort.

For the Year - L'Anse Creuse Public Schools believes that an alcohol- and drug-free school system is essential for a healthy community. The challenge of meeting this belief is aided by the activities of the L'Anse Creuse Community Action Coalition (CAC). The coalition is composed of school staff, business leaders, law enforcement officials, and health and service professionals who work as a team to promote, enhance, and maintain a zero tolerance policy regarding alcohol, tobacco, and other drugs. For the past two years, the L'Anse Creuse CAC sponsored a Tobacco Retailers Project. This project was an effort designed to reduce the sale of tobacco to minors in the community and to remind merchants about the Michigan Tobacco Act of 1998. The coalition also sponsored its second annual "Dialogue Day," which assembled approximately 100 students, educators, and community leaders together to discuss openly the issues teens face today.

Because we want our students to be safe and drug-free, there are several curriculum programs designed at prevention. Drug Awareness Resistance Education (D.A.R.E.) is a drug prevention program taught by uniformed police officers in our elementary and middle schools. The goal of D.A.R.E. is to equip our youths with the skills necessary to resist peer pressure regarding experimenting with and using harmful drugs. This program is implemented at the fifth-grade level. Gang Resistance Education and Training (GREAT) Program is being implemented in our middle schools. There are nine lessons taught for one hour in nine weeks. Our students discover the ramifications of gang and youth violence through structured experiences and interactive approaches.

The School to Work Consortium is an alliance that unites 20 Macomb County school districts with 26 partners from businesses and Macomb Community College. This program assists students in high school to make a smoother transition from high school to college through a job-shadowing program, student mentors, and staff mentor programs.

In the final year of a three-year plan, the Michigan Works! Grant has provided the support of a caring, concerned adult throughout the school year and in the summer to eight "at risk" freshmen and sophomores.

L'Anse Creuse Public Schools participates in two types of accreditation for all of its schools - the Michigan Accreditation Program and the North Central Association (NCA) accreditation process.

The Michigan Accreditation Program is now known as Education Yes! and identifies three accreditation levels: summary, interim, and unaccredited. Each building now receives letter grades: A, B, C, etc. As of July 23, 2004, all of the L'Anse Creuse elementary and middle schools made Adequate Yearly Progress (AYP). High school data has not been released from the State at this time.

L'Anse Creuse Public Schools also voluntarily participates in NCA accreditation. All schools are presently accredited by NCA. In addition, all L'Anse Creuse elementary and secondary schools are in various stages of the NCA's five-year, continuing renewal accreditation process.

L'Anse Creuse attendance rates average more than 95 percent daily. Approximately 64 percent of L'Anse Creuse students pursue higher education. The student retention rate is 98.2 percent with a 2.1 percent dropout rate. Scholarship monies received by L'Anse Creuse seniors total approximately $1.7 million and ACT scores are comparable to the national average. Our students may take the PSAT and the SAT at their discretion. PLAN (by ACT) is another standardized test that is taken by all 10th graders.

Many L'Anse Creuse students and staff continue to be recognized for excellence through state and national awards. They received honors in writing, speech, music, athletics, co-teaching, art, technology, science, reading, journalism, and more. To enhance effective aspects of the educational process, both high schools instituted a community service requirement. L'Anse Creuse seniors contributed over 40,000 hours of service in 2003-2004. This is viewed as a model throughout the state for the students and staff of other districts. Both community service learning coordinators at each high school received the state award and recognition from the governor for their achievements.

The L'Anse Creuse Foundation is an independent, nonprofit organization formed in 1989 by community business members and L'Anse Creuse Public Schools. The Foundation is dedicated to obtaining additional financial resources for students within the district to enhance educational opportunities and provide scholarships. To date, the Foundation has been able to award over $250,000 in grants and scholarships. This past year, it awarded over $20,000 in mini-grants to teachers and $9,000 in scholarships for high school and adult education students.

The Seniors Honors Project, which extends student learning, continues to be very successful. The Seniors Honors Project is for any senior who has a 3.0 overall grade point average and is receiving at least a B in all courses. They may choose to explore a possible career interest and work directly under the supervision of a professional in that field. They may choose to perform volunteer work in a specific area of interest or complete an independent study project that will allow the student to intensively pursue an academic interest. Both high schools now offer this program.

The L'Anse Creuse Alumni Association was formed in 1996 to continue to serve the alumni of both L'Anse Creuse High School and L'Anse Creuse High School - North. They hope to provide an opportunity for L'Anse Creuse graduates to continue communication with fellow graduates through its collection and distribution of alumni information. During the 2003-2004 school year, they were present at the high school homecoming football games and also provided support to those alumni organizing class reunions. An updated alumni directory is currently available. An interactive Web site keeps alumni updated on upcoming reunion and social events.

For the Future - Michigan Public Acts 25 and 335 (P.A. 25 and P.A. 335) of 1990 made changes in the School Code of Michigan. P.A. 335 further expanded P.A. 25. P.A. 25 requires annual reporting on at least the following seven areas:

- School improvement
- Core curriculum
- Accreditation
- Student achievement
- Parent participation
- Retention rates
- Specialized schools

Every year, written annual reports are distributed to the community. The School District presentation takes place at the September Board of Education meeting. Presentations are made in each building by October 15.

P.A. 335 requires grade level indicators to be developed and distributed to students, parents, and the community. A team of educators from grades K-8 completed the work of identifying essential content for each grade level in the academic areas. The purpose of grade level indicators is to communicate exactly what the student is expected to learn.

Development and implementation of essential curriculum is crucial to our mission of teaching for all of our students. We are constantly working on developing and aligning our curriculum. The health and physical education committee worked with a consultant to prepare and write new curricula that was implemented in 2002-2003. In 2003-2004, the School District assessment plan was reviewed and updated. L'Anse Creuse Public Schools is committed to developing and building a quality curriculum and providing professional development for all staff.

Department Focus - L'Anse Creuse Public Schools employs one teacher for every 18 students. We are very proud of the accomplishments of our dedicated, hard-working staff over the past year. Some of the more significant department accomplishments are as follows:

- Students certified by the L'Anse Creuse Special Education Department receive vocational programming beginning at the elementary school level that continues through the middle school program. The first two years of high school continue to emphasize the vocational application of the skills learned in the subjects taken by the students. Beginning in their junior year, the students have a variety of vocational training and work placement opportunities available to them. The Special Education Department participates in the Michigan Business Partnership School Adoption Program, Community Based Vocational Programs, MDE Cash Match Program, Targeted Job Tax Credit Program through the Michigan Employment Security Agency (MESA), and our own Work Study Program. Each of the programs provides opportunities for our special students.

- Co-teaching at the elementary and secondary levels continues to prove very effective at improving the social and educational skills of the students involved. This is achieved through a partnership between special education and general education teachers who work together to take an active role in the teaching responsibilities of the special education students. Overall, this is an excellent program undergoing continuous and positive changes. In 2003-2004, co-teaching continued to be very successful in all the elementary and secondary buildings.

- L'Anse Creuse conducts a preschool screening program for all four-year-old children in the School District. This past year, approximately 360 children participated in the screening process. This process provides the parent with information concerning the pre-kindergarten readiness skills of their children.

- In addition to preschool screening, L'Anse Creuse Public Schools operates five programs for the preschool-age handicapped child. These programs provide the children with a rich language development-based curriculum that maximizes each child's ability to grow socially and increases his/her readiness skills. This year, approximately 138 children were involved in this preschool experience.

- L'Anse Creuse Public Schools offers a number of excellent child care programs. The L'Anse Creuse Early Childhood Program offers preschool, child care, school-age child care, school readiness, and community education classes for children. The main goal is the healthy development of children in a loving and caring environment with the focus on child-centered activities and the development of the whole child.

- The Senior Citizens Program offers a varied schedule of classes and activities that help to meet the educational, recreational, and social needs of the senior citizen community.

- The L'Anse Creuse/Mt. Clemens Adult Education Center houses a variety of programs, catering to the unique educational needs of individuals ages 16 and older in the areas of high school completion, alternative education (ages 16-19), GED preparation, literacy development, and testing/assessment opportunities.

- Riverside Academy provides alternative educational programming for local students ages 16-19 in core academic content area and elective programming such as art, technology, and vocational education. A cornerstone to the program is a highly effective, required, counseling component that assists students to deal with social, behavioral, and emotional issues that may have previously contributed to lower academic achievement in the student. Riverside students engage in interactive learning activities in a small environment, which also provides growth in student organizations, activities, and events.

- The Adult Education Learning Center (for individuals over 20 years of age - excludes individuals in correctional education) provided classes in adult basic education, GED preparation, and adult high school completion for 195 students in 2003-2004. Of those enrolled, 50 students completed the requirements necessary to graduate from high school or passed their GED examination. In addition, 31 students advanced two educational functioning levels and another 32 individuals passed demonstrated proficiency in their high school completion classes. In total, 113 of the enrolled individuals met or exceeded their state negotiated educational goal.

- The Adult Education Center served 501 students under the age of 20 in both the Riverside and Adult Education Learning Center programs. In total, the numbers of classes passed in both programs were 2,237, with 103 graduates and 72 individuals passing their GED test.

- The L'Anse Creuse Community Program is a full-service program that provides educational and recreational activities for students of all ages. The Trips and Tours program offered 30 fun-filled trips in 2003-2004 and served in excess of 6,000 residents of the community.

- The Macomb Juvenile Justice Center School is a unique public school program operated by L'Anse Creuse Public Schools Department of Special Education in conjunction with the Macomb County Juvenile Court. Two major goals of the program are to provide a positive learning environment and to improve student competency for delinquent, neglected, and/or abused children who reside in the Juvenile Justice Center. The Macomb Juvenile Justice Center School had 856 enrollments in 2003-2004 (August - June). The Summer School Program (June 2004 - August 2004) had a total enrollment of 171 students. The facility is currently in the process of expansion from the current 88 beds to 180 beds (the population capacity was reduced by 23 beds last year with demolition of the Neglect Unit). The current construction will increase the number of beds to 120 in the new facility that will be complete by November 2004. In the next 12 months, 60 additional beds will be added with the renovation of the current facility and the addition of another new wing. The Macomb Juvenile Justice Center School is accredited through the Correctional Education Association as meeting specific national standards.

- Correctional education provides a comprehensive curriculum for incarcerated adults housed in the Macomb County Jail. The curriculum for this department of adult education is broad-based and encompasses academic classes, General Equivalency Degree (GED) preparation, career counseling, employability skills, and transition services. Two completion ceremonies recognize outstanding students. The 2003-2004 school year saw four inmates earn their high school diploma, 60 earn their GED certificate, and 149 credits were earned through class completion or our testing for credit program.

Awards

The Association of School Business Officials International (ASBO) has awarded a Certificate of Excellence in Financial Reporting to the School District for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2003.

In order to be awarded a Certificate of Excellence, a governmental unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report whose contents conform to program standards. Such reports must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements.

While a Certificate of Excellence is valid for a period of one year only, the School District believes our current report continues to conform to program standards and we are submitting our report to ASBO to determine its eligibility for another certificate.

Acknowledgements

The preparation of this report on a timely basis could not have been accomplished without the effort and dedicated services of the entire staff of the financial department. We would like to express our appreciation to all the members of this office who assisted in the timely closing of the School District's financial records and the preparation of this report.

We would also like to express our appreciation to other departments and individuals who assisted in the preparation of this report.

Sincerely,

DiAnne M. Pellerin, Ed.D.
Superintendent of Schools

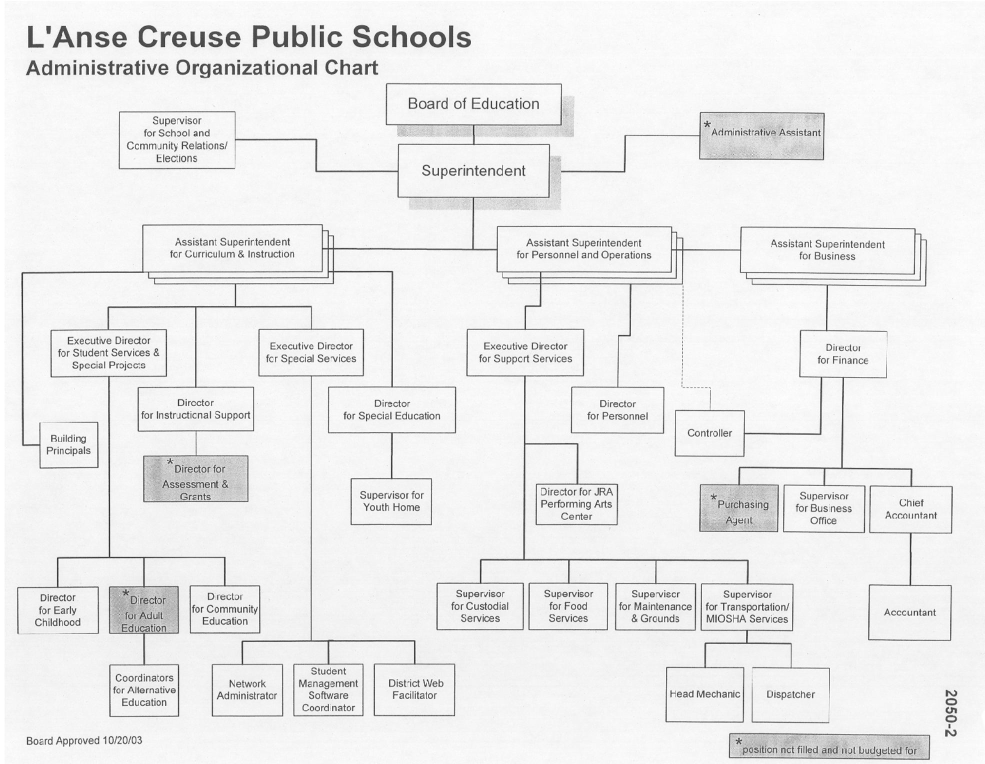
Anita S. Monte
Director for Finance

Robert D. Randlett
Assistant Superintendent
Business and Operations

Tommy Whisman
Chief Accountant

Robert D. Burke
Controller

Cathy Natzke
Accountant



This Certificate of Excellence in Financial Reporting is presented to

L'ANSE CREUSE PUBLIC SCHOOLS

For its Comprehensive Annual Financial Report (CAFR)
For the Fiscal Year Ended June 30, 2003

Upon recommendation of the Association's Panel of Review which has judged the Report substantially conforms to principles and standards of ASBO's Certificate of Excellence Program

President

Executive Director

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Independent Auditor's Report

To the Board of Education
L'Anse Creuse Public Schools

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of L'Anse Creuse Public Schools as of and for the year ended June 30, 2004, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of L'Anse Creuse Public Schools' management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of L'Anse Creuse Public Schools as of June 30, 2004 and the respective changes in financial position and cash flows, where applicable, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis (identified in the table of contents) is not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

To the Board of Education
L'Anse Creuse Public Schools

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise L'Anse Creuse Public Schools' basic financial statements. The accompanying required supplemental information and other supplemental information, as identified in the table of contents, are not a required part of the basic financial statements. The required supplemental information is information required by the Governmental Accounting Standards Board; the other supplemental information is presented for the purpose of additional analysis. The required supplemental information and the other supplemental information have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The accompanying introductory section and statistical tables, as identified in the table of contents, are presented for the purpose of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 13, 2004 on our consideration of L'Anse Creuse Public Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements. 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 opinions on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Plante & Moran, PLLC

August 13, 2004

This section of L'Anse Creuse Public Schools' annual financial report presents our discussion and analysis of the School District's financial performance during the year ended June 30, 2004. Please read it in conjunction with the School District's financial statements, which immediately follow this section.

Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand L'Anse Creuse Public Schools financially as a whole. The district-wide financial statements provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short term as well as what remains for future spending. The fund financial statements look at the School District's operations in more detail than the district-wide financial statements by providing information about the School District's most significant funds - the General Fund and the 2000, 2002, and the 2003 Building and Site Capital Projects Funds, with all other funds presented in one column as nonmajor funds. The remaining statement, the statement of fiduciary assets and liabilities, presents financial information about activities for which the School District acts solely as an agent for the benefit of students and parents.

Management's Discussion and Analysis (MD&A)
(Required Supplemental Information)

Basic Financial Statements

District-wide Financial Statements   Fund Financial Statements

Notes to the Basic Financial Statements

(Required Supplemental Information)
Budgetary Information for Major Funds

Other Supplemental Information

Reporting the School District as a Whole - District-wide Financial Statements

One of the most important questions asked about the School District is, "As a whole, what is the School District's financial condition as a result of the year's activities?" The statement of net assets and the statement of activities, which appear first in the School District's financial statements, report information on the School District as a whole and its activities in a way that helps you answer this question. We prepare these statements to include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the School District's net assets - the difference between assets and liabilities, as reported in the statement of net assets - as one way to measure the School District's financial health or financial position. Over time, increases or decreases in the School District's net assets - as reported in the statement of activities - are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the School District's operating results. However, the School District's goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other nonfinancial factors, such as the quality of the education provided and the safety of the schools, to assess the overall health of the School District.

The statement of net assets and the statement of activities report the governmental activities for the School District, which encompass all of the School District's services, including instruction, support services, community services, athletics, child care, and food services. Property taxes, unrestricted State aid (foundation allowance revenue), and State and federal grants finance most of these activities.

Reporting the School District's Most Significant Funds - Fund Financial Statements

The School District's fund financial statements provide detailed information about the most significant funds - not the School District as a whole. Some funds are required to be established by State law and by bond covenants. However, the School District establishes many other funds to help it control and manage money for particular purposes (the Food Services Fund is an example) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money (such as bond-funded construction funds used for voter-approved capital projects). The governmental funds of the School District use the following accounting approach:

> Governmental funds - All of the School District's services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year end that are available for spending. They are reported using modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the School District and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. We describe the relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds in a reconciliation.

The School District also established a proprietary fund, specifically an Internal Service Fund, to finance specific services provided to other funds of the School District on a cost-reimbursement basis. The specific services represent termination pay. The proprietary fund uses the following accounting approach:

Proprietary Fund - Proprietary fund reporting focuses on economic resources measurement and an accounting method called full accrual accounting. The proprietary fund statements present a long-term view of operations and the services it provides to other funds.

The School District as Trustee - Reporting the School District's Fiduciary Responsibilities

The School District is the trustee, or fiduciary, for its student activity funds. All of the School District's fiduciary activities are reported in a separate statement of fiduciary assets and liabilities. We exclude these activities from the School District's other financial statements because the School District cannot use these assets to finance its operations. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

The School District as a Whole

Recall that the statement of net assets provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets as of June 30:

TABLE 1

	Governmental Activities	
	2004	2003
	(in millions)	
Assets		
Current and other assets	$ 65.0	$ 86.0
Capital assets	141.0	131.1
Total assets	206.0	217.1
Liabilities		
Current liabilities	23.4	25.3
Long-term liabilities	160.8	167.9
Total liabilities	184.2	193.2
Net Assets		
Invested in capital assets - Net of related debt	6.3	3.9
Restricted	2.1	5.5
Unrestricted	13.4	14.5
Total net assets	**$ 21.8**	**$ 23.9**

The above analysis focuses on the net assets (see Table 1). The change in net assets (see Table 2) of the School District's governmental activities is discussed below. The School District's net assets were $21.8 million at June 30, 2004. The investment in capital assets, net of related debt totaling $6.3 million, compares the original cost, less depreciation of the School District's capital assets, to long-term debt used to finance the acquisition of those assets. Most of the debt will be repaid from voter-approved property taxes collected as the debt service comes due. Restricted net assets are reported separately to show legal constraints from debt covenants and enabling legislation that limit the School District's ability to use those net assets for day-to-day operations. The remaining amount of net assets ($13.4 million) was unrestricted.

The $13.4 million in unrestricted net assets of governmental activities represents the accumulated results of all past years' operations. The unrestricted net assets balance enables the School District to meet working capital and cash flow requirements as well as to provide for future uncertainties. The operating results of the General Fund will have a significant impact on the change in unrestricted net assets from year to year.

The results of this year's operations for the School District as a whole are reported in the statement of activities (see Table 2), which shows the changes in net assets for fiscal year 2004.

TABLE 2

	Governmental Activities	
	2004	2003
	(in millions)	
Revenue		
Program revenue:		
Charges for services	$ 1.7	$ 1.6
Operating grants	4.7	6.8
General revenue:		
Property taxes	29.2	28.0
State foundation allowance	71.6	69.7
Other	6.0	5.6
Total revenue	113.2	111.7
Functions/Program Expenses		
Instruction	59.0	57.4
Support services	37.1	35.5
Community services	1.9	2.3
Food services	2.6	2.5
Interest on long-term debt	8.5	8.3
Depreciation (unallocated)	6.3	5.9
Total functions/program expenses	115.4	111.9
Decrease in Net Assets	**$ (2.2)**	**$ (0.2)**

As reported in the statement of activities, the cost of all of our governmental activities this year was $115.4 million. Certain activities were partially funded from those who benefited from the programs ($1.7 million) or by other governments and organizations that subsidized certain programs with grants and contributions ($4.7 million). We paid for the remaining "public benefit" portion of our governmental activities with $29.2 million in taxes, $71.6 million in State foundation allowance, and with our other revenues, i.e., interest and general entitlements.

The School District experienced a decrease in net assets of $2.2 million. Key reasons for the change in net assets was depreciation expense on building and site capitalized expenditures and the costs associated with the special pay deferral incentive program. A reconciliation of the changes in net assets appears in the basic financial statements.

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

The School District's Funds

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As we noted earlier, the School District uses funds to help it control and manage money for particular purposes. Looking at funds helps the reader consider whether the School District is being accountable for the resources taxpayers and others provide to it and may provide more insight into the School District's overall financial health.

As the School District completed this year, the governmental funds reported a combined fund balance of $49.2 million, which is a decrease of $21.0 million from last year. The primary reasons for the decrease are as follows:

- In the General Fund, our principal operating fund, the fund balance decreased $1.5 million to $18.4 million. The change is mainly due to the special pay deferral incentive program offered to certain School District employees as early retirement. General Fund fund balance is available to fund costs related to allowable school operating purposes.
- Our Special Revenue Fund remained stable from the prior year.
- Combined, the Debt Service Funds showed a fund balance decrease of approximately $1.9 million as the School District continued to pay principal and debt obligations on outstanding debt. Millage rates are determined annually to ensure that the School District accumulates sufficient resources to pay annual bond issue-related debt service. Debt Service Funds fund balances are reserved since they can only be used to pay debt service obligations.

- The combined Capital Projects Funds fund balance was affected as the School District continued construction related to the 2000, 2002, and 2003 bond issues. Capital Projects Funds fund balances decreased approximately $17.6 million as the School District continued work on items related to the construction projects. The 2000 Bond construction project is substantially complete and the final close-out reporting has been completed along with the June 30, 2004 audit report.

General Fund Budgetary Highlights

Over the course of the year, the School District revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. A schedule showing the School District's original and final budget amounts compared with amounts actually paid and received is provided in required supplemental information of these financial statements. Changes to the General Fund original budget were as follows:

- Budgeted revenues were decreased $.4 million, which is less than 1 percent of the budget. Local source revenues were decreased $1.9 million from the original budget due to changes in the taxable values of properties in the School District. Both state and federal revenues were increased $.9 million and $.4 million, respectively, for recognition of revenues under various grants as the associated expenditures were incurred. Budgeted interdistrict revenues were increased $.2 million for additional funds received from the county-wide special education tax.
- Budgeted expenditures were decreased by $1.5 million, which is slightly more than 1 percent of the budget for 2003-2004. This was due to reductions in positions, contracted services, and supplies and materials as a result of the continued decrease in revenue.
- The variance between budgeted and actual amounts is $.1 million. Revenue variances are primarily due to federal sources not expended by year end, and are also reflected in the expenditure variances. The majority of the remaining variance is unexpended allocated budgets that are Board-approved for expenditures in 2004-2005.

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2004, the School District had $141.1 million invested in a broad range of capital assets, including land, buildings, vehicles, furniture, and equipment. This amount represents a net increase (including additions, disposals, and depreciation) of approximately $10 million, or 7.6 percent, from last year.

	2004	2003
Land	$ 7,279,556	$ 6,692,987
Construction in progress	16,046,011	10,729,678
Buildings, land improvements, and building improvements	153,514,156	145,014,026
Buses and other vehicles	6,371,172	6,829,009
Furniture and equipment	26,947,579	25,128,009
Total capital assets	210,158,474	194,393,709
Less accumulated depreciation	69,093,693	63,306,228
Net capital assets	**$ 141,064,781**	**$ 131,087,481**

This year's additions of $16.3 million included new school construction, building additions, cafeteria equipment, technology, building renovations, furniture and equipment, and buses. Existing debt issued in 2000, 2002, and 2003 funded these additions.

Several major capital projects are planned for the 2004-2005 fiscal year. We anticipate capital additions will be approximately $10 million greater than the 2003-2004 fiscal year. We present more detailed information about our capital assets in Note 5 of the financial statements.

Debt

At the end of this year, the School District had $161.9 million in bonds outstanding versus $170.2 million in the previous year - a decrease of 4.9 percent. Those bonds consisted of the following:

	2004	2003
General Obligation Bonds	$ 161,895,000	$ 170,225,000

The School District's general obligation bond rating is AAA/Aaa. The State limits the amount of general obligation debt that schools can issue to 15 percent of the assessed value of all taxable property within the School District's boundaries. If the School District issues "qualified debt," i.e., debt backed by the State of Michigan, such obligations are not subject to this debt limit. The School District's outstanding unqualified general obligation debt of $161.9 million is significantly below this $325.5 million statutorily imposed limit.

Other obligations include accrued vacation and sick leave pay, arbitrage, bond premiums, and early retirement incentives and totaled $7.5 million. We present more detailed information about our long-term liabilities in Note 7 of the financial statements.

Economic Factors and Next Year's Budgets and Rates

Our elected officials and administration consider many factors when setting the School District's 2005 fiscal year budget. One of the most important factors affecting the budget is our student count. The State foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The blended count for the 2005 fiscal year is anticipated to be 20 percent and 80 percent of the February 2004 and September 2004 student counts, respectively. Any change in the blended student count calculation could result in revenue loss for the School District. The 2004-2005 budget was adopted in June 2004, based on an estimate of students that will be enrolled in September 2004. Approximately 70 percent of total General Fund revenue is from the foundation allowance. Under State law, the School District cannot assess additional property tax revenue for general operations. As a result, School District funding is heavily dependent on the State's ability to fund local school operations. Based on early enrollment data at the start of the 2004-2005 school year, we anticipate that the fall student count will be close to the estimates used in creating the 2004-2005 budget. Once the final student count and related per pupil funding is validated, State law requires the School District to amend the budget if actual School District resources are not sufficient to fund original appropriations.

Since the School District's revenue is heavily dependent on State funding and the health of the State's School Aid Fund, the actual revenue received depends on the State's ability to collect revenues to fund its appropriation to school districts. The State periodically holds a revenue-estimating conference to estimate revenues. Based on the results of the most recent conference, the State estimates funds are not sufficient to fund the appropriation. The legislature must now revise the appropriation or proration of State aid will occur. The impact on the School District of the State's projected revenue shortfall is not known.

The School District is currently negotiating only one labor contract. All other labor contracts have agreements through June 30, 2006 or August 31, 2006.

Contacting the School District's Financial Management

This financial report is designed to provide the School District's citizens, parents, and investors with a general overview of the School District's finances and to demonstrate the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the business office at 36727 Jefferson Avenue, Harrison Township, MI 48045-2917.

L'Anse Creuse Public Schools

Statement of Net Assets
June 30, 2004

	Governmental Activities
Assets	
Cash and investments (Note 3)	$ 18,181,967
Receivables (Note 4)	13,911,960
Inventories	23,455
Prepaid costs	568,707
Restricted assets (Notes 1 and 3)	32,284,254
Capital assets - Net (Note 5)	141,064,781
Total assets	206,035,124
Liabilities	
Accounts payable	3,603,576
Accrued payroll and other liabilities	9,620,316
Deferred revenue (Note 4)	414,248
Long-term liabilities (Note 7):	
Due within one year	9,795,000
Due in more than one year	160,834,828
Total liabilities	184,267,968
Net Assets	
Invested in capital assets - Net of related debt	6,274,499
Restricted:	
Debt service	1,322,719
Capital projects	775,725
Unrestricted	13,394,213
Total net assets	**$ 21,767,156**

L'Anse Creuse Public Schools

Statement of Activities
Year Ended June 30, 2004

		Program Revenues		Governmental Activities
	Expenses	Charges for Services	Operating Grants/ Contributions	Net (Expense) Revenue and Changes in Net Assets
Functions/Programs				
Governmental activities:				
Instruction	$ 58,998,106	$ -	$ 2,392,136	$ (56,605,970)
Support services	37,076,169	-	1,503,289	(35,572,880)
Food services	2,611,996	1,574,955	854,444	(182,597)
Community services	1,897,687	77,980	-	(1,819,707)
Interest on long-term debt	8,526,527	-	-	(8,526,527)
Depreciation (unallocated)	6,264,443	-	-	(6,264,443)
Total governmental activities	**$ 115,374,928**	**$ 1,652,935**	**$ 4,749,869**	(108,972,124)
General revenues:				
Taxes:				
Property taxes, levied for general purposes				14,286,342
Property taxes, levied for debt services				14,933,845
State aid not restricted to specific purposes				71,563,754
County special education tax				1,997,577
Interest and investment earnings				1,652,680
Other				2,391,003
Total general revenues				106,825,201
Change in Net Assets				(2,146,923)
Net Assets - Beginning of year				23,914,079
Net Assets - End of year				**$ 21,767,156**

Governmental Funds
Balance Sheet
June 30, 2004

	General Fund	Capital Projects Funds 2003 Issue	Capital Projects Funds 2002 Issue	Capital Projects Funds 2000 Issue	Other Nonmajor Governmental Funds	Total Governmental Funds
Assets						
Cash and investments (Note 3)	$ 16,547,607	$ -	$ -	$ -	$ 1,634,360	$ 18,181,967
Receivables - Net	13,745,358	506	9,975	507	155,614	13,911,960
Due from other funds (Note 6)	546,305	-	-	-	-	546,305
Inventories	9,894	-	-	-	13,561	23,455
Prepaid costs	568,707	-	-	-	-	568,707
Restricted assets (Notes 1 and 3)	-	24,928,850	6,695,657	659,747	-	32,284,254
Total assets	$ 31,417,871	$ 24,929,356	$ 6,705,632	$ 660,254	$ 1,803,535	$ 65,516,648
Liabilities and Fund Balances						
Liabilities						
Accounts payable	$ 990,360	$ 2,125,130	$ 619,943	$ 21,279	$ 4,325	$ 3,761,037
Accrued payroll and other liabilities	8,565,112	-	-	-	20,121	8,585,233
Due to other funds (Note 6)	3,181,540	-	-	-	388,844	3,570,384
Deferred revenue (Note 4)	309,659	37,063	-	-	67,526	414,248
Total liabilities	13,046,671	2,162,193	619,943	21,279	480,816	16,330,902
Fund Balances						
Reserved:						
Encumbrances	116,202	9,763,363	3,558,880	-	-	13,438,445
Capital projects	-	13,003,800	2,526,809	62,674	-	15,593,283
Debt service and other obligations	2,693,936	-	-	576,301	1,322,719	4,592,956
Inventories	9,894	-	-	-	-	9,894
Prepaid costs	568,707	-	-	-	-	568,707
Unreserved:						
Designated for budget carryover	2,272,884	-	-	-	-	2,272,884
Undesignated, reported in General Fund	12,709,577	-	-	-	-	12,709,577
Total fund balances	18,371,200	22,767,163	6,085,689	638,975	1,322,719	49,185,746
Total liabilities and fund balances	$ 31,417,871	$ 24,929,356	$ 6,705,632	$ 660,254	$ 1,803,535	$ 65,516,648

Governmental Funds
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets
Year Ended June 30, 2004

Fund Balance - Total Governmental Funds		$ 49,185,746
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds:		
Cost of capital assets	$ 210,158,474	
Accumulated depreciation	(69,093,693)	141,064,781
Long-term liabilities are not due and payable in the current period and are not reported in the governmental funds:		
Bonds payable		(161,895,000)
Compensated absences		(2,693,936)
Premium on bond issuance - Net of accretion		(2,283,051)
Arbitrage liability		(576,301)
Accrued interest payable is not included as a liability in governmental funds		(1,035,083)
Net Assets - Governmental Activities		**$ 21,767,156**

The Notes to Financial Statements are an Integral Part of this Statement.

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Governmental Funds
Statement of Revenue, Expenditures, and Changes in Fund Balances
Year Ended June 30, 2004

	General Fund	Capital Projects Funds 2003 Issue	2002 Issue	2000 Issue	Other Nonmajor Governmental Funds	Total Governmental Funds
Revenue						
Local sources	$ 17,015,561	$ 1,053,794	$ 118,350	$ 136,430	$ 16,661,191	$ 34,985,326
State sources	71,563,754	-	-	-	91,092	71,654,846
Federal sources	3,492,802	-	-	-	763,352	4,256,154
Interdistrict sources	2,400,200	-	-	-	-	2,400,200
Total revenue	94,472,317	1,053,794	118,350	136,430	17,515,635	113,296,526
Expenditures						
Current:						
Instruction	55,903,944	-	-	-	-	55,903,944
Support services	37,298,354	-	-	-	-	37,298,354
Community services	1,897,687	-	-	-	-	1,897,687
Food service	-				2,611,996	2,611,996
Debt service:						
Principal	-	-	-	-	8,330,000	8,330,000
Interest	-	-	-	-	8,581,624	8,581,624
Other	-	-	-	-	27,458	27,458
Capital outlay	731,124	12,832,087	3,085,075	2,959,984	15,605	19,623,875
Total expenditures	95,831,109	12,832,087	3,085,075	2,959,984	19,566,683	134,274,938
Excess (Deficiency) of Revenue Over Expenditures	(1,358,792)	(11,778,293)	(2,966,725)	(2,823,554)	(2,051,048)	(20,978,412)
Other Financing Sources (Uses)						
Transfers in	-	-	-	-	198,202	198,202
Transfers out	(198,202)	-	-	-	-	(198,202)
Total other financing sources (uses)	(198,202)	-	-	-	198,202	-
Net Change in Fund Balances	(1,556,994)	(11,778,293)	(2,966,725)	(2,823,554)	(1,852,846)	(20,978,412)
Fund Balances - Beginning of year	19,928,194	34,545,456	9,052,414	3,462,529	3,175,565	70,164,158
Fund Balances - End of year	$ 18,371,200	$ 22,767,163	$ 6,085,689	$ 638,975	$ 1,322,719	$ 49,185,746

The Notes to Financial Statements are an Integral Part of this Statement.

Governmental Funds
Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities
Year Ended June 30, 2004

Net Change in Fund Balances - Total Governmental Funds		$ (20,978,412)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlay as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:		
Depreciation expense	$ (6,264,443)	
Capitalized capital outlay	16,310,264	10,045,821
Governmental funds report proceeds from sale of assets as revenue; in the statement of activities, these are recorded net of the carrying value of the disposed assets		(68,521)
Interest expense is recorded in the statement of activities when incurred; it is not reported in governmental funds until paid		55,097
Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)		8,330,000
Compensated absences, as well as estimated self-insured liability claims, are recorded when earned in the statement of activities. In the current year, more was earned than was paid out		347,183
Accretion of underwriter's premium reported in the statement of activities		121,909
Change in Net Assets of Governmental Activities		**$ (2,146,923)**

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The Notes to Financial Statements are an Integral Part of this Statement.

Proprietary Fund - Internal Service Fund
Statement of Net Assets
June 30, 2004

Assets - Due from other funds (Note 6)	$ 3,181,540
Liabilities - Special pay deferral incentive	3,181,540
Net Assets - Unrestricted	**$ -**

The Notes to Financial Statements are an Integral Part of this Statement.

Proprietary Fund - Internal Service Fund
Statement of Revenue, Expenses and Changes in Fund Net Assets
Year Ended June 30, 2004

Operating Revenue - Charges for services	$ 3,181,540
Operating Expenses - Termination benefits	3,181,540
Change in Net Assets	-
Net Assets - Beginning of year	-
Net Assets - End of year	$ -

Proprietary Fund - Internal Service Fund
Statement of Cash Flows
Year Ended June 30, 2004

Cash Flows from Operating Activities	
Charges for services	$ -
Claims paid	-
Net cash provided by operating activities	-
Cash and Cash Equivalents - Beginning of year	-
Cash and Cash Equivalents - End of year	$ -
Reconciliation of Operating Income to Net Cash from Operating Activites	
Operating income	$ -
Change in assets and liabilities:	
Interfund borrowings	(3,181,540)
Special pay deferral incentive	3,181,540
Net cash provided by operating activities	$ -

Fiduciary Fund
Statement of Fiduciary Assets and Liabilities
June 30, 2004

	Student Activities Agency Fund
Assets	
Cash and investments (Note 3)	$ 1,682,588
Due from other funds (Note 6)	-
Interest receivable (Note 4)	1,290
Total assets	**$ 1,683,878**
Liabilities	
Accounts payable	$ 59,610
Due to other funds (Note 6)	157,461
Due to students and other groups	1,466,807
Total liabilities	**$ 1,683,878**

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Notes to Financial Statements
June 30, 2004

Note 1 - Summary of Significant Accounting Policies

The accounting policies of L'Anse Creuse Public Schools (the "School District") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the School District:

Reporting Entity

The School District is governed by an elected seven-member Board of Education. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the School District's reporting entity, and which organizations are legally separate, component units of the School District. The Board is not included in any other governmental "reporting entity" since the Board members are elected by the public and have decision-making authority, the authority to levy taxes, the power to designate management, the ability to significantly influence operations, and primary financial accountability for fiscal matters. Based on the application of the criteria, the School District does not contain any component units.

District-wide and Fund Financial Statements

The district-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All of the School District's district-wide activities are considered governmental activities.

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

Note 1 - Summary of Significant Accounting Policies (Continued)

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the district-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

As a general rule, the effect of interfund activity has been eliminated from the district-wide financial statements.

Amounts reported as program revenue include (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes and unrestricted state aid.

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

Property taxes, unrestricted state aid, intergovernmental grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the School District.

Note 1 - Summary of Significant Accounting Policies (Continued)

Proprietary fund and fiduciary fund statements also are reported using the economic resources measurement focus and the accrual basis of accounting. Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal revenue of our proprietary fund relates to charges to other funds for termination benefits. Operating expenses for the proprietary fund include the cost of termination benefits. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

The School District reports the following major governmental funds:

General Fund - The General Fund is the School District's primary operating fund. It accounts for all financial resources of the School District, except those required to be accounted for in another fund.

Capital Projects Funds - The Capital Projects Funds are used to record bond proceeds or other revenue and the disbursement of monies specifically designated for acquiring new school sites, buildings, equipment, and for remodeling. The fund operates until the purpose for which they were created is accomplished. The School District reports the following capital projects funds as major funds:

2003 Capital Projects Fund - The 2003 Capital Projects Fund is used to record bond proceeds and other revenue and the disbursement of invoices specifically designated for the purpose of financing the second and final phase of erecting, furnishing, and equipping additions to and remodeling, refurnishing, and re-equipping School District buildings; acquiring and installing educational technology improvements; acquiring school buses; developing and improving sites, playgrounds, and outdoor physical education and athletic fields and facilities; refunding the School District's 1993 Refunding Bonds dated September 1, 1993, which are due and payable on May 1 in the years 2005 through 2008 and 2014; and paying the costs of issuing the bonds.

2002 Capital Projects Fund - The 2002 Capital Projects Fund is used to record bond proceeds and other revenue and the disbursement of invoices specifically designated for the purpose of erecting, furnishing, and equipping additions to and remodeling, refurnishing, and re-equipping School District buildings; acquiring and installing educational technology improvements; acquiring school buses; and developing and improving sites, playgrounds, and outdoor physical education and athletic fields and facilities.

Note 1 - Summary of Significant Accounting Policies (Continued)

2000 Capital Projects Fund - The 2000 Capital Projects Fund is used to record bond proceeds and other revenue and the disbursement of invoices specifically designated for the purpose of erecting, furnishing, and equipping additions to and remodeling, refurnishing, and re-equipping buildings; erecting, furnishing, and equipping a new elementary school; acquiring and installing educational technology improvements; acquiring school buses and land for site purposes, and developing and improving athletic facilities, playgrounds, playfields, and sites. The projects for which the 2000 Bonds were issued were substantially complete during the year ended June 30, 2004.

Additionally, the School District reports the following fund types:

Special Revenue Fund - The Special Revenue Fund is used to account for the proceeds of specific revenue sources that are restricted to expenditure for specified purposes. The Special Revenue Fund consists of a School Service (Cafeteria) Fund that is used to segregate, for administrative purposes, the transactions of that activity from General Fund revenue and expenditure accounts. The annual operating surplus or deficit created by this activity is the responsibility of the General Fund.

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Debt Service Funds - The Debt Service Funds are used to record tax, interest, other revenue for payment of interest, principal, and other expenditures on the bond issues.

Internal Service Fund - The Internal Service Fund is used to account for termination payment services provided to other funds of the School District on a reimbursement basis.

Fiduciary Fund - The Fiduciary Fund is used to account for assets held by the School District in a trustee capacity or as an agent. Agency Funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results or operations.

Assets, Liabilities, and Net Assets or Equity

Cash and Investments - Cash and investments include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds." Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds."

Note 1 - Summary of Significant Accounting Policies (Continued)

All trade and property tax receivables are shown net of an allowance for uncollectible amounts. The School District considers all accounts receivable at June 30, 2004 to be fully collectible; accordingly, no allowance for uncollectible amounts is recorded. Property taxes are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are billed on December 1. Taxes are considered delinquent on March 1 the following year. At this time, penalties and interest are assessed and the total obligation is added to the county tax rolls. For the year ended June 30, 2004, the School District wrote off approximately $640,000 in property taxes deemed to be uncollectible.

Inventories and Prepaid Costs - Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid costs in both district-wide and fund financial statements.

Restricted Assets - The unspent bond proceeds and related interest of the Capital Projects Funds require amounts to be set aside for construction. These amounts have been classified as restricted assets.

Capital Assets - Capital assets, which include land, buildings, equipment, vehicles, and construction in process, are reported in the applicable governmental activities column in the district-wide financial statements. Capital assets are defined by the School District as assets with an initial individual cost of more than $20,000 for land improvements and buildings and $2,500 for all remaining asset classifications. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add to the value or materially extend asset life are not capitalized. The School District does not have infrastructure-type assets.

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings, land improvements, and building improvements	20-50 years
Buses and other vehicles	5-15 years
Furniture and equipment	5-20 years

Note 1 - Summary of Significant Accounting Policies (Continued)

Compensated Absences - The liability for compensated absences reported in the district-wide and proprietary fund statements consists of earned but unused accumulated vacation and sick leave benefits as well as termination payments. A liability for these amounts is reported in governmental funds as it comes due for payment. The liability has been calculated using the vesting method, in which leave amounts for both employees who are currently eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

Long-term Obligations - In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period.

The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Note 2 - Stewardship, Compliance, and Accountability

Budgetary Information - Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America and State law for the General and all Special Revenue Funds. All annual appropriations lapse at fiscal year end.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is at the total level. State law requires the School District to have its budget in place by July 1. Expenditures in excess of amounts budgeted are a violation of Michigan law. State law permits districts to amend their budgets during the year. During the year, the General Fund and Special Revenue Fund budgets were amended in accordance with State law.

Note 2 - Stewardship, Compliance, and Accountability (Continued)

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the goods or services have not been received as of year end; the commitments will be reappropriated and honored during the subsequent year.

The School Service (Cafeteria) Fund statement of revenues, expenditures, and changes in fund balances - budget and actual and the budgetary comparison schedule for the General Fund are presented in conformity with accounting principles generally accepted in the United States of America and are presented in more detail than the formally adopted budget.

Excess of Expenditures Over Appropriations in Budgeted Funds - The School District did not have any significant expenditure overruns.

Capital Projects Fund Compliance - The Capital Projects Funds include capital project activities funded with bonds issued after May 1, 1994. The following is a summary of the revenue and expenditures in the Capital Projects Funds from the inception of the funds through the current fiscal year.

	Capital Projects Funds		
	2003 Issue	2002 Issue	2000 Issue
Revenue	$ 43,162,714	$ 12,271,483	$ 38,107,375
Expenditures	20,395,551	6,185,794	37,859,279

For these capital projects, the School District has complied with the applicable provisions of §1351a of the Revised School Code.

Note 3 - Deposits and Investments

State statutes and the School District's investment policy authorize the School District to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan; the School District is allowed to invest in U.S. Treasury or Agency obligations, U.S. government repurchase agreements, bankers' acceptances, commercial paper rated prime at the time of purchase that matures not more than 270 days after the date of purchase, mutual funds, and investment pools that are composed of authorized investment vehicles. The School District's deposits are in accordance with statutory authority.

Note 3 - Deposits and Investments (Continued)

At year end, the School District's deposits and investments were reported in the basic financial statements in the following categories:

	Governmental Activities	Fiduciary Funds	Total
Cash and investments	$ 18,181,967	$ 1,682,588	$ 19,864,555
Restricted assets	32,284,254	-	32,284,254
Total	$ 50,466,221	$ 1,682,588	$ 52,148,809

The breakdown between deposits and investments for the School District is as follows:

Deposits (checking and savings accounts and certificates of deposit)	$ 720,897
Investments in securities, mutual funds, and similar vehicles	51,426,587
Petty cash and cash on hand	1,325
Total	$ 52,148,809

Bank Deposits

The bank deposits of the School District were reflected in the accounts of the financial institution (without recognition of checks written but not yet cleared or of deposits in transit) at $1,695,291, of which $117,108 is covered by federal depository insurance and $1,578,183 is uninsured and uncollateralized.

Investments

Investments are categorized into these three categories of credit risk:

Category 1 - Insured or registered, with securities held by the School District or its agent in the School District's name;

Category 2 - Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the School District's name; and

Category 3 - Uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the School District's name.

Note 3 - Deposits and Investments (Continued)

At year end, the School District's investment balances were categorized as follows:

	Category 1	Category 2	Category 3	Reported Amount (Fair Value)
U.S. government securities	$ 24,681,901	$ -	$ -	$ 24,681,901
Investments not subject to categorization:				
Bank investment pools				26,691,013
Interlocal agreement investment pools (i.e., MILAF)				53,673
Total investments				$ 51,426,587

The bank investment pools and interlocal agreement investment pools are not categorized because they are not evidenced by securities that exist in physical or book entry form. The bank investment pools are held by the trust department of the bank, and regulated by the Michigan Banking Act. Investments under the interlocal agreement (MILAF) are regulated by the Urban Cooperation Act. The fair value of the position in the bank investment pools and interlocal agreement pools is the same as the value of the pool shares.

Note 4 - Receivables and Deferred Revenue

All receivables are considered fully collectible at year end. Receivables as of year end for the School District's individual major funds, nonmajor funds, and Fiduciary Fund in the aggregate are as follows:

	General Fund	Capital Projects Funds 2003 Issue	2002 Issue	2000 Issue	Other Nonmajor Governmental Funds	Total Governmental Funds	Fiduciary Fund
Receivables:							
Accounts	$ 773,174	$ -	$ -	$ -	$ 48,514	$ 821,688	$ -
Intergovernmental	12,958,177	-	-	-	105,889	13,064,066	-
Interest and other	14,007	506	9,975	507	1,211	26,206	1,290
Total receivables	$ 13,745,358	$ 506	$ 9,975	$ 507	$ 155,614	$ 13,911,960	$ 1,290

Note 4 - Receivables and Deferred Revenue (Continued)

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	Unavailable	Unearned
Grant and categorical aid payment received prior to meeting all eligibility requirements	$ -	$ 414,248

Note 5 - Capital Assets

Capital asset activity of the School District's governmental activities was as follows:

	Balance July 1, 2003	Additions	Disposals and Adjustments	Balance June 30, 2004
Capital assets not being depreciated:				
Land	$ 6,692,987	$ 586,569	$ -	$ 7,279,556
Construction in progress	10,729,678	9,281,745	(3,965,412)	16,046,011
Subtotal	17,422,665	9,868,314	(3,965,412)	23,325,567
Capital assets being depreciated:				
Building, land improvements, and building improvements	145,014,026	4,534,718	3,965,412	153,514,156
Buses and other vehicles	6,829,009	87,662	(545,499)	6,371,172
Furniture and equipment	25,128,009	1,819,570	-	26,947,579
Subtotal	176,971,044	6,441,950	3,419,913	186,832,907
Accumulated depreciation:				
Building, land improvements, and building improvements	46,846,139	3,206,282	-	50,052,421
Buses and other vehicles	3,531,522	602,532	(476,978)	3,657,076
Furniture and equipment	12,928,567	2,455,629	-	15,384,196
Subtotal	63,306,228	6,264,443	(476,978)	69,093,693
Net capital assets being depreciated	113,664,816	177,507	3,896,891	117,739,214
Net governmental capital assets	$ 131,087,481	$ 10,045,821	$ (68,521)	$ 141,064,781

Depreciation expense was not charged to activities as the School District considers its assets to impact multiple activities and allocation is not practical.

Note 5 - Capital Assets (Continued)

Construction Commitments - The School District has active construction projects at year end. The projects include the 2002 and 2003 bond issues and various other construction and technology projects. At year end, the School District's commitments with contractors are as follows:

	Spent to Date	Remaining Commitment
2002 bond issue	$ 319,757	$ 54,779
2003 bond issue	1,713,250	1,938,667
Total	$ 2,033,007	$ 1,993,446

Note 6 - Interfund Receivables, Payables, and Transfers

At June 30, 2004, amounts due from other nonmajor governmental funds to the General Fund were $546,305. Amounts due to the General Fund represent $238,844 due from the Special Revenue Fund, $150,000 due from the Debt Service Fund, and $157,461 due from the Fiduciary Fund for amounts expended by the General Fund on their behalf for normal operations during the current year.

Amounts due to the General Fund from the Debt Service Funds are the result of General Fund tax revenue having been inadvertently recorded in the Debt Service Fund during the year.

At June 30, 2004, amounts due to the Internal Service Fund from the General Fund for termination benefits resulting from the special pay deferral incentive were $3,181,540.

Interfund transfers during the year ended June 30, 2004 consisted of $198,202 transferred from the General Fund to the Special Revenue Fund and represents the deficit generated by the Special Services Fund, which is the responsibility of the General Fund.

Note 7 - Long-term Debt

The School District issues bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the School District. Notes and installment purchase agreements are also general obligations of the School District. Other long-term obligations include compensated absences, an arbitrage liability, and a premium on the issuance of debt.

Long-term obligation activity can be summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
Bonds	$ 170,225,000	$ -	$ (8,330,000)	$ 161,895,000	$ 8,595,000
Other obligations	6,022,380	3,181,540	469,092	8,734,828	1,200,000
Total governmental activities	$ 176,247,380	$ 3,181,540	$ (7,860,908)	$ 170,629,828	$ 9,795,000

Annual debt service requirements to maturity for the above governmental bond and obligations are as follows:

	Governmental Activities		
	Principal	Interest	Total
2005	$ 8,595,000	$ 7,954,682	$ 16,549,682
2006	8,525,000	7,583,126	16,108,126
2007	8,950,000	7,147,388	16,097,388
2008	9,325,000	6,740,276	16,065,276
2009	9,690,000	6,323,888	16,013,888
2010-2014	53,735,000	24,487,967	78,222,967
2015-2019	43,525,000	11,174,856	54,699,856
2020-2024	19,550,000	2,267,188	21,817,188
Total	$ 161,895,000	$ 73,679,371	$ 235,574,371

Note 7 - Long-term Debt (Continued)

Governmental Activities

General obligation bonds consist of the following:

$92,890,000 serial bonds due in annual installments of $4,285,000 to $6,190,000 through May 1, 2017; interest at 5.0% to 5.5%	$ 66,950,000
$34,400,000 serial bonds due in annual installments of $1,275,000 to $2,150,000 through May 1, 2020; interest at 5.0% to 5.625%	27,750,000
$12,000,000 serial bonds due in annual installments of $300,000 to $1,000,000 through May 1, 2022; interest at 3.0% to 5.75%	11,425,000
$58,460,000 serial bonds due in annual installments of $710,000 to $3,825,000 through May 1, 2023; interest at 2.0% to 5.0%	55,770,000
Total bonded debt	$ 161,895,000

Other governmental activities long-term obligations include the following:

Special pay deferral incentive	$ 3,181,540
Employee-compensated absences	2,693,936
Arbitrage liability	576,301
Premium on bond issuance	2,283,051
Total	$ 8,734,828

Advance and Current Refundings - In prior years, the School District defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the basic financial statements. At June 30, 2004, $20,975,000 of bonds outstanding are considered defeased.

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Note 8 - Risk Management

The School District is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The School District has purchased commercial insurance for property loss, torts, errors and omissions, and medical benefit claims; the School District is uninsured for workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The School District estimates the liability for employee injury claims that have been incurred through the end of the fiscal year, including both those claims that have been reported as well as those that have not yet been reported. These estimates are recorded in the district-wide statements. Changes in the estimated liability for the past two fiscal years were as follows:

	2004	2003
Estimated liability - Beginning of year	$ 96,816	$ 36,810
Estimated claims incurred - Including changes in estimates	57,270	338,300
Claim payments	(125,926)	(278,294)
Estimated liability - End of year	$ 28,160	$ 96,816

Note 9 - Defined Benefit Pension Plan and Postemployment Benefits

Plan Description - The School District participates in the Michigan Public School Employees' Retirement System (MPSERS), a statewide, cost-sharing, multiple-employer defined benefit public employee retirement system governed by the State of Michigan that covers substantially all employees of the School District. The MPSERS provides retirement, survivor, and disability benefits to plan members and their beneficiaries. The Michigan Public School Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the MPSERS. That report may be obtained by writing to the MPSERS at P.O. Box 30171, Lansing, MI 48909-7671.

Note 9 - Defined Benefit Pension Plan and Postemployment Benefits (Continued)

Funding Policy - Employer contributions to the MPSERS result from the implementing effects of the School Finance Reform Act. Under these procedures, each school district is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis.

The pension benefit rate totals 12.99 percent for the period from July 1, 2003 through June 30, 2004 of the covered payroll to the plan. Basic plan members make no contributions, but Member Investment Plan members contribute at rates ranging from 3 percent to 4.3 percent of gross wages. The School District's contributions to the MPSERS plan for the years ended June 30, 2004, 2003, and 2002 were $7,685,000, $7,712,000, and $7,052,000, respectively.

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

Required Supplemental Information

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L'Anse Creuse Public Schools

Required Supplemental Information
Budgetary Comparison Schedule - General Fund
Year Ended June 30, 2004

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Revenue				
Local sources	$ 19,318,789	$ 17,443,958	$ 17,015,561	$ (428,397)
State sources	70,256,178	71,172,533	71,563,754	391,221
Federal sources	3,771,243	4,220,653	3,492,802	(727,851)
Interdistrict sources	2,268,469	2,420,267	2,400,200	(20,067)
Total revenue	95,614,679	95,257,411	94,472,317	(785,094)
Expenditures - Current				
Instruction:				
Basic programs	43,959,506	43,075,065	43,034,511	(40,554)
Added needs	12,912,260	11,792,880	11,747,963	(44,917)
Adult continuing education	1,368,707	1,337,930	1,121,470	(216,460)
Support services:				
Pupil	8,270,318	7,394,070	7,357,268	(36,802)
Instructional staff	4,169,067	4,193,217	4,176,511	(16,706)
General administration	815,855	724,852	571,399	(153,453)
School administration	6,207,930	6,356,315	6,317,315	(39,000)
Business services	1,468,389	1,421,506	1,384,407	(37,099)
Operations and maintenance	8,813,842	8,984,815	8,939,738	(45,077)
Transportation	3,785,224	4,181,377	4,148,354	(33,023)
Central services	2,689,931	3,532,120	3,488,659	(43,461)
School athletics activities	752,786	937,309	914,703	(22,606)
Community services	2,182,199	1,922,521	1,897,687	(24,834)
Capital outlay	813,040	759,766	731,124	(28,642)
Total expenditures	98,209,054	96,613,743	95,831,109	(782,634)
Other Financing Uses - Transfers out	(100,000)	(100,000)	(198,202)	98,202
Net Change in Fund Balance	(2,694,375)	(1,456,332)	(1,556,994)	(100,662)
Fund Balance - July 1, 2003	19,928,194	19,928,194	19,928,194	-
Fund Balance - June 30, 2004	**$ 17,233,819**	**$ 18,471,862**	**$ 18,371,200**	**$ (100,662)**

Note: The budget information presented above reflects greater detail than the amended budget adopted.

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DRAFT LEGAL OPINION

L'Anse Creuse Public Schools
County of Macomb
State of Michigan

We have acted as legal counsel in connection with the issuance by L'Anse Creuse Public Schools, County of Macomb, State of Michigan (the "Issuer"), of bonds in the aggregate principal amount of $66,735,000, designated 2005 School Building and Site Bonds (General Obligation-Unlimited Tax) (the "Bonds").

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

The Bonds are dated June 23, 2005, are subject to redemption prior to maturity at the option of the Issuer in the manner and at the times as set forth in the Bonds, are of $5,000 denomination or any integral multiple thereof, mature serially on May 1 of each year, bearing interest payable on November 1, 2005, and semiannually thereafter on May 1 and November 1 of each year in the amounts and rates as follows:

Year	Amount	Rate	Year	Amount	Rate
2006	$1,010,000	3.000%	2017	$1,775,000	5.000%
2007	1,200,000	3.000	2018	1,850,000	4.050
2008	2,450,000	3.125	2019	1,925,000	5.000
2009	1,275,000	3.250	2020	2,000,000	5.000
2010	1,350,000	3.250	2021	2,100,000	5.000
2011	1,400,000	5.000	2022	2,225,000	5.000
2012	1,400,000	5.000	2023	2,325,000	5.000
2013	1,475,000	5.000	2024	2,425,000	5.000
2014	1,550,000	5.000	2025	2,525,000	5.000
2015	1,625,000	5.000	2026	2,650,000	5.000
2016	1,700,000	5.000	2035	28,500,000	5.000

The Bonds maturing on May 1, 2035, are term Bonds subject to mandatory redemption in part, by lot, on the redemption dates and at the redemption price equal to the principal amount thereof 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 qualified pursuant to Act 108, Public Acts of Michigan, 1961, as amended, enacted pursuant to Article IX, Section 16, of the Michigan Constitution of 1963. Under the terms of 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 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

(6) 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.

FORM OF
CONTINUING DISCLOSURE AGREEMENT

$66, 735,000
L'ANSE CREUSE PUBLIC SCHOOLS
COUNTY OF MACOMB
STATE OF MICHIGAN
2005 SCHOOL BUILDING AND SITE BONDS
(GENERAL OBLIGATION - UNLIMITED TAX)

This Continuing Disclosure Agreement (the "Agreement") is executed and delivered by L'Anse Creuse Public Schools, County of Macomb, State of Michigan (the "Issuer"), in connection with the issuance of $66,735,000 2005 School Building and Site 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 May 16, 2005 and June ___, 2005 (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 Resolutions, 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.

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

"MSRB" shall mean the Municipal Securities Rulemaking Board.

"National Repository" shall mean any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule. Currently, the following are National Repositories:

Bloomberg Municipal Repository
100 Business Park Drive
Skillman, New Jersey 08558
Tel: (609) 279-3225
Fax: (609) 279-5962
E-mail: Munis@Bloomberg.com

FT Interactive Data
Attn: NRMSIR
100 William Street, 15th Floor
New York, New York 10038
Tel: (212) 771-6999
Fax: (212) 771-7390
E-Mail: NRMSIR@FTID.com

DPC Data Inc.
One Executive Drive
Fort Lee, New Jersey 07024
Tel: (201) 346-0701
Fax: (201) 947-0107
E-mail: nrmsir@dpcdata.com

Standard & Poor's Securities Evaluations, Inc.
55 Water St. - 45th Floor
New York, New York 10041
Tel: (212) 438-4595
Fax: (212) 438-3975
E-Mail: nrmsir_repository@sandp.com

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

"Official Statement" shall mean the final Official Statement for the Bonds dated May 26, 2005.

"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.

"Repository" shall mean each National Repository and each State Repository.

"Resolutions" 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
660 Woodward Avenue
Suite 1445
Detroit, Michigan 48226-3517
Tel: (313) 963-0420
Fax: (313) 963-0943

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, 2005, to each 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) If the Issuer is unable to provide to the Repositories 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.

(c) 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 of the occurrence of any of the following events with respect to the Bonds, if material, in accordance with the Rule:

(1) principal and interest payment delinquencies
(2) non-payment related defaults
(3) unscheduled draws on debt service reserves reflecting financial difficulties
(4) unscheduled draws on credit enhancements reflecting financial difficulties
(5) substitution of credit or liquidity providers, or their failure to perform
(6) adverse tax opinions or events affecting the tax-exempt status of the security
(7) modifications to rights of security holders
(8) bond calls
(9) defeasances
(10) release, substitution, or sale of property securing repayment of the securities
(11) rating changes

(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 under Section 5(a)(1), (8), (9), (10) or (11) above (only with respect to any change in any rating on the Bonds) will always be deemed 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 filed with the MSRB and with the State Repository together with a material 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. Termination of Reporting Obligation.

(a) The Issuer's obligations under this Agreement shall terminate upon the legal defeasance of the Resolutions 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. Dissemination Agent. 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:

(i) 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;

(ii) 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

(iii) 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 Resolutions 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.

L'ANSE CREUSE PUBLIC SCHOOLS
COUNTY OF MACOMB
STATE OF MICHIGAN

By:_______________________________
Its: Superintendent

Dated: June 23, 2005

APPENDIX A

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

Name of Issuer: L'Anse Creuse Public Schools, Macomb County, Michigan

Name of Bond Issue: 2005 School Building and Site Bonds (General Obligation - Unlimited Tax)

Date of Bonds: June 23, 2005

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 _____________.

L'ANSE CREUSE PUBLIC SCHOOLS
COUNTY OF MACOMB
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: L'Anse Creuse Public Schools, Macomb County, Michigan

Name of Bond Issue: 2005 School Building and Site Bonds (General Obligation - Unlimited Tax)

Date of Bonds: June 23, 2005

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

L'ANSE CREUSE PUBLIC SCHOOLS
COUNTY OF MACOMB
STATE OF MICHIGAN

By:________________________________
Its: Superintendent

Dated: _____________________

APPENDIX C

MATERIAL EVENT NOTICE COVER SHEET

This cover sheet and material event notice should be sent 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 material event notice relates: ______________________________

____

Number of pages of attached material event notice: ______________________________

Description of Material 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 or events affecting the tax-exempt status of the security
7. ______ Modifications to rights of securities holders
8. ______ Bond calls
9. ______ Defeasances
10. ______ Release, substitution, or sale of property securing repayment of the securities
11. ______ Rating changes
12. ______ Failure to provide annual financial information as required
13. ______ Other material 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 cover sheet may be faxed to the MSRB at (703) 683-1930. 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.

FINANCIAL SECURITY ASSURANCE®

MUNICIPAL BOND INSURANCE POLICY

ISSUER:

BONDS: $ in aggregate principal amount of

Policy No.: -N

Effective Date:

Premium: $

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

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

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless Financial Security shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the

United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to Financial Security which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

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

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

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

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

[Countersignature]

By ______________________

FINANCIAL SECURITY ASSURANCE INC.

By ______________________
Authorized Officer

A subsidiary of Financial Security Assurance Holdings Ltd.
350 Park Avenue, New York, N.Y. 10022-6022
(212) 826-0100

Form 500NY (5/90)